STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS-AMERICAN WATER COMPANY	:	
	:	Docket No. 02-0690
Proposed General Increase in Water and Sewer Rates	:	

LWC BRIEF ON EXCEPTIONS

I. Introduction

The Large Water Consumers ("LWC") in this case consist of a group of industrial companies, public water districts, and federal agencies served by Illinois-American Water Company ("IAWC" or "Company") in its Southern and Pontiac Districts.[1] The LWC agree with a substantial portion of the Administrative Law Judge's ("ALJ") Proposed Order ("PO"). However, they respectfully take exception to certain portions of the PO relating to the treatment of the cash working capital in rate base; pension expense; management fees; test year level of security expense; and cost of service/rate design issues.

Specifically, they recommend modification of the PO to reduce the cash working capital requirements of the Company by $3 million for the total company and $2 million for the Southern/Peoria/Streator/Pontiac ("S/P/S/P") Districts. The PO improperly adopted the Company's one-

[1] The LWC includes the City of Waterloo, Bond-Madison Water Company, Fosterburg Water District, Mitchell Public Water District and Jersey County Rural Water Company; the Federal Executive Agencies and Scott Air Force Base; the IIWC companies Air Products & Chemicals, Inc., Caterpillar Inc., Cerro Copper Products, and Granite City Steel Division of National Steel Corporation.

eighth formula for setting the cash working capital requirements.

The PO should be modified to accept the LWC's recommendation that total Company pension expenses and the S/P/S/P Districts' pension expenses be adjusted by $993,932 and $549,458 respectively. The PO improperly adopted the Company's recommendation for pension expense.

The PO should be modified to accept the LWC recommendation that reduces the IAWC requested management expense by $877,725 on a total company basis and by $423,590 for the S/P/S/P Districts.

The PO should be modified to adopt the recommendation of the LWC to reduce test year security expenses by $1,692,814 on a company-wide basis and by $858,697 for the S/P/S/P Districts. The PO adopts the recommendation of the Staff to reduce test year security expenses by $1,461,441, but fails to recognize that a portion of the IAWC test year security expenses is already reflected in its test year management fees and labor expense.

Finally, the PO should be modified to adopt the LWC's recommendation to use the original IAWC approach for an across-the-board rate increase with an equal percentage increase in all rate components. Though the PO properly recognizes that the Attorney General ("AG") approach to revenue allocation is fundamentally flawed, it improperly adopts the Illinois Commerce Commission Staff's ("Staff") cost of service methodology in this case.[2]

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[2] The LWC language changes for the PO are included as Attachment A to this brief.

II. Argument

A. Rate Base (IV)

The PO makes only one adjustment to the IAWC rate base with which the LWC disagree. The PO correctly adopts certain adjustments to cash working capital recommended by the LWC and the Staff, and properly determines the Company should be required to file a lead/lag study in its next case. However, the PO fails to adopt the LWC's recommendation with regard to the appropriate calculation of cash working capital in this case because it agrees with the Staff and IAWC that the LWC's recommendation is not consistent with the use and purpose of the one-eighth formula method for determining cash working capital. (PO at 7).

The record here demonstrates that cash working capital is a component of rate base which reflects the amount of cash IAWC needs to keep on hand to cover cash surpluses/deficiencies between the time it receives revenues for service from customers and the time it pays cash for expenses. In this case, the Company's cash working capital request was unreasonable because it was overstated. The record shows that IAWC included items of operating expense in its test year working capital, which it could not reasonably claim were paid ahead of the point in time it received revenues to pay the expense. Absent a lag between the time IAWC pays the expense and receives the revenues from its customers, there is no need to carry an amount of cash on hand to pay these expenses. (LWC Ex. MPG-1 at 20).

The Company's fuel and purchased power cost, its annual pension expense, its estimated increase for steel structure maintenance expense and its offset to cash working capital for debt interest expense,

were all identified as items for which there was no reasonable basis for the Company to claim payment before receiving revenues from its customers to pay them. (LWC Ex. MPG-1 at 20-21)

For example, Mr. Gorman testified the Company buys its fuel and purchased power from other utility companies and there is no reasonable basis to believe IAWC pays its bills to utility companies faster than its customers pay IAWC bills. Presumably the utility serving IAWC bills on a monthly basis and IAWC in turn, bills its customers on a monthly basis. Therefore, there is no lag.

In addition, the Company only makes quarterly or semi-annual contributions to its pension expense while it receives revenues from customers on a monthly basis. Therefore, there is no lag in the recovery of revenues associated with pension expense.

In regard to debt interest expense, the Company receives revenues monthly from customers, but it pays its interest or debt obligations on a quarterly or semi-annual basis. In this case, the Company actually receives revenue faster than it pays the expense. Finally, to the extent the Company has seen a reduction in the operating expenses allowed in its test year revenue requirement, it should see a corresponding reduction in its cash working capital requirement.[3]

Therefore, because the Company has included in its cash working capital requirements expense items for which there is no lag in the recovery of associated revenue, or for which the Company receives revenue before it pays the expense, the Company's cash working capital allowance was overstated by

[3]The PO properly adjusts the Company's cash working capital requirement for the savings/sharing estimate associated with acquisition of Citizens Utility's assets because it is not a cash outlay. (See PO at 6; LWC Ex. MPG-1 at 20, Ln. 26-27).

approximately $3 million on a total company basis and $2 million for the S/P/S/P Districts. (LWC Ex. MPG-1 at 21). Therefore, the PO should be adjusted to reduce the Company's cash working capital by $2,999,333 on a total company basis and $1,961,335 for the S/P/S/P Districts respectively.

B. Operating Revenues, Expenses and Income (V)

1. Pension Expense (V.E)

The PO accepts the Company's position on the issue of pension expense. (PO at 23). IAWC proposed an annual test year pension expense of $2,757,000 (PO at 21). The LWC recommended the Company's test year pension expenses be reduced by $993,933. (LWC Ex. MBG-1 at 13).

The PO erroneously assumes the LWC proposal would essentially be a default to the cash outlay method. Therefore, because the Commission has expressed a strong preference for the accrual or FAS 87 method as opposed to the cash outlay method, the PO rejects the LWC's recommendation for test year pension expense in favor of the Company's proposal. The PO concludes the Company proposal is better supported in the record and most consistent with prior Commission decisions. (PO at 23-24). The LWC respectfully disagree.

First, adoption of the LWC recommendation would not constitute a default to the cash outlay method. Rather, LWC's adjustment would require the Company to support an increase to its pension expense accrual based on an accurate and reasonable actuarial study derived pension expense estimate. LWC witness Gorman identified two flaws in the Company's 2003 updated pension expense estimate. The first, the estimate was based on inconsistent use of economic factors, and second, the estimate was

based on an overstated labor escalation (actual test year labor rate 3% - 4% vs. pension labor rate 4.75%. (LWC Ex. MPG-1 at 11)). While Mr. Gorman found the 2002 pension expense estimate also relied on overstated labor escalation, he concluded it was not biased in the same manner the Company had biased its 2003 pension expense estimate. Therefore, he recommended the use of the 2002 pension expense estimate, which was calculated by an actuary, in lieu of the severely flawed 2003 estimate.

The issue at hand is whether the Commission should require a company to file reasonable and accurate estimates of its operating costs. The issue is not whether the Company's pension expense estimate should be based on a cash outlay method or an actuarial derived FAS 87 method. LWC agrees it is reasonable to base the expense on the FAS 87 method. The 2002 pension expense figure was based on such an estimate.

While the Company argued that Mr. Gorman "proposed" the Company recover pension expense on the basis of the cash outlay or ERISA (PO at 22), its argument was based on a misstatement of Mr. Gorman's testimony. On cross-examination IAWC witnesses were unable to identify any language in Mr. Gorman's testimony in which he "proposed" to use the cash outlay method. (Tr. 164-165). Mr. Gorman made reference to the cash outlay method only in the context of a discussion describing how Illinois American's affiliate company developed it pension expense in Tennessee. (*See* MPG-2 at 18).

Second, the suggestion that Mr. Gorman's proposal would essentially be a default to the "cash outlay" method is incorrect. Mr. Gorman recommended the 2002 pension estimate be used as the test year pension expense in this case. The pension expense estimate in 2002 was also based on an actuarial study

(as is the 2003 pension expense estimate) and exceeds the cash contribution the Company intends to make to the pension trust fund. The Company actually intends to make a cash contribution of approximately $1.17 million to the pension fund and LWC recommended a test year pension expense of $1,763,128 million. (*See* LWC Ex. MPG-1 at 10 and 12-13; LWC Ex. MPG-2 at 17-18). Because the allowed pension expense recommended by LWC exceeds the cash contribution the Company will actually make to the pension fund, the LWC approach cannot be considered a default to the cash outlay method.

Third, the PO fails to give sufficient weight to the fact that the Company has significant incentive to overstate the pension expense because it is able to retain all the expense, in excess of its actual cash contribution to the pension trust, for other purposes, including reduction in short term debt and other investment requirements. (Tr. 155-156). The PO also fails to give sufficient weight to the fact that essential economic factors used in the analysis to establish the 2003 pension expense were inconsistent and in violation of FAS 87 and as a result, overstated the 2003 pension expense.

Thus, the PO fails to consider that the Company had the motive and the opportunity to overstate its pension expense, and it did. Therefore, the Commission should modify the test year pension expense of the Company to adopt the LWC recommendation that pension expense in this case be based on the 2002 pension estimate. The test year pension expense would be $1,763,128. (LWC Ex. MPG-1, Sch. 3).

2. Management Fees (V.F)

The PO correctly directs the Company to file a petition seeking approval of current management

agreements within six months of the entry of the final order in this case in order to allow time to review such agreements and thereby facilitate review of the management fees in the next case. However it fails to adopt the LWC recommendation to reduce the management fees in this case by $877,725. (LWC Ex. MPG-1 at 16, Sch. 4).

The PO concludes that LWC's position revolves around the assumption that the magnitude of the increase in the fees creates a "strong presumption" that the test year amount of such fees is unreasonable. The PO reasons:

> "In the Commission's view, the percentage increase information identified by LWC, while relevant, is not sufficient in and of itself, to create such a presumption. Rather, the Commission should rely on the record as a whole to decide this issue . . . ." (PO at 25).

The PO fails to give sufficient weight to the fact that the Company's test year management fees had increased by 91.5% over the expense in 2000. (LWC Ex. MPG-1 at 13-14). The increase for the S/P/S/P Districts was also 204% between 2000 and 2003. (LWC Ex. MPG-1 at 14). While the LWC agree that increases in fees and expenses are not ordinarily evidence of the unreasonableness of a particular fee or expense, increases in the space of two years of approximately 100% on a company wide basis and over 200% for the S/P/S/P Districts in particular, without adequate explanation are grounds for determining an expense to be unreasonable. In Illinois Power Company, Ill.C.C. Dkt. 01-0432, the Commission rejected proposed allocations of administrative and general expenses and general and intangible plant on the grounds that increases of over 200% in such expense and rate base items had not been adequately explained. (*See* Illinois Power Company Ill.C.C. Dkt. 01-0432 Order, Mar. 28, 2002 at 12 and 17).

The LWC believe the PO does not go far enough to ensure that the rates charged to Illinois customers are just and reasonable. The management agreement that was adopted in 1988, no longer adequately protects customers from the misallocation of the significant growth in affiliate management fee charges to IAWC. For this reason, the Company should be held to a standard of showing that its affiliate fees are competitive with non-affiliated service providers or the expense escalation is reasonable. The Company should have the burden of proof to show this expense is reasonable, not intervenors. LWC's proposed management expense adjustment will limit IAWC's management expense growth to a reasonable level of escalation adjusted for new affiliate company services.

Therefore, the Commission should accept the LWC's recommendation that the test year management fees for the Company are overstated and should adopt LWC's recommendation to reduce management fees by $877,725 on a company wide basis and $423,590 for the S/P/S/P Districts. (LWC Ex. MPG-1 at 16).

3. Test Year Level of Security Rated Expenses (V.J.1)

The PO has correctly adopted Staff's recommendation to reduce the test year security expenses by $1,461,441, to $5,313,530. (PO at 37). However, the test year security expenses are still overstated because of the double counting of certain security related costs in relation to the Company's labor expense and management fees.

The PO rejects the LWC recommendation because it finds no evidence to support LWC's assertion of double counting. However, LWC witness Gorman testified that the Company had indicated

it had difficulty separating certain security costs from the its general costs of operating the water utility system, because current employees would be performing additional security functions such as sampling, console staffing and monitor maintenance. (LWC Ex. MPG-1 at 17; LWC Ex. MPG-2 at 15-16). In addition, in its Initial Brief in this proceeding, the Company states the costs of its service company (which are the basis for the management fees in this case) reflect increased cost of security. (IAWC Br. at 51). Thus, not only is there evidence in the record to support the claim that some costs are double recovered through test year security costs, but the Company itself has essentially admitted some level of security costs are already reflected in the management fees the Company has included in the subject filing as an operating expense.

IAWC did not describe how it planned to use its employees and its parent company's employees in its enhanced security program. IAWC simply stated its employees will be performing new functions as part of its enhanced security program. Beyond this, the Company has not provided a shred of evidence to explain why it needs to recover employee expense, over and above its test year labor expense and its management fee expense, through its security expense. The Company should have the burden of proof here, not LWC. The PO sets an unfair and unreasonable standard which require the LWC to disprove IAWC's case on this issue. Therefore, the Commission should find that IAWC has not met its burden of proof to show it has not double-counted its employee expenses and affiliate fees for enhanced security measures.

A complete review of the record would not show the reasonableness of any of IAWC's enhanced

security costs. Indeed, the Company's filing does not even include the updated expense estimate proposed by Staff and LWC that was derived only through data responses from IAWC. Consequently, the record of evidence provided by the Company is completely devoid of justification for any of its updated security expense estimates. Therefore, it is not surprising the PO could not find evidence to support LWC's assertion of double counting labor and affiliate fees. Indeed, the record is silent on virtually all details supporting IAWC's updated security expense estimate.

Under these circumstances, the LWC recommendation should be accepted. The specific recommendation on the appropriate level of security costs for the test year is identified in a confidential exhibit presented by the LWC. (LWC Confidential Ex. MPG-1, Sch. 1).

C. Cost of Service/Rate Design (VII)

The LWC recommended the IAWC proposal for an across-the-board increase should be adopted in this proceeding. (LWC Br. at 21). The LWC agree with IAWC witnesses who suggested the across-the-board approach was used to ". . . improve communications with customers, enhance customer understanding, reduce rate case expenses, minimize customer impacts, and simplify administration." (IAWC Ex. 4.0 at 8). The Company's across-the-board approach was also based on the knowledge that current rates were based upon cost studies performed in the last case. (IAWC Ex. 4.0 at 8). Thus, current rates recognize the difference in cost of service of the various customer classes and the relative relationship of each customer group with regard to cost of service would be maintained by an equal percentage across-the-board approach.

Further, the LWC has pointed out that the results of the cost of service study presented for the S/P/S/P Districts are a function of demand ratios which were developed more than five years ago in Docket 97-0102 and were applied to Districts for which they were not originally designed.

The PO finds that the demand ratios used by Staff are "sufficiently reliable" to use in Staff's cost study. However, the PO also directs the Company to file updated demand ratios for each of its districts in the Company's next rate filing. LWC appreciates the PO's direction for IAWC to update its demand ratios in its next rate filing. The accuracy of the demand ratios in a cost study is key to properly developing and allocating costs between customer groups and designing rates based on costs as accurately as possible.

In addition, Staff's study for the Southern Peoria and Streator (S/P/S) Districts was not modified when these Districts were combined to adjust to demand factors to reflect the combination of these Districts. Staff's own evidence shows that the demand factor for Streator is not comparable to those for the Peoria and Southern Districts and, because of this flaw, the Staff's study does not accurately assign the costs between base and extra capacity and, therefore, the rates which result from that study are, themselves, flawed. In recognition of this evidence the PO recommends that IAWC be directed to provide updated demand factors for each rate area for which a rate increase is proposed. (PO at 113). However, the PO also states:

> "One criticism of Staff's analysis is that the demand ratios used are based on outdated data. On this point, while the Commission appreciates the concerns of other parties such as the AG and LWC, the Commission observes that no other party presented a COS analysis based on more current data. The alternative to utilizing Staff's cost of service study as the basis for setting rates in this proceeding appear to involve the use of cost

> of service studies prepared several years ago. This alternative does nothing to mitigate any purported problems associated with the demand factors and may, in fact exacerbate them by relying upon additional old data. For the reasons given by the Staff, the Commission agrees with Staff that the demand data it utilized is sufficiently reliable for use in allocating costs in this proceeding."
> (PO at 113)

Staff made several arguments in its reply brief in response to LWC. First, it argued the Company was no longer actively pursuing its across-the-board approach. (Staff R. Br. at 49-50). Second, Staff argued that LWC's suggestion to implement the Company's across-the-board approach was contradictory in that LWC claimed Staff's COS study was flawed based upon Staff's use of demand factors from 00-0340 and the same demand factors (objected to by LWC) were used in that study. (Staff R. Br. at 50). Third, Staff admitted its cost of service study was not changed to include the effects of the addition of Streator to the Southern Division and Peoria District in determining cost of service, but argued the effect of including Streator in the demand factors was immaterial. (Staff R. Br. at 51-52). Fourth, Staff argued LWC attempts to exaggerate a "trivial observation" to advance its own self interest. Therefore, LWCs recommended across-the-board increase should be disregarded. (Staff R. Br. at 52).

Staff's first argument that the Company's proposed across-the-board increase should be rejected because the Company is no longer pursuing such an approach is without merit. Such an argument is irrelevant to the fundamental issue, which is: should the Commission rely on the results of a cost of service study, which are based on demand ratios that are more than five years old and which apply demand factors, developed for two particular districts, to three districts combined.

Staff's second argument that the LWC proposal to implement an across-the-board increase originally recommended by the Company is "contradictory" is also without merit. First, the Commission has adopted across-the-board approaches in past cases and it found the cost of service approach presented in particular cases to be lacking or an appropriate study needed to be presented in the next case. (*See* Contel of Illinois, Inc., 1991 Ill. PUC Lexis 18 at 196; Peoria Water Company, 1981 Ill. PUC Lexis 9 at 9-10). The Commission has also adopted the across-the-board approach in other cases. (*See* Commonwealth Edison Company, 1993 Ill. PUC Lexis 84 at 153-154; Commonwealth Edison Company, 1991 Ill. PUC Lexis 99 at 168; Interstate Water Company, 1989 Ill. PUC Lexis 454 at 49 and 52. Second, Staff is proposing changes to rates in this proceeding that significantly alter the relationship between customer charges and volumetric charges approved in IAWC's last rate case. Staff's proposed rate design changes are based on its flawed cost of service model. Current rates are based on the cost of service model from IAWC's last rate case that did not reflect Staff's erroneous use of stale and incorrect demand ratios.[4] Therefore, it is not contradictory for LWC to argue for an across-the-board increase because this allocation is based on the Commission's latest approved cost model that is not flawed by the errors Staff made in its proposed cost model in this proceeding. That is while the Staff used the same demand factors it did in this case as it did in the last case, they were not as stale then as they are now. Further, Staff did not apply demand factors developed specifically for one district to another district in the

[4]The AG also proposed rates based on Staff's cost model for the Southern District in the last case but erroneously used the model to develop rates for all the districts in this case. In contrast, an across-the-board increase in this case would rely on the cost model developed for each district in the last case.

last case. Third, an across-the-board increase is the most accurate and best method of setting rates based on IAWC's costs and the record in this case.

In the Staff's third argument, the Staff admits LWC was correct in suggesting the Staff had applied demand factors developed for the Southern and Peoria Districts to the Southern, Peoria and Streator Districts combined, but that the adverse effect of doing so was minimal. (Staff Br. at 51-52). Staff argued that demand ratio concerns identified by LWC were "hypercritical" because adding Streator to the Southern and Peoria district would increase billing units by only 4.6% (Staff Br. at 83). However, there were several flaws in Staff's argument. First, LWC's primary argument is that Staff has done nothing to show the demand ratios it used in its revised study reasonably represent the current load characteristics of the districts served by IAWC. More importantly, however, is the impact of using revised demand ratios on Staff's allocated cost of service. While the actual demand ratio change may be less than 5% per Staff estimate contained in its brief, the impact on the allocation of costs of service may be much more significant. There is simply no way to know how significant an impact Staff's use of flawed demand ratios will have on its cost of service study and rate design until its cost of service study is corrected by using reasonable demand ratios.

Lastly, the Staff's argument that LWC's concern for the competitive situation in the Southern District is nothing more than a self interested attempt to lower the rates applicable to LWC at the expense of other classes, is without merit. This argument illustrates Staff's inability to defend its flawed cost model and rate design proposal on its merits. Staff attempts instead to attack the integrity of LWC. However,

the fact of the matter is that there are competitive alternatives available to customers such as the LWC in the Southern District that require rates be established using a credible and accurate cost basis. The record clearly establishes these alternatives. (LWC Ex. MPG-2 at 7-8; Tr. 664, 667-668). In fact, the Company has proposed and the PO accepts, a contract between the City of O'Fallon and the Company which is necessitated by the existence of a competitive alternative for the City of O'Fallon. Staff witness Luth agreed with the fact that all customers would be worse off if the larger customers on the Company's system in the Southern District were to leave the system. (Tr. 665-666). The Company also suggested other customers would benefit from retaining large customers on the system. (Tr. 239-240). The Staff does not dispute these fundamental facts. Its argument about the motivation of the LWC does not change these facts. Considering the existence of these alternatives, the Commission should, in light of the concerns about the Staff's study, adopt the across-the-board approach originally recommended by the Company in this proceeding.

The LWC respectfully points out it was the Company that originally proposed the across-the-board increase for very good public policy reasons. These reasons included enhancement of customer understanding, minimization of customer impacts and simplification of administration. Therefore, Staff's defense of its cost of service study, which is admittedly flawed to some degree, on grounds the LWC's suggestion, that the Company's original across-the-board approach be adopted, is nothing more than "self-interest", is not a basis for rejection of that approach in this case.

Further, the Commission should keep in mind that the LWC includes public entities providing water

service to all types of customers, including residential customers. To the extent they are acting in their "self-interest" they are acting in the interest of their constituency, which consists of the general public within their jurisdictional boundaries. Staff's suggestions to the contrary, the LWC proposals in this case should not be rejected merely because LWC members acted in their "self interest". If self interest were the test for adoption of a position in a utility rate case it is doubtful any position recommended by the utility or intervenors could be adopted by the Commission. The motivation of the LWC does not change the fact that the Staff's study relied on stale demand ratios and has applied demand ratios designed for particular districts to other districts. These circumstances impact the results of the Staff study. Pending the development of appropriate demand ratios, etc., the Commission would be correct to adopt the Company's original proposal for an across-the-board increase in this case. This would preserve the status quo.

Finally, the LWC would respectfully point out the PO's conclusion the Commission should agree with Staff that the demand data used by Staff is sufficiently reliable for use in allocating costs in this proceeding, is not supported by record evidence and is contrary to the evidence. First, the LWC does not believe any Staff witness testified as to the "reliability" of the demand data. Secondly, cross-examination of Staff witnesses established the data was not reliable. (Tr. 668-671). Third, LWC witness Gorman clearly explained in his redirect examination why the sale demand data could not be relied on. (Tr. 374-375).

Therefore, the PO's conclusion that the Commission should agree with Staff that the demand data

is "sufficiently" reliable is not supported by the record. This is further reason for the Commission to adopt the across-the-board approach originally recommended by the Company in this proceeding.

III. Conclusion

For the reasons stated above, the Commission should adopt LWC's recommendation on the adjustment of the case flow working capital allowance, the appropriate level of test year pension expense, the appropriate level of management fees, the appropriate level of test year security expenses, and the use of the Company's across-the-board approach in this proceeding.

Dated this 3rd day of July, 2003.

Respectfully submitted,

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I, Eric Robertson, being an attorney admitted to practice in the State of Illinois and one of the attorneys for the Illinois Industrial Water Consumers herewith certify that I did on the 3rd day of July, 2003, electronically file with the Illinois Commerce Commission the Brief on Exceptions on behalf of the Large Water Consumers, and serve upon the persons identified on the attached service list, by serving same electronically and/or by depositing same in the United States Mail, in Granite City, Illinois with postage fully prepaid thereon.

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SUBSCRIBED AND SWORN to me, a Notary Public, on this 3rd day of July, 2003.

Notary Public

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STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

ILLINOIS-AMERICAN WATER COMPANY	)	
	)	Docket No. 02-0690
Proposed General Increase in Water and Sewer	)	
Rates	)	

NOTICE OF FILING

TO: See Attached Service List

PLEASE TAKE NOTICE that on this 3rd day of July, 2003, we have electronically filed with the Illinois Commerce Commission, 527 East Capitol Ave., Springfield, Illinois, 62794, the Brief on Exceptions on behalf of the Large Water Consumers, along with Proof of Service thereon attached.

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ILLINOIS-AMERICAN WATER COMPANY
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