

Dated: June 5, 2012

Respectfully submitted.

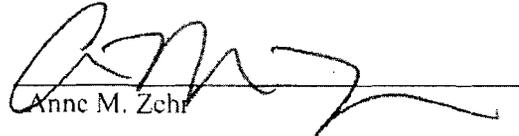
PEOPLE OF THE STATE OF ILLINOIS
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CERTIFICATE OF SERVICE

I, Timothy S. O'Brien, certify that on June 5, 2012, I caused a copy of the foregoing to be served by electronic mail to the individuals on the Commission's Service List for Docket No. 11-0767.

/s/

"EXHIBIT A"

PROPOSED LANGUAGE FOR LINES AG 2.0, lines 1264-1283

Q. Do you have additional evidence that the adjustment that you have recommended is being routinely applied by IAWC's utility operating affiliates in other jurisdictions?

A. Yes. I have included in AG Exhibit 2.3, ~~pages from the Pennsylvania American Water Company's ("PAWC") recent rate case, Docket No. R 2011-2232243, that clearly show that PAWC applies the labor lag for the Service Company lag in its lead-lag study.~~ reviewed information from a recent rate case involving Pennsylvania American Water Company ("PAWC") that ~~The PAWC information shows that the same lag that is used for labor of 12.4 days was also applied as the lag for affiliated Service Company charges. PAWC's notations indicate that: "Per Rate Order at R-922428, the Company is using the labor lag for the Service Company lag."~~ PAWC is the largest American Water utility operating company with 655,291 customers at December 31, 2011.¹ This adjustment is made for ratemaking purposes notwithstanding any provisions in the affiliate Service Company agreement concerning payment terms. The revenue requirement for PAWC customers is lower from this adjustment and no cost is shifted to the Service Company. Relevant pages from the PA PUC Order at R-922428 are also included in AG Exhibit 2.3. Consequently, I request that the Commission consider the fact that the same or similar adjustment to the affiliated Service Company lag is being made in other jurisdictions, including Pennsylvania, West Virginia, and possibly others², and to require the adjustment in the current rate case.

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¹ See, e.g., American Water Works Company, Inc. SEC Form 10-K for 2011, page 9.

² A data request is being asked of IAWC to identify the other jurisdictions in which a similar adjustment has been applied.

Q. In the current case, IAWC witness Rungren claims at Q/A 67 on pages 35-36 of his rebuttal testimony that IAWC's cost to obtain Service Company services would be higher but for the prepayment. Is there any validity to the argument that a ratemaking adjustment to adjust the lead-lag study by applying the same lag for Company labor expense to the affiliated Service Company costs would increase the affiliated Service Company charges?

A. No, in fact other affiliated American Water Works utilities, including Pennsylvania American Water Company (PAWC), which is the largest AWWC utility operation, have apparently been making this same ratemaking adjustment for years, with no resultant increase in affiliated Service Company costs. ~~I included in AG Exhibit 2.3, pages from the Pennsylvania American Water Company's ("PAWC") recent rate case, Docket No. R-2011-2232243, which clearly show that PAWC applies the labor lag for the Service Company lag in its lead-lag study. The PAWC information~~ reviewed information from PAWC's recent rate case shows that the same lag that is used for labor of 12.4 days was also applied as the lag for affiliated Service Company charges. PAWC's notations indicate that: ~~"Per Rate Order at R-922428, the Company is using the labor lag for the Service Company lag."~~ PAWC is the largest American Water utility operating company with 655,291 customers at December 31, 2011.³ This adjustment is routinely made by PAWC for ratemaking purposes notwithstanding any provisions in the affiliate Service Company agreement concerning payment terms. The revenue requirement for PAWC customers is lower from this adjustment and no cost is shifted to the Service Company, and the affiliated Service Company costs have not increased. Relevant pages from the PA PUC

³ See, e.g., American Water Works Company, Inc. SEC Form 10-K for 2011, page 9.

Order at R-922428 were also included in AG Exhibit 2.3. Consequently, I request that the Commission consider the fact that the same or similar adjustment to the affiliated Service Company lag is being made in other jurisdictions, including Pennsylvania, West Virginia, and possibly others⁴, and to require the adjustment in the current rate case.

⁴ A data request is being asked of IAWC to identify the other jurisdictions in which a similar adjustment has been applied.

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