



Reclaimed water pipe

Use it and **reuse it**

Utilities, Inc. provides a valuable and growing range of water services to developers, residential homes, and commercial premises.

COO Lisa Crossett spoke to Ruari McCallion



Development continues at a record pace around the country, and while city dwelling is enormously popular, the fastest-growing residential and business areas are more often located outside urban areas. Open areas present an attractive opportunity for new development, but there can be a major drawback: they lack infrastructure. And not only buildings and roads but, more important, freshwater supplies and wastewater treatment. Like anything else, water is a major ingredient to sustained growth and has quickly become one of our most

precious commodities. That's not surprising in desert states like Nevada and Arizona, but an adequate supply of fresh water is also an issue in other states like Florida, despite an apparent abundance of good old H₂O.

Most of the water supply in Florida comes from underground aquifers, and the pressure on these supplies, given the warm climate and rapid population growth, has been tremendous. "The Upper Floridian Aquifer suffers from saltwater intrusion. We can help reduce withdrawals by using reclaimed water from our wastewater" >

treatment plants for non-potable uses. This gives the aquifer a chance to recharge,” said Lisa Crossett, chief operating officer of Utilities, Inc. That’s one example of how Utilities, Inc., a national supplier of water and wastewater services, strives to provide service to customers in a manner that helps preserve this critical resource. In a free market, some things self-correct. In Nevada, for example, water rights in some areas are trading for more than \$20,000 an acre-foot. That kind of cost will give anyone an incentive to look for ways of making the most of what’s available. That’s where Utilities, Inc. comes in.

“Wastewater is collected and treated to reuse quality standards. The water can then be used for irrigation”

“A growing part of our business is providing reclaimed water in areas where water is less plentiful or where communities have adopted a conservation philosophy,” she said. “Wastewater from homes and commercial businesses is collected and taken to our local wastewater treatment plants, where it is treated to reuse quality standards. The water can then be used for irrigation, with the primary applications being homes and golf courses.”

For a long time, water and wastewater services were exclusively provided by municipal authorities and agencies, and even today, approximately 85 percent of household and business water services are municipally operated. Utilities, Inc. was established in 1965 with the goal of providing developers with an alternative means of getting water and wastewater services. It now operates over 500 utility systems in 17 states with approximately 500 employees. The company has grown primarily through acquisition and extensions of current developments and presently serves over 300,000 customers.

“We offer an alternative to individual well and septic systems, developer-owned utilities, and even traditional wastewater treatment, and we continue to see tremendous growth,” said Crossett. There continues to be significant development outside of municipalities’ service areas. In addition, there is an effort in many communities to limit the increasing number of well and septic tank operations and also focus on the exchange of reuse water for potable water. “What we do is partner with developers, and in

some cases municipalities, to construct the infrastructure to provide water and wastewater services, primarily to residential areas but also to light commercial developments. In many areas, three lines are installed to an individual property: two are water supplies (one potable and one reuse) and the third is for wastewater collection.” The treatment and recycling of water is where Utilities, Inc.’s point of differentiation lies.

“Wastewater treatment simply speeds up natural processes. Reuse includes additional filtration as well as very stringent monitoring and control requirements,” she said. “Wastewater plants require daily sampling to ensure that the plant is operating correctly, but reuse plants are monitored even more closely because reuse is accessible to the public.” Utilities, Inc.’s conservation does not end there. In many areas, sludge is then hauled by one of Utilities, Inc.’s other subsidiaries, Bio Tech Inc., with the material applied to cropland as a soil enhancement. It isn’t fertilizer-grade material, but any farmer will tell you that it helps vegetation grow. Together with reuse, it’s a vital operation and one that, with new ownership, is likely to grow as a revenue stream.

Since May the company has been owned by Hydro Star Holdings Corporation, a subsidiary of private equity fund AIG Highstar Capital, making Utilities, Inc. the largest privately owned water company in the US. “Highstar is an investor in infrastructure companies and sees an excellent opportunity for continued growth in the water business,” said John Stokes, managing director of Highstar and current CEO of Utilities, Inc. “We invested in Utilities, Inc. because of the solid base of assets and customers and the need for additional infrastructure to meet the growing demand,” he said. “As a private equity investor without pressure on quarterly earnings reports, we can take a long-term view of our investments,” he added.

“We’re excited about having a new investor because it has allowed us to pursue a focused direction with confidence,” Crossett said. “We’re talking to several developers about putting in reuse plants, and we’ve just completed construction of a \$6 million, 1.5 million gallon a day expansion outside Las Vegas. With the increase in demand and escalating infrastructure costs, it has been very beneficial to have an investor with the willingness and means to fund growth.”

Funding and planning for growth, however, can be a serious challenge when growth is unprecedented or the regulatory environment is not clear. “We appreciate advanced regulatory >

environments like Florida and North Carolina, where regulations, while stringent, are fairly and consistently applied. This allows us to plan for stable and profitable growth. The uncertainty in some of the other states can be troublesome,” said Larry Schumacher, president of Utilities, Inc.

Water and wastewater plants are usually larger in areas of high population concentration. In general, the size is directly proportional to flow, so Utilities, Inc. operates various size plants to achieve economies of scale. The technology is similar across different plants, no matter the size. Some may have particular processes, depending on the history and the local regulations, but generally the process is pretty much the same. “In theory, we could operate a reclamation plant anywhere,” Crossett said, “but it depends on the population concentration and geologic area whether or not it makes sense to do so. We continually evaluate new opportunities.”

Utilities, Inc. also generates significant

economies of scale through its efficient centralized operations of IT, payroll, regulatory, accounting, and HR functions, and its access to financial resources means that it can invest in efficient and effective systems. It is increasingly seen by regulatory agencies as a preferred alternative to smaller, perhaps non-compliant operating businesses. Because of its size, expertise, and emergency planning efforts, Utilities, Inc. was able to initiate clean-up activities after Hurricane Katrina and restore service in record time. “We pulled generators, people, and other resources from Florida, the Carolinas, and Illinois and were able to quickly provide alternative power sources for our water supply,” Crossett said. “We were one of the first utilities in the area to restore full service, in a matter of days in almost all areas.”

The future is looking bright. “We have a good solid base, capital to invest, and plentiful opportunities to apply new technologies to growing demand. We’re definitely in growth mode, and that’s an exciting place to be.” 