



# CITIZENS UTILITY BOARD

## Fighting for Illinois Consumers

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### **CUB EXPERT TESTIMONY UNCOVERS \$50+ MILLION IN OVERCHARGES IN ILLINOIS AMERICAN WATER'S RATE HIKE**

#### ***Consumer watchdog calls on ICC to reject utility's rate-hike plan—as well as proposed purchase of Aqua***

As it attempts to dominate the state's private water landscape through an aggressive acquisition strategy, Illinois American Water is pushing a rate hike that would overcharge customers by at least \$54 million—including an exorbitant profit rate for shareholders and executive bonuses, according to expert testimony filed by the Citizens Utility Board (CUB).

CUB filed testimony as part of Illinois American's \$142.4 million rate-hike request before the Illinois Commerce Commission (ICC). This would be the fourth rate hike in a decade for Illinois American—the state's largest investor-owned water and wastewater utility and a frequent source of customer frustration over escalating bills.

At the same time that the utility once again pursues higher rates, its parent company, American Water, wants to expand its power in Illinois by purchasing the state's other major private water utility, Aqua Illinois.

CUB called on state regulators to reject Illinois American's \$142 million rate-hike plan, and, echoing testimony it filed in April, the consumer watchdog urged the ICC to also reject the proposed purchase of Aqua.

"Illinois American Water customers have shouldered a decade of escalating bills, and now, as the utility seeks to expand its dominance in the state, CUB's expert testimony exposes how Illinois American wants customers to fund excessive profits and unfair executive bonuses through yet another hike on an essential resource," CUB Executive Director Sarah Moskowitz said Monday. "We call on the ICC to hold the utility accountable by rejecting its unjust and unreasonable rate-hike proposal and say no to the monopolistic acquisition of its only significant remaining competitor."

A lot is at stake for long-suffering Illinois American customers. At the time it filed for the rate hike, the utility estimated that the increase would cost the typical residential water customer (using 3,500 gallons of water) about \$14 per month, depending on the service area. Typical wastewater customers would see an additional increase of approximately \$28 per month.

CUB's testimony found that Illinois American was proposing at least \$54.4 million in overcharges. CUB hopes to adopt recommendations by other parties in the case to reduce the rate hike even further. A summary of what the testimony found:

**Excessive Return on Equity and Common Equity Ratio.** Illinois American is pushing to increase its Return on Equity (ROE), or profit-rate for shareholders, from an already excessive 9.84 percent to 10.75 percent. Plus, it wants a "common equity ratio"—how much of the utility's financing comes from issuing stocks—of up to 52.74 percent. CUB argues that the ROE should be going down, to about 9.45 percent. The watchdog also recommended capping the "common equity ratio" at 50 percent. These adjustments cut the rate hike by \$30.8 million.

**Unjust Two-step Rate Hike.** Similar to what it did in its last rate-hike request in 2024, Illinois American proposed a two-step increase, with the bulk of the hike hitting customers in 2027, and a second wave the next year. The second increase was rejected in 2024, with CUB successfully arguing that in addition to this approach being unprecedented, it was calculated in a way that was unfair to customers and designed to further enrich the company. CUB made similar arguments this time around, calling for the second step, a \$14.9 million increase, to be axed.

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**Unfair Executive Bonuses.** CUB argued that customers shouldn't have to cover bonuses the company gives to executives for reaching profit goals that only benefit shareholders. Adding to the unfairness, under Illinois American's rate-hike proposal, the utility would still get this money from consumers, even if it didn't reach those goals. CUB's recommendation would reduce the rate hike by \$4.7 million.

**Shoddy Per-customer Use Estimates.** Illinois American proposes to set rates under the assumption that per-customer water usage will drastically decrease by next year. This assumption would reduce the revenues the utility expects to collect under current rates, implying rates need to increase more to cover Illinois American's costs. Illinois American's own data on recent historical water usage trends do not support the company's math. Assuming instead that water usage will resemble recent years would cut the proposed increase by another \$3.9 million.

Illinois American has been the subject of intense criticism from customers in recent years—the current rate hike is just the latest grievance:

- Illinois American has won \$230 million in rate hikes over the last decade—\$110 million in 2024, \$85 million in 2022 and \$35 million in 2016. Illinois American filed for the current increase in late January, a little over a year after their last hike took effect.
- For years, Illinois American customers have contacted CUB to complain about excessive water bills, connected to favorable legislation water companies have pushed in past years.
  - State law allows private water utilities to charge a “Qualifying Infrastructure Plant” fee on bills.
  - Illinois American and Aqua Illinois have followed an aggressive business model of buying up water and wastewater systems across Illinois, because state law allows them to charge their customers to cover 100 percent of the acquisition costs. [CUB estimates](#) that these for-profit companies have purchased 61 systems since 2013 and passed \$411.5 million in acquisition costs onto their customers.
  - CUB is working for reforms in Springfield to better protect private water customers from high bills.
- The rate hikes and favorable state laws have been good for water company profits. For example, the utility's parent, American Water, has raked in more than \$1 billion in profits in each of the last two years, 2024 and 2025.
- American Water announced the deal to buy Aqua's parent, Essential Utilities, in October 2025. It also is seeking ICC approval to buy Prairie Path Water Co. If state regulators OK these transactions, more than 99.99 percent of regulated water and wastewater utility customers will be served by affiliates of American Water. “This level of market consolidation raises obvious concerns,” according to CUB testimony.

CUB's expert testimony on the purchase of Aqua's parent was filed April 9, and its expert testimony on the rate hike was filed May 27. The ICC is expected to issue a final ruling on the Essential Utilities deal no later than Nov. 5, and on the rate hike no later than Dec. 18.

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*For more than 40 years the Citizens Utility Board (CUB) has been 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 CUB's website, [www.CitizensUtilityBoard.org](http://www.CitizensUtilityBoard.org).*

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