

Making investments for your water and wastewater service.



Important information about proposed changes in your rates.

Illinois American Water makes critical investments each year to upgrade or replace water mains where leaks occur, corrosion has caused damage, or the size of the water main cannot meet the demands. These investments enhance the water quality, fire protection and water pressure for our customers.

Periodic rate increases enable needed investments for reliable service

- This rate filing includes approximately \$180 million of investment across the state in pumps, pipes and treatment facilities that are not reflected in current rates but needed to maintain quality, reliable service to our customers.
- The U.S. Environmental Protection Agency (EPA) says the nation's water utilities will need to make more than \$335 billion (about \$15 billion in Illinois) in infrastructure investments during the next 20 years to ensure public health. Another \$300-400 billion (about \$13.4 billion in Illinois) is needed for upgrades to wastewater facilities.
- Investment in water/wastewater infrastructure creates jobs. According to a study by the U.S. Conference of Mayors and the Associated General Contractors of America, about 28,500 jobs are created for every \$1 billion invested in infrastructure.
- More than 57,000 tests per year are conducted at our national lab in Belleville, Ill. to hold American Water to the highest standards in delivering clean, high-quality drinking water to the people we serve.
- **Quality customer service, every day of the year – 90% of our customers in Illinois are satisfied with the service we deliver.**

www.illinoisamwater.com

Proposed rate impact to wastewater service

Illinois American Water provides two types of wastewater service to customers in the Chicago Metro District: wastewater collection-only service and wastewater collection/treatment service. Customers can quickly identify their specific type of wastewater service by reviewing the Wastewater Charges portion of their monthly bill.

Wastewater collection-only customers

Meter readings in current billing period		Current Wastewater Charges	
Meter Number	601	Sewer Collect	
Present-actual	596	Use (\$.00000 X 1.00)	17.52
Last-actual	595	Use (\$.01355 X 4.00)	.05
1000G used	5	2.03% QIP Surcharge	.36
Gallons used	5000	Total wastewater charges, Aug 09, 2011	17.93

3 Sewer Collection and Use Charge: These two charges, which all wastewater collection-only customers pay, are your base wastewater rates and reflect the true cost of providing quality, reliable wastewater service to your home or business. The Sewer Collection charge is a basic service charge paid by all customers and covers the costs for providing reliable wastewater collection service to your property. The Use Charge is calculated by multiplying the unit cost per thousand gallons by the amount of water used each month in excess of 1,000 gallons.

If the ICC approved 100% of our rate request, the monthly bill for a typical residential wastewater collection customer using 5,000 gallons of water a month would decrease 36 cents, or about 1 cent per day.

4 Quality Infrastructure Program (QIP) Surcharge: The QIP Surcharge allows the company to make rate adjustments, outside of a general rate proceeding, for the replacement of certain types of infrastructure that is at the end of its useful life. When new base rates are implemented, the *QIP Surcharge is reset to zero.*

Wastewater collection/treatment customers

Meter readings in current billing period		Current Wastewater Charges	
Meter Number	233	Sewer Treatment	
Present-actual	228	Use (\$.00000 X 1.00)	37.02
Last-actual	228	Use (\$ 4.49680 X 4.00)	17.99
1000G used	5	0.72% QIP Surcharge	.40
Gallons used	5000	Total wastewater charges, Sep 13, 2011	55.41

5 Sewer Treatment and Use Charge: These two charges, which all wastewater collection/treatment service customers pay, are your base wastewater rates and reflect the true cost of providing quality, reliable wastewater service to your home or business. The Sewer Treatment charge is a basic service charge paid by all customers and covers the costs for providing reliable wastewater collection and treatment service to your property. The Use Charge is calculated by multiplying the unit cost per thousand gallons by the amount of water used each month in excess of 1,000 gallons.

If the ICC approved 100% of our rate request, the monthly bill for a typical residential wastewater collection/treatment service customer using 5,000 gallons of water a month would increase approximately \$15.10. That's an increase of about 50 cents per day.

True cost of water service

The rates we charge are based on a true-cost pricing model endorsed by the U.S. EPA, the Metropolitan Planning Council, the Chicago Metropolitan Agency for Planning and the National Association of Water Companies. True-cost pricing means your water and wastewater rates reflect the total cost of pumping and treating water and delivering quality service right to your home or business. Rates also pay for the investment Illinois American Water makes to ensure reliability and compliance with state and federal regulations.

Our rate structure is different than municipally-owned water systems in neighboring communities. These utilities often use other revenue sources to subsidize the cost of providing water service to their customers. The following chart outlines some of the funding sources municipally-owned utilities will use to keep their rates artificially low:

Funding sources used by municipally-owned utilities	Funding sources used by investor-owned utilities (Illinois American Water)
<ul style="list-style-type: none"> Property taxes Sales taxes Utility taxes Impact fees Water rates 	Water rates

Our request for rate stabilization

Illinois American Water is proud to provide your water and wastewater service. On Oct. 27, Illinois American Water filed a request with the Illinois Commerce Commission (ICC) to change base rates for all Illinois American Water customers. The rate filing also proposes the implementation of a rate consolidation approach for Chicago Metro water service customers that will help stabilize base rates over the long term.

Through a consolidated tariff group, instead of being a stand-alone district, the Chicago Metro water service district would become part of a larger group of more than 257,000 customers. This means the non-production costs for all water service customers will be spread over a larger group, thus helping to keep base rate increases more manageable for customers. The use of consolidated tariff groups is a common practice among utilities.

The process for changing our base rates will take about 11 months and involves thousands of pages of information to document and justify the request to change rates. In addition to the ICC, the Illinois Attorney General's Office, the Citizens Utility Board and other parties affected by the rate filing are also involved in the process. There will also be public meetings so customers can talk about this request. Until the ICC makes a final decision on our request, your base rates will remain the same – nothing changes. We expect the ICC to issue a final decision on our rate request next fall. This means it will have been about two and a half years since the last increase in base rates.

Proposed rate impact to water service

Customer Account Information	Billing Summary
For Service To:	-----Prior Balance-----
Account Number:	Balance from last bill \$00.00
Premise Number:	Payments as of Sep 13, 2011. Thanks! 00.00
	Total prior balance, Sep 13, 2011 .00
	-----Current Water Charges-----
Billing Period & Meter Information	Basic Service 13.50
Billing Date: Sep 13, 2011	Use (\$ 4.37730 X 5.00) 21.89
Billing Period: Aug 05 to Sep 08 (34 days)	0.79% QIP Surcharge .28
Next reading on/about: Oct 07, 2011	Supply Chg-Supplier
Rate Type: Residential	(\$ x .xxxxx 5.00)
	5/8" Fire Protection Charge 6.55
Meter readings in current billing period:	Total water charges, Sep 13, 2011

1 Water Basic Service and Use Charge: These two charges, which all water customers pay, are your base water rates and reflect the true cost of providing quality, reliable water service to your home or business. The Basic Service charge is a fixed cost that includes the cost of meters and service lines as well as customer service functions such as billing and meter reading. The Use Charge, which is based on the amount of water usage each month, represents the costs related to operating and maintaining the pumping, treatment and distribution facilities, as well as the remaining fixed costs associated with these facilities.

2 Quality Infrastructure Program (QIP) surcharge: The QIP Surcharge allows the company to make rate adjustments, outside of a general rate proceeding, for the replacement of certain types of infrastructure that is at the end of its useful life. When new base rates are implemented, the *QIP Surcharge is reset to zero.*

70% of increase is driven by infrastructure investments

Water mains, fire hydrants, valves, manholes, sewer lines, meters, treatment facilities and pumps make up the complex system which ensures you receive quality water and wastewater service. Maintaining and replacing this infrastructure when necessary is critical to providing quality, reliable service. System upgrades meet new regulatory requirements and support economic development while enhancing water quality, water pressure, fire protection and wastewater service.

Nearly 70% of our request is related to infrastructure investments and the costs associated with funding improvement projects. Statewide, we are investing approximately \$180 million in water and wastewater system improvements that are not reflected in the current rates. This investment includes approximately \$29.3 million of water and wastewater improvements in the Chicago Metro District, including:

About \$17.6 million for water system improvements, such as:

- Installation and replacement of more than 4 miles of water mains.
- Installation and replacement of meters, fire hydrants, and valves.
- Upgrades to pumping stations to ensure reliability and enhance water quality to customers. The pumping stations utilize energy-saving technology through the installation of variable frequency drive motors to ensure systems are operated based on current pumping demands.
- Distribution system improvements for fire flow storage and capacity to enhance fire protection to customers.

About \$11.7 million for wastewater system improvements, such as:

- Installation of over 29 miles of sewer lining to reduce storm water entry into the collection system and reduce overflows and backups.
- Installation and replacement of manholes.
- Upgrades to the collection system to enhance wastewater service, reduce storm water entry to the sewer system and help prevent sewer back-ups.
- Improvements to lift stations to increase reliability and help prevent sewer back-ups.

Illinois American Water works hard to make prudent investments while operating efficiently and controlling expenses. A competitive bidding process enables the company to get the best pricing available. To control costs, the company has installed technology to reduce energy use at our facilities. Safety initiatives have also helped to reduce costs. These efforts have paid off as only 2% of the rate case is driven by higher operation and maintenance expenses. The remaining portion of our rate request is related to a redistribution of costs tied to reduced water consumption.

If our request was approved in full, including incorporating Chicago Metro water customers into a consolidated rate group, water service rates for a typical customer using 5,000 gallons of water a month will change as follows, excluding fire protection charges, municipal taxes and franchise fees which vary by community:

Adjustment to total bill for water service (based on 5/8" meter size):

- Most Lake Michigan Water Service Customers Increase of \$0.66 a month
- Well Water Customers Increase of \$9.04 a month

Basic Monthly Service Charge:

Meter Size	Current	Proposed
5/8" meter	\$13.50	\$17.00
3/4" meter	\$18.45	\$26.80
1" meter	\$28.35	\$39.10

Basic Monthly Use Charge:

	Current	Proposed
Lake Michigan Water customers (per 1,000 gallons of water)	\$4.3773	\$3.8664
Well water customers (per 1,000 gallons of water)	\$4.5344	\$5.6995

Get your questions answered

The water professionals at Illinois American Water are ready to answer your questions. If you want additional information or have questions about this rate filing with the ICC or any other part of your water and wastewater service, please call Michael Smyth, senior operations manager of field services and production, at (630) 962-9740 or e-mail at Michael.Smyth@amwater.com.

Assistance for low-income customers

The H2O Help to Others Program™ is a customer assistance program created by Illinois American Water and administered by local Salvation Army agencies. The program provides assistance to low-income customers who need help with paying their monthly water bills. Customers who need assistance should contact Illinois American Water at (800) 422-2782 to learn more about this program and how they can contact the local Salvation Army agency in their area.