BEFORE THE
ILLINOIS COMMERCE COMMISSION

PUBLIC UTILITY REGULAR OPEN
MEETING

Chicago, Illinois
Tuesday, March 16, 2010

Met, pursuant to notice, at 10:30 a.m. in
the Video Conference Hearing Room, Eighth Floor,
160 North LaSalle Street, Chicago, Illinois.

PRESENT:

MANUEL FLORES, Acting Chairman
LULA M. FORD, Commissioner
ERIN M. O'CONNELL-DIAZ, Commissioner
SHERMAN J. ELLIOTT, Commissioner
via videoconference

JOHN T. COLGAN, Acting Commissioner
via videoconference

SULLIVAN REPORTING COMPANY, by
Alisa A. Sawka, CSR
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CHAIRMAN FLORES: Pursuant to the provisions of the Illinois Open Meetings Act, I now convene a regularly scheduled open meeting of the Illinois Commerce Commission.

With me in Chicago are Commissioners Ford and O'Connell-Diaz. With me in Springfield via videoconference are Commissioner Elliott and Acting Commissioner Colgan. I am Acting Chairman Flores.

We have a quorum this morning.

Before moving into the agenda, pursuant to Section 1700.10 of the Illinois Administrative Code, this is the time that we allow for members of the public to address the Commission. Members of the public wishing to address the Commission must notify the Chief Clerk's Office at least 24 hours prior to the bench session.

Please be advised that while the Commission values the public's participation in the public comment period, according to ex parte laws and other procedural rules, we are unable to respond.

However, if members of the public have any questions or would like to further -- to make further
inquiries, please contact our Consumer Services Division.

According to the Chief Clerk's Office, we have five requests to speak this morning. Speakers are permitted 3 minutes to address the Commission.

First we have Trustee Niemiec.

Miss Niemiec.

MS. LAURAL WARD: Ms. Niemiec was unable to attend. She had a family emergency.

CHAIRMAN FLORES: I hope everything is okay.

Very good. Thank you.

Next we have Trustee Laural Ward.

MS. LAURAL WARD: Thank you. Good morning.

CHAIRMAN FLORES: Good morning.

MS. LAURAL WARD: My name is Laural Ward. And I'm here not as a trustee but as a concerned resident of the Village of Homer Glen. I'm concerned because our community cannot prosper without access to essential services at fair and reasonable rates. I'm concerned about Docket No. 09-0319 because we need water and sewer to survive, let alone to thrive.
I'd like to share a short parable to express my thoughts about this Illinois American rate increase. Please consider the following: A gentleman in our community wants to install a paver brick driveway. He calls a paver supply company and says, I need four pallets of pavers. The supply rep explains that she would prepare a quote, but just so you know, there will be a charge for delivery and four pallets of paver requires a 20-foot truck.

Homer needs those pavers delivered to home his home so I says, I understand, please send me the quote. But when he gets the quote he is shocked and immediately calls the supply company to inform them they've made a mistake. I've asked you for four pallets of pavers and you've quoted me five. That's right, said the rep. You see, we lost pavers along the way, so sometimes the load is not properly strapped down and pavers fall off the truck. Sometimes the driver stops for lunch and since the truck is not secure, people might steal some of the pavers. And there are houses in construction in your area and they may need pavers for their project and
they may take some of them, too. So we have to charge for five loads of -- pallets of pavers or we will lose money.

Homer is stunned, but he also wants to know why he's being charged for two 45-foot trucks when he was told he only needed one 20-foot truck. Oh, said the rep, trust us. It's better that way. We can make more deliveries. If we can get other customers that need pavers, we can deliver your order then continue on down the road and deliver theirs, too. It's more efficient that way and saves money.

But why are you sending two trucks, asks Homer? Oh, no, said the rep, you misunderstand. We're not sending two trucks, we're just charging you for two. We need to expand our operations in the future and we need to buy another truck.

I don't get it, cries Homer. Why should I pay for your lost pavers and your expansion plans? Shouldn't that be paid for by the investors in your company and repaid by your future customers? The rep simply responds, Why should we do that when we can charge you?
So what does Homer do? He does what any intelligent consumer does. And he says, No thank you, and he calls another supplier. But Homer Glen residents don't have that option. We don't have another water supply company, neither do our schools and our other taxing districts, our businesses, our senior citizens, our community organization, our charities. The only place we can look is to you, the ICC.

Don't give Illinois America more money with the promise that they'll improve things. Please, make them improve things first. Make them accountable for their business practices, their business decisions and their own investments. Approving this request is like giving them a blank check and saying, Do what you want.

These are challenging economic times. Tell Illinois American the State of Illinois is now scrutinizing financial matters and demanding accountability. Tell them the State of Illinois will be vigilantly protecting ratepayers and helping return our state to a position of economic strength.
So I ask you, what would you do with the quote like the one Homer received? Thank you for your time.

CHAIRMAN FLORES: Thank you, Trustee Ward.

Next we have Avis Gibons.

MS. AVIS GIBONS: Good morning. Avis Gibons, resident of Mount Prospect. I actually want to address three dockets before the ICC. Thank you for your opportunity and attention.

The first is 09-0151, approval of reconciliation to purchase water and purchase sewer charges. Illinois-American Water hasn't offered an explanation and justification for increasing the maximum tariffed, unaccounted for water percentages by 1.25 percent. I ask that you please limit the recovery of these costs to the percentages contained in Illinois-American Water's tariffs.

The second docket, 09-0251 on the agenda today, proposed implementation of the QIP surcharge rider. The Commission has emphasized the technicalities in this case and reminded us that a rider is not a rate filing. With all due respect,
this is an artificial distinction as far as customers are concerned. Any vehicle that increases our costs is a rate increase, whatever terminology is used to describe it. Furthermore, the fact that law or rule provides for filing of a surcharge rider does not relieve the filing entity to need to provide justification, whether an additional charge is billed in April of 2010 or January of 2011 is irrelevant if that surcharge is not justified.

The third docket, Case 09-0139, the proposed general increase in water and sewer rates. Illinois-American Water's indicated it is unable to lower its costs and must charge more than water utilities operated by municipalities. One Illinois-American Water witness testified the comparison of Illinois-American water rates to municipal water rates is, quote, meaningless, unquote. It is not meaningless to a customer who suffers financial hardship as a result of Illinois-American water costs or who loses a home sale after the perspective buyer reviews the water utility costs or who receives water of lesser quality
despite a common source, Lake Michigan.

Compared to the Village of Mount Prospect Water Quality Report the Illinois-American Water Quality Report indicated detection levels that were 23 percent higher for combined radium,

22 percent higher for nitrates or nitrites, and

24 percent higher for sodium and positive for pathogenic bacteria of fecal origin, which was negative in the village report.

As for its inability to lower costs,

Illinois-American Water has not indicated that it has attempted to negotiate prices with water suppliers or other vendors, made meaningful reductions in personnel or taken similar steps that other organizations have taken to control costs in this economic climate. Why should it if the ICC just rubber stamps requests to increase rates?

The proposed ICC order of February 22nd, 2010, would grant Illinois-American water a 28 -- a 28 percent increase.

Illinois-American Water customers in Mount Prospect already pay twice the costs paid for water and sewer
service by their neighbors receiving water from the
municipal system in Mount Prospect. We are
struggling with unemployment or underemployment,
increasing property taxes and healthcare premiums,
and decreasing savings and home values. A 28 percent
increase of any type could break household budgets
and it is absolutely unconscionable in the midst of
this deep recession.

We ask that the Illinois Commerce
Commission fulfill its responsibility to assure
reasonable and affordable rates. Please put people
before profits. Issue orders denying approval of
Illinois-American's annual reconciliation surcharges,
proposed implementation of the QIP surcharge rider
and proposed general increase in Illinois-American
Water's water and sewer rates. Thank you.

CHAIRMAN FLORES: Thank you so much.

Next we have Robert Boros. Mr. Boros.

MR. ROBERT BOROS: My name's Robert Boros. I
live at 1808 Azalea Lane in Mount Prospect. Been
a -- been there for the last 23 years.

Last fall at the public hearing in
Springfield American Water declined to question all in -- those in positions to propose water rate increase. And they stated that we, the citizens, were irrelevant because we were not familiar with procedures required for ask -- for a rate increase.

Here's what I do understand: We, the consumers, are the spring from which the money flows. We are being squeezed by the lack of increases in salaries, unemployment, severe drops in the value of the homes and our investments since 2000. While our income and nest egg shrink, costs are raising double digits for basic services.

Profit requests for IAW are far beyond increases for cost of living. IAW increased at a cost of water in my community has risen by 30 percent since 2002 and now they want another 28 to 30 percent.

What does IAW actually do? The water we receive is made drinkable not by IAW, but is indirectly supplied by the City of Wilmette. They sell it to Glenview who acts as a wholesaler selling it to IAW. Glenview charges $11.90 basic fee plus
another $2.23 per thousand gallon charge. IAW then charges us additional basic fee of 9.75 and a $3.71 per thousand dollar charge. Note, this is 61 percent higher than what Glenview charges us for the same water.

IAW charges, again, $17.75 -- 55 cents for wastewater collection. Again, they do not treat the wastewater. They only pass it on to water rec. Water rec costs for treatment is on our tax bill. And this has actually dropped from an average of $16 to $14 on my last tax bill. The only function is delivery and removal of water, yet there costs are higher than those who refine the water or remove the pollutants from our water.

In my March 2010 water bill, closely reflects the costs reflected in the Daily Herald article of March 17th, which indicated that the charges to the average household is approximately double, sometimes four times greater than all the surrounding communities. The rates structure for waters is also strangely different from other utilities and that's something from the ICC.
71 percent of my water bill is not based on usage, but it is based on fees. If one includes the water rec -- a cost that can increase to 94 percent of my bill. There's no hope of me conserving to a lower bill. What can I do? My rate is 94 percent in fees. In contrast, my electric bill is based mainly on usage and only 15 percent of the total being fees. My natural gas bill is similar to the electric bill. Commodity costs in kilowatts or therms, reflected in my natural gas and electric, are defined to two or three decimal points. Water usage rates increase in quantum leaps of thousand-gallon units. If I use no water, I'm charged the same if I use 1,000 gallons. If I use 1,001, my rate goes to the 2,000-gallon limit. On gas and electric I can control my amount of the bill by conserving. I cannot do that with water.

In closing, we are the public being squeezed as I seen in a public hearing in Mount Prospect from many, beyond the breaking point. Municipalities -- or the people state that if they knew the water costs in our community were that high,
they would have chosen somewhere else to live. And that has caught the eye of our municipality.

ICC is the protector of the consumer. I know companies must make a profit, but 60 percent increase in these times seems a bit excessive. These types of increase will destroy the source of all of revenue if you don't make reasonable decisions. You will need to step up and deny or at least drastically reduce the proposed rate increase.

Thank you for allowing me to voice my opinion at this hearing.

CHAIRMAN FLORES: Thank you, Mr. Boros.

Next we have Karen Behr.

MS. KAREN BEHR: Behr.

CHAIRMAN FLORES: Sorry, Miss Behr. Good morning.

MS. KAREN BEHR: I'm also a resident of Mount Prospect, and I thank you for your time and attention.

The proposed ICC order of February 22nd, 2010, would grant Illinois-America Water a 28 percent increase. Where will this
additional revenue go? According to the March 1st, 2010 Fourth Quarter 2009 Report of American Water, Illinois-American Water's parent company, the long-term objectives includes sustaining a dividend payout ratio in the 50 to 70 percent range of net income. The report indicates that for 2009 operating revenues were up 4.4 percent and earnings per share increased over 13 percent despite wet weather and a poor economy. While the Dow Jones and S&P 500 were down 34 percent, American-Water was up 3 1/2 percent. And how did they do this? By filing rate cases. The report explicitly refers to rate cases as a means of, quote, executing our strategy, unquote. The report states, Increases were primarily a result of recognition of prudent investments through rate awards. It doesn't sound like those rate awards were used to support infrastructure improvements. Indeed, while the report references American Water's commitment to the investor, there's no mention of commitment to the customer. The report indicated that net cash provided by operating
activities increased 8 percent and 2009 cash flow from operating activity increased by more than 15 percent. Meanwhile, the operating expenses actually decreased by 10 percent. So business grew and dividends paid to shareholders increased by 5 percent. Yet IAW cries poor and the ICC listens.

It appears that the ICC has become a rubber stamp for Illinois-American Water approving tariffs and other charges without requiring adequate justification and with complete disregard for the concerns and hardships of the people of the State of Illinois who've appeared in great numbers in public forums and otherwise voiced their concerns to the ICC.

Last week it was reported that Illinois unemployment is now in excess of 11 percent. Social Security beneficiaries will receive no cost of living increase this year. Those on fixed incomes who are lucky enough to have some savings earn a rate of returns less than 1 percent that FDIC insured institution, yet the ICC has issued a proposed order that would guarantee IAW a rate of return of nearly
11 percent. Why such a hefty return when IAW takes no risk? The consumers carry all the risk because IAW has a complete monopoly in the areas where it controls water delivery. Yet the ICC orders IAW customers to absorb a 28 percent increase in the cost of this basic necessity, water.

We ask the Illinois Commerce Commission to fulfill its responsibility to ensure reasonable and affordable rates. To grant a rate hike now would ignore the hardships faced by Illinois residents and would be a failure of the ICC to act responsibly. Please put people before profits. Issue orders denying the approval for IAW's annual reconciliation surcharges, proposed implementation of IAW's QIP and proposed general increase in IAW's water and sewer rates. Thank you.

CHAIRMAN FLORES: Thank you, Miss Behr.

Those are all the speakers that we have scheduled for this morning. Thank you so much for your participation and coming before the ICC this morning.

Turning now to our scheduled agenda,
our first item is approval of minutes from the February 22nd, 2010 special open meeting. I understand that there are no amendments.

Is there a motion to approve the minutes?

COMMISSIONER O'CONNELL-DIAZ: So moved.

CHAIRMAN FLORES: Is there a second?

COMMISSIONER FORD: It's been moved and seconded.

All in favor say "aye."

(Chorus of ayes.)

CHAIRMAN FLORES: Any opposed?

(No response.)

CHAIRMAN FLORES: The vote is 5-0. The minutes are approved.

Item No. 2 is Docket 07-0568, Central Illinois Company d/b/a American -- excuse me -- AmerenCILCO seeks entry of an order approving reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred. Staff recommends entering the Order approving reconciliation.
Is there a motion to enter the Order approving reconciliation?

COMMISSIONER FORD: So moved.

CHAIRMAN FLORES: Is there a second?

COMMISSIONER O'CONNELL-DIAZ: Second.

CHAIRMAN FLORES: It's been moved and seconded.

All in favor say "aye."

(Chorus of ayes.)

CHAIRMAN FLORES: Any opposed?

(No response.)

CHAIRMAN FLORES: The vote is 5-0. The Order is entered.

We will use this 5-0 vote for the remainder of the agenda unless otherwise noted.

Item No. 3 is Docket 07-0569, Central Illinois Public Service Company d/b/a AmerenCIPS, seeks entry of an order approving reconciliation of revenues collected under gas adjustment charges with actual costs prudently incurred. Staff recommends entering the Order approving reconciliation.

Is there any discussion?

(No response.)
CHAIRMAN FLORES: Any objections?

(No response.)

CHAIRMAN FLORES: Hearing none, the Order is entered.

Items 4 and 5 will be held.

Item No. 6 is Docket 10-0172, North Shore Gas Company has requested special permission in order to retain the availability of the residential rebate programs under Rider EEP, Enhanced Efficiency Program, by revising its Rider EEP on less than the required notice. Staff recommends the Commission allow the Company's proposal by granting the Company's request for special permission.

Is there any discussion?

(No response.)

CHAIRMAN FLORES: Any objections?

(No response.)

CHAIRMAN FLORES: Hearing none, the request for special permission is granted.

Item 7 is Docket 09-0251, Illinois-American Water company filed a petition seeking entry of an order approving Qualifying
Infrastructure Plan, otherwise known as QIP Surcharge Riders.

The QIP Surcharge Rider would allow the Company to recover from customers subject to an annual reconciliation process the costs associated with qualifying the projects. The Commission held oral argument on this docket on February 23rd, 2010.

Is there any discussion on this matter?

COMMISSIONER COLGAN: Mr. Chairman.
CHAIRMAN FLORES: Yes, Commissioner Colgan.

COMMISSIONER COLGAN: I am going to support this request because I believe the request has met the basic legal standard.

However, this case is troubling to me. The fact that the rider will only be in effect for one month seems to be an insignificant basis to have put this Commission and the various parties through a one-year debate on this issue. And also the Company currently has a rate case pending before the Commission and that rate case gives us the same future test year as the QIP request. And this
creates questionable and confusing problems in my mind.

In my opinion, this opens the door for great confusion on the part of the customers of the Company. And in combination with the argument that this QIP would only be in effect for a one-month period, granting the QIP is questionably not in the public interest. And as a result, even though I'm going to vote because I think it's met the legal standard, I would like to request that the Company not implement this QIP.

COMMISSIONER ELLIOTT: Mr. Chairman?

CHAIRMAN FLORES: Yes, Commissioner.

COMMISSIONER ELLIOTT: I would echo Commissioner Colgan's concerns. I think that the back-to-back nature of these cases has created this one-month application of this QIP, which I think really sends the wrong signals to customers and can add to confusion rather than clarify things.

It would be my recommendation to the Company that they voluntarily table the application of this until 2011. But I, too, will support the
order that stands, but would strongly recommend that
the Company consider that that request --

CHAIRMAN FLORES: And you're referring to the
QIP; correct?

COMMISSIONER ELLIOTT: Yes.

CHAIRMAN FLORES: -- implementation, so the
record is clear.

Any further discussion?

COMMISSIONER O'CONNELL-DIAZ: I would echo the
concerns that were expressed by Commissioner Colgan.
I think the Commission is in a tough position because
the legal sufficiency has been met here, as pointed
out by Commissioner Colgan. From the standpoint of
future matters that this Company will have before the
Commission, I think they hopefully have someone
listening to this discussion and understand the
comments that are being made by the Commissioners to
going us into this situation. And I would think
that would be constructive for them to react to the
comments that we've made here today.

So, again, we do have a statute here
that provides for this. So the Commission, I
think we've -- are judges have -- not rubber-stamped this, but we must abide by what the legislative mandate is with regard to this issue and that's kind of where we are. So... So, I do -- I share the concerns cited by Commissioner Colgan and Commissioner Elliott.

COMMISSIONER FORD: I certainly concur with all of this. But, once again, it's something Commissioner O'Connell-Diaz said, this was given to us by our legisl-- by our state legislature, and we are simply following the law.

CHAIRMAN FLORES: I would also like to reiterate that there was an -- Staff analyzed this matter not only relying on the statute -- which I might add, also explicitly provides for this type of rider with the QIP, unlike other riders -- but that in addition to the legislative analysis, that there was also a reference to the rules that had been set forth by this Commission in analyzing such QIP requests and that there was an exhaustive analysis.

That being said, in oral argument it was very apparent by the questions and the queries
made by the Commissioners, and obviously as a stated here today, that there is a deep concern by this Commission with regards to the potential for confusion -- customer confusion, and also in that vein, ensuring that customers understand and -- what they are being charged for and that they have that right and that that right should be preserved and protected.

I also stand with the other Commissioners in making their recommendation that the Company table its application until 2011 given that there is also a pending rate case in which, as Commissioner Colgan has already indicated, we’re using the same test year.

So to the extent that this Commission is bound by the rules that -- and the laws that it must adhere to, it is exercising its rightful discretion in making this recommendation, strong recommendation to the Company that it address the public policy concern that we share and that we are strongly expressing today, and recommend that implementation be delayed until 2011.
Is there any further discussion on this matter?

(No response.)

CHAIRMAN FLORES: That being said, I believe that everyone is in accord with the recommendation made by Staff and that there are five votes in support of order of -- of granting the Order, again, with the caveat that we have this -- made this recommendation to the Company to table the application until 2011.

But let the record reflect that the Order is granted.

Item 8 is Docket 09-0319. The Village of Homer Glen, St. Joseph and Savoy, and the City of Champaign and Urbana as well as the People of the State of Illinois request oral argument pursuant to Title 83, Section 200.850 of the Illinois Administrative Code.

The Commission is prepared to schedule oral argument for Tuesday, March 23rd at 1:00 p.m. at the Commission's offices in Springfield.

Is there any discussion?
(No response.)

CHAIRMAN FLORES: Any objections?

(No response.)

CHAIRMAN FLORES: Hearing none, the request is approved and notice will be sent to the parties.

Judge Wallace, are there any other matters to come before the Commission, sir?

JUDGE WALLACE: No, sir. Other than on the oral argument, do you have a list of the issues yet?

CHAIRMAN FLORES: Your Honor, I don't at this time. What we will do, as is custom, our fine assistants will be forwarding those matters to your office in a time consistent with meeting the notice requirements.

JUDGE WALLACE: Okay. What we will do, as normal, is go ahead and send out the notice of oral argument followed up by the other details then.

CHAIRMAN FLORES: Very well. Thank you.

Very well. That being said, are there any other matters, Judge?

JUDGE WALLACE: No, sir.

CHAIRMAN FLORES: Okay. Hearing none, this
meeting then stands adjourned. Commissioners, thank you very much. Hope you guys have a great day. See you soon.

(Whereupon, the meeting was adjourned.)