



ILLINOIS AMERICAN WATER

FAX

Jason

DATE: May 29, 2009

TO: The Hon. Marty Moylan, Mayor

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PAGES (Including cover): 4

SUBJECT: Illinois American Files Rate Request

Good Afternoon:

I wanted to let you know about our rate filing today with the Illinois Commerce

Commission. I have included our press release related to our filing for your review.

Please contact me if you would like to discuss further or have any questions.

PRESS RELEASE



May 29, 2009

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ILLINOIS AMERICAN WATER FILES RATE REQUEST

Proposed increase keeps water service costs at around a penny per gallon

Woodridge, Ill. (May 29, 2009) – Illinois American Water today filed an application with the Illinois Commerce Commission (ICC) requesting increases in water and wastewater rates for customers in the Chicago Metro District. Rates will not change until the spring of 2010.

Main reasons for today's rate request are Illinois American Water's ongoing and planned investment of approximately \$184 million statewide in 2009 and 2010 to enhance pumps, pipe, treatment facilities and other water system infrastructure and rising expenses related to water treatment and delivery systems.

Even if the increase is approved in full by the ICC, customers will continue to receive high-quality, reliable water service for around a penny per gallon. The water company cannot increase rates on its own. The process before the ICC typically lasts 11 months and requires the company to provide thousands of pages of documentation to show that the rate request is needed.

The proposed percentage increase varies by community, but the rate request includes more than \$58 million of investment in Chicago Metro, about \$34 million for water and about \$24 million for wastewater

"This is the most significant investment in the water and wastewater systems in Chicago Metro since the pipeline to Lake Michigan was built more than a decade ago," said Kevin Hillen, operations manager for Chicago Metro. (Note: The chart at the end of the press release shows the proposed increases by community based on the water and/or wastewater service customers receive.)

Hillen said the company will spend more than \$5 million on new water pipe and more than \$3 million on new meters. In addition to annual investment in pipes, pumps, fire hydrants and meters, examples of specific projects include:

- The company will invest more than \$11 million in 2009 on fire flow and related projects that will enhance fire protection for customers in all unincorporated areas such as Elmhurst, Morris, Mokena and Oswego.
- More than \$550,000 is planned to upgrade the Woodridge Booster Station. This project will enhance operational reliability and expand the pumping capacity of the booster station.
- An investment of \$3 million will be made at the Valley Marina Wastewater Treatment Facility. The rebuilding of this facility will enhance operational reliability and treatment effectiveness, allow for increased flow rates and provide compliance with anticipated changes in regulatory requirements.

- MORE -

ILLINOIS AMERICAN WATER FILES RATE REQUEST

• Nearly \$3 million is planned to rehabilitate sewer lines in Des Plaines, which will increase operational reliability, reduce infiltration and inflow, and aid in meeting environmental regulations.

Many communities are facing the challenges of aging water systems and associated rate hikes. The U.S. EPA says the nation's water utilities will need to make more than \$335 billion in infrastructure investments -- \$15 billion in Illinois -- over the next 20 years to replace thousands of miles of pipe and for upgrades to treatment plants, storage tanks and other assets to ensure public health.

Illinois American Water's rates are based on the true costs of providing water service, as reviewed by the ICC. The company works to control operating expenses while balancing the need for regular investment in the water system. Many expenses associated with providing high-quality, reliable water service, most notably production expenses such as chemicals used in the water treatment process, have far out-paced the rate of inflation.

"Illinois American Water continues to invest annually in its systems to ensure that local water quality and service continues to be as good as or better than local, state and federal quality standards," said Karla Olson Teasley, president of Illinois American Water. "At about a penny per gallon, water service remains a great value for our customers."

Following today's filing, a comprehensive review process by the ICC is the next step in the rate-making process. Public hearings and opportunities for public comment are part of the process, under the direction of the ICC.

The following chart outlines the proposed increases in water and wastewater for the 39 communities served by Illinois American Water.

About Illinois American Water

Illinois American Water, a wholly owned subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water and/or wastewater services to more than 1.2 million people. American Water also operates a customer service center in Alton and a quality control and research laboratory in Belleville.

Founded in 1886, American Water is the largest investor-owned U.S. water and wastewater utility company. With headquarters in Voorhees, N.J., the company employs more than 7,000 dedicated professionals who provide drinking water, wastewater and other related services to approximately 15 million people in 32 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

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CUSTOMERS WHO LIVE IN	PROPOSED RATE INCREASE *
<p>Arlington Heights, Bolingbrook, Carol Stream, Derby, Des Plaines, Elk Grove, Elmhurst, Glen Ellyn, Homer Glen, Homer Township, Lemont, Lisle, Lisle Township, Lockport, Lombard, Mount Prospect, Orland Hills, Orland Park, Prospect Heights, Romeoville, Villa Park, Wheaton, Wheeling, Winfield and Woodridge.</p> <p>And receive wastewater collection service</p> <p>or receive wastewater collection and treatment service</p>	<p>Water charge: \$13.07 per month increase</p> <p>Wastewater charge: No change</p> <p>Wastewater charge: \$21.01 per month increase</p>
<p>Elgin, Frankfort Township, Mokena, Morris, Oswego, Plainfield, Prairie Grove, Palos, Sandwich and St. Charles.</p> <p>And receive wastewater collection service</p> <p>or receive wastewater collection and treatment service</p>	<p>Water charge: \$14.61 per month increase</p> <p>Wastewater charge: No change</p> <p>Wastewater charge: \$21.01 per month increase</p>
<p>Norwood Park Township</p> <p>And receive wastewater collection service</p>	<p>Water charge: \$9.09 per month increase</p> <p>Wastewater charge: No change</p>
<p>Northbrook, Palatine and Rolling Meadows.</p>	<p>Wastewater charge: No change</p>
<p>* <i>Note: Impacts are shown for a residential customer using 5,000 gallons of water per month (excluding fire protection charges, taxes and franchise fees which may vary by community).</i></p>	

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