



Principles for Shale Gas Regulation

Summary

American Water is committed to providing quality water and wastewater services, protecting the environment, and using precious natural resources wisely. We have a consistent history of complying with, and in many cases surpassing, environmental laws and regulations. In fact, this is the foundation on which we built our environmental performance. We strive to not just meet, but to exceed environmental regulations and to establish new benchmarks by which our industry should be measured.

Recognizing the economic and environmental potential of shale gas, American Water supports safe, responsible development of shale gas production pursuant to state and federal regulations that ensure protection of the environment, especially water sources. We recognize that some states have been regulating natural gas development by the oil and gas industry for decades and are uniquely positioned to develop and enforce shale gas regulations that protect the environment and reflect local factors such as geology. Many states have already embarked on regulatory processes to update their regulations to address shale gas development and to protect water quality. We also recognize that the federal government has a responsibility to ensure that state regulations on water quality meet important basic criteria and should set national standards for shale gas development while giving states the flexibility needed to enforce state-specific regulations that meet or exceed federal standards and consider local factors. These regulations should:

1. be based on the best available data and sound science;
2. occur through a transparent and public process that allows input from stakeholders;
3. reflect appropriate roles for local, state, and federal regulators;
4. provide a stable regulatory environment; and
5. ensure a consistent and effective enforcement policy.

American Water will remain vigilant and continue to work cooperatively with regulatory agencies, legislators, communities, municipalities and affected industries to ensure that proper safeguards are in place to protect our water resources.

Background

At American Water, we hold ourselves to the highest standards in delivering clean, high-quality drinking water to the people we serve and the protection of the environment in our handling and treatment of wastewater and residuals. When it comes to complying with strict regulations, we've consistently scored among the highest of all water companies. We are proud of the way we treat this most precious of resources and strongly believe in the importance of appropriate regulations.

American Water understands the significant potential that the various shale and unconventional oil and gas developments around the country represent in terms of economic opportunity for communities, well-paying jobs, independence from foreign oil and an affordable energy source. Shale gas is currently 34 percent of U.S. natural gas production and is projected to increase to 43 percent by 2015, and 60 percent by 2035, compared to almost no shale gas production in 2000. In fact, shale gas production has more than doubled the size of the discovered natural gas resource in North America – enough to satisfy 100 years of consumption at current rates, representing a significant reduction of U.S. dependence on foreign natural gas.

Yet a major concern associated with shale gas extraction is that fluids from the hydraulic fracturing process and methane could contaminate water supplies. We believe that gas-drilling companies and associated industries must be required to act responsibly and strictly adhere to all federal and state regulations. We also support a transparent regulatory process and a stable regulatory environment based on the best available data and sound science.

States have often taken significant responsibility for key regulatory aspects of shale gas production. Pennsylvania and West Virginia recently enacted major legislation establishing important environmental safeguards related to shale gas drilling and the protection of water sources. For example, these laws provide greater setback requirements than previously existed, and they mandate site restoration after drilling activity has concluded. Yet more remains to be done and not all states have been so proactive. A recent analysis by Resources for the Future (RFF) observes that there is a high level of variation among states' regulation of shale gas production. RFF also commented on variations in enforcement policies among states. We therefore appreciate the interest by state and federal regulators in an effective regulatory framework for shale gas production.

American Water supports increased transparency and enhanced information-sharing. We support a greater opportunity to provide input prior to the issuance of drilling permits in areas that could impact our watersheds. This includes the need, during the permitting process, for increased disclosure of chemicals that will be used for hydraulic fracturing at a proposed drilling site.

American Water is committed to providing high-quality, reliable water and wastewater service to customers and is doing everything in our power to prevent the degradation of our sources of drinking water. On a daily basis, our certified plant operators monitor the raw source water and finished water at our drinking water treatment facilities. In addition, in our states where drilling is proposed near sources that supply our primary water sources, we conduct water sampling on a frequent basis to establish baseline data prior to any drilling activity and we continue to monitor our sources of supply.

American Water Position

American Water's primary focus is to ensure the protection of water in shale gas development. American Water also recognizes opportunities for safe and cost-effective water management for shale gas production. American Water also believes that public confidence in shale gas regulation benefits all key stakeholders including local communities, consumers, the water industry, and the shale gas industry.

American Water recognizes that some states have been regulating natural gas development for decades and are updating their regulations to address shale gas development specific to their local characteristics. We also recognize that the federal government has a role and responsibility to ensure that state regulations on water quality meet important basic criteria and should set national standards for shale gas development while giving states the flexibility needed to enforce state-specific regulations that meet or exceed federal standards and consider local factors. These regulations should:

1. be based on the best available data and sound science;
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American Water will remain vigilant and continue to work cooperatively with regulatory agencies, legislators, municipalities and the gas industry to ensure that proper safeguards are in place to protect our water resources.

American Water Basics

Founded in 1886, American Water is the largest publicly traded U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., American Water has approximately 6,700 employees, serving an estimated 14 million people in more than 30 states and parts of Canada. Our vision is to be the trusted steward of your most precious resource—water. (www.amwater.com)

Additional Resources

1. *RFF Releases Review of Shale Gas Regulations by State*, July 10, 2012. http://www.rff.org/News/press_Releases/Pages/RFF-Releases-Review-of-Shale-Gas-Regulations-by-State.aspx
2. *Hydraulic Fracturing and Safe Drinking Water Act Issues*, Congressional Research Service, July 2012. <http://www.fas.org/sgp/crs/misc/R41760.pdf>
3. *Separating Fact from Fiction in Shale Gas Development*, Energy Institute, University of Texas at Austin, February 2012. http://energy.utexas.edu/index.php?Itemid=160&id=151&option=com_content&view=article
4. *The Economic and Employment Contributions of Shale Gas in the United States, HIS Global Insight Study*, 2011. www.ihs.com/EconomicContributionofShaleGasintheUS
5. *The Influence of Shale Gas on U.S. Energy and Environmental Policy*. http://globalchange.mit.edu/files/document/MITJPSPGC_Reprint_12-1.pdf
6. *Shale Gas and U.S. National Security*, James A. Baker III Institute for Public Policy, July 2011. <http://www.bakerinstitute.org/publications/EF-pub-DOEShaleGas-07192011.pdf>
7. *The Future of Natural Gas*, MIT, June 2011. http://web.mit.edu/mitei/research/studies/documents/natural-gas-2011/NaturalGas_Report.pdf

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