

## **FREQUENTLY ASKED QUESTIONS: RATE REVIEW PROCESS**

On August 28, 2020, Iowa American Water filed an application with the Iowa Utilities Board in Des Moines requesting a review of water rates to recover investments associated with providing safe, clean, and reliable water service for the eight communities we serve in eastern Iowa.

The Frequently Asked Questions below are intended to provide helpful information and show you the projected rate impact based on Iowa American Water's request.

### **CUSTOMER RATES WILL NOT CHANGE UNTIL THE IOWA UTILITIES BOARD REVIEWS THE REQUEST AND ESTABLISHES NEW RATES.**

Iowa American Water's rates are set by the Iowa Utilities Board, an independent state regulatory agency in Des Moines. Their ruling will come after an extensive 10-month review of the case and opportunities for public comment. The rates approved by the Iowa Utilities Board may be different than the company's proposed rates. Any newly approved rates will not go into effect until mid-2021.

Customers may contact our Customer Service Center with any questions they may have regarding the rate review request at 1-866-641-2108.

### **WHAT WILL BE THE IMPACT TO THE AVERAGE RESIDENTIAL CUSTOMER?**

- The change will vary based on your class of service and your actual water usage.
- If granted in full, the increase would raise the monthly bill of the average residential customer using 4,000 gallons of water per month by \$5.44 or 18 cents per day -- from \$37.26 per month to \$42.70 per month. Even with the proposed increase, the cost of tap water for residential customers remains a value, at about a penny per gallon, or approximately \$1.42 per day.
- Water rates include a fixed charge based on meter size, as well as a usage charge. For a typical residential customer with a 5/8" meter, the fixed charge is the current \$14.00 per month. Iowa American Water is not requesting a change to this fixed charge. The proposed volumetric/usage charge is \$7.175 per 1,000 gallons.

#### **Example: If you are a monthly customer and use 4,000 gallons per month:**

- Fixed Charge: \$14.00 (5.8-inch water meter)
- Usage Charge (rate per 1,000 gal):  $\$7.175 \times 4 = \$28.70$
- Water Excise Charge (6%): \$2.56
- Total Monthly Bill (Fixed + Usage Charge + Water Excise Charge) = \$45.26

### **WHEN WILL THE RATES CHANGE?**

- Rates will not change until the Iowa Utilities Board completes a comprehensive review of the request. This process will take approximately 10 months and will include opportunities for public input. Rates determined from this case are not expected to go into effect until mid-2021.

### **WHY DOES IOWA AMERICAN WATER NEED THIS INCREASE?**

- The need to improve water systems is a national challenge. The American Society of Civil Engineers recently estimated that \$1 trillion of investment is needed across the nation over the next 25 years in water system investments.

- In addition, 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.
- The proposed increase is needed to recover costs for major infrastructure improvements to water systems that are necessary to maintain reliable service.
- Statewide almost \$87 million for critical system infrastructure improvements has been or will be invested in these improvements from October 2016 to June 2022.
- 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 in Davenport 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 Iowa Quad Cities 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.

#### **WHEN WAS THE LAST TIME IOWA AMERICAN WATER FILED FOR A RATE REVIEW?**

- Iowa American Water last filed for a rate review in April 2016, and customer rates were increased in March 2017. At the time, the average residential customer's bill increased by \$3.38 per month.
- Rates determined from this current case are not expected to go into effect until mid-2021.

#### **WHAT DETERMINES THE TIMING OF RATE REVIEWS?**

- Iowa American Water files requests for rate reviews to recover significant investments to maintain and upgrade treatment plants, pipes, pumps, storage tanks and other parts of the water systems that serve its customers.
- Iowa American Water carefully plans and invests in system improvements that enhance service and reliability, both now and for future generations.

### **WHY DO SOME MUNICIPAL SYSTEMS HAVE WATER RATES THAT ARE LESS THAN IOWA AMERICAN WATER?**

- Iowa American Water's rates are regulated and set by the Iowa Utilities Board and reflect the true cost of service, which includes properly maintaining and improving the systems as they age. We work hard to keep rates down, but we also balance that with the need for significant capital investment so our systems continue to provide safe, reliable service and meet all state and federal standards.
- Although the rates charged by some other systems might be less, the gap is often due to the difference in investments. In many cases, water systems with rates significantly lower than Iowa American Water's have not made adequate improvements necessary to maintain reliable service or compliance with environmental regulations.
- We make capital investments to provide quality, reliable water service. Our approach is to proactively make system investments to improve reliability and resiliency, while reducing the risk of serious service issues or water quality problems.
- Municipalities also do not pay local property taxes, which we do. In 2019, Iowa American Water paid \$1.1 million in state income taxes, about \$3 million in property taxes, and 6% of all revenue equaling \$2.4 million to the water excise tax (WET).

### **HOW CAN IOWA AMERICAN WATER ASK FOR HIGHER RATES AT THIS TIME WHEN MANY FAMILIIES ARE STRUGGLING FINANCIALLY?**

- There is never a good time for ask for a rate increase.
- Iowa American Water has a responsibility to properly maintain and upgrade our systems to deliver quality, reliable water service and fire protection for the communities we serve.
- This requires significant capital investment, which totals almost \$87 million from 2016 - 2022. The Iowa Utilities Board sets rates that are fair and reasonable, which includes the recovery of prudent investments.

### **DO YOU OFFER ANY PROGRAMS FOR CUSTOMERS NEEDING ASSISTANCE TO PAY WATER BILLS?**

- Any customer who is having trouble paying their bill is encouraged to contact the company for information about payment assistance programs and payment plans.
- Financial assistance is available to eligible customers through our H2O "Help to Others" Program (More information is available at <https://amwater.com/iaaw/customer-service-billing/low-income-program>.)

### **WHAT IS IOWA AMERICAN WATER DOING TO CONTROL COSTS?**

- Iowa American Water works hard to control our costs and operate as efficiently as possible. This allows us to keep rates as low as possible while making critical investments in our systems.
- Iowa American Water employs best management practices and cost containment techniques, while taking advantage of economies of scale to enhance efficiencies and reduce operational costs.

### **HOW ARE CUSTOMERS BEING NOTIFIED ABOUT THIS REQUEST?**

- Detailed information about the company's request for a rate increase was mailed to all customers on August 27, 2020. The company also issued a news release about the filing, and posted the news release and the customer notification on its website.

### **DO CUSTOMERS HAVE AN OPPORTUNITY TO PROVIDE INPUT INTO THE COMPANY'S RATE REVIEW REQUEST?**

- Yes, as part of this process, the Iowa Utilities Board will hold one virtual and two in-person consumer comment hearings. 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 Iowa Utilities Board's website at [www.iub.iowa.gov](http://www.iub.iowa.gov).
  - **Clinton in-person hearing**, October 15, 2020, 5:30 p.m. at Wild Rose Casino, 777 Wild Rose Drive, Clinton, IA 52732
  - **Davenport in-person hearing**, October 21, 2020, 5:30 p.m., The River Center (South Building, Great Hall), 136 E. Third St., Davenport, IA 52801
  - **Virtual-only hearing**, October 28, 2020, 5:30 p.m. via [www.iub.iowa.gov](http://www.iub.iowa.gov)
  - Please check the Iowa 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.

### **CAN CUSTOMERS SEE THE RATE REVIEW REQUEST FILED WITH THE IOWA UTILITIES BOARD?**

- Yes. To find out more about how you can participate in this rate process, contact the Iowa Utilities Board or refer to the information provided in the customer notice mailed to you. All of the documents that are part of this rate case can be found on the IUB's website at [www.iub.iowa.gov](http://www.iub.iowa.gov). The Docket Number for this rate case is RPU-2020-0001.