



# THE COMMUNITY INVESTOR





**WE ARE THE SOLUTIONS  
PROVIDER IN MORE THAN  
1,600 COMMUNITIES.**

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COVER: Linda Bridwell, Director of Water Quality and Environmental Compliance for Kentucky American Water, pictured in front of the new water treatment plant created as part of the Central Kentucky Water Supply Solution. The project was completed in 2010 and represented an investment of \$164 million to help resolve water supply issues facing the region.

# GETTING TO KNOW THE LARGEST PUBLICLY TRADED U.S. WATER AND WASTEWATER SERVICE PROVIDER



**The approximately 15 million people we serve in more than 30 U.S. states and parts of Canada depend on us for high-quality and reliable water and wastewater service. And we deliver.**

Water may be a basic need, but supplying quality water to homes and businesses around the clock is a complex process that requires treatment plants, miles of pipeline, experienced professionals and an unwavering commitment to exceptional service. From the source to your tap, we are committed to the responsible management of resources, using innovative technology to increase efficiency, and educating the public about wise water use so that together we may make a difference for future generations.

## LOCAL TO THE CORE

Each of our state subsidiaries is, at its core, a local water company. We live and work in the communities we serve and have a proud history of supporting schools, charities and organizations that benefit our neighbors.

In addition to these vital contributions, and working through local operating utilities, we invest in infrastructure to help ensure both water quality and adequate supply. In the past three years, we have invested more than \$2.5 billion in replacing aging treatment facilities and pipe with more efficient and innovative technologies that can help make better use of our precious resources.

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In fact, in 2010 alone, we invested approximately \$800 million in systems across the U.S. and Canada to help ensure high-quality and reliable service for our customers. These investments are critical. The U.S. Environmental Protection Agency's (EPA) infrastructure needs survey estimated that almost \$335 billion is needed in water infrastructure investments over the next 20 years. These investments are critical to help ensure public health and support the economic well being of cities and towns. With unparalleled expertise, resources and access to capital, we are ready to provide solutions to these infrastructure challenges by designing, updating and building systems that will meet evolving standards today and into the future.

# American Water provides two types of operations—regulated and market-based.

## HIGHEST STANDARDS

Our regulated operations serve approximately 90 percent of our customers. That means we follow environmental, health and safety rules set up by state, federal, environmental and public health regulators. Nationwide, we complete about one million water quality tests every year.

In addition to the water quality and environmental regulations we closely follow, we abide by rules established by each state's public utilities commission, including service level and cost of service regulations. The rates for service are established by the appropriate public utilities commission before going into effect. The public utilities commission will only approve service rates after an open public process and once they are convinced that the costs are necessary to provide safe and reliable service.

We wouldn't want it any other way. These regulations and processes are important because they define the standards that allow us to deliver high-quality service at a reasonable price.



**Customers are our number one priority, and surveys have shown they are consistently pleased with our service. In a January 2010 survey, more than 90 percent of customers across the country gave us a positive rating for our reliability.**

## SUCCESSFUL PARTNERSHIPS

Through our market-based operations, we provide solutions to a variety of challenges. We carefully consider the individual needs of every community, and work as a valuable partner to drive positive change. Where we manage systems owned by government entities, which are not generally regulated by public utilities commissions, our municipal partners share the same view. They are faced with aging infrastructure and increasing budget pressure and wondering how to pay for updates and maintenance. In our market-based operations, we often work with elected officials to form public-private partnerships with municipalities that make projects possible where they once may have been cost-prohibitive. This creates opportunities for savings, and municipalities may be able to use the funds they saved for other critical projects.

# OUR TRACK RECORD

We are the water solutions provider, and delivering value to the people, business partners and municipalities we serve is an *American Tradition* that dates back to 1886. We are known for our commitment to quality and service, and we look forward to continuing our proud traditions for years to come.

■ **Fillmore, California** – In 2009, we completed one of our largest design/build/operate projects—the \$42 million, zero-discharge Fillmore Water Recycling Plant. This public-private partnership project was delivered ahead of schedule and saved the City of Fillmore several million dollars through contract negotiations, value engineering, customization of site requirements, and speed of design and construction. The facility treats up to 2.4 million gallons of water daily, using today’s most precise and advanced treatment processes, including state-of-the-art technology that maximizes energy efficiency and helps to keep costs down.

■ **Lake Pleasant, Arizona** – In 2003, work began on the Lake Pleasant Water Treatment Plant, a comprehensive solution designed to address an urgent need for additional water supply for the citizens of Phoenix. When the design/build/operate project was completed in 2007, the City of Phoenix was able to realize a cost savings of approximately \$30 million through our public-private partnership. The plant is able to treat up to 80 million gallons per day (MGD) and was designed to ultimately be expanded to 320 MGD to address future needs of this growing region. In 2009, the project earned an Outstanding Achievement Award for Public-Private Partnerships from the U.S. Conference of Mayors. American Water professionals continue to operate the plant, helping to ensure responsible management of water resources.

■ **Alton, Illinois** – In 1993, the City of Alton was forced to rebuild their water treatment facility after their existing one was submerged in the “Great Flood” that occurred earlier in the year. When sludge disposal challenges emerged at the new plant location, we partnered with the local water utility, the Illinois Environmental Protection Agency and other organizations to develop an innovative, and ultimately award-winning, solution.

Silt was allowed to be discharged back into the Mississippi River and existing funds were redirected for use developing and building a comprehensive watershed improvement project along the Piasa Creek Tributary. The project continues to help reduce soil erosion, improve water quality, control storm runoff, preserve the scenic area, and restore fish and wildlife habitats. In 2002, the project received the Governor’s Pollution Prevention Award.



## LEADERSHIP IS AN AMERICAN TRADITION

We have a history of complying with strict federal regulations for treating and delivering clean, safe drinking water and consistently score among the highest of all water companies with regard to MCL and M/R compliance with our regulated businesses.

In 2006, we became the first water and wastewater services provider to participate in the Partnership for Safe Water, the EPA voluntary program that encourages water utilities to improve water quality through the optimization of operations. We have since won over 150 awards for superior water quality, including more than 60 five-year director’s awards.

In 2010, we achieved greater than a 99.9 percent compliance rate for meeting state and federal drinking water standards and 99.6 percent for compliance with wastewater requirements.

We are at the forefront of monitoring and controlling microbial, chemical and radiological contaminants, which is why we often achieve compliance with drinking water standards years before deadlines established by state or federal regulations. We are also privileged to work directly with the EPA to help in the development of national drinking water standards.



# THE VALUE OF WATER

**Value is sometimes difficult to quantify. Not in our case.**

Through our state subsidiaries, the investments we have made in water treatment and distribution have averaged approximately \$800 million in each of the last three years. While millions of people rely on water for basic needs such as drinking, showering, cleaning, cooking and fire protection, very few consider the complex and cost-intensive process behind filling a glass of water or flushing a toilet. Water is typically the least expensive utility service in the average American household—even though there is significant cost to bring water to the tap. In most communities we serve, the cost for high-quality and reliable water is pennies per gallon or less. That is an exceptional value for something so essential to life. By comparison, bottled water can be more than 250 times as expensive and often not subject to the same quality standards as tap water.

We are committed to providing quality service at an exceptional value.  
We care about water. It's what we do.®



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