

**STATE OF IOWA  
DEPARTMENT OF COMMERCE  
BEFORE THE IOWA UTILITIES BOARD**

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**IN RE:** : **DOCKET NO. RPU-2009-0004**  
:  
**IOWA-AMERICAN WATER COMPANY** :  
**APPLICATION FOR REVISION OF** :  
**RATES** :

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**SETTLEMENT AGREEMENT**

On this 21st day of August, 2009 Iowa-American Water Company (“Iowa-American” or “Company”) and Office of Consumer Advocate division of the Iowa Department of Justice (“OCA) hereby agree to the terms and conditions of this Settlement Agreement (“Agreement”).

**Article I**

Introduction

On April 30, 2009, Iowa-American filed with the Iowa Utilities Board (“Board”) an Application for a general increase in water utility rates and charges. Iowa-American requested authority to increase its operating revenues by approximately \$9.4 million, for an annual revenue increase of 34.8% on an annual basis. On May 29, 2009, the OCA filed an Answer, Objection and Response to Iowa-American’s Rate Application.

On July 27, 2009, the Board issued an “Order Docketing Tariffs and Establishing Procedural Schedule.” Consumer Comment Hearings were held in Clinton on June 4, 2009 and in Bettendorf on June 11, 2009.

Iowa-American and OCA have engaged in ongoing and extensive negotiations that have culminated in this Agreement. The Company and OCA have considered the positions expressed

by all parties in this case in their negotiations, as well as the savings and other benefits that may accrue by virtue of an early settlement of this matter.

## **Article II**

### Purpose

This Agreement has been prepared and executed by the parties for the sole purpose of settling on a mutually acceptable outcome to this proceeding without resolving specific issues of law or fact other than those set out explicitly herein. This Agreement is applicable only to final rates in IUB Docket No. RPU-2009-0004. The Parties hereto understand and agree that the proposals, positions and adjustments made or obtained in this Agreement, whether express or implied, are made or obtained only through the spirit of compromise. The purpose of this Agreement is to document the resolution of all issues in this proceeding and to institute a general rate increase of approximately \$6,060,000 annually. This increase is designed to become effective for service on or after the date the Board approves tariffs implementing this Agreement, which the parties request be not later than September 15, 2009.

## **ARTICLE III**

### Joint Motion

The parties hereby jointly move the Board to immediately issue an order approving this Agreement in its entirety without condition or modification.

## **ARTICLE IV**

### Condition Precedent

This Agreement shall not become effective unless and until the Board enters an Order approving this Agreement in its entirety without condition or modification.

## **ARTICLE V**

### **Privilege and Limitation**

This Agreement is made pursuant to Iowa Code § 17A.10 (2009), 199 IAC § 7.18 and shall become binding on the Parties upon its execution, provided however, that if this Agreement does not become effective in accordance with Article IV above, it shall be null, void and privileged. This Agreement is intended to relate only to the specific matters referred to herein; no party waives any claim or right which it may otherwise have with respect to any matter not expressly provided for herein; no party shall be deemed to have approved, accepted, agreed or consented to any ratemaking principle, any method of cost of service determination, any method of cost allocation or the resolution of any specific issue that may seem to underlie or be implied by the provisions of this Agreement or be prejudiced or bound thereby in any current or future proceeding before the Board. No party to this proceeding or representative thereof shall directly or indirectly refer to this Agreement or that part of any Order of the Board referring to this Agreement in any other current or future rate proceeding before the Board.

## **ARTICLE VI**

### **Rate Increase**

Iowa-American shall be granted an increase in its rates sufficient to increase its annual revenues on a total Company basis by \$6,060,000. This amount includes an amount reflecting all regulatory costs associated with Docket No. RPU-2009-0004 incurred or to be incurred by Iowa-American. Subject to Section VII of this Agreement, the increase has been apportioned between the Clinton and Quad Cities districts for purposes of this Settlement Agreement as follows: Clinton District \$ 1,950,000 and Quad Cities District \$ 4,110,000. Further, the parties hereto expressly agree, for purposes of this proceeding, that the final rates established in this

proceeding developed pursuant to this Settlement Agreement specifically reflect an annual \$200,000 amortization of the pension regulatory asset associated with and attributable to the transition from ERISA to FAS 87 for rate recovery purposes. As of December 20, 2007, the pension regulatory asset reflected a balance of \$1,673,698.

## **ARTICLE VII**

### Rate Design

The parties understand that the Board has requested comments from each party on or before August 28, 2009 concerning whether rates should be equalized as between the Clinton and Quad Cities Districts. The parties understand that after its review of such comments, the Board may order either that the rates between the two districts shall be equalized or that the districts shall continue to have separate rates. The final rates shall be designed in accordance with any such Board order.

## **ARTICLE VIII**

### Tariffs

The Parties agree that the following rate design tariff revisions proposed by the Company shall be implemented:

1. Tariff Sheet No. 10, increasing the returned check charge and also providing that any customer who remits two bad checks within twelve continuous months will be classified as a cash-only customer;
2. Tariff Sheet No. 14, increasing the service charge;
3. Tariff Sheet No. 37, increasing the turn-on charge;

4. Tariff Sheet No. 43a – h, giving developers the option of constructing main extensions at developers' costs in accord with the Company's specifications and after construction transferring ownership of the main(s) to the Company.
5. Existing depreciation rates shall remain in effect.

In addition the Company, upon Board approval of the Stipulation will file revised Tariff Sheet Nos. 4 and 6 related to General Metered Service and Private Fire Service with the Board to reflect rates and fees that will produce no more than the additional annual revenues of \$6,060,000.

## **ARTICLE IX**

### Flood Wall Settlement

The parties agree that the Amended Settlement Agreement entered into by these parties on January 5, 2009 and approved by the Board on January 15, 2009, related to the Davenport Floodwall Project, shall remain in effect.

Respectfully submitted,

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FLYNN

A Professional Corporation

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