



Our
Quality
Journey

OUR QUALITY JOURNEY

Several years ago, Charleston Water System began a journey toward a vision for our future: To become, by 2012, an organization worthy of a SC Governor's Quality Award achieved through teamwork, customer focus, and performance excellence.

The SC Governor's Quality Award program is based on the national Malcolm Baldrige Criteria for Performance Excellence—the gold standard for organizational quality. Now, three years deep, we're happy to report that we have reached a major milestone. In October 2009, Charleston Water System earned the *Silver Achiever Award* from the SC Governor's Quality Forum. But our journey is not complete, and in a sense, it never will be. Continuous improvement is a never-ending cycle. With two years to go, we're working to earn the prestigious *Governor's Quality Award* itself—not for the sake of winning an award, but to improve our operations for the benefit of those we serve.

This report provides a look back at our 2009 journey, highlighting our financial performance—which has remained strong—significant infrastructure projects, and key results. For a more in-depth look at our 2009 operations, refer to our Comprehensive Annual Financial Report (CAFR), which is available on our web site at www.charlestonwater.com.



Charleston Water System CEO Kin Hill (right) accepts the Silver Achiever Award from State Senator Vincent Sheheen at the SC Quality Forum's annual conference on October 21, 2009.

The Silver Achiever Award recognizes organizations that have made significant progress toward implementing the national Malcolm Baldrige Criteria for Performance Excellence. The SC Governor's Quality Forum is a volunteer effort to promote quality in South Carolina.



Board of Commissioners

Thomas Pritchard, Chairman; David E. Rivers, Vice Chairman; William E. Koopman, Jr, Commissioner; Louis Waring, Charleston City Council; Joseph P. Riley, Jr., Mayor, City of Charleston



Officers

Andy Fairey, Chief Operating Officer; Dorothy Harrison, Chief Administrative Officer; Kin Hill, P.E., Chief Executive Officer; Mark Cline, P.E., Capital Projects Officer; Wesley Ropp, CMA, Chief Financial Officer

CAPITAL IMPROVEMENTS

Investing in our infrastructure is a top priority. Capital improvements are necessary to meet growth and capacity demands, comply with new environmental regulations, and replace aging infrastructure.

Our Capital Improvements Program consists of 79 priority water and wastewater infrastructure projects funded by proceeds from 2006 revenue bonds and cash reserves. The projects were indentified through master planning studies that determined infrastructure needs based on projected population growth, current and future regulatory requirements, and the age, condition, and maintenance needs of existing infrastructure.



Project: Phase 1 Electrical System and Blower Building

Cost: \$15 million

Status: Complete

This new building at the Plum Island Wastewater Treatment Plant houses four large blowers, which generate air that's pumped into the plant's nine aeration basins. The air bubbles help support microorganisms that digest pollutants in the wastewater.



Project: Peninsula Trunk Main Improvements, Phase 1A

Cost: \$18.3 million

Status: Complete

This 4-foot diameter transmission main—the largest in our system—carries water south from the treatment plant to Lincoln Avenue in North Charleston where it connects to existing transmission mains. Future phases will extend the main to the Charleston peninsula.

This completed first phase enhances service reliability by eliminating a single point of failure and allows us to more efficiently serve North Charleston, the East Cooper areas, downtown Charleston, James Island, and West Ashley.



Project: Elevated Water Storage Tank

Cost: \$6 million

Status: Complete

This 1.5 million-gallon elevated storage tank at the Hanahan Water Treatment Plant stores water that's used for cleaning the filter basins. It also serves as a backup water supply to maintain system pressure leaving the plant in case of sudden loss of power to the main pumps.

2006 CAPITAL IMPROVEMENTS PROGRAM

Financing - Bond Proceeds			
	Water	Sewer	Total
Total 2006 bond proceeds & interest earnings	\$79.9 million	\$91.6 million	\$171.5 million
Total costs to-date	\$79.7 million	\$71.1 million	\$150.8 million
Cash supplement allocated for projects	\$26.2 million	\$25 million	\$51.2 million

DRINKING WATER

Our water and wastewater services protect public health and the environment—and support our economy and quality of life. Charleston Water System provides clean drinking water to more than 400,000 customers in the Lowcountry.

In addition to our 106,000 retail water accounts, we also provide wholesale water service to ten neighboring utilities and municipalities. Water from the Bushy Park Reservoir and Edisto River is treated at our Hanahan Water Treatment Plant to produce an average of 60 million gallons of clean drinking water per day, which is delivered to our customers through 1,700 miles of water mains.

100% committed

From our membership in the Partnership for Safe Water program to successful efforts to reduce disinfection by products levels well below regulatory limits, we are committed to providing the highest quality drinking water.



Our quality water

In December 2009, the Environmental Working Group released a national drinking water database, along with a ranking of the nation's best water utilities based on water quality testing. Charleston Water System was number four on that list.

Fire protection

The design of our water distribution system—and our 8,300 fire hydrants—provide the 14 fire departments in our service area with access to enough water at adequate pressures to fight fires. Our infrastructure is engineered for peak water demand and fire protection requirements.

Community Service

Educating our community about drinking water and how to protect our water resources is an important part of our mission. In 2009, our Speakers Bureau outreach program participated in 50 events ranging from community festivals to classroom visits and neighborhood association meetings.



Meter Operations Manager Chris Hendricks talks with customers about fixing toilet leaks during the 2009 Earth Day Festival.

WASTEWATER

Charleston Water System provides wastewater service to more than 180,000 customers, primarily within the City of Charleston. Wastewater from homes and businesses travels through our wastewater collection system, which consists of some 700 miles of pipe and 180 pump stations, to our Plum Island Wastewater Treatment Plant. The plant treats an average of 20 million gallons of wastewater a day and releases clean water that exceeds all state and federal standards into the Charleston Harbor.



Award-winning operations

Preventing groundwater and rainwater from entering our wastewater collection system is key to controlling operating costs and preserving pipeline capacity. Our systematic approach to finding and eliminating sources of infiltration and inflow resulted in a 79% reduction of extraneous flow. The success of this effort was recognized with a *2009 National Environmental Achievement Award* from the National Association of Clean Water Agencies (NACWA).

ISO 14001 certified



Our environmental management system helps us identify and manage any environmental impacts associated with our operations. We systematically evaluate our environmental impacts and establish control measures, such as standard operating procedures, or improvement programs.

Experienced, dedicated staff

Our 450 associates are committed to our mission. In 2009, six associates received the Water Environment Association of SC's *Quarter Century Operator Awards* for their 25 years of service to the industry. Congratulations to Richard Bohannon, Ricky Cuttino, Jerry Roper, John Cockrum, Clifford Williams, Nathaniel Simmons, and Kan Oberoi (not pictured).



OUR MISSION is to protect public health and enhance the environment of our service community by providing clean water services of exceptional quality and value.

OUR VISION is to become, by 2012, an organization worthy of a SC Governor's Quality Award achieved through teamwork, customer focus, and performance excellence.

2009 FINANCIALS

Despite the difficult economic climate of 2009, Charleston Water System's financial position remains strong. The Financial Position Statement, known in accounting terms as the Balance Sheet, is designed to provide a picture of Charleston Water's financial position as of December 31, 2009. The financial information shown here is summary in nature, and therefore not presented in accordance with generally accepted accounting principles (GAAP). To review GAAP basis reports, please refer to our 2009 Comprehensive Annual Financial Report, available at www.charlestonwater.com/financial_reports.htm or by calling (843) 727-6916.

Summary of Assets & Liabilities

Assets	2009	2008
Current assets	\$175,493,897	\$171,586,602
Restricted assets	59,871,348	111,835,404
Capital assets	890,908,930	838,838,905
Other assets	3,964,765	4,292,228
Total Assets	\$1,130,238,940	\$1,126,553,139
Liabilities		
Current liabilities	\$13,566,478	\$16,796,606
Liabilities payable from restricted assets	19,877,061	20,150,310
Non-current liabilities	466,644,978	479,891,428
Total Liabilities	\$500,088,517	\$516,838,344
Net Worth	\$630,150,423	\$609,714,795

Key Performance Indicator

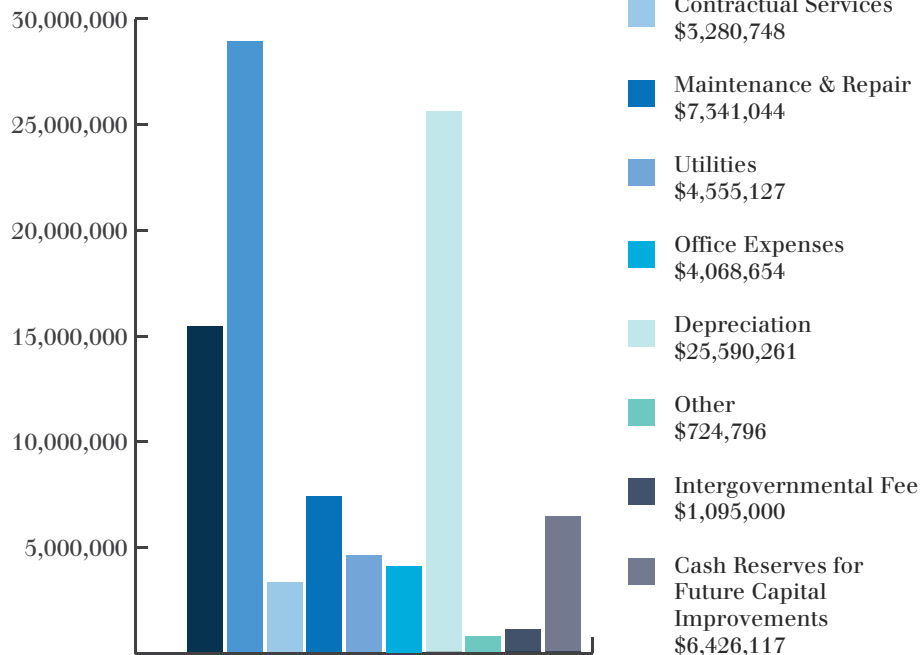
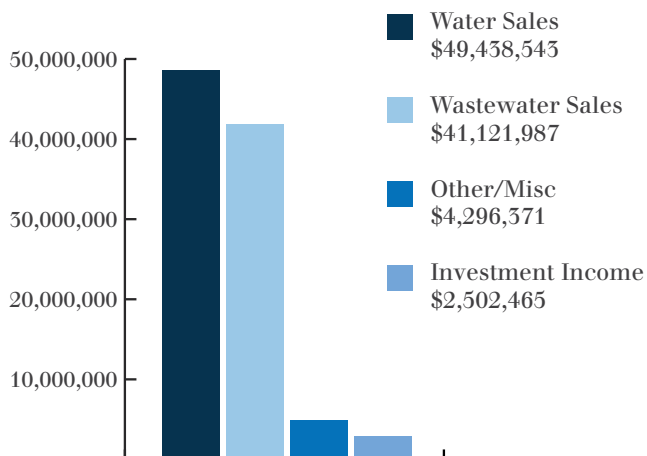
	2009 Target	2009 Actual
Debt Ratio - (Earnings Test) <i>A ratio of annual net earnings to annual debt payments.</i>	149%	166%

Expenses & Cash Reserves

Total Expenses \$97,359,366

Revenues

Total Revenues \$97,359,366







Founded in 1917, Charleston Water System, officially known as Commissioners of Public Works of the City of Charleston, is a public water and wastewater utility serving the Greater Charleston area. We are governed by an elected Board of Commissioners, and our operations are funded by revenue from water and wastewater rates and fees, bonds, and investment income.

Charleston Water System
Commissioners of Public Works of the City of Charleston, SC
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