

GET TO KNOW US

Serving customers in Illinois for more than a century



ILLINOIS
AMERICAN WATER

We care about water. It's what we do.

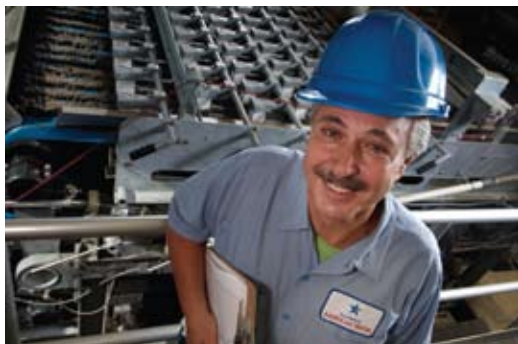
Illinois American Water is proud to be your local water and/or wastewater company. Our team of professionals is dedicated to providing reliable, high-quality water service and works hard to deliver the water you use every day for drinking, cooking, and other household uses. Illinois American Water also is committed to providing your community with the water service needed for fire protection and economic development.

Locally managed with access to national resources.

Illinois American Water is a wholly owned subsidiary of American Water (NYSE:AWK), the largest investor-owned water and wastewater service provider in the United States. More than 7,000 dedicated professionals provide water and wastewater services to approximately 15 million people in more than 30 states, as well as parts of Canada.

In Illinois, a team of more than 450 employees, in 12 operating districts, works every day to ensure quality water service for our customers. Employees' roles and responsibilities vary, but the commitment remains the same. Employees take great pride in being a part of the company team and a part of your community.

While we have access to resources nationwide, we are local to the core. Local management works to ensure the responsive service our customers expect and deserve.



Invested in our facilities.

Illinois American Water's team works around the clock to monitor, maintain and upgrade facilities to ensure that they operate efficiently and meet regulatory standards. This requires significant investment in infrastructure, including treatment plants, tanks, pump stations, fire hydrants and metering equipment.

In 2009 and 2010, Illinois American Water will have invested approximately \$150 million in replacing, upgrading, and expanding capacity of water and wastewater systems.

Through our main replacement program, distribution pipe installed as long ago as the early 1900s that is susceptible to leaks or too small to provide service to growing areas is identified and replaced. Last year, over 17 miles of new water main were installed across the state.

The Illinois team maintains more than 4,300 miles of main throughout the distribution systems. Every hydrant in the system - approximately 29,000 - is inspected at least once a year to identify maintenance and replacement needs. Other improvement projects include:

- Upgrading water treatment plants in Champaign, East St. Louis, Granite City, Lincoln, Pontiac, Streator, and Cairo.
- Painting and maintenance on water tanks in Belleville, Bolingbrook, Cairo, Champaign, Lincoln, Oswego, Pekin, Peoria and Woodridge.
- Working with the Illinois Department of Transportation and municipalities on main relocations as required by roadway improvement projects.
- Continuing a meter replacement program and installing radio read meters to reduce costs and decrease estimated readings.



System Overview

- **Communities Served:**
About 120 throughout Illinois
- **Customers Served:**
More than 300,000 (about 1.2 million people)
- **System Delivery:**
115 million gallons per day (average)
- **2009 Total System Delivery:**
Nearly 41 billion gallons
- **Employees:**
More than 450 throughout Illinois
- **Miles of Pipeline:**
More than 4,300 miles of main
- **Fire Hydrants:**
Approximately 29,000

WE CARE ABOUT WATER. IT'S WHAT WE DO.

A+ water quality.

Illinois American Water has an exceptional track record when it comes to water quality and monitoring. Detailed information about the source and quality of the drinking water for each water system can be found in the 2010 Annual Water Quality Reports mailed to customers in spring 2011. Visit the “Ensuring Water Quality” tab of our Web site – www.illinoisamwater.com – to search by zip code for the report for your community.

Illinois American Water is proud to be one of only six Illinois water utilities participating in the Partnership for Safe Water program. Two Illinois American Water districts have been recognized for 10 years of continuous achievement. This is a voluntary cooperative effort between the USEPA, AWWA and other drinking water organizations, to provide a new measure of safety by implementing higher water quality standards than required by regulation.

A highly-qualified team of water quality experts and plant operators monitors water from source to tap. At local utility labs, our employees conduct more than 57,000 tests per year, checking drinking water quality at every stage of the treatment and delivery process. The American Water laboratory located in Belleville, Illinois is one of the most advanced water quality laboratories in the United States.



Around the clock service.

A top priority for Illinois American Water is the quality of water service provided to customers every day. As a customer, you have access to the Customer Service Center, seven days a week, 24 hours a day. Employees are prepared to help you with questions or concerns.

1-800-422-2782

In 2009, around-the-clock service became even simpler with a new self-service web site **My H2O Online**. Now you can save time by managing your water service account online, including these convenient services:

- View your water bill
- Sign up for automatic payment
- Turn water service on and off
- View your water usage history

To register, visit us at this site.

www.amwater.com/myh2o

H2O Help to Others Program™.

Water is a resource that should be made available to everyone. That’s why the H₂O Help to Others Program was introduced in Illinois in 1996 and in Chicago Metro District in 2009 – to provide help to those who need it most.

The H₂O Help to Others Program is a customer assistance program created by Illinois American Water and administered by local Salvation Army agencies to help provide supplemental funding to customers who would otherwise have trouble paying their water bills. The program is supported by contributions from Illinois American Water and voluntary donations from customers.

To receive more information about the program, contact the 24/7 Customer Service Center toll-free at 1-800-422-2782. Customer service representatives will direct you to The Salvation Army agency in your area.



Be water wise.

Using water wisely helps to make sure that we have adequate water resources available for the future. And, careful water use can help customers manage their water bills.

Fix leaks:

Leaky toilets, faucets and pipes can waste more water than you may realize. A no-cost leak detection kit is available online – visit the Illinois American Water Web site, click on the customer service tab, and go to the detecting leaks section. For a paper copy call the Customer Service Center at 1-800-422-2782.

Outside your home:

- Collect rain water for irrigation.
- Plant native grasses and flowers, which are hardy in the local climate, provide wildlife food and habitat, and reduce the need for watering, mowing and chemical treatment.

Inside your home:

- Run dishwashers and clothes washers only when they are full. Use the water-saver cycle, if available.
- Store a container of tap water in the refrigerator and enjoy a cold, refreshing drink anytime instead of reaching for bottled water.

More tips can be found at
www.illinoisamwater.com.

Being green.

Water is one of the earth's precious natural resources. Protecting our environment, watersheds and water sources will help ensure high-quality water service to customers today and in the future. Illinois American Water employees look to implement green initiatives in every aspect of operations and take an active part in educating communities about the importance of wise water use.

Illinois American Water's new water treatment plant in Champaign County earned the first LEED® certification for a water treatment facility in Illinois. LEED is the nation's top program for the design, construction and operation of high-performance green buildings. Green initiatives utilized in the building design include use of energy, lighting, water and materials.

The East St. Louis Water Treatment Plant was recognized on Earth Day of 2009 by the St. Clair County Health Department for the plant's extensive recycling program. Employees at the East St. Louis plant have recycled over five tons of paper and plastic since 2007, in addition to recycling batteries, cellular phones, fluorescent light bulbs, computer equipment, aerosol cans and mercury containing devices.



Pekin Police Chief Jim Kaminski empties the pharmaceutical disposal box located in the lobby of City Hall. To date, over 14 similar programs have been implemented across Illinois American Water service areas contributing to the disposal of thousands of pounds of unwanted medications

Illinois American Water reaches even more people through these projects:

- National Theatre for Children helps to educate the youngest customers about wise water use and pollution control in a fun, interactive atmosphere.
- The Sun Foundation's Clean Water Celebration, a two-day event in Peoria, educates how to conserve water and protect watersheds. Through an 18-year involvement, Illinois American Water has reached thousands of children in Central Illinois.
- The Governor's "It's Our River Day" celebration, held annually in September promotes education, recreation and conservation of Illinois watersheds. Employees volunteer at the Mississippi Earthtones Festival in Alton and contribute to clean up efforts along the Illinois River.
- Through the Illinois EPA's Medication Education Disposal Solutions committee, Illinois American Water works with pharmacists, educators, police departments and healthcare organizations to create local pharmaceutical disposal programs.
- Through a partnership with EPA on the WaterSense Program, customers learn ways to identify and repair leaks. Because minor water leaks account for more than one trillion gallons of water wasted each year in U.S. homes, Illinois American Water promotes "Fix a Leak Week" in March.
- Illinois American Water has committed to a multi-year agreement with Great Rivers Land Trust to prevent soil erosion in the Piasa Creek Watershed and reduce the amount of solids entering the Mississippi River. This partnership, which is highlighted as a model by the USEPA, has resulted in approximately 7,000 tons of soil being saved each year.
- The environmental grant program helps to provide funding for innovative, community-based environmental projects that improve, restore or protect the watersheds, surface water and/or ground-water supplies in our communities.

To learn more about our projects and programs visit our Web site.



Help make a difference.

What is a watershed?

A watershed is an area of land which receives runoff from rain and snow. Before water arrives at its final destination it travels over the land surface collecting elements along the way. Some water soaks into the soil and travels as groundwater.

Watersheds contribute to our lakes, streams, rivers and aquifers -- all of which are precious water sources. Watersheds also provide habitat for fish, birds and wildlife.

All Illinois residents live in a watershed. Everyday activities at home, at work and in the community affect our watersheds. Here are some ways you can help.

- Select non-toxic or less toxic alternatives to typical household products such as cleaning agents.
- Do not pour cooking oils, greases or petroleum-based products down the drain.
- Recycle newspapers, cardboard, plastics and electronics instead of tossing them in the trash.
- Plan landscaping to include permeable surfaces that allow water to soak into the ground.
- Use native plants that require minimal fertilizer, herbicides and watering.
- Use hazardous waste collection sites and services for disposal of chemicals, paints, motor oil and batteries.



Customer Bills and the Illinois Commerce Commission Ratemaking Process

Illinois American Water is a regulated utility, so any change to base rates must be approved by the Illinois Commerce Commission (ICC). There are several kinds of changes that can occur either annually or occasionally that are listed below with a brief explanation.

Copies of all regulatory filings and changes are on file at Illinois American Water district offices. Customers are welcome to stop by and review these documents during regular business hours 8:00 a.m. – 4:00 p.m. Monday through Friday.

Requests for Rate Increases

The company filed a rate increase request on May 29, 2009. This started an 11-month process of documentation, questions, testimony, intervention, public hearings and deliberation by the commissioners. Commissioners made their decision and rates changed on April 23, 2010. As part of this change, Champaign and Lincoln customers moved to monthly billing cycles starting in July, 2010. This is the industry standard for billing and helps customers with monthly budgeting and planning.

Fire Protection Charges

Illinois American Water has been providing customers with fire protection water service throughout the years. Until recently, many customers haven't paid for the full cost of this service because the municipality in which they live covered the cost. However, many Illinois communities are facing financial challenges and are transferring these costs to customers.

Some customers have recently received notice of this change to their water bills. The Illinois Commerce Commission (ICC) has rules governing this change which we follow diligently. The cost of fire protection includes the installation and maintenance of public fire hydrants attached to the company's water mains and the cost of upsizing water mains, production, distribution, and storage facilities needed for proper fire flows. The amount of the charge depends on a customer's meter size.

Chicago Purchased Water Information

For the Chicago Metro district, Illinois American Water purchases Lake Michigan water through two sources: the City of Chicago and the Village of Wilmette. Water from these two sources flows from Lake Michigan through large pipelines located underneath communities along the way. City of Chicago water is delivered to customers via the DuPage Water Commission, Bedford Park/American Lake Water and Oak Lawn. Wilmette water comes to Illinois American Water customers through Glenview.

These suppliers evaluate their costs and implement increases to Illinois American Water when necessary. Illinois American Water passes along these charges to customers without additional mark-up or profit. The purchased water surcharge appears on a separate line on the bills for all customers receiving Lake Michigan water. Customers can identify this charge by looking for the line that reads "supply chg" or a similar description.

Annual Purchased Water Reconciliation

The ICC requires Illinois American Water to calculate an adjustment to the supply charge each year on April 1. The adjustment reflects the actual total of refunds, supplier surcharges, and other adjustments that have affected purchased water costs over the previous year. Our goal is to balance, as closely as possible, the amount we pay for Lake Michigan water supply with the revenue we receive from customers. Illinois American Water makes no profit on the purchased water charges.

Qualifying Infrastructure Plant (QIP)

In 1999, a state law was enacted that provided a funding mechanism for necessary and ongoing improvements in utility infrastructure systems in the form of a Qualifying Infrastructure Plant Surcharge (or QIP Surcharge).

QIP Surcharge rates allow for rate adjustments, outside of a general rate proceeding, for non-revenue producing investments that replace aging infrastructure. These investments include the replacement of already in-service infrastructure including valves, hydrants, meters, and water main.

QIP Surcharge rates help us plan for efficient and timely investment needed to upgrade aging infrastructure and enhance water service. The QIP Surcharge rate is limited to a maximum of five percent and is applied to customer bills for water and wastewater services that are provided by the company. The QIP Surcharge rate is not applied to other charges such as purchased water surcharges, add-on taxes, or amounts for services provided by municipalities but included on your Illinois American Water bill.



70-year old, 2-inch water main that was replaced due to its age and condition with new 6-inch and 8-inch water main.