



ILLINOIS  
AMERICAN WATER

October 27, 2011

Ms. Elizabeth A. Rolando  
Chief Clerk  
Illinois Commerce Commission  
527 East Capitol Avenue  
Springfield, IL 62701

**RECEIVED**

OCT 27 2011

CHIEF CLERK'S OFFICE  
Illinois Commerce Commission

Re: Illinois-American Water Company  
Tariffs Reflecting Proposed General Increase in Water and Sewer  
Rates and Revisions to Other Terms and Conditions of Service

Dear Ms. Rolando:

Attached hereto for filing, to become effective on and after December 11, 2011, are an original and one (1) copy each of the following sheets for the Schedule of Rates and Rules, Regulations and Conditions of Service of Illinois-American Water Company ("Illinois-American," "IAWC," or the "Company") for water and wastewater service (ILL. C.C. No. 5 - (sewer service) for the former Citizens Utilities Company of Illinois; and ILL. C.C. No. 24):

**ILLINOIS-AMERICAN (formerly Citizens Utilities Company of Illinois) (d/b/a Citizens Water Resources) ILL.C.C. No. 5 - (Sewer Service)**

Twelfth Revised Sheet No. 37  
Canceling Eleventh Revised Sheet No. 37

Fourth Revised Sheet No. 59  
Canceling Third Revised Sheet No. 59

**ILLINOIS-AMERICAN ILL.C.C. No. 24, Section No. 1**

First Revised Page 1  
Canceling Original Page 1

Third Revised Sheet No. 1  
Canceling Second Revised Sheet No. 1

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Second Revised Sheet No. 1.1  
Canceling First Revised Sheet No. 1.1

Third Revised Sheet No. 2  
Canceling Second Revised Sheet No. 2

Second Revised Sheet No. 3  
Canceling First Revised Sheet No. 3

Second Revised Sheet No. 3.1  
Canceling First Revised Sheet No. 3.1

Third Revised Sheet No. 3.2  
Canceling Second Revised Sheet No. 3.2

Second Revised Sheet No. 7  
Canceling First Revised Sheet No. 7

Second Revised Sheet No. 7.1  
Canceling First Revised Sheet No. 7.1

Third Revised Sheet No. 7.2  
Canceling Second Revised Sheet No. 7.2

Third Revised Sheet No. 7.3  
Canceling Second Revised Sheet No. 7.3

First Revised Sheet No. 7.4  
Canceling Original Sheet No. 7.4

First Revised Sheet No. 7.5  
Canceling Original Sheet No. 7.5

First Revised Sheet No. 7.6  
Canceling Original Sheet No. 7.6

First Revised Sheet No. 7.7  
Canceling Original Sheet No. 7.7

Third Revised Sheet No. 8  
Canceling Second Revised Sheet No. 8

Second Revised Sheet No. 11.1  
Canceling first Revised Sheet No. 11.1

Second Revised Sheet No. 11.2  
Canceling First Revised Sheet No. 11.2

First Revised Sheet No. 11.4  
Canceling Original Sheet No. 11.4

First Revised Sheet No. 11.5  
Canceling Original Sheet No. 11.5

Second Revised Sheet No. 14.1  
Canceling First Revised Sheet No. 14.1

Original Sheet No. 22

Original Sheet No. 22.1

**ILLINOIS-AMERICAN ILL.C.C. No. 24, Section No. 2**

First Revised Page 1  
Canceling Original Page 1

Second Revised Sheet No. 1  
Canceling First Revised Sheet No. 1

Second Revised Sheet No. 2  
Canceling First Revised Sheet No. 2

Original Sheet No. 22

Original Sheet No. 22.1

**ILLINOIS-AMERICAN ILL.C.C. No. 24, Section No. 3**

First Revised Page 1  
Canceling Original Page 1

Third Revised Sheet No. 1  
Canceling Second Revised Sheet No. 1

Third Revised Sheet No. 2  
Canceling Second Revised Sheet No. 2

Third Revised Sheet No. 3  
Canceling Second Revised Sheet No. 3

Third Revised Sheet No. 8  
Canceling Second Revised Sheet No. 8

Original Sheet No. 22

Original Sheet No. 22.1

**ILLINOIS-AMERICAN ILL.C.C. No. 24, Section No. 4**

First Revised Page 1  
Canceling Original Page 1

Second Revised Sheet No. 1  
Canceling First Revised Sheet No. 1

Second Revised Sheet No. 2  
Canceling First Revised Sheet No. 2

Second Revised Sheet No. 3  
Canceling First Revised Sheet No. 3

Second Revised Sheet No. 7  
Canceling First Revised Sheet No. 7

Second Revised Sheet No. 7.1  
Canceling First Revised Sheet No. 7.1

Second Revised Sheet No. 7.2  
Canceling First Revised Sheet No. 7.2

Second Revised Sheet No. 14.1  
Canceling first Revised Sheet No. 14.1

Original Sheet No. 22

Original Sheet No. 22.1

The rates proposed in the above tariffs are designed to produce additional revenues of approximately \$38 million, which are needed to provide the revenue requirements of the Company's service areas. The proposed changes will in total affect approximately 308,000 customers in the rate areas listed below. Since the last rate case, Docket No. 09-0319, the Company has experienced declining customer sales and substantially increased rate base, all the while holding operating expense increases to a minimum. The proposed rates are intended to yield revenues sufficient to recover test year operating expenses and to produce a reasonable return on rate base. In particular,

the Company seeks an increase in rates to earn a return of and on capital expenditures and recover the increase in operating expenses required to allow the Company to maintain a high level of service to its customers.

IAWC has invested and will continue to invest a significant level of capital in required facility additions and infrastructure replacement projects. For the 2009-2013 period, IAWC projects that it will invest over \$179 million in needed capital projects that are not reflected in rates. For the test year ending September 30, 2013, the increase in the Company's operating expenses, since the test year in the last rate case, is negligible. Rate base has increased by almost \$109 million. Therefore, the additional annual revenue of approximately \$38 million is needed to afford the Company the opportunity to earn a reasonable rate of return.

The proposed percentage revenue increases for each rate area of the Company are as follows:

Zone 1 (Alton/Cairo/Champaign/Chicago Metro/Interurban/ Peoria/Pontiac/South Beloit/Sterling/Streator):	15.93%
Lincoln:	28.81%
Pekin:	22.67%
Chicago-Metro Sewer:	13.58%

The proposed tariffs reflect changes in rate design, based on a cost of service study prepared for this filing. The rate design proposals represent updates of rate design proposals the Company made in Docket 09-0319 and also reflects consolidation of the Chicago Metro Water District into Zone 1 for non-production related costs.

In Docket No. 09-0319 Order, the Commission directed IAWC to conduct a direct demand study (the "Demand Study") for use in future rate proceedings in Illinois. (Docket No. 09-0319, Apr. 13, 2010 Final Order, p. 151.) IAWC has submitted the required Demand Study with its filing. IAWC witness Mr. Kaiser addresses the Demand Study in detail in his direct testimony (IAWC Ex. 3.00). IAWC witness Ms. Teasley addresses IAWC's compliance with other requirements of the Commission's prior order (IAWC Ex. 1.00).

In accordance with Title 83 of the Illinois Administrative Code, Part 255, the Company will cause notice of the filing of the proposed rates to be published in a newspaper of general circulation within each District for which revised rates are proposed. The Company has also caused notice of the filing to be posted in its business offices for the various subject Districts and will cause notice of the filing to be sent to its customers in the subject Districts with the first billing after filing. The notices state that customers may request a public forum regarding this proposed increase by making a written request to the Illinois Commerce Commission in accordance with procedures specified in Section 8-306(n) of the Public Utilities Act, 220 ILCS 5/8-306 (n).

Pursuant to Section 285.111(a) of Title 83 of the Illinois Administrative Code, the Company has submitted under separate cover the information required by the Commission's Standard Information Requirements, 83 Ill. Adm. Code Part 285. This information has also been provided to the Director of the Commission's Financial Analysis Division. Pursuant to 83 Ill. Adm. Code §286.20(a), the Company also has submitted for filing its direct testimony in support of the proposed general rate increase. The Company's filing includes the testimony of thirteen witnesses with supporting exhibits, which have been designated IAWC Exhibits No. 1.00 through 13.00. Certain of the schedules and exhibits provided by IAWC are designated as confidential. IAWC intends to seek a protective order governing the treatment of such information on or before the first status hearing date in any proceeding initiated to review the accompanying tariffs.

Please acknowledge receipt of the enclosed filing by providing Illinois-American with a file-stamped copy of this transmittal letter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Edward J. Grubb", with a long horizontal flourish extending to the right.

Edward J. Grubb  
Assistant Treasurer, Illinois-American Water