

Making investments for your water service.



Important information
about proposed changes
in your rates.

Along with our Cairo customers, Illinois American Water fought historic flooding earlier this year. Our team worked around the clock to protect the water treatment plant and ensure uninterrupted water service.

Periodic rate increases enable needed investments for reliable service

- This rate filing includes approximately \$180 million of investment across the state in pumps, pipes and treatment facilities that are not reflected in current rates but needed to maintain quality, reliable service to our customers.
- The U.S. Environmental Protection Agency (EPA) says the nation's water utilities will need to make more than \$335 billion in infrastructure investments (about \$15 billion in Illinois) during the next 20 years to ensure public health.
- Investment in water/wastewater infrastructure creates jobs. According to a study by the U.S. Conference of Mayors and the Associated General Contractors of America, about 28,500 jobs are created for every \$1 billion invested in infrastructure.
- More than 57,000 tests per year are conducted at our national lab in Belleville, Ill. to hold American Water to the highest standards in delivering clean, high-quality drinking water to the people we serve.
- **Quality customer service, every day of the year – 90% of our customers in Illinois are satisfied with the service we deliver.**

Our request for a rate increase

The water professionals at Illinois American Water are proud to provide your water service. The rates we charge are based on a true-cost pricing model endorsed by the U.S. EPA, the Metropolitan Planning Council, the Chicago Metropolitan Agency for Planning and the National Association of Water Companies. True-cost pricing means your water rates reflect the full cost of pumping and treating water and delivering quality water service right to your tap. Rates also pay for the investment Illinois American Water makes to ensure reliability and compliance with state and federal regulations.

On Oct. 27, Illinois American Water filed a request with the Illinois Commerce Commission (ICC) to increase its base rates to reflect approximately \$180 million in investments that are not reflected in current rates. Until the ICC makes a final decision on our request, your base rates will remain the same – nothing changes.

The process for changing our base rates will take approximately 11 months and involves thousands of pages of information to document and justify the rate request. In addition to the ICC, the review process will involve the Illinois Attorney General's Office, the Citizens Utility Board and others affected by the rate filing. There will also be public meetings where customers can give feedback and input about this request.

We expect the ICC to issue a final decision on our request next fall, resulting in about two and a half years between increases in base rates.

| Customer Account Information | | Billing Summary | |
|---|--|-------------------------------------|---------|
| For Service To: | | Prior Balance | |
| Account Number: | | Balance from last bill | \$53.13 |
| Premise Number: | | Payments as of Aug 05, 2011. Thank! | -53.13 |
| | | Total prior balance, Aug 05, 2011 | .00 |
| | | Current Water Charges | |
| Billing Period & Meter Information | | Basic Service | 14.50 |
| Billing Date: Aug 05, 2011 | | Use (\$ 3.50360 X 6.00) | 21.62 |
| Billing Period: Jul 05 to Aug 02 (28 days) | | 1.30% QIP Surcharge | .47 |
| Next reading on/about: Nov 02, 2011 | | Cairo Mun Franchise Fee | .92 |
| Rate Type: Residential | | 5/8" Fire Protect Cairo | 8.27 |
| | | Total water charges, Aug 05, 2011 | 45.78 |
| | | Taxes | |

1 Water Basic Service and Use Charge: These two charges, which all water customers pay, are your base water rates and reflect the true cost of providing quality, reliable water service to your home or business. The Basic Service charge is a fixed cost that includes the cost of meters and service lines as well as customer service functions such as billing and meter reading. The Use Charge, which is based on the amount of water usage each month, represents the costs related to operating and maintaining the pumping, treatment and distribution facilities, as well as the remaining fixed costs associated with these facilities.

If the ICC approved 100% of our rate request, the monthly bill for a typical residential customer using 4,500 gallons of water a month would increase to approximately \$43.65, *excluding fire protection charges, municipal taxes and franchise fees which vary by community.* That's an increase of about \$7.06 a month.

2 Quality Infrastructure Program (QIP) surcharge: The QIP Surcharge allows the company to make rate adjustments, outside of a general rate proceeding, for the replacement of certain types of infrastructure that is at the end of its useful life. When new base rates are implemented, the *QIP Surcharge is reset to zero.*

70% of increase is driven by infrastructure investments

Water mains, fire hydrants, valves, meters, treatment facilities, and pumps make up the complex system which ensures you receive quality water service right to your tap. Maintaining and replacing this infrastructure when necessary is critical to providing quality, reliable water service. System upgrades meet new regulatory requirements and support economic development while enhancing water quality, water pressure and fire protection.

Nearly 70% of our request is related to infrastructure investments and the costs associated with funding improvement projects. Statewide, we are investing approximately \$180 million in water and wastewater system improvements that are not reflected in the current rates. This includes approximately \$1.7 million of investment in the Cairo District for the following:

- Installation and replacement of over 2,000 feet of water mains.
- Installation and replacement of 10 fire hydrants to enhance fire protection.
- Installation and replacement of meters and valves.

These and other investments help to ensure reliability even during times of flooding like the flood experienced earlier this year. During the flood fight, Illinois American Water provided the City of Cairo with continued water service to ensure fire protection and public health.

Illinois American Water works hard to make prudent investments while operating efficiently and controlling expenses. A competitive bidding process enables the company to get the best pricing available. To control costs, the company has installed technology to reduce energy use at our facilities. Safety initiatives have also helped to reduce costs. These efforts have paid off as only 2% of the rate case is driven by higher operation and maintenance expenses. The remaining portion of our rate request is related to a redistribution of costs tied to reduced water consumption.

Get your questions answered

The water professionals at Illinois American Water are ready to answer your questions. If you want additional information or have questions about this rate filing with the ICC or any other part of your water service, please call Steve Keith, operations superintendent, at (618) 734-3776 or e-mail at Stephen.Keith@amwater.com.

Assistance for low-income customers

The H2O Help to Others Program™ is a customer assistance program created by Illinois American Water and administered by local Salvation Army agencies. The program provides assistance to low-income customers who need help with paying their monthly water bills. Customers who need assistance should contact Illinois American Water at (800) 422-2782 to learn more about this program and how they can contact the local Salvation Army agency in their area.