

INFORMATION TECHNOLOGY

In the Information Technology (IT) section of our Division, we are keenly aware that we deal with two sets of customers: our internal staff and the rate-payers who are our ultimate customers. In 2007, we reorganized our IT group into its own section, headed by a new Assistant Commissioner. With this reorganization, we will have the capability to improve operations and to maximize the positive effects of the new technology investments we have made and continue to make.

As an example, we are in the process of implementing a new Customer Care and Billing (CC & B) system. We selected our preferred software vendor in 2007, after a careful review of all the available systems on the market. It's no accident that the word "care" comes before "billing" in this system name, since our focus is on providing ever-increasing customer responsiveness across a broad spectrum of service categories. This new billing system is expected to be on-line in 2009.

Additional customer service enhancements include better-informed customer service agents along with a web self-service application so that customers will be able to see their account status and pay bills on-line. There will also be additional customer self-serve features on our telephone system, so customers' needs can be met with shortened wait times.

The conversion to automatic meter reading (AMR) has now become a project within the Division, and we are gearing up to initiate this system in 2008. In 2007 proposals were received for program management services for the Division's Meter Automation and Replacement Program project. This new AMR technology will provide our customers with more accurate and timely readings, since AMR obtains meter readings using the latest radio and telephone technologies.

During 2007, the Division also finished construction of our new Technology and Security Center, located on the grounds of our Nottingham Water Treatment Plant. This building houses our IT staff and provides them with office space, a robust data center and facility monitoring. Designed and constructed to be environmentally sustainable and energy efficient, this impressive building incorporates skylights and a broad use of recycled materials.

KNOWLEDGE CAPTURE

We completed a pilot project in 2007 that focused on the vital task of capturing and disseminating knowledge that resides within the employees working at the Cleveland Division of Water. A consultant identified certain "subject matter experts" and then used specialized software to capture their unique knowledge.

After close observation of these experts at work in our Division, a script was developed so that the experts themselves could be recorded on video sharing all the needed information, in an easy-to-access format. We believe that this kind of knowledge collection and transference, by the people who actually maintain our water system, will be invaluable now and especially in the future.

Budget and Finance

The Division continued its financial viability in 2007. Revenue exceeded expenditures by approximately \$8 million. Our metered sales revenue increased \$12.8 million over 2006 due to a combination of a 2% increase in consumption and a water rate increase.

2007 was the first year of a new four-year water rate schedule that now includes a new customer service charge of \$7 per quarter. This customer service charge recovers the costs of meter reading, billing, remittance and other customer service activities and results in approximately \$12 million of fixed revenue per year. With the new water rate schedule that became effective January 1, 2007 we also attempted to help our lower income customers, by offering a new Water Affordability program that provides a 20% discount on water bills to qualifying customers.

As a result of previously escrowing or "pre-paying" \$12.4 million for debt service payments from the 2006 budget, our debt service coverage ratio at 2007 year end was 2.34 times, one of the highest in the last 10 years.

Delivery of supplies to outlying destinations has been implemented through better scheduling, an improvement that will save many employee hours every month and help our repair crews respond more effectively.



WE'RE PLANNING FOR THE FUTURE

In 2008, we will begin a warehouse improvement project that includes structural renovations to make these facilities more workable and energy efficient.

Also in 2007 CWD executed new water service and economic development agreements with eight of its suburban communities. The new water service agreements transfers ownership of the suburbs' water distribution mains to the Division, who will now be responsible for making the capital improvements on these systems. These eight suburbs are now able to participate in the Division's newly initiated Suburban Water Main Renewal Program that includes cleaning and lining or replacement of water mains based on need. CWD has allocated \$10 million annually of its capital budget for this program for the foreseeable future.

The new Economic Development (ED) agreements limit the tax abatements that can be used to lure businesses to or from Cleveland and also provide a tax sharing agreement between the City of Cleveland and suburb if a business relocates. These ED agreements are one example of a regional approach to attracting and retaining companies to the greater Cleveland area.

Many other suburbs are in various stages of this process and CWD plans to continue discussions with additional suburbs in the future to consider executing both of these agreements.



Plant Operations

During 2007, we continued our sustained concentration on water quality, making sure the quality of the water leaving CWD plants exceeds any regulations that we are required to meet. This on-going emphasis on water quality reinforces our esteemed status nationwide, as exemplified by certification (Phase III Directors Certification) for all four of our plants by the Partnership for Safe Water.

Last year we completed full automation of all 78 water filters, providing continuous quality monitoring on literally a second-by-second basis. This process used to be done hourly, so the potential improvement in quality control is clear.

We also upgraded the CWD work management system, resulting in new efficiencies to the way plant repairs are scheduled and implemented. In addition, by continuing to use predictive maintenance, monitoring machines through vibration and oil analysis, we are able to identify problems even before they occur.

Of course, worker safety is always the highest priority within the entire Division. We continually educate our management staff to raise their knowledge and awareness of safety issues, and this investment resulted in a significant decrease in the severity-rate of injuries across the Division during 2007.

Engineering

With more than 200 miles of large diameter concrete pipes in an aging system, there are many opportunities for a break or failure. In 2007, our Highland-Trebisky Project used advanced technology to identify potential weak spots in a three-mile section of concrete pipe and repaired or strengthened those areas. By applying a carbon-fiber lining inside the existing pipe, we were able to remediate the problem without tearing up the street.

This successful pilot program will be expanded to cover many more "hot spots" in our concrete pipe network, and help eliminate the cost and disruption associated with water main breaks that often make headlines.

We also completed more than \$385 million of our \$750 million Plant Enhancement Program, which is bringing all our plants up to a superior level of capability in terms of technology and performance.



WATER QUALITY IS OUR PRIORITY