



# CITIZENS UTILITY BOARD

## Fighting for Illinois Consumers

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### **CUB TESTIMONY UNCOVERS \$50 MILLION IN OVERCHARGES IN ILLINOIS AMERICAN WATER'S PROPOSED RATE HIKE**

Testimony filed by the Citizens Utility Board (CUB) has uncovered about \$50 million in overcharges buried in Illinois American Water's proposed rate hike, criticizing the company for seeking an excessive profit rate and charging customers millions for executive bonuses, CUB said Thursday.

The consumer group said the company's rate-hike request highlights the need for Springfield to pass consumer protections for private water customers across Illinois.

In testimony filed with the Illinois Commerce Commission (ICC) Wednesday, CUB argued that Illinois American's \$152.4 million rate-hike request should be cut by at least 32 percent, or \$48.78 million. CUB hopes to add at least \$7 million to those reductions by adopting other testimony filed by the staff of the ICC and the Illinois Attorney General's Office.

"Our testimony reveals what Illinois American Water customers have known for years—that the company's rates are unjust and unreasonable," CUB Executive Director Sarah Moskowitz said. "Consumers just want clean and affordable water—they shouldn't have to cover bonuses for Illinois American executives and exorbitant profit rates for corporate shareholders."

In January, Illinois American Water, the largest investor-owned water and wastewater utility in Illinois, serving about 1.3 million customers, filed a \$152.4 million (39.5 percent) rate-hike request with the ICC. The company has already won \$120 million in rate hikes in less than a decade—an \$85 million increase in 2022 and a \$35 million hike in 2016.

Illinois American says the latest rate hike would increase average residential monthly water service bills by about \$24 per month, while the average wastewater bill would increase by about \$3 to \$5 per month. Actual rates would depend on a customer's service area.

In this case, CUB partnered with Illinois Industrial Water Consumers, which represents large commercial customers, and the Village of Bolingbrook, which has suffered under high Illinois American bills. The testimony, from Christopher Walters and James Leyko, of Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation, recommended **\$48.78 million** in reductions:

- **Return on Equity and Common Equity Ratio.** Illinois American is pushing to increase its Return on Equity (ROE), or profit-rate for shareholders, from an already excessive 9.78 percent to 10.75 percent. Plus, it wants a "common equity ratio"—how much of the utility's financing comes from issuing stocks—ranging from 52 percent to 54 percent. CUB recommends a more reasonable ROE of 9.35 percent and capping the "common equity ratio" at 50 percent. These adjustments cut the rate hike by **\$27.28 million**.
- **Executive Bonuses.** CUB argued that customers shouldn't cover bonuses the company gives to executives for reaching financial goals that only benefit shareholders. That recommendation cut Illinois American's proposed increase by another **\$5.8 million**.

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- **Two-step Rate Hike.** Illinois American proposed dividing its rate hike into two steps, with the bulk of the increase hitting customers initially in early 2025, and a second wave adding to the increase in early 2026. Utilities do not typically structure their requests in this manner, in fact no witness from Brubaker, the Attorney General's Office or ICC staff had ever seen this allowed in Illinois. CUB argued for fully rejecting the second step, because aside from it being a completely unprecedented request, it was calculated in a way that is unfair to customers and is designed to further enrich the company. That represented a **\$15.7 million** reduction.

The ICC will rule on the rate case, Docket #24-0097, late this year, and new rates would take effect in early 2025. Customers can sign a petition against the rate hike at [CUBActionCenter.com](https://www.CUBActionCenter.com), and file a public comment against the increase [directly with the ICC](#).

Illinois American's rate-hike request is the latest burden faced by its customers, who for years have contacted CUB to complain about excessive water bills that are fueled by two factors:

- Illinois American won state legislative approval to add a "Qualifying Infrastructure Plant" surcharge to bills that has needlessly increased costs for customers.
- State law allows Illinois American and Aqua Illinois—the state's two biggest private water utilities—to buy up depreciated water and wastewater systems across the state and charge their customers to cover 100 percent of the acquisition costs. **CUB Water Tracker**, our special online center monitoring the problem, found that these for-profit companies have purchased 56 systems since 2013, when state legislators passed a law that allows these water utilities to pass acquisition costs—**\$402 million and counting**—onto their customers.

While customers suffer under these pro-utility policies, American Water, Illinois American's parent company, has prospered, raking in \$1.8 billion in profits over the last two years—including \$820 million in 2022 and a 15 percent increase to \$944 million in 2023.

"We hope that Illinois American's exorbitant rate-hike request shines a light on how private water customers have suffered in recent years," Moskowitz said. "There is a profound need for reform to rein in Illinois' biggest private water company and protect its customers."

In the 2024 legislative session in Springfield, CUB pushed for passage of House Bill 5157 (the "Water Affordability and Accountability Act"), which would, among other things, remove the QIP surcharge; require shareholders to cover most of the price tag when they buy a local water/wastewater system; and require local approval through a referendum before Illinois American or Aqua could buy up municipal systems.

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*The Citizens Utility Board (CUB) is celebrating its 40th anniversary as Illinois' leading nonprofit utility watchdog group. Created by the Illinois Legislature, CUB opened its doors in 1984 to represent the interests of residential and small-business utility customers. Since then, CUB has saved consumers more than \$20 billion by helping to block rate hikes and secure refunds. In 2024, CUB is celebrating its 40th anniversary of consumer advocacy work. For more information, call CUB's Consumer Hotline at 1-800-669-5556 or visit CUB's award-winning website, [www.CitizensUtilityBoard.org](https://www.CitizensUtilityBoard.org).*