



Dear Quad Cities 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 \$9.5 million in the Quad Cities' water treatment and delivery system. 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 the Quad Cities include:

- ✓ A \$6.9 million investment for normal, recurring installation and replacement of water pipelines, meters and hydrants, including the addition and replacement of 16.9 miles of water main, 251 fire hydrants and 10,863 meters in Bettendorf, Davenport, LeClaire, Panorama Park and Riverdale.
- ✓ \$2 million for storage tank maintenance to inspect, repair and re-paint two elevated storage tanks in Bettendorf and Davenport. The work is necessary to extend the service life of the facilities and assure that they remain in compliance with current Occupational Safety and Health Administration and state of Iowa standards.
- ✓ Over \$470,000 to rehabilitate buildings, water quality laboratory and chemical storage at the East River Station treatment facility.
- ✓ Almost \$250,000 in improvements to the Middle Road Booster Pumping Station to stabilize pressure in the rapidly growing area of northern Bettendorf and LeClaire, including installation of almost 3,000 feet of 12-inch water main in Forest Grove Road and creation of a new water pressure zone to further support the LeClaire service area.
- ✓ \$60,000 to replace 545 feet of small diameter mains in the Quad Cities 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, our maintenance costs have increased over 87 percent due to necessary tank inspection, repair and re-painting and increased backfill and paving requirements along with chemical cost increases of over 65 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 \$7.44 per month or about 25 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



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K.B. Earnhardt, Jr.
President

NOTICE OF RATE INCREASE

Dear Quad Cities 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 Quad Cities District will be approximately \$6,545,814 or 29.11 %.

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 Quad Cities 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	\$ 24.03		\$ 7.44		\$ 31.47	30.96%
Commercial	\$ 120.59		\$ 37.74		\$ 158.33	31.30%
Industrial	\$ 330.42		\$ 93.78		\$ 424.20	28.38%
Public Authorities	\$ 208.86		\$ 61.91		\$ 270.77	29.64%
Private Fire	\$ 54.61		\$ 10.92		\$ 65.53	20.00%

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 Quad Cities 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	\$ 24.03		\$ 6.12		\$ 30.15	25.48%
Commercial	\$ 120.59		\$ 31.14		\$ 151.73	25.83%
Industrial	\$ 330.42		\$ 76.29		\$ 406.71	23.09%
Public Authorities	\$ 208.86		\$ 50.68		\$ 259.54	24.27%
Private Fire	\$ 54.61		\$ 8.20		\$ 62.81	15.02%

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) 468-9201. If you have any questions, please contact your local office.