



Dear Clinton Customer,

It is important for you to know why Iowa American Water is requesting a rate increase. I know there is never a good time to ask for a rate increase, but Iowa American Water has the responsibility to properly maintain and upgrade our systems to provide quality, reliable service and fire protection to the communities we serve. I hope this information is helpful to you in better understanding our need for a rate increase.

Since our last increase request in 2007, Iowa American Water has invested over \$10.5 million in the Clinton water treatment and delivery system. In fact, two of the largest projects in Iowa American Water's history in Clinton are currently underway. Those projects include construction of a multi-million dollar water treatment facility to provide continued high quality water service in Clinton and a water main replacement program that we were required by the Iowa Department of Transportation to undertake in conjunction with improvements to Highway 30.

Proactive water system upgrades save money in the long run. By continually improving our water systems, we help reduce the frequency of service interruptions, prevent property damage from water main breaks and enhance fire protection. The need to upgrade water systems is not just an issue for Iowa American Water; it is a national issue. In its 2009 report, based on the *Drinking Water Infrastructure Needs Survey and Assessment*, the United States Environmental Protection Agency says that an estimated \$334.8 billion in capital spending will be needed across the nation over the next 20 years to replace aging water infrastructure and to comply with stricter water quality standards. Iowa American Water is ahead of the curve because of our continual investment in our water systems. Some of the largest projects and investments we've made in Clinton include:

- ✓ \$4.9 million to construct a new water treatment facility in Clinton County. This 3.5 million gallon per day facility will increase production capacity and improve system reliability using an innovative technology to reduce naturally-occurring radium levels that have been rising as communities across Iowa and Illinois draw increasing amounts from the aquifer.
- ✓ \$3 million investment to relocate 14,500 feet of water main in Liberty Avenue as required by the Iowa Department of Transportation in conjunction with Highway 30 improvements through Clinton.
- ✓ \$1.9 million investment for normal, recurring installation and replacement of water pipelines, services, meters and hydrants, including the addition and replacement of over 2.9 miles of water main, 51 fire hydrants, 1,060 meters and 332 customer service lines in Clinton.
- ✓ \$147,000 to replace over 5,525 feet of small diameter mains in Clinton to reduce main breaks. Replacement of small diameter mains improves the distribution grid, permits installations of public fire hydrants, improves water quality, and minimizes service interruptions and reduces maintenance costs in the long run.

Current economic conditions present challenges for us all. For example, energy costs to operate the treatment plant have increased over 125 percent coupled with an expected energy utility rate increase. Chemical costs have increased 250 percent. Our employees continue to meet the challenge of finding solutions to deliver quality service at a fair price.

Water service remains an exceptional value at about one penny per gallon. Iowa American Water's rates are based on the actual cost of providing water service to customers. If the Iowa Utilities Board approves the rate request in full, the average local residential customer using 4,500 gallons of water per month will pay an additional \$17.00 per month or about 57 cents more per day. We understand, however, that in these tough economic times, some of our customers are struggling. In 1993, Iowa American Water was one of the first in the state to offer our **Project H2O** utility assistance program for needy customers. We provide "Wise Water Use" tips and offer complimentary leak detection kits to help customers find hidden leaks, reduce their usage and ultimately lower their bills.

The letter at right highlights how the proposed rates will affect the average customer in each service class. Please let us know if you have any questions about the proposed increase or your water service in general.

Sincerely,

K. Brock Earnhardt
President



5201 Grand Avenue
2020 Manufacturing Ct.

Davenport, IA 52805
Clinton, IA 52732

(563) 468-9201
(563) 242-9231

Fax (563) 322-4325
Fax (563) 242-3700

K.B. Earnhardt, Jr.
President

NOTICE OF RATE INCREASE

Dear Clinton Customer:

Iowa American Water is asking the Iowa Utilities Board (IUB), for an increase in water utility rates and charges, with a proposed effective date of May 30, 2009.

The proposed increase in annual revenue applicable to the Clinton District will be approximately \$2,858,009 or 62.85%.

Although the effect of the proposed increase on your bill may vary depending upon the type and extent of usage, the average monthly increase per customer for the primary customer classes in the Clinton District is:

<u>Customer Class</u>	<u>Current Monthly Rate</u>	+	<u>Proposed Increase</u>	=	<u>Proposed Monthly Rate</u>	<u>Percentage Increase</u>
Residential	\$ 24.78		\$ 17.00		\$ 41.78	68.62%
Commercial	\$ 94.19		\$ 73.18		\$ 167.37	77.70%
Industrial	\$ 660.00		\$ 445.49		\$ 1,105.49	67.50%
Public Authorities	\$ 173.73		\$ 106.45		\$ 280.18	61.27%
Private Fire	\$ 74.55		\$ 5.60		\$ 80.15	7.51%

This proposed increase in rates and charges may be docketed by the IUB, which suspends the effective date of the proposed rates and charges. If the proposed rates and charges are suspended, we are asking the IUB for temporary authority to place into effect the following interim increase for the Clinton District, collected subject to refund, and to be effective July 29, 2009. The IUB may set interim rates and charges other than these:

Proposed Interim Rate Increase

<u>Customer Class</u>	<u>Current Monthly Rate</u>	+	<u>Proposed Increase</u>	=	<u>Proposed Monthly Rate</u>	<u>Percentage Increase</u>
Residential	\$ 24.78		\$ 15.11		\$ 39.89	60.98%
Commercial	\$ 94.19		\$ 65.61		\$ 159.80	69.66%
Industrial	\$ 660.00		\$ 395.40		\$ 1,055.40	59.91%
Public Authorities	\$ 173.73		\$ 93.77		\$ 267.50	53.97%
Private Fire	\$ 74.55		\$ 1.97		\$ 76.52	2.64%

THE RATE CASE PROCESS

After a thorough investigation, the Iowa Utilities Board (IUB) will order final water rates that may be different from the water rates proposed by Iowa American Water. The IUB will also determine when the rates will become effective. If the final water rates are lower than the temporary water rates, Iowa American Water will refund the difference to customers with interest.

You have the right to file a written comment or objection to this proposed increase with the IUB. All written comments should be addressed to: Iowa Utilities Board, 350 Maple Street, Des Moines, Iowa 50319. Comments may be submitted by e-mail to iubcustomer@iub.state.ia.us or by using the comment form on the IUB's Web site, www.state.ia.us/iub. The IUB should be provided with any facts that would assist in determining a fair and reasonable outcome to the rate increase request. This information will be made available to the Office of Consumer Advocate, a division of the Iowa Department of Justice, which represents the public interest in rate cases before the IUB.

As part of this process, the IUB will hold the two customer comment meetings listed below, and additional meetings may be scheduled as public interest warrants.

- **Clinton: Thursday, June 4, 2009, 5:30 p.m.** – Clinton Community College Technology Center, Room 10, 1951 Manufacturing Drive, Clinton, Iowa
- **Bettendorf: Thursday, June 11, 2009, 5:30 p.m.** – Scott Community College Student Life Center, Room 2300, 500 Belmont Road, Bettendorf, Iowa

A written explanation of all current and proposed rate schedules is available without charge from your local business office by calling (563) 242-9231. If you have any questions, please contact your local office.