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Rate Adjustment for Iowa American Water Approved by Iowa Utilities Board

Over \$38 million in infrastructure investment drives need for rate change

Davenport, Iowa. (February 27, 2017) – Following a 10-month review, the Iowa Utilities Board (IUB) today issued an order adjusting rates for Iowa American Water. Iowa American Water's investment of approximately \$38 million in water system improvements is the primary driver behind the rate change request.

In its final rate order, the IUB approved an overall increase in additional annual revenue of \$3.9 million or 10.37 percent. This final order amount includes the previous temporary rate increase of \$2.1 million that was implemented by Iowa American Water on May 9, 2016 as allowed by Iowa Code § 476.6(9). Company officials say those additional revenues will help Iowa American Water continue to invest proactively in its water infrastructure throughout the state. Iowa American Water last received a rate change order from the IUB in 2014.

"Reliable water service is essential to everyday life and a community's strong economy, and proactive water system upgrades today save money in the long run," said Randy Moore, president of Iowa American Water. "All these investments in local water infrastructure systems enhance water quality, service reliability and fire protection for customers while keeping the cost of water service for most local households at about a penny per gallon."

The need to upgrade water systems is a national challenge. In 2013, the American Society of Civil Engineers said that an estimated \$1 trillion in capital spending would be needed across the nation over 25 years to replace thousands of miles of pipe, upgrade treatment plants and comply with stricter water quality standards. Iowa American Water is addressing this challenge.

Iowa American Water's rates are based on the costs of providing water service as reviewed and approved by the IUB. Moore added that Iowa American Water has worked to control costs, reducing operating expenses by about 10 percent or \$1.7 million since the last rate order.

The next step in the process will be for Iowa American Water to prepare and file a rate design for approval by the IUB that breaks down the allowed increase between the company's various customer classifications. An effective date for the new rates will be established once the IUB approves the company's rate design.

On April 29, 2016, Iowa American Water filed a proposal with the IUB requesting to increase its annual revenue by \$5.15 million. Effective May 9, 2016, Iowa American Water implemented an interim rate increase as part of its rate increase application as allowed under state regulations. The interim increase allowed Iowa American to begin collecting a portion of its rate increase while the IUB and Office of Consumer Advocate (“OCA”) reviewed the full filing. The interim rates generated about \$2.1 million in additional annual revenue and represent a \$2.33 per month increase for the average residential customer.

“As a utility whose services are critical to ensuring public health, we take our responsibility to provide quality drinking water seriously, and as such, are committed to keeping our systems and facilities well maintained,” added Moore.

Customers needing assistance paying their water bills can contact Community Action of Eastern Iowa to apply for help from Iowa American Water’s Project H2O “Help to Others” program. Community Action of Eastern Iowa administers this program, and customers needing assistance are urged to contact their local office in either Clinton or Davenport.

Customers can contact American Water's Call Service Center toll free at 1-866-641-2108 with additional questions. Additional information can also be found on the Iowa Utilities Board’s website at www.state.ia.us/iub/.

About Iowa American Water

Iowa American Water, a subsidiary of American Water (NYSE: AWK), is the largest investor-owned water utility in the state, providing high-quality and reliable water services to approximately 212,000 people. With a history dating back to 1886, American Water is the largest and most geographically diverse U.S. publicly-traded water and wastewater utility company. The company employs more than 6,700 dedicated professionals who provide regulated and market-based drinking water, wastewater and other related services to an estimated 15 million people in 47 states and Ontario, Canada. More information can be found by visiting www.amwater.com.

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