



NOTICE OF RATE INCREASE

Dear Customer,

It is important for you to know why Iowa-American Water Company (“Iowa-American”) is requesting a rate increase from the Iowa Utilities Board (“IUB”). We know there is never a good time to ask for an increase, but we have the responsibility to properly maintain and upgrade our systems to provide high quality water, reliable service and fire protection to the communities we serve 24 hours a day, every day. It is important to note that the IUB’s review of the company’s request is expected to take 10 months. Any new rates set by the IUB at the end of the process would not become effective until mid-2021, four years since the last increase.

Since our last rate case in 2016, and by the end of 2022, we have invested approximately \$86.8 million in our water treatment and delivery systems in Clinton, Blue Grass and the Iowa Quad Cities. 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 a national issue. The U.S Environmental Protection Agency’s 2015 Drinking Water Needs Assessment reported to Congress that Iowa drinking water systems have an estimated capital need of more than \$7.8 billion over the next 20 years with the majority needed for the small and medium sized systems that dominate the state. Some of our largest investments include:

- ✓ Over \$28 million investment in water main relocations, replacements and upgrades to improve reliability for customers, reduce service disruptions and increase water flows for firefighting. Over 28 miles of water main was or will be replaced from 2016 – 2022.
- ✓ About \$11.6 million investment to construct an Ultra Violet Light Disinfection Facility at the East River Station Treatment Facility to meet the Iowa Department of Natural Resources compliance schedule for the inactivation of Cryptosporidium. This state-of-the-art water disinfection project will go into service in March 2022.
- ✓ Over \$10 million investment for normal, recurring installation and replacement of water services, meters, valves and hydrants in Clinton, Blue Grass and the Quad Cities districts from 2016-2022.
- ✓ About \$2.2 million investment in a disinfection improvement project at the East River Station Treatment Facility to replace two gas chemical feed systems with liquid chemical feed systems. The project, which went into service in March 2018, replaced aged equipment and improved, already safe, plant operations and efficiency.
- ✓ An \$843,000 investment to convert the Clinton District’s Main Station Water Treatment Facility from a gas chemical feed system to a liquid chemical feed system, which improved already safe plant operations and efficiency.

Water service remains an exceptional value. Iowa-American’s rates are based on the actual cost of providing water service to customers. If the IUB approves our full rate request, the average residential customer using 4,000 gallons of water per month would pay an additional \$5.44 per month or about 18 cents more per day.

We understand, however, that in these tough economic times, some of our customers are struggling. In 1993 Iowa-American was one of the first in the state to offer our **H2O “Help to Others”** utility emergency assistance program for needy customers. We also offer payment arrangements to customers who need assistance, and provide “Wise Water Use” tips and leak detection kits to help customers find hidden leaks to reduce their usage and lower their bill.

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

Dear Iowa-American Water Customer:

Iowa-American Water Company (“Iowa-American”) is asking the Iowa Utilities Board (Utilities Board) for an increase in water utility rates and charges, effective July 1, 2021. This notice is being provided pursuant to 199 Iowa Administrative Code 26.5(1)(d) and has been reviewed and approved by the Utilities Board. In previous rate cases, the Utilities Board set rates based on consideration of historical costs and expenses data of the utility. In this new proceeding, the Utilities Board will consider projected costs and revenues of the utility to determine rates. The Utilities Board will also conduct a subsequent proceeding to determine if the rates set in this proceeding are reasonably consistent with actual costs and revenues, which may result in an adjustment to rates.

The proposed increase in annual water revenue will be approximately \$3,949,286 or 9.5%, bringing the Company’s total proposed water revenue requirement to approximately \$45,499,405.

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 is:

Customer Class	Current Monthly Rate ¹	+ Proposed Increase	= Proposed Monthly Rate ¹	Percentage Increase
Residential	\$37.26	\$5.44	\$42.70	14.61%
Commercial	\$176.84	\$29.16	\$206.00	16.49%
Industrial	\$2,733.37	\$(53.49)	\$2,679.88	-1.96%
Private Fire Service	\$61.70	\$ -	\$61.70	-
Public Authorities	\$276.07	\$23.38	\$299.44	8.47%

1. Current and Proposed Rates include fixed service charges and rates that vary with usage and are proposed to change.

Included in the proposed estimated monthly increase amounts is the estimated amortized expense associated with litigating the case.

This proposed increase in rates and charges may be docketed by the Utilities Board for investigation, which suspends the approval and potentially the effective date of the proposed rates and charges.

Elimination of Tariff Offerings

Iowa-American is also proposing the elimination of specialized rates for Blue Grass water, Blue Grass irrigation and the water municipal service tariff only available to Board of Parks in the City of Clinton. If approved, all customers will be charged the same rates for the same type of service regardless of city or location.

Proposed Regulatory Mechanisms

Iowa-American is also asking the Utilities Board to approve modification to the Qualified Infrastructure Program (QIP). The QIP was approved in the last case and reflects the additional cost incurred by Iowa-American to replace or relocate qualified infrastructure plant placed into service after the end of the rate proceeding. The QIP surcharge appears on the customer bill as a separate charge and is in addition to the base rates shown above. The QIP surcharge would remain in place, and possibly increase each year and could accumulate over time to no more than 15% of the revenue requirement or \$6,824,911. The modifications sought in this case are the removal of an initial threshold of \$4.2 million annually, a request for a return on investment equal to all other investments and the implementation of a reconciliation mechanism that ensures the company recovers no more, or less, than approved.



Iowa-American also seeks approval to implement a new adjustment mechanism, the Revenue Stabilization Mechanism (RSM), which would allow Iowa-American to adjust future rates up or down to ensure Iowa-American recovers no more and no less revenue than authorized. The RSM would affect the rates shown above, and may increase or decrease rates on an annual basis subject to an opportunity for customer objection or comment limited to the issue of the RSM but without a full and complete review of Iowa-American's operations.

THE RATE CASE PROCESS

After a thorough investigation, the Utilities Board will order final rates and charges that may be different from the rates and charges proposed by Iowa-American. The Utilities Board will also determine when the rates and charges will become effective.

You have the right to file a written comment or objection to this proposed increase with the Utilities Board and to request a public hearing. All written comments and objections should be addressed to: Utilities Board, 1375 E. Court Avenue, Des Moines, Iowa 50319-0069. Comments and objections may be submitted by email to customer@iub.iowa.gov and should include a reference to the docket number, RPU-2020-0001. Comments or objections may also be submitted by using the comment form on the Utilities Board's website, <https://iub.iowa.gov/online-services/open-docket-comment-form>. The Utilities Board should be provided with any facts that would assist in determining the justness and reasonableness of the requested increase and the two regulatory mechanisms discussed above. 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 Utilities Board.

As part of this process, the Utilities Board will hold one virtual and two in-person consumer comment hearings. The Utilities Board will hold in-person consumer comment hearings in Clinton and Davenport and a virtual-only hearing for those persons who do not wish to attend an in-person hearing. The dates, times, and locations of the consumer comment hearings are provided below. Additional details about participating in the virtual consumer comment hearing will be provided on the Utilities Board's website, iub.iowa.gov.

Clinton in-person hearing	Davenport in-person hearing	Virtual-only hearing
Date: October 15, 2020	Date: October 21, 2020	Date: October 28, 2020
Time: 5:30 p.m.	Time: 5:30 p.m.	Time: 5:30 p.m.
Location: Wild Rose Casino 777 Wild Rose Drive Clinton, IA 52732	Location: The River Center (South Building, Great Hall) 136 E. Third St., Davenport, IA 52801	Location: iub.iowa.gov

In light of the COVID-19 pandemic, the Utilities Board will require that attendees at the in-person consumer comment hearings practice six-foot social distancing and wear masks or face shields. Masks, disinfectants and gloves will also be made available. The Utilities Board asks that you attend only the virtual hearing in the event that any of the following apply to you:

1. You have recently been in close contact with someone who has COVID-19; or
2. You have tested positive for COVID-19 in the last 14 days; or
3. You are experiencing symptoms of COVID-19 (fever greater than 100 degrees, new loss of taste or smell, unusual shortness of breath, fatigue).

In addition, please check the Utilities Board website for updates prior to attending the in-person hearings, as the COVID-19 pandemic may require the Utilities Board to modify its plans for the in-person consumer comment hearings.

A written explanation of all current and proposed rate schedules is available without charge from our local business office by calling (563) 468-9201 or by visiting <https://amwater.com/iaaw/customer-service-billing/your-water-rates>. 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.

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