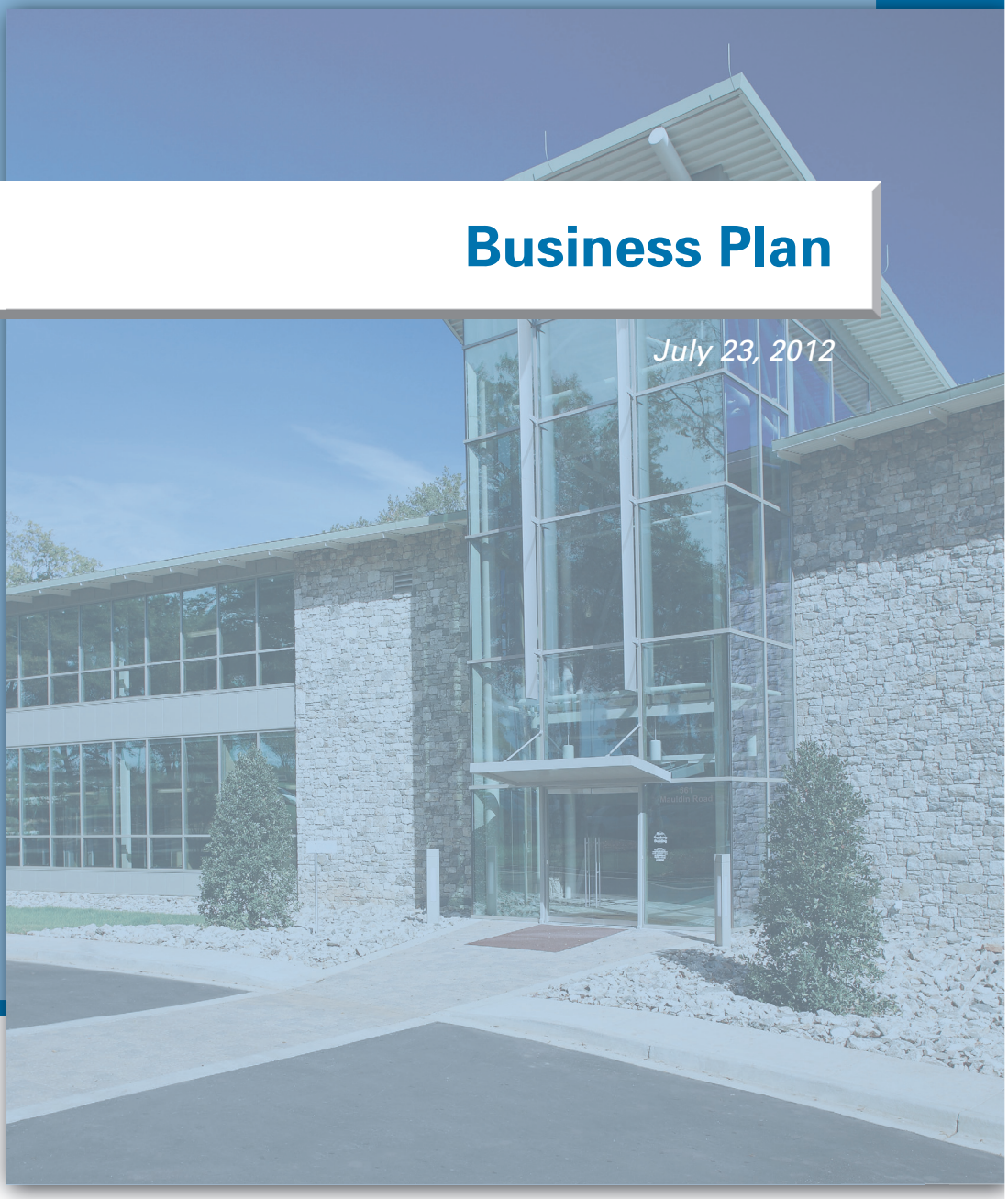
Business Plan

July 23, 2012



ReWa®

renewable water resources

Organizational Overview

Renewable Water Resources ("the Agency") is a special purpose district and political subdivision of the State of South Carolina originally created under the name of the "Greater Greenville Sewer District" by Act No. 362 of the Acts of the General Assembly of the State of South Carolina in 1925. As originally constituted, Act No. 362 provided for the Greater Greenville Sewer District to be governed by a commission known as the "Greater Greenville Sewer District Commission." In 1926, by Act No. 784, the Commission of the Greater Greenville Sewer District was empowered "to establish, extend, enlarge, maintain, conduct and operate sewer systems, sewer lines and sewer mains; to make any and all regulations which they consider necessary to effectuate this Act; and generally to do all things necessary to create and maintain a sewerage system in the District." In 1967 by Act No. 745, the General Assembly of South Carolina vested in the then Greater Greenville Sewer District the function of operating the trunk sewer and treatment facilities of each subdistrict. However, actual ownership of these facilities remained with the various political units until 1969 when the General Assembly enacted Act No. 688. This authorized the acquisition by the Agency of the trunk sewer lines and treatment facilities owned by the included subdistricts in return for the assumption by the Agency of certain indebtedness. Since 1969, each subdistrict has continued to be responsible for the construction, operation and maintenance of the sewer lateral or collector lines in its respective service area. The name Greater Greenville Sewer District was changed to Western Carolina Regional Sewer Authority by Act No. 393 of 1974, and changed to Renewable Water Resources by Act No. 102 of 2009. Act No. 311 of 2010 authorizes the Agency to use and market a variety of wastewater treatment by-products including, but not limited to, the ability to provide retail services related to renewed water, wastewater or storm water, as well as the authority to generate and sell energy obtained through alternate sources. Further, Act No. 311 grants the Commission authority to set rates and prices related to the generation of products derived from its water and energy resources. At present, the Agency is researching strategies for the implementation of the authorizations of Act No. 311.

The System

The Agency is the largest wastewater treatment provider in the region, serving much of Greenville County and portions of Anderson, Laurens, Pickens and Spartanburg Counties, which are commonly referred to as the Upstate. The Saluda River, Reedy River and the Enoree River basins are the three major drainage basins in the Agency's service area. Wastewater within the region is collected from 17 subdistricts that construct and maintain 1,800 miles of sewer collection lines. These collection lines connect into the Agency's 360-mile interceptor system. The Agency owns and operates nine wastewater treatment plants ("WWTP") which treat an average flow of 39.6 million gallons per day. Since 2005, seven of the nine treatment plants have gone through upgrades or modifications.

Mission

The Agency is dedicated to enhancing the quality of life in its service area by providing high quality wastewater treatment services. The mission of the organization is to protect the public health and water quality of the Upstate waterways while providing the necessary infrastructure to support the local economy.

Governance

The Agency is governed by the Board of Commissioners ("the Commission") which comprises nine members. The members of the Commission are appointed by the Governor upon the recommendation of the legislative delegation representing any portion of a county from which the member must be appointed. One of the members is required to be from Anderson County, one member is required to be from Laurens County and the remaining seven members are required to be from Greenville County.

Rates of the Agency

The Agency is empowered by its enabling legislation to set its rates without approval of any other governmental entity. In order to operate the System, meet growth expectations and increasingly restrictive regulatory changes, the Agency conducts a rate study every five years to determine the appropriate sewer user charges. The most recently concluded study recommended, and the Commission has implemented, annual rate increases slightly over 4% from 2011 through 2015. The Commission adopted the rate study on December 6, 2010 and the rate increases became effective on March 1 of each respective year.

The sewer user charge has provided sufficient funds to meet financial obligations including operating expenses, debt service and capital expenditures.

The Agency's sewer user charge has two components. The first component is a base charge designed to recover certain fixed costs of operations including administrative costs and sewer line maintenance. This fixed charge is assessed on a per account basis, regardless of the type of customer served or the amount of wastewater discharged.

The Agency's second user charge component is a volume charge designed to recover all costs not recovered through the fixed charge. The volume charge is expressed as a charge per thousand gallons of estimated wastewater discharge.

Volume charges for residential and commercial customers are based upon the water consumption of the customer. Industrial customers are primarily billed on their metered effluent.

The Agency maintains an adjustment policy for residential customers. This policy, known as the Six Month Savings Program, seeks to lessen the impact of higher summer water consumption on residential customers' sewer bills. Under the program, a residential customer's billed sewer usage during the two summer quarters is the lower of either (a) actual water consumption or (b)

the average of the two previous winter quarters water consumption. The volume charge is then applied to this adjusted consumption.

Commercial customers whose sewer usage is based upon water consumption are not eligible for the Six Month Savings Program, but pay volume charges which are discounted 5% (an allowance for water consumed but not discharged into the System).

The Agency separately monitors and tests the effluent of industrial users to determine the volume and content of the wastewater they discharge into the System. Industrial customers who discharge wastewater with biological oxygen demand ("BOD") and total suspended solids ("TSS") in excess of established maximum levels are charged in accordance with a formula based on the BOD and content of their effluent. The Agency currently charges, based on discharge samples, $0.275 per pound of BOD and TSS.

The Agency also charges an unused capacity fee for industrial customers. Historically, industrial customers of the Agency have been allotted permitted capacity for which there was no charge other than actual wastewater treatment flow to the System. This fee requires industry to pay $1.56 per 1,000 gallons per capacity allotted but not used.

There are various other fees charged by the Agency such as, Hauled Waste, Laboratory Analysis and Testing, Pretreatment Program fees, Engineering Review fees, Research fees, etc.

In addition to the foregoing rates and charges, the Agency approved the implementation of the New Account Fee ("NAF") in March 1995. This fee is based on the size of the water meter installed, and is a one-time fee for new construction. The NAF is also charged to customers converting to the System from septic tanks. The current NAF ranges from $2,500 for a 5/8" residential meter to $400,000 for an 8" industrial meter. The NAF generated revenues of 2011 - $2,375,000 in the fiscal year 2010. The revenues derived from the NAF are to be used to offset the cost of the capacity components of the capital improvement plan.

Billing and Collection Practices

The Agency has entered into agreements with seven local water utilities which have common customers to provide billing and collection functions. As part of the agreements, the Agency pays each water utility a fee per bill and in exchange the water utility has agreed to terminate water service to customers whose wastewater treatment bills are not timely paid. Total billing expense to the Agency in fiscal year 2011 totaled approximately $1.6 million. The agreements are subject to adjustment annually based upon the Municipal Cost Index and experience.

Industrial accounts and accounts which, because of the nature of their water supply or other circumstances, cannot accurately or fairly be billed based on water usage, are billed directly by the Agency or its billing agent.

At present, the Agency derives the principal portion of its revenue from the wastewater treatment charges for service rendered to approximately 121,374 residential and commercial accounts. In the fiscal year ended June 30, 2011, approximately 85.8% of the Agency's wastewater

revenues were collected from residential and commercial accounts and 9.7% of such revenues were collected from industrial accounts.

The following is a listing of the ten largest industrial accounts and their billing percentage as compared to the total wastewater treatment revenues for fiscal year 2011.

Industry	**Revenue**	**Percentage of total operating revenues**
Columbia Farms – Mauldin & Pelham		
Poultry processing	$ 1,491,430	2.14%
Furman University		
Higher education	282,602	0.41
Cytec Carbon Fibers LLC		
Carbon fiber manufacturing	281,188	0.40
Cryovac Sealed Air Corporation		
Food wrapping	270,065	0.39
Cliffstar LLC		
Juice manufacturer	253,347	0.36
Michelin North America US1		
Tire manufacturer	248,151	0.36
Aurora Textile Finishing		
Textile fabrics	230,028	0.33
Cognis Corporation		
Organic chemical producer	229,534	0.33
3M Company		
File and tape manufacturer	208,860	0.30
Safety Components Fabric Technology		
High performance fabrics	188,230	0.27
TOTAL	$ 3,683,435	

Budgetary Procedures

The Commission annually adopts an operating and capital budget prior to the new fiscal year. The budget is prepared on a cash basis, as required by the State of South Carolina and on an accrual basis for internal purposes. The budget provides the basis for reporting, which management uses to monitor and control the Agency's spending. Management receives budget to actual reports monthly and is responsible for providing variance explanations to the Accounting Department.

The budget is approved by the Commission after a public hearing and upon recommendation of the Executive Director. The approved budget will remain in effect for the entire fiscal year and can only be revised with a public hearing and Commission approval.

Human Resources

The Agency of two hundred and three employees is led by an Executive Director and five Divisional Directors, one for each of the agency's divisions of Administrative Finance, Human Resources, Information Systems, Operations, and Technical Services. The Administrative Finance Division is comprised of the Accounting, Customer Service and Public Relations and Purchasing Departments. Human Resources Division consist of Payroll, Benefits, Personnel and Training, and Safety and Security Departments. The Information Systems Division is comprised of GIS, Information Systems, and Instrumentation Departments. Operations Division consists of Collection Systems, Maintenance Shop, Plant Operations, and Solids Management Departments. The Technical Services Division is comprised of Engineering, Industrial Pretreatment, and Laboratory Departments.

The Agency is dedicated to enhancing the quality of life in our service area by providing highly trained and motivated individuals to plan, construct, operate, maintain, and administer high quality wastewater treatment service. ReWa acknowledges and recognizes that our employees are our most valuable asset therefore we provide assistance in their career development to enhance their growth within the organization. We are committed to provide our employees a safe and secure work environment with equal opportunity for learning and personal growth. Creativity and innovation are encouraged for improving the effectiveness of ReWa. Above all, our employees are provided the same concern, respect, and caring attitude within the organization that they are expected to share externally with every ReWa customer.

Our Personnel Plan reflects our commitment to offer employment that is not only meaningful, but compensates our employees fairly for their time, energy, and devotion to caring for the environment. Our commitment to fair living wages is evident in our personnel plan and to ensure the best possible care for our environment. All full-time positions include full health benefits, sick leave, annual leave, and other competitive benefits.

Additionally, the Agency provides further value to our employees by ensuring that all employees are properly trained in all necessary areas of performance. The Agency has three training initiatives in which employees were provided additional training: (1) The Ten Attributes of an Effectively Managed Utility, (2) the Balanced Scorecard, and (3) Project Management. To continue to provide the highest quality of care for our environment and to continue to provide the highest quality of care for our employees, ReWa has assessed our future compensation and staffing levels and will maintain appropriate staffing levels to achieve our goals for the twenty year strategic plan.

Regional Economy

Greenville County is strategically located on the I-85 corridor between Atlanta and Charlotte. Greenville has become an established coordination center for east coast transportation as the County is almost an equal distance between New York and Miami. Likewise, the Port of Charleston is just 200 miles to the southeast, explaining why 60% of the goods shipped from one of the Southeast's largest container ports were produced in the Upstate. The City of Greenville is

centrally located within Greenville County and is the fourth largest in the state. Additionally, Greenville is in the center of the largest Metropolitan Statistical Area in South Carolina.

As of August 2011, Greenville County's unemployment rate, not seasonally adjusted, was 9.0% down from 9.5% for the same period in 2010, an indicator that Greenville's economy continues to improve. Once again, *fDi Magazine* has named Greenville the **Number 1 Micro-City of the Future 2011/2012** in North America based on the following criteria: economic potential, cost effectiveness, human resources, quality of life, infrastructure and *fDi* promotion strategy. Additionally, Greenville ranked number five in *Business Week's* "America's Most Fun, Affordable Cities", one of "In Pictures: The 15 Best Cities for Young Adults" by *Forbes* and one of eighteen "Best Places to Live 2011 – Think Small Live Big" by *Men's Journal*. Furthermore, Greenville was named one of the "Top 10 Places to Live for 2011" by *Relocate America* which ranked cities on factors such as real estate and housing, economic health, recreation, and safety. Greenville's unemployment rate continues to be significantly lower than the overall South Carolina rate of 10.9%, which can be attributed to Greenville's economic development strategy.

Greenville is committed to strategic planning and development and is regarded as an innovative and entrepreneurial leader in South Carolina. Companies continue to be attracted to Greenville's pro-business attitude, location and workforce quality. In fact, Greenville has earned the reputation as one of the top metropolitan areas in the world for engineering talent per capita. Greenville is known to have a progressive local government which has formed partnerships with companies and universities to promote economic development. One of the most prominent partnerships is Clemson University's International Center of Automotive Research ("CU-ICAR"), the result of a joint effort between BMW, Michelin North America, the City of Greenville, the State of South Carolina and others. The 250-acre advanced-technology campus, located within the city limits of Greenville, was designed to bridge the gaps between research, technology and commercial application. CU-ICAR is composed of five technology neighborhoods, each designed uniquely for optimizing an innovative and collaborative environment. Additionally, the South Carolina Technology and Aviation Center ("SCTAC"), which is jointly owned by the City of Greenville and Greenville County, boasts tenants such as 3M, Lockheed Martin Aeronautics, IBM and Michelin. CU-ICAR and SCTAC recently partnered to develop next-generation (i.e. electric or biofuel powered) transportation systems.

Greenville is home to more than 120 Fortune 500 Companies and has more foreign investment per capita than any other region in the United States. During fiscal year 2011, the Greenville Area Development Corporation announced 12 expansions and/or relocations representing an estimated investment greater than $85.6 million and creating nearly 1,600 jobs.

Major Initiatives

The Agency has recently embraced the strategies set forth in the Effective Utility Management Primer (The "Primer"). The Primer is the product of a partnership between the Environmental Protection Agency ("EPA") and six major water and wastewater associations to collaboratively develop strategies for excellence in utility management. The Primer is designed to aid water and wastewater utility managers as they face many similar challenges including rising costs, aging infrastructure and increasingly stringent regulations. Effective utility management can help utilities enhance the stewardship of their infrastructure, improve performance in many critical areas and respond to current and future challenges. The Primer identifies ten attributes of effectively

managed utilities and five keys to management success. When used together, these attributes can guide a utility to success for the benefit of the environment and its community. The Agency is in the process of integrating these attributes and keys, as well as the Balanced Scorecard, throughout the organization.

20 Year Strategic Plan

As a wastewater public utility in a growing metropolitan area, ReWa convened a volunteer collaboration to strategize an effective and environmentally sound direction for the organization to pursue long-term. The collaboration was named Upstate Roundtable and given the goal of aligning the regional wastewater system capacity and infrastructure with projected growth of Upstate South Carolina, while promoting environmental sustainability. Initially developed in 1994 and reconvened in 2008, the strategic planning group brought together over 60 community, governmental, and industry leaders to devise a 20-year plan guiding the future of ReWa. The series of recommendations developed by the Upstate Roundtable addressed the areas served by ReWa in the five Upstate counties of Anderson, Greenville, Laurens, Pickens, and Spartanburg.

The planning took a regional approach. Since the principles of wastewater collection, treatment and reuse depend on a watershed more than political boundaries, this effort considered the needs of the three river basins in the Upstate, namely the Saluda, Reedy, and Enoree Rivers. As a result, Anderson, Greenville, Laurens, Pickens, and Spartanburg Counties were part of the plan. Capacity, products, sustainability, and funding were the major concepts emerging from the planning effort. Capacity addresses what, where, and when wastewater collection and treatment facilities are needed. The product concept focuses on the outcomes or results of collecting and treating wastewater. These outcomes or results have a value to the community and can reduce the net cost of producing renewed water. Sustainability addresses ways that ReWa can provide its services while minimizing unnecessary consumption of resources and promoting stewardship of water, land, energy, and regional cooperation for the Upstate's next generation. Multiple sources of funding will need to be developed as no one or two resources can provide the financing for all the recommendations.

Assessing current and needed future facilities was an important part of the planning process. It involved projecting Upstate growth followed by quantifying the amount and location of wastewater resulting from such growth. The first step was accomplished by assembling Upstate professionals experienced with planning and regional growth to project the areas and timing of development likely to occur during the 20-year planning period. These professionals identified factors influencing growth, such as roads, schools, land use, water, and sewers. It then used the collective experience of the committee members and their knowledge of those factors to project where growth would occur and during what time. The county councils will ultimately determine the growth patterns. It is obviously more difficult and expensive to provide wastewater services to a population that is widely dispersed across a region. Development of infill areas that already have sewer service will be more cost effective.

ReWa engaged consulting firms to prepare river basin planning reports for the three rivers. These reports considered projected growth, demographics, topography, existing trunk sewer, pump station, and treatment plant facilities to project the origin and quantities of wastewater

expected in the future. They also proposed a future alignment of new and relief trunk sewers and plant capacity expansions to serve ReWa's needs through 2030.

Unlike the 1994 projections that called for major plant expansions early in the planning period, this plan projects a larger need for additional capacity late in the period. Technology upgrades for the existing plants to address potential changes in water quality standards and new and relief trunk sewers will require about as much capital resources for the first five to ten years as will capacity increases for the treatment plants. Identifying products and developing a variety of reuse programs for them was a key focus of the overall recommendation strategy. Examples of reuse opportunities include: a. developing cooperative efforts for conveying and distributing the renewed or clean water from treatment plants to the community via purple pipe systems, the separate special colored pipes for water reuse; b. evaluating the usability of methane gas generated from biosolids production and landfill decomposition; c. improving the existing agricultural reuse of biosolids as a fertilizer and soil amendment; and d. researching the potential for power generation through low head hydroelectric generation with treatment plant effluent.

Recommendations related to sustainability range from supporting efforts to plan and coordinate growth on a regional basis to specifics such as encouraging businesses to perform water audits in their production processes. Other initiatives include monitoring and reducing ReWa's carbon footprint, establishing a formal sustainability program at ReWa, utilizing ReWa's carbon footprint, utilizing the principles of LEED design with new projects, cooperation with regional water and wastewater utilities in building and maintaining infrastructure, product reuse, performing sustainability opportunity analyses on new projects, and developing policies defining how wastewater services will be fostered for areas without service providers.

Financing the anticipated trunk sewers, plant expansions and technology upgrades, and the needed rehabilitation of local collector sewers will have to be allocated in a planned, rather than a uniform, rate over the 20-year period. State revolving loans, economic stimulus funding, product reuse, energy, and related carbon credit sales, federal grants, shared development costs, and future funding opportunities will be needed to achieve these bold recommendations.

Upstate Roundtable Objectives

The Upstate Roundtable established five major objectives as part of the original Upstate Roundtable in 1994. These objectives are as relevant today as they were in 1994 and remain as the major objectives.

1. To conduct an inventory of current assets, including projects which are in the active planning stages, and to assess those factors which impact the full utilization of those assets. This inventory will consist of roads, water, sewer, electrical, gas, and telephone services.

2. To provide a coordinated forecast of wastewater collection and treatment infrastructure needs over the next 20 years and develop a plan for meeting these needs efficiently and economically.

3. To identify the resources - human, physical, and financial that will be required to implement the long-range plan.

4. To educate the community on the necessity for implementing the long-range plan and to promote and encourage active cooperation among all essential entities, both governmental and private.

5. To focus special efforts on planning for the construction of regional wastewater collection and treatment facilities in the Saluda, Reedy, and Enoree River Basins.

Upstate Roundtable Policy Recommendations

Policy recommendations for the efficient and orderly provision of clean water services within the Renewable Water Resources Service Area:

A. The service area of ReWa should be expanded to include the Enoree, Reedy, and Saluda River watersheds, in portions of Pickens, Greenville, Spartanburg, Anderson, and Laurens Counties.

ReWa has been in discussions with representatives of Pickens and Anderson Counties regarding the possible expansion of ReWa responsibilities in those areas. This has been primarily directed at the transfer of sewer infrastructure to ReWa from Counties and would expand ReWa's responsibilities in the "retail" arena. Discussions have been directed at the physical condition assessment of the infrastructure, as well as the potential funding mechanisms.

Discussions are also underway with several parties regarding the expansion of sewer service in the Abner Creek basin in Spartanburg County. A large industrial source in that area has been evaluating its long-term options for wastewater treatment. ReWa has advocated for a long-term solution which would provide gravity sewer service to this basin.

Talks have also been occurring with representatives of North Greenville University about providing service to that area of Greenville County.

ReWa has evaluated several alternatives which were aimed at reducing the utilities energy consumption and that are more sustainable. ReWa has been the recipient of two grants to implement sustainable practices, SC Office of Energy grant for the Combined Heat and Power project at Mauldin Road WWTP and Water and Sewer Energy Efficiency grant for replacing older electrical equipment and lighting.

B. The findings of the Combined Growth Committee are recognized as the probable development pattern for projecting upstate growth and wastewater flows in 2015, 2020, 2025, and 2030.

Based on the projected growth expectations through 2030, the Upstate Roundtable Plan identified $260 million of the $809.7 million capital plan that would be needed for new capacity. In fiscal year 2011, a rate study was performed by Utility Advisors Network to

determine the rate structure needed to complete the $809.7 million capital plan. The Agency anticipates funding 50% of the capital plan with internal reserves and the remaining 50% with debt.

The three river basin master plans have been completed and are being implemented. ReWa has begun construction of the Piedmont Regional WWTP in Anderson County that will serve both Anderson and Greenville Counties. The new Piedmont Regional Plant was designed for 4 MGD initially with the ability to easily expand that facility as growth occurs. This plant will replace ReWa's current Piedmont and Grove Creek WWTPs, as well as Anderson County's Pelzer and West Pelzer WWTPs.

Due to the recent economic conditions, the projected flows have not developed as anticipated. ReWa continues to closely monitor growth and development within its service area. ReWa has continued its extensive rehabilitation and repair program for the collection system and is currently implementing a major capital program in the Brushy Creek basin. The Richland Creek basin is being evaluated for any necessary rehabilitation and/or repair needs.

The capital projects outlined in the basin plans are being included in the CapEx budget as appropriate. Some of the anticipated projects from these basin plans have been delayed until the growth and development returns to the levels used as the basis of the basin plans.

C. ReWa should evaluate and prioritize efforts and expenditures aimed at minimizing rainwater from entering or wastewater leaving the sewer system.

ReWa continues to work with local satellite collection systems to minimize inflow and infiltration ("I&I"). The I&I work performed by ReWa and the local satellite collections systems over the last 5 years has reduced I&I by 12.2 million gallons assuming a 1.5" rain event.

These efforts have also resulted in the South Carolina Department of Health and Environmental Control ("SCDHEC") reducing the Unit Contributory Loading factors at the majority of the ReWa facilities, thus making available an additional 14 MGD of treatment capacity without the necessity of building additional tankage.

Further, by reducing the I&I from wet weather events, the number of Sanitary Sewer Overflows has also decreased.

ReWa has worked closely with the MS4 stormwater permittee's, The City of Greenville and Greenville County, to ensure a coordinated and collaborative approach is undertaken in the development and implementation of the Reedy River Total Maximum Daily Load ("TMDL").

ReWa has begun the process of establishing an Asset Management program which will assist the utility with planning and predicting infrastructure service lives and maintenance needs and schedules.

D. ReWa should develop partnerships with other Upstate planning agencies and organizations in the development and drafting of recommendations for long-term planning of roads, schools, utilities, parks, and other infrastructure improvements.

ReWa continues to work closely with the Greenville Area Development Corporation as they work to bring new industrial and commercial development to the Greenville area by attending meetings with prospective clients and providing information as to sewer availability.

ReWa, as an example, worked closely with City of Greenville and Greenville County Planning staff regarding their plans for improvements in the Berea area.

ReWa serves as an active member on the Appalachian Council of Government's EDIS Partnership. As a contributing EDIS Partnership member, we share the challenge of supporting the development work program to provide cutting edge tools for economic development. New GIS tools and databases added to the decision support arsenal enable us to serve a wider audience and provide timely information to support economic growth.

ReWa was worked closely with the Greenville Parks and Recreation District ("GCRD") in their efforts to expand the Swamp Rabbit Trail and the Reedy River Paddling Trail. ReWa has also held discussions with Anderson County representatives regarding opportunities for parks/trails in conjunction with the construction of the new Piedmont Regional WWTP.

E. ReWa should establish a formal sustainability program to promote and achieve specific sustainability goals.

As acknowledged by the name change, the Agency continues to strive to promote sustainability as a matter of doing our business. Through the reclaimed water and combined heat and power projects, certification of the biosolids program, exploration of expanded biosolids re-use options, negotiations of the TMDLs and permit requirements, and the replacement of electrical motors and lighting with more energy efficient devices, the Agency is continually investing in sustainable practices.

Additionally, the Pretreatment Department has developed a sustainability recognition program for ReWa's industrial customers, which will annually recognize the industrial customer(s) who have exhibited progress with sustainability at their facilities.

In 2010, ReWa's Administration Building received the silver level of LEED Certification from the U.S. Green Building Council.

ReWa continues to maintain the Wildlife and Industry Together program at our certified locations: Durbin, Gilder and Mauldin Road WWTPs. This program encourages the protection of wildlife habitat and supports wildlife propagation through land management practices including buffer zones and animal food plot cultivation. With the addition of the Swamp Rabbit Trail through ReWa's property, more focus has been given to the Mauldin

Road campus to improve the aesthetics, as well as provide the nature enthusiast an opportunity to experience more wildlife encounters.

The annual River Sweep, endorsed and supported by the South Carolina Department of Natural Resources and the South Carolina Sea Grant Consortium, includes ReWa volunteers and Boy Scout Troop 521. This effort removes two to three tons of debris each year from approximately 1.5 miles of the Reedy River and Brushy Creek that flow through the Mauldin Road property.

F. ReWa will develop a 10-year plan for its clean water, energy, and biosolids products.

Work is currently underway with the development of a Reclaimed Water Master Plan. This plan will serve to direct the development and implementation of "purple pipe" systems in the areas of the Mauldin, Pelham and Durbin WWTPs. Contacts have been initiated with farms in the area of the Piedmont Regional facility to ascertain their interest in using reclaimed water for irrigation. These opportunities will be further explored and evaluated for practicality and economic feasibility.

ReWa is working with Clemson University and others to evaluate future alternatives and direction for our Biosolids program, with an increased emphasis on marketability of beneficial reuse options. A biosolids economic revenue model is being formulated to aid in the selection and prioritization of various biosolids production and marketing alternatives. The biosolids program has recently passed a third-party audit and has received certification under the National Biosolids Partnership's Biosolids Management Program (formerly the Biosolids Environmental Management System). This voluntary certification indicates the high level of biosolids management and resource utilization the utility has accomplished.

The Mauldin Road Combined Heat and Power ("CHP") project is underway and is expected to have an 800KW generator operational in early 2012. This project will utilize all the digester gas (methane or "biogas") produced by the Mauldin Road WWTP. Efforts are underway to secure sources of supplemental feedstock so that the current excess capacity of the digesters can be utilized to gain a greater efficiency of converting solids to additional methane for power generation or other beneficial reuse. ReWa intends to continue evaluating the economic feasibility of converting the Mauldin Road digesters to an advanced digestion process, which would bring with it the viability of a Class A product and bring even greater efficiencies to the solids-to-methane conversion process.

Efforts are underway to identify the highest and best use for the Pelham plant biogas, including a possible CHP project or potential sale of the gas to commercial or industrial users. ReWa will evaluate similar options to those being considered at the Pelham and Mauldin Road WWTPs for its remaining anaerobic digester facilities (Gilder Creek, Lower Reedy, and Durbin Creek).

G. ReWa should address multiple uses of its properties and rights-of-way.

ReWa has partnered with the Greenville County Recreation District to provide recreational opportunities for the community on our property, including The Pavilion Recreation Complex, The Corey Burns Park, Lake Conestee Nature Park, and the Brushy Creek Soccer Complex. This partnership also includes the Pelham Mill Dog Park and the Pelham Mill Nature Park for which GCRD nominated and ReWa received the 2010 National Recreation & Parks Association's Corporate Humanitarian Award. The Swamp Rabbit Trail on the Administration Building and Mauldin Road properties opened in December 2011. The Agency and GCRD are working towards building the Conestee Paddling Trail.

H. ReWa should investigate opportunities to work with the SCDHEC to appropriately adjust the Residential Unit Contributory Load when determining wastewater treatment plant capacity.

Based on the collective work of the various subdistricts and ReWa in reducing I&I into the collection system, SCDHEC has been willing to significantly reduce the unit contributory loading factors to the Pelham, Gilder Creek, Durbin, Lower Reedy and Mauldin WWTPs. To date, almost 14 MGD of capacity has been recovered, thus providing additional capacity without any additional construction. See Exhibit 1.

I. ReWa should evaluate the viability of obtaining more favorable energy supply contracts and agreements.

ReWa has been working closely with Duke Energy to establish a series of electrical service contracts and agreements which have significantly reduced the costs of electricity used by the agency. Pending the re-issuance of air permits, ReWa will resume participation in the Duke Energy PowerShare program whereby the electrical generation capacity of our standby generators can be tapped to offset peak energy loads on the Duke grid, thus resulting in lower energy costs to ReWa.

ReWa has negotiated reductions in contract demand levels at two plants to reduce monthly payments for standby energy capacity not used, resulting in a $45,000 annual savings. The installation of emergency generators at the Mauldin Road WWTP along with reconfiguration of the internal medium-voltage distribution loop, has allowed the plant to disconnect from the Duke Energy distribution system (while remaining connected to the Duke transmission system), thereby reducing annual fees for standby capacity by $30,000. ReWa is currently obtaining the necessary air permits for its generators to allow participation in Duke Energy's PowerShare program, which has the potential to result in a $150,000 annual savings. ReWa is currently making preparations to acquire contracts to sell generated power and renewable energy credits ("RECs") from its CHP project at the Mauldin Road plant, for potential revenue in excess of $300,000 per year.

ReWa is currently exploring the potential and feasibility of selling methane gas from its Pelham WWTP digester, or alternatively, to construct another CHP installation at that plant. These same options will be explored for ReWa's other anaerobic digester facilities with the

objective of further reducing or offsetting energy costs. ReWa will also evaluate opportunities at various facilities for low-head hydro-electric generation.

J. ReWa should identify opportunities and the related legislative actions needed to expand into businesses that complement its primary services, such as selling carbon credits, while continuing its efforts to develop alternative revenue streams.

In March 2010, the South Carolina legislature enacted House Bill 4416 expanding the Agency's authorization to use and market a variety of wastewater treatment by-products. Specifically, to:

- Provide retail services related to renewed water, wastewater or stormwater
- Generate and sell energy obtained through alternate sources
- Implement processes to reuse and market biosolids by-products
- Develop, implement and sell products derived from any Agency process

K. ReWa should continue to refine policies related to rates and charges for its services that reflect good public policy.

To date, ReWa has maintained debt service coverage well above the 110% legally required. Staff has evaluated the Agency's financial position and determined that we will strive to fund at least 50% of capital improvements from internal reserves going forward. In December 2010, the Board approved a sewer user fee rate increase plan for the next five years. This plan included the $809.7 million capital expenditures plan from the 2008 Upstate Roundtable Plan.

L. ReWa should consider potential strategies that help subdistricts achieve and maintain financial viability.

In fiscal year 2010, ReWa was instrumental in helping Metro Connect obtain approximately $12 million in grants to replace the sewer systems in two communities. These new systems will significantly reduce I&I in these two communities. Also, with Metro Connect assuming ownership of these two sewer systems, financial viability is no longer a concern for these two communities.

M. ReWa should continue its policy of seeking the lowest cost of capital funding.

At all times, ReWa is mindful of capital funding needs and actively searches for the lowest cost of capital funding options. As a result, ReWa has recently seized several unique borrowing opportunities and rewritten the Master Bond Resolution as discussed below.

In April 2009, ReWa issued a $30.0 million Series 2009 Revenue Bond to recover eligible capital expenditures paid for from internally generated reserves. On November 21, 2008, Moody's Investors Service downgraded the Agency's surety provider, Financial Security Assurance, Inc., to 'Aa3' from 'Aaa'. In order to maintain bond covenant compliance after this downgrade, the Agency utilized unrestricted cash reserves to fund the $33.1 million debt service reserve requirement for revenue bonds and state revolving fund loans.

Unrestricted cash reserves are typically used for funding day to day operations or capital projects. Issuing the 2009 Revenue Bonds, based on the Agency's underlying rating, allowed ReWa to replace much of the unrestricted cash reserve used to fund the debt service reserve requirement.

In July 2010, the Agency adopted a revised bond resolution (the "2010 Bond Resolution") creating an additional lien on net revenues, subordinate to the existing Senior Lien Debt issued under the 1990 Senior Bond Resolution. Under the 2010 Bond Resolution, the Agency pledged not to issue any system revenue bonds on parity with or senior to the Senior Lien Debt, thereby closing the senior lien. The 2010 Bond Resolution remedied certain idiosyncrasies within the additional bonds test, as well as modernized covenants to reflect current market practices. These revisions were necessary as demonstrated in 2009 when the Agency was required to transfer $33.1 million to the debt service reserve fund in order to restore compliance with the 1990 Senior Bond Resolution. The Series 2010A and 2010B revenue bonds are subject to the 2010 Bond Resolution.

Also, in July 2010, ReWa issued Sewer System Refunding Revenue bonds, Series 2010A, in the amount of $63.6 million. The bonds were issued to refund the Agency's outstanding principal on seven state revolving loans for a net present value savings of $2.5 million, as well as to recapture $7.8 million of the debt service reserve fund, resulting in a cash flow savings of $12.8 million over the life of the loan.

In December 2010, the Agency issued $26.8 million of Taxable Sewer System Revenue Bonds, Series 2010B Recovery Zone Economic Development Bonds ("RZEDB") to partially fund the construction of the Piedmont Regional WWTP. As part of the American Recovery and Reinvestment Act of 2009, the RZEDB designation entitles the Agency to a 45% interest subsidy from the U.S. Treasury, effectively reducing the borrowing rate to 2.7%.

ReWa expects to fund the fiscal year 2012 capital plan with the Series 2010B Revenue Bond and internal reserves. In future years, ReWa plans to fund 50% of capital projects from internal reserves and the remaining 50% from borrowings.

ReWa continues to look for grants to fund operational or capital projects.

ReWa has recently received a $500,000 grant for the CHP project. ReWa expects to have an 800KW generator operational in early 2012. This project will utilize all the digester gas produced by the Mauldin Road WWTP.

ReWa partnered with Greenville County to implement the Diesel Emissions Reduction Act Program. The program allotted funding to retrofit twelve Diesel Engines with Diesel Oxidation Catalysts and two Closed Crankcase Ventilation Systems. These filters significantly reduce tail pipe emissions from these units. While many of the newer vehicles already had this technology, the older units did not. The program helped close this gap; meeting the priority of SCDHEC and the EPA to reduce diesel emissions.

N. ReWa should increase public education about its sustainability initiatives.

ReWa maintains sustainability initiative information on the rewaonline.org website. The most recent major initiative was Project Rx: A River Remedy. ReWa spearheaded this event and worked with partners Greenville Family Partnership, Greenville County Sheriff's Office and Greenville Technical College at the inaugural medication collection event in the fall of 2010 at McAlister Square. This was an all-day event with estimated 185 – 200 attendees bringing more than 420 lbs. of medication, including 40 lbs. of controlled substances, which were properly disposed of through incineration by the Sheriff's Office to prevent items from being improperly disposed of down the drain. In June 2011, the second medication collection event was held at two Greenville sites: McAlister Square and St. Francis Hospital – Downtown. This event collected 752.81 lbs. of medication. The third medical collection event was held on Saturday, October 29, 2011 at three sites: McAlister Square, St. Francis – Millennium Campus and Greenville County Medical Society. On this date, the Drug Enforcement Administration also collected medications at 22 other locations in the Upstate. This event collected 1,541 lbs of medications from the 25 locations. Further information about Project Rx be found at www.ariverremedy.org.

ReWa utilizes its website, www.rewaonline.org, as the main resource for public inquiries and educational dissemination. The site holds important information regarding procurement projects, available employment opportunities, Sewer Use Regulations, Water Treatment Rates, public hearing notices and a calendar of events. The Agency also maintains the kid-friendly Freshwater Freddie Blog.

ReWa's also conducts an electronic communications campaign. The Agency maintains a database of key audiences, as well as community leaders to keep apprised of organizational developments, legislative updates, upcoming events and awards / accomplishments. The Agency distributes quarterly newsletters to the external audiences, as well as monthly enewsletters to its internal staff. Recent enewsletters, articles and press releases can be found at www.rewaonline.org/news-events.php.

Annually, ReWa generates the Popular Annual Financial Report and distributes approximately 175,000 to the community via six local newspapers and online at www.rewaonline.org/annual-report.php. This report includes information about financial results, community environmental efforts, awards received, public education efforts, organizational initiatives and various special projects.

ReWa regularly participates in a variety of community events to educate the public about the wastewater treatment process, safe environmental practices and the impact our actions have on the environment. Recent events include Goodwill Industries' Big Dig, Bryson Middle School Career Day, the City of Greenville's Business in Action Green Conference, The Children's Museum of the Upstate Greenzilla Earth Day Celebration, Greenville Technical College's Earthfest, Carolina High School Career Day, Greer Middle School Career Day, and the Spice of Life Show.

ReWa welcomes students, community groups and organizations to tour the wastewater treatment facilities to learn more about the treatment process and how their daily behaviors can impact the environment. Tour topics are tailored to suit the needs of the group, including specific classroom curriculum. ReWa provides a variety of department representatives for the tour including biosolids, treatment process, Fats Oil and Grease program, environmental awareness and more. Groups who have participated since 2010 include Furman University's Bridges to a Brighter Future, T-Motion Dance Camp, Bob Jones High School, National Student Leadership Conference, Furman University's Osher Lifelong Learning Institute, Greenville County Disabilities & Special Needs Board, Home Schoolers of Greenville, Greenville Classical Academy, Furman University freshman microbiology students, St. Francis LifeWise Senior Group, 1200 Pelham Men's Breakfast Club, Greenville Technical College Microbiology and Biology students, American Institute of Chemical Engineers, Tanglewood Middle School, Sterling Center for Teens and J. L. Mann High School.

In addition to groups that visit onsite at one of ReWa's plant facilities or the sustainable administrative building, ReWa leadership and departmental employees also volunteer to make presentations on various topics about wastewater treatment, TMDLs and similar industry topics to groups such as National Association of Clean Water Agencies, subdistricts, Greenville Area Development Corporation, Appalachian Council of Government, AWWA / WEA South Carolina Environmental Conference, Chamber of Commerce and other local agencies.

ReWa has an ongoing partnership with the GCRD on a variety of projects, such as The Pavilion Recreation Complex, The Corey Burns Park, Lake Conestee Nature Park, Brushy Creek Soccer Complex, The Swamp Rabbit Trail, as well as the Pelham Mill Dog Park and the Pelham Mill Nature Park for which GCRD nominated and ReWa received the 2010 National Recreation & Parks Association's Corporate Humanitarian Award. The Agency and GCRD are working towards building the Conestee Paddling Trail. Further details on any of these recreational opportunities may be found on GCRD's website at www.GreenvilleRec.com.

The Agency is a United Way Pacesetter and participates in the March of Dimes fundraising efforts. ReWa also participated in the Metropolitan Arts Council's Flat Out Under Pressure art & recycling project and continues its support of The Children's Museum of the Upstate's education water feature: the Reedy River bend. Annually, ReWa cleans up litter along the adopted 2 mile stretch of Mauldin Road as part of the Adopt-A-Highway program. In conjunction with the annual state-wide South Carolina Beach Sweep / River Sweep, ReWa volunteers and Boy Scout Troop 521 clean the 1.5 miles of the Reedy River and Brushy Creek through the Mauldin Road property.

Exhibit 1. Total I&I Volume Reduction at WWTP's