

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