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 2020 Manufacturing Ct. Clinton, IA 52732 (563) 242-9231 Fax (563) 242-3700

Dear Customer,

It is important for you to know why Iowa-American Water Company 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 24 hours a day, every day. I hope this information is helpful to you in better understanding our need for a rate increase.

Since our last increase request in 2009, Iowa-American Water Company has invested almost \$15 million in our water treatment and delivery systems. 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. The United States Environmental Protection Agency says that an estimated \$335 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 investments and maintenance projects we've made include:

- ✓ \$ 8.2 million investment for normal, recurring installation and replacement of water pipelines, meters and hydrants in our service areas.
- ✓ \$2.3 million investment on an improvement project at the Quad Cities East River Station treatment facility to enhance flocculation and clarification treatment capabilities and improve treatment efficiency and reliability.
- ✓ \$2.1 million investment to upgrade 1.5 miles of 8" water main to 12" main to eliminate frequent main breaks located in a busy corridor of Davenport. The work will minimize service interruptions and increase water flow for firefighting.
- ✓ \$1.1 million investment for maintenance to inspect, repair and re-paint the Ripley Street ground-level storage tank and the 60th Street elevated tank in Davenport and the Eagle Heights elevated tank in Clinton. The work extends the service life of the facilities and assures they remain in compliance with current Occupational Safety and Health Administration and state of Iowa standards.
- ✓ \$680,000 investment to improve Well # 9 in Clinton including a building addition that allows for proper containment and access to chemical feed and storage equipment. Benefits of the project include increased chemical safety and continued compliance with USEPA Groundwater Rule requirements.
- ✓ \$581,000 investment to relocate 16", 12" and 8" water main in conjunction with Davenport's west side sewer separation project.
- ✓ \$559,000 investment to replace small diameter mains in Clinton to improve the distribution system and fire protection, improve water quality and minimize service interruptions.

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 would approve the rate request in full, the average residential customer using 4,500 gallons of water per month would pay an additional \$4.84 per month or about 16 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. In addition, we provide "Wise Water Use" tips and offer complimentary leak detection kits to help customers find hidden leaks, reduce their usage and 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,

Randy A. Moore
 President

NOTICE OF RATE INCREASE

Dear Clinton Customer:

Iowa-American Water Company is asking the Iowa Utilities Board ("IUB") for an increase in water utility rates and charges, with a proposed effective date of May 29, 2011.

The proposed increase in annual revenue applicable to Iowa-American Water will be approximately \$5,140,000 or 16.04%.

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	\$30.19		\$4.84		\$35.03	16.04%
Commercial	\$114.53		\$18.37		\$132.90	16.04%
Industrial	\$805.93		\$129.27		\$935.20	16.04%
Private Fire Service	\$80.14		\$(2.10)		\$78.04	(2.62)%
Public Authorities	\$211.99		\$34.01		\$246.00	16.04%

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, 2011. The Board 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	\$30.19		\$4.14		\$34.33	13.72%
Commercial	\$114.53		\$15.71		\$130.24	13.72%
Industrial	\$805.93		\$110.57		\$916.50	13.72%
Private Fire Service	\$80.14		\$(3.66)		\$76.48	(4.57)%
Public Authorities	\$211.99		\$29.09		\$241.08	13.72%

Iowa-American is also asking the IUB to approve, for implementation at the conclusion of the investigation, two "automatic adjustment" riders. The first would adjust rates, by way of a surcharge, to reflect the additional cost incurred by Iowa-American to replace or relocate qualified infrastructure plant ("QIP") placed into service after the end of the rate proceeding. If approved, the surcharge would appear on the customer bill as a separate charge,

but the base rates shown above, or those ultimately approved by the IUB, would not be changed. The surcharge would remain in place until the surcharge is adjusted for an additional period or until the next general rate case where it would be included in new base rates.

The second automatic adjustment being requested is a revenue adjustment rider to reflect the annual net over-recovery or under-recovery of revenues as compared to those permitted by the IUB in this case. In the event of over-recovery, the net over-recovery would be credited to customers; in the event of under-recovery, the net under-recovery would be surcharged to customers. The total under-recovery or over-recovery amount of the rider would be determined after the new rates have been in effect for one calendar year and, after approval by the IUB, would be shown as a one-time credit or surcharge on the next customer bill for all metered customers. As with the QIP surcharge, the base rates shown above, or those ultimately approved by the IUB in this case would not change.

THE RATE CASE PROCESS

After a thorough investigation, and changes which the IUB may order, final water rates 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 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, 1375 E. Court Avenue, Room 69, Des Moines, Iowa 50319-0069. Comments may be submitted by email to customer@iub.iowa.gov by using the comment form on the IUB's Web site, <http://iub.iowa.gov>. 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.

- **Tuesday, June 14, 2011, beginning at 5:30 p.m. at the Clinton Moose Lodge, 1936 Lincoln Way, Clinton, Iowa; and,**
- **Thursday, June 16, 2011, beginning at 5:30 p.m., at Scott Community College Student Life Center, Room 2300, 500 Belmont Road, Bettendorf, Iowa. PLEASE NOTE that the college staff has requested that those attending the consumer comment hearing park in Lots C, D, or E and enter through Doors 5 or 6.**

Persons with disabilities requiring assistive services or devices to observe or participate in a consumer comment hearing should contact the Utilities Board at (515) 725-7334 at least five days in advance of the scheduled date to request that appropriate arrangements be made.

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



NOTICE OF PROPOSED RATE INCREASE

Your customer notice includes:

- ✓ Details on Iowa-American Water's rate proposal and potential impact on your bill.
- ✓ Information on scheduled customer comment meetings scheduled in your community.
- ✓ Programs Iowa-American Water offers to help you save water and reduce your usage.

