



# CITIZENS UTILITY BOARD

Fighting for Illinois Consumers

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## **CUB, UNIVERSITY PARK CALL FOR CUTTING AQUA RATE-HIKE REQUEST BY 40%**

An Illinois utility watchdog group has joined forces with a community that has had highly publicized problems with lead in its drinking water to file testimony arguing that Aqua Illinois' proposed \$19.2 million rate hike should be slashed by at least 40 percent.

The testimony was filed May 1 by the Citizens Utility Board (CUB), the Village of University Park and Viscofan USA, which has a manufacturing facility in Danville and is Aqua's largest industrial customer in the Vermillion water division. The testimony uncovered at least \$7.6 million in overcharges proposed by Aqua, or about 40 percent of the company's rate-hike request.

"Our testimony shows that Aqua Illinois' rate-hike request is unjust and unreasonable," CUB Executive Director Sarah Moskowitz said. "For years, we've received a steady stream of complaints from Aqua customers unhappy with poor water quality and exorbitant rates, and our latest testimony reveals that the company is pushing for an excessive profit rate for its shareholders. We urge state regulators to reject Aqua's rate hike."

The testimony, from Chris Walters and James Leyko, of Brubaker & Associates, Inc., a Missouri-based consulting firm that specializes in utility regulation, recommended these reductions:

- **Return on Equity and Common Equity Ratio.** Aqua is asking for an excessive increase in its "Return on Equity" (ROE)—or profit rate for shareholders—from 9.6 percent to 10.8 percent. Instead, CUB argues for a more reasonable 9.45 percent ROE. CUB also argues that the utility's proposed "common equity ratio"—how much of the utility's financing comes from issuing stocks—is too high. Combined, those two adjustments would reduce the proposed rate hike by **\$7.1 million**. ROE is the most important component of a utility's "rate of return," which is the rate at which the utility recovers the cost of financing physical assets, such as meters and pipes.
- **Executive Bonuses.** CUB argues that customers shouldn't cover bonuses the company gives to executives for reaching financial goals that only benefit shareholders. That recommendation cut Aqua's proposed increase by another **\$323,000**.
- **Rate-case Expense.** Under Illinois law, utilities are allowed to recover expenses for outside lawyers and expert witnesses in rate cases. In the Aqua case, CUB's testimony argues that the utility inflated those expenses, reducing the rate hike by another **\$159,000**. (**Note:** In Springfield, CUB is working for the Utility Affordability Act, which would prohibit utilities from charging customers for such expenses.)

In total, the testimony calls for about **\$7.6 million** in reductions of Aqua's proposed rate hike. CUB hopes to adopt testimony filed by other parties, including the Illinois Attorney General's Office, to argue for cutting the rate hike even more.

On Jan. 17, Aqua, which serves about 273,000 customers in central and northern Illinois, filed a \$19.2 million rate-hike request with the Illinois Commerce Commission (ICC) (Docket [24-0044](#)). Aqua estimated that it would increase the average residential wastewater and water bill (4,000 gallons) by \$29.91 per month.

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The rate-hike request was the latest bad news for Aqua customers. There have been several examples of serious service concerns—including a water outage in Lake County in 2023 and unacceptable levels of lead in drinking water in University Park in 2019. While Aqua says the problem in University Park has been fixed, years later some customers were still drinking bottled water because they didn't trust the company.

At the same time, Aqua's aggressive strategy of buying up municipal systems, along with winning legislative approval to add a "Qualifying Infrastructure Plant" surcharge to bills, has needlessly increased costs for customers. Under state law, the company can buy depreciated water and wastewater systems across the state and charge their customers to cover 100 percent of the acquisition costs. **CUB Water Tracker**, a special online center that monitors the problem, has found that Aqua customers have so far covered \$121 million in acquisition costs. CUB has been advocating for legislative reforms to bring relief to private water customers across Illinois.

Meanwhile, Aqua's parent company, Essential Utilities, has prospered. The company raked in \$498.2 million in profits in 2023, up about 7 percent from the year before. In announcing its 2023 results, Aqua's parent bragged about its "proven acquisition track record" and capturing higher rates or infrastructure charges in Illinois and seven other states.

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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. For more information, call CUB's Consumer Hotline at 1-800-669-5556 or visit [CitizensUtilityBoard.org](https://CitizensUtilityBoard.org).