

Janice A. Dale, Chief  
Public Utilities Bureau  
Illinois Attorney General's Office  
100 West Randolph Street  
Chicago, IL 60601

Oct. 13, 2007

Re: IAG Complaint #164918 and ICC #2007-17293

Dear Chief Dale,

Thank you for acknowledging receipt of my disclosures and concerns regarding Illinois American Water Company (IAWC)'s pending rate increase. It is imperative that fact finding of the past two to three Rates awarded, depending on which IAWC Service Area you are in, be Audited for Accuracy and Effectiveness. The Southern Division Service Area, the Largest of IAWC's Illinois Territories, has been mis-managed and fraudulently deceiving the ICC and Consumers, for years. I am in full agreement with you that this is a very serious matter. As a former IEPA Class A Licensed Potable Water Operator (6 years), and a Professional Water Utility Production Employee for 17 years, 7 as a Supervisor of Production Maintenance at IAWC's Inter-Urban-Southern Division's E. St. Louis and Granite City Production Department Facilities, I took it very seriously, when the Public's Trust, Health, Safety and Welfare were being Gambled with, via IAWC Mis-Management.

I will enclose a copy of a report that I made to my Direct Report dated 7-2001. (Rates were awarded 2002)

I will testify that all information I provide to you, is provided for the Benefit of the People of the State of Illinois, and those Served by Illinois American Water Company.

I am not a writer, lawyer, or commissioner, just a former Water Utility Professional that could have been held Liable and Civilly Accountable for the Maintenance Neglect and Operational Issues that IAWC caused, via bad execution of Large Investment Projects as well as Short-Staffing the Load and Resulting Backlog. My Disclosure to the State of Illinois regarding IAWC, Overcharging Rates, Fraudulently Charging Corrections and Fraudulently Inflating Costs to recover from Non-Compliance, is a Right to Know Issue for Consumers. I have every confidence that similar conditions exist in other IAWC Operations, some have been exposed. Some I have seen. Nationwide American Water Customers are becoming furious, about the Deceptions they have witnessed and experienced.

Examples and Questions: On Saturday 10-6-2007, IAWC Distribution Employees in Granite City were observed, exercising Valves and Painting Valve Lids, on overtime, as Saturday is not worked normally, is paying overtime for Compliance Catch-up Fraudulently Charged to Operations?

Post ICC Dockets Regarding Fire Hydrant Dis-function, summer 2006, in Granite City, IAWC Distribution Employees were Paid Overtime to test and operate Hydrants, if that Overtime is charged to Consumers as "Increased Operational Costs", for Compliance Catch-up, it is Fraud, Correct?

IAWC Operations and Maintenance personnel knew for years that Champaign-Urbana had Network-Hydraulic Issues during Electrical Outages, and Gambled that there wouldn't be enough Outages to cause too big of a Problem, gee what an underestimation/naw a 52 million dollar Plant is needed. Only Plant Operators will Testify to that... anonymously.

I was always under the impression that as a Licensed Public Potable Water Professional, I was a Public Servant, First and an employee second. The closer to the Production and Distribution Departments Front Line the more Responsibility to the Public you have. Potable Water is Our Most Important Resource and Utility. It will never Operate on Paper.

As a Licensed Water Plant Operator and a Public Water Supply Maintenance Supervisor, your areas of Responsibility became so Under-Estimated, Neglected, Understaffed and only increased in critical and non critical equipment maintenance backloging, to the point of Failures, dictating Reactionary Maintenance... only ..., was/is the Public being Endangered? YES

RE: Detailed Real World Conditions, Evidence and Failures,  
My Evidence is contained in two bankers boxes and hundreds of photos.

Nothing about this mess is "General", I will do my best. Topics to seek IAWC Discovery about are:

1. The American Water Employee Survey, Ratepayers paid for this very Damning survey and never saw the results, IAWC needs to Provide those results and explain how the Regional Restructuring Justified by that Survey, is now being Reversed at Ratepayer Cost and with Approvals just as Originally Changed by RWE to Regional Structuring 3 years ago.

2. The IAWC Interurban "Action Team", formed by Doug Mitchem, to address a multitude of Repetative Operational Integrity Issues, one Example Specifically --3 Powdered Activated Carbon Feeders at ESL and GC Treatment Plants, Original Install 1997, were some of many Seriously Dis-Functional Investments, Paid for by Ratepayers, these Systems, even with multiple modifications, constant and costly repairs, never functioned reliably. This Chemical is Critical for Treating Raw Water for Petroleum and Chemical Contamination. IAWC produces Mississippi River Water Exclusively in Inter-Urban, and Petroleum spills are reported often, upstream of the IAWC Intakes.

3. Granite City Treatment Plant Automation and Chemical Improvements, Multi-Million Dollar Budget Project(s). This project paid for in Rates has Cost fortunes in Corrections, Repairs, Modifications and Inflated Maintenance Costs. Multiple Engineering Mistakes and the Un-Staffing of this Treatment Plant was Celebrated and Bragged about throughout American Water as the Only Fully Automated-Un-Manned Surface Water Treatment Plant. This was never True, the Plant had more Operational breakdowns than ever in it's History and Corrections were paid for from Ops and Maint. Dollars, again Double Charging and Fraudulantly Inflating Costs.

4. E. St. Louis Treatment Facilities-Automation and Chemical Improvements Projects: Again, Millions Invested in High Technology and no plan to care for it. Multiple Engineering Mistakes, Multiple Critical Equipment failures, Specifically, Chemical Feed Systems, Control Systems, Alarms, Modifications of Hundreds of Thousands of Dollars, charged to Operations and Maintenance, for corrections to Brand New Systems, paid for in Rates and Paid for again in artificially inflated Costs.

5. The Bond-Madison Booster Station Hydraulic Tank Investment has not been Operational, since installation some 7 years. The Engineering Department that Bought it with Ratepayer money, never made it work as Designed. Costs to customers... est. \$200,000 to \$300,000. Water Hammer at this Station has caused a mainline rupture already. Cost of Repairs..?\$\$\$?.to the Customers.

6. The Yorktown Rechlorination Station: This facility was designed and installed by IAWC Engineers, and paid for in Rates-2002. Improper design has yielded it useless for some 5-6 years. It was Justified for addressing a Serious Inability of IAWC to provide proper Chlorine Residuals to the Village of Shiloh IL.. Est. \$300,000 paid by Ratepayers and will be corrected by them in Fraudulant Costs.

7. Chouteau Island Raw Water Pump Station: Automated, Unmanned, and Remote from nearest IAWC Facility by approx. 7 miles. Multiple technologies and equipment which were never utilized, still hang and are disfunctional do to lack of reliability and lack of need, in other words, over - engineering. Very Expensive Dis-Function and very Operationally-Disturbing Electrical Failures have caused soring Fraudulant Repair Costs, again at the Cost to Ratepayers. Electrical Engineering Mistakes, Structural Design and Elevation Mistakes with regard to Flood Levels, and \$400,000 worth of Pump Rebuilding that had to be Completely Re-done beginning one year later, for Three Critical Pumping Units. Ratepayers/ Consumers charged, \$700,000 +Labor and Downtime of the Only Stand-by Pump for many years.

8. Many Electrical Pump Controls have been Invested in, called Variable Frequency or Speed Drives. This Technology is Expensive and High Maintenance as discovered by IAWC. If this Technology is used in the wrong Application, no benefit is gained, only exspense. These Electrical Motor Speed Controllers, Soft Start the Pump, and Control the Pump's Speed, if 100% pump speed is full flow, and 95% pump speed means no flow, a VFD is not needed, many have been purchased with Rates, Few have worked more than not, they are also Bypassed in many Applications at IAWC.

9. Illinois-American Water purchased Three Maintenance Management Software Systems, with Rates 2002 and Prior (many Years), that as of 2004, had never been Functional nor Utilized. This Expensive Software would Generate the Records of all levels and types of Maintenance, Manage Inventories and Spare parts, Generate Workorders, Reports and Documentation Related to Regulatory Instrument Calibrations and Plant Metering. Accurate Plant Flow Instrumentation is the Foundation of all Measurements and Metering thereafter. Order IAWC to Produce the Past 7 years of Plant Flow Instrument Calibrations as Required, and Generate the Documentation with the Maintenance Management Software, Purchased with Past Rates and used to accurately monitor Non Revenue Water.

These are only a few of the examples I will share for now, you will have questions and I will do my best to answer them. Please review my past correspondances with your Office and the ICC. I am certain that a Physical On-Site Tour of IAWC Facilities, will yield the best results for Consumer's Right to Know Obligations. The Consumer's Protection Agencies, must Order and Demand that State Experts be allowed to physically audit and investigate the examples I can show them, TODAY. IAWC's responses to these allegations and many more, should be sought from the eyewitnesses: Douglas Mitchem, Michael R. Jackson, Richard A. Reed, Steve Sears, Karen Cooper, Esther Dundore, Sarah Boyd, Dwayne Lowry, Scott Quinonez, Grant Thornburg, Fred Campbell and the Local 405 Utility Workers Union and IEPA Licensed Potable Water Operators. Alton IEPA Licensed Operators/Utility Workers would provide great insight to that 5 year old treatment plant's, ugly, short and expensive history.

Two days in Inter-Urban and I will show you millions in mistakes, that is my word to you, and the People of this State. Although inconvenient, this type of serious deception by a Public Water Provider, deserves a Serious Investigation. My allegations are fact based and tangibly measureable, unfortunately the Evidence is mostly of Mechanical and Chemical Feed related Installations, Operations and Maintenance. Ironically Maintenance is the highest cost of Water Infrastructure Custodianship, without mistakes that add up to Millions, while still making Profits.

6-10-2005 St. Louis Sunday Post Dispatch article title: Town's water problem simmered for years, this article discloses a problem, known about for years. The water outages which resulted in boil orders and nearly 100,000, affected, was Preventable. Fact: An Experienced Veteran East St. Louis Plant Operator, informed Management of a Hydraulic Change in the distribution system immediately after a large transmission main was relocated for a light rail system in 1997-8. Each summer after, Peak system delivery was negatively affected. A large valve was finally discovered to be closed, after the Outage. Records of the Operations Log the days during the Problems were never Investigated outside of IAWC, Communities and Consumers were deceived as excuses were made. The IEPA was informed of the closed valve, but not of the time length it was closed, as that would show IAWC's multi-year non-compliance/backlog with the Valve and Hydrant Exercising and Inspection program. The new booster station that is justified as part of this new Rate Case's Infrastructure Investments, has Idled and Operated Little, since the Valve was Discovered and Opened. The Station was undeniably needed, long ago, to meet the rising growth and demand of the Communities it supplied. This reactionary investment took attention away from what truly occurred- Gross Negligence, which affected businesses and consumers that still deserve Knowledge of and Damages for. The Cost of the Station is recoverable, the Damages and Lack of Proactively solving a known problem, would not be.

5-6/2004 A preventable Chlorine release, injures 3 E. St. Louis Treatment Plant Employees, some Hospitalized. This Industrial Accident was Serious and it exposed Plant Personnel to a Deadly Chemical, a recurring Problem in Granite City and E. St. Louis. The Multiple Chlorine and Ammonia Systems Dis-functions, since Installation, have caused multiple releases small and large. To Generalize about this history, is impossible. It is one Chapter in a Big book.

Evidence in the form of Purchasing Card Statements, serve as my Documented expenditures for corrections to brand new systems, that were Rate Funded, and Corrected with O&M Money, yet the Projects were signed off on as being fully Operational. This has and will continue to happen until the Accountability is made Transparent. Transparency, Requires Seeing, the real world examples and then accounting for what has worked, and what was bought, that does not benefit Consumers and never has. They have paid statewide for enormous Dis-function and Fraud.

I will again invite any State Agency and Water Expert(s) of their choice, to see, and personally verify every single accusation I have presented to you, IAWC has profitted from Fraud, Consumers Protection Agencies, are relying almost exclusively on Paper and Documents, and excuses that IAWC provides. Reactive responses to Water System Negligence are best describe by Walkerton and Milwaukee Water system caused death.

Sincerely and Respectfully Submitted,  
James E. DeRuntz

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