ILLINOIS ATTORNEY GENERAL LISA MADIGAN

PRESS RELEASE

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For Immediate Release
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UTILITY EXPERT HIRED BY MADIGAN'S OFFICE CALLS FOR AUDIT OF ILLINOIS AMERICAN WATER COMPANY

Chicago – Describing the company's internal billing records as a "mess" and charging widespread violations of billing regulations, an expert hired by Attorney General Lisa Madigan has recommended that the Illinois Commerce Commission (ICC) order a full-scale audit of Illinois American Water Company's (IAWC) statewide billing, metering and customer service operations.

Madigan said that water utility expert Scott Rubin also recommended that the ICC conduct an investigation into IAWC's fire hydrant testing and maintenance programs throughout Illinois.

Earlier this year, Madigan's office filed a formal complaint at the ICC in response to a customer uproar over the company's billing practices, complaints from local fire department officials and demands for investigation by public officials.

Madigan's office hired Rubin to conduct an investigation into the widespread complaints by IAWC customers. The investigation was co-sponsored by the Village of Homer Glen, where many of the problems came to light. IAWC customers alleged they had received extremely large bills for massive amounts of water consumption, in some cases amounting to thousands of dollars for a single month of service.

In testimony filed with the ICC on Friday, June 30, Rubin reported that several serious flaws in the company's billing and metering systems caused these unreasonable bills. He proposed an audit to pinpoint the problems, bring the company into compliance with ICC regulations, and ensure the future accuracy and integrity of the company's record-keeping, metering and billing. Rubin made his recommendations based upon his review of hundreds of complaints and thousands of pages of internal company documents. Rubin noted that, in some cases, company records revealed systemic operational problems. In other instances, company data was so confused and inconsistent that it was unreliable, making it impossible to design a solution.

"Illinois American's customers deserve the best possible service for the rates they pay. Our investigation revealed that these customers cannot rely on the billing they receive and that customer service follow-up is inadequate," Madigan said.

Rubin's investigation into the company's operations also found that that the company did not identify or investigate bills that showed zero water consumption for months at a time and that it allowed estimated bills to be issued for as long as 12 months in a row, in violation of ICC rules. Months of zero consumption bills or estimated bills frequently require "back-billing," hitting consumers with huge charges when the error is finally discovered. These poor metering and billing practices call into question whether customers are being fairly charged for the water they use. Rubin reported that customers who were credited for overpayments did not receive interest for overpayments, another violation of utility regulations.

Of particular concern to Madigan's office are claims by local fire protection officials that in some communities the company failed to maintain and test fire hydrants on a regular basis. Local fire department personnel took on the testing chores themselves and discovered several problems. Rubin questioned whether customers should be charged by IAWC for public fire service in areas where hydrants had inadequate water flow or did not work at all.

"The hydrant problems aren't just a matter of poor billing or operations. These raise public safety concerns," Madigan added.

Rubin additionally recommended that the audit be conducted at shareholders' expense, with the findings to be shared with other states where subsidiaries of American Water Works operate.

Senior Assistant Attorney General Susan Satter is handling the case for Madigan's Public Utilities Bureau.

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