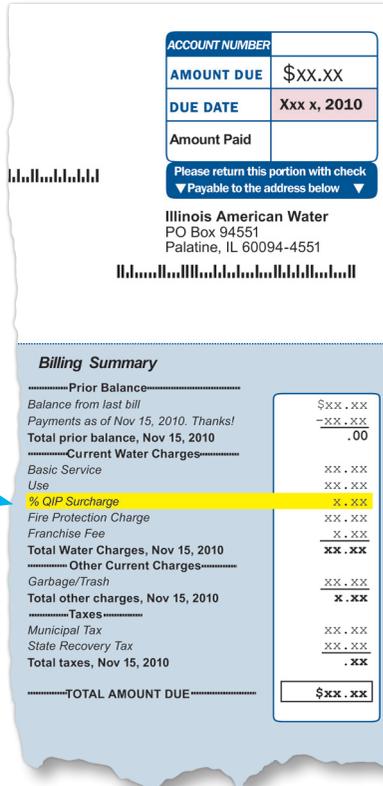


A separate QIP line item will be shown on a customer's bill to reflect the surcharge. Customers are also notified through newspaper advertisements, water bill messages and notices at the local water company office when a QIP charge is changed.

Through QIP, Illinois American Water is able to ensure continued investment in our systems through more gradual rate increases. Each year as eligible infrastructure is renewed and replaced, the costs are reviewed and audited by the ICC in a Commission proceeding.

Where to find the QIP Surcharge on your water bill.



The QIP is applied to the Basic Service and Use charges.

In a world where everything we touch frequently changes, water is our constant. We've never stopped needing it to drink, to cook, to clean, to live. We'll always need it for sanitation, for fire protection, for watering our lawns and washing our cars.

It's easy to take water for granted. And because so many do, we don't.

We are scientists, environmentalists, innovators, and protectors. We are also residents and employees in the communities we serve. We understand how important, how precious, and how critical water is to daily life.

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

Visit www.illinoisamwater.com to learn more about our commitment to serve you.

Click on "Get to Know Us" for information about green initiatives, customer service programs, ways to be water wise, and more.



www.illinoisamwater.com
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AM434i

Ensuring Quality Infrastructure



ILLINOIS
AMERICAN WATER



Illinois American Water is dedicated to ensuring your local water system continues to provide reliable, high quality water service. That includes making timely investments in our water distribution systems. Our Quality Infrastructure Program helps us to replace and update aging infrastructure on a timely basis.

In Illinois, a law was enacted in 1999 that provides a funding mechanism for necessary and ongoing improvements in utility infrastructure systems. Similar laws have been enacted throughout the country to help water and wastewater utilities deal with the issue of aging water and wastewater systems.

Illinois American Water has used this mechanism through the Quality Infrastructure Program, also known as QIP*, in the Interurban (Metro East), Alton, Cairo, Peoria, Pontiac and Streator Districts. Over the last six years, nearly \$50 million of QIP eligible improvements have been made to upgrade our water systems in districts with access to QIP.

On March 16, 2010, the Illinois Commerce Commission (ICC) approved the expansion of QIP to include Illinois American Water's Champaign, Chicago Metro, Lincoln, Pekin, South Beloit and Sterling Districts. New QIP rates for all districts will be effective January 1, 2011.

* Officially known as *Qualifying Infrastructure Plant per ICC Rules (83 Ill. Admin. Code 656)*.

Ensuring Quality Infrastructure

When it comes to delivering water to the tap and fire hydrants, it is the water mains, fire hydrants, valves, meters, etc. that make up the complex infrastructure systems which contribute to your water service. Much of America's water infrastructure is more than 100 years old and still serves homes and businesses every day.

Ensuring this infrastructure is maintained and replaced when necessary is critical to providing quality, reliable service. According to the U.S. Environmental Protection Agency, the nation's water utilities will need to make more than \$335 billion in infrastructure investments over the next 20 years to ensure public health. Another \$300-400 billion is needed for wastewater upgrades.



Illinois American Water maintains about 4,300 miles of water mains. Throughout our system, many older water mains have reached the end of their useful life. The resulting main breaks can cause service interruptions, damage to property, and inconvenience for our customers. As a result of QIP, Illinois American Water

will be able to more quickly replace infrastructure that is no longer able to meet today's demands. This will reduce the number of water main breaks and improve service reliability and fire protection while enhancing the integrity of the water system for future generations.

How Does QIP Work?

QIP allows for rate adjustments, outside of a general rate proceeding, for replacing infrastructure. QIP offers water and wastewater utilities the ability to plan for efficient and timely investment to renew and replace infrastructure and enhance water and wastewater service.

The QIP surcharge recovers the cost of system improvements as aging water mains and other eligible infrastructure are replaced. The QIP rate that will be applied to your monthly basic service and usage charges will depend upon the level of investment made to replace and renew infrastructure.

The initial amount of QIP is expected to be less than three percent, and cannot exceed five percent of the customer's combined basic service and usage charges. The QIP rate is not applied to fire protection charges, or to purchased water surcharges, purchased sewage treatment surcharges, add-on taxes, or amounts for water, sewer and refuse, etc., that are billed by Illinois American Water for the providing municipalities.