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MADIGAN ASKS FOR MANY REDUCED WATER CHARGES

Chicago -- Attorney General Lisa Madigan is asking the Illinois Commerce Commission (ICC) to reduce many Illinois American Water Company (IAWC) water charges and to bar the company from making yearly adjustments to those water charges due to "serious and pervasive" errors in the company's record keeping.

In testimony filed with the ICC yesterday, Madigan's expert, Scott Rubin, concluded that annual automatic adjustments were unfair to consumers and could provide a perverse incentive to poor maintenance and sloppy billing.

In his testimony, Rubin explained his discovery of serious irregularities in IAWC records that track the company's purchases and sales of water throughout the state. Rubin's analysis showed that inconsistencies in the company's books make it impossible to determine the proper variable rates that IAWC has been allowed to collect in the past. He proposed fixed rates that would lower charges for many customers.

According to Rubin, the combination of poor record keeping and variable rates also could be used to hide more serious problems at the public utility, such as poor maintenance and waste. Rubin noted that IAWC's books contain two contradictory problems: in some areas it has consistently sold more water to customers than it actually purchases for them, and in other areas its records show that it has lost up to 15 percent of the water it buys for consumers. Rubin asserted that this level of waste was excessive, is higher than industry standards and consumers should not have to pay for it.

Last month, Madigan recommended that the ICC initiate an audit to determine the cause of IAWC's billing, metering, customer service and fire protection problems, a proposal made following Rubin's investigation of public outcries about enormous water bills and poor service. That investigation was part of a complaint Madigan's office filed against Illinois American with the ICC earlier this year. The separate review of water rates submitted yesterday clearly bolsters those earlier charges.

"This additional review of Illinois American's business shows more than ever that we need a comprehensive audit," Madigan said. "If the company can't keep accurate records, we need to question everything about the fairness of their rates."

Rubin also proposed lower sewage treatment rates in the Country Club area to reflect recent improvements by DuPage County in its storm sewer system.

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