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A Letter From Karla Olson Teasley, President, Illinois American Water

Dear Valued Customer:

It's easy to take the pipes, pumps and treatment facilities of a community drinking water system for granted. As the old adage goes, out of sight, out of mind. But these systems provide critical public health functions and support our ability to fight fires. Reliable water service is also essential in supporting community growth and economic development, both of which assist in job creation.

In December 2011, the American Society of Civil Engineers issued a report about the nation's water and wastewater infrastructure entitled *Failure to Act: The Economic Impact of Current Investment Trends in Water and Wastewater Treatment Infrastructure*. The report warns that American businesses can expect an additional \$147 billion in increased costs and the economy could lose 700,000 jobs by 2020 if critical water infrastructure investments are not made.

This is the first study of its kind to link the condition of America's water infrastructure to economic performance. The findings in this report support Illinois American Water's proactive and prudent approach to investing in your community's water service.

Illinois American Water has long recognized that continuous investment in water infrastructure is necessary and we continue to address these needs. The recent rate request before the Illinois Commerce Commission reflects completed and planned investment of approximately \$180 million that is not reflected in current water base rates, and this investment is the main driver behind our request. Statewide investments made in 2011 include:

- Installation of over 14 miles of water main to enhance water pressure, fire protection and water quality.
- Installation and replacement of over 360 fire hydrants to enhance fire protection.
- Installation and replacement of about 450 valves to ensure reliability of complex water service distribution systems.
- Approximately \$23.9 million in water treatment improvements.

At Illinois American Water, rates are based on the true cost of providing water service; therefore investments made in your water system are reflected in the rates you pay. True cost pricing is endorsed by prominent third party stakeholders in the water industry like the U.S. EPA, Chicago Metropolitan Agency for Planning, Metropolitan Planning Council, and National Association of Water Companies.

Experts from the water industry explain that because many communities have neglected water systems for decades, their current rates do not generate enough revenue to cover necessary maintenance, repair and replacement. Communities throughout the country are, or soon will be, facing increased rates.

The historic under-pricing of water is largely due to a perception that water is “free” – a fundamental human need supplied by the earth. The vast infrastructure required to treat and deliver clean healthy water to the tap is far from free. Water service requires three times more capital investment to provide than any other utility. However, water remains an excellent value. Our customers receive high-quality water service for about a penny a gallon.

Your critical water service is provided by our dedicated employees who work around the clock 365 days a year to repair water main breaks, inspect fire hydrants and complete necessary maintenance. They also strive to provide excellent customer service and achieved just under 90 percent customer satisfaction in 2011.



Our employees care about the customers and communities they serve. One example of this is our AmerIcANs in Action program implemented in 2011. Through AmerIcANs in Action, teams of employee volunteers worked together to support volunteer efforts across the state including school reading programs, river cleanups, and water education events.

Water source protection efforts also continued in 2011 and included:



- Expanding pharmaceutical disposal programs implemented and supported in partnership with 24 communities across the state. To find a program near you please visit www.epa.state.il.us/medication-disposal/locations.
- Supporting seven environmental projects in our service areas through environmental grants.
- Launching an Earth Day art contest to support water conservation education in elementary classrooms.
- Participating in community water-themed events across the state.

Communities were also supported through Illinois American Water’s Firefighter Grant Program which provided awards to 51 fire departments in 2011. To learn more about our company, please visit our website at www.illinoisamwater.com. If you have any questions or comments, please email me directly at ilaw.president@amwater.com.

Sincerely,

A handwritten signature in black ink that reads "Karla Olson Teasley".

Karla Olson Teasley
President
Illinois American Water

