

**MINUTES OF A SPECIAL MEETING OF THE
COMMITTEE OF THE WHOLE OF THE
DuPAGE WATER COMMISSION
HELD ON THURSDAY, JANUARY 13, 2005
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Vice-Chairman Mueller at 5:03 P.M.

Commissioners in attendance: R. Benson (by teleconference as of 5:11 P.M.), E. Chaplin, T. Feltes, L. Hartwig (as of 5:10 P.M.), G. Mathews, W. Mueller, W. Murphy, A. Poole, J. Vrdolyak, G. Wilcox (as of 5:06 P.M.), D. Zeilenga (as of 5:20 P.M.), and M. Vondra (as of 5:15 P.M.)

Commissioners Absent: R. Ferraro

Also in attendance: R. Martin, C. Pattelli, M. Crowley, C. Johnson, R. C. Bostick, E. Kazmierczak, T. McGhee, J. Schori, D. Shea (Alvord Burdick & Howson), Cuneyt Feizoulof (Camp Dresser & McKee), Thomas McCauley (Consolidated Consulting Corporation) and K. Godden (as of 5:15 P.M.)

Commissioner Chaplin moved to approve the Minutes of the October 14, 2004 Committee of the Whole Meeting of the DuPage Water Commission. Seconded by Commissioner Feltes and unanimously approved by a Voice Vote.

All voted aye. Motion carried.

Commissioner Wilcox arrived at 5:06 P.M.

General Manager Martin began the presentation on (i) the results of the Electric Reliability Assessment performed by Consolidated Consulting Corporation, (ii) the results of the Power Generation Benchmarking Evaluation prepared by Camp Dresser & McKee, and (iii) the 2005-2006 Five Year Capital Improvement Plan as proposed by staff by providing historical background.

Commissioner Hartwig arrived at 5:10 P.M. and Commissioner Benson joined the meeting by teleconference at 5:11 P.M.

After the historical background, General Manager Martin introduced Thomas McCauley from Consolidated Consulting Corporation to give his presentation on the Electrical Supply Reliability Report.

Chairman Vondra arrived at 5:15 P.M., followed by Commissioner Zeilenga at 5:20 P.M.

After the presentation by Thomas McCauley, there being no immediate questions, General Manager Martin introduced Cuneyt Feizoulof of Camp Dresser & McKee regarding his report on the Power Generation Benchmarking Evaluation.

During the course of the presentation, the following questions were asked:

Commissioner Wilcox asked how many of the 12 benchmarking utilities interviewed had multiple feeds at least one of which came from an independent substation? After reviewing his notes, Cuneyt Feizoulof reported five of the 12 were so configured: Chicago, CLCJAWA, NWC, Evanston, and Detroit.

Commissioner Zeilenga asked how the 12 benchmarking utilities interviewed were selected? Cuneyt Feizoulof replied that the group was selected based upon peer comparison with the Commission and, with respect to Detroit, because it experienced service disruption during the August 2003 regional black out. Commissioner Zeilenga also asked if a random selection of 100 facilities across the country were chosen, how many would have back-up generators? Cuneyt Feizoulof was very confident that 95% of the facilities supplying 10 mgd or more would have back-up generators.

Commissioner Vrdolyak asked why Detroit experienced service disruption during the August 2003 regional black out? Cuneyt Feizoulof responded that Detroit turned on more pumps than they had the capacity to generate power for, overloading the generators. Cuneyt Feizoulof also noted that Detroit was currently in the process of adding more generators so they will be able to meet average day demand in the event of a future power outage. Commissioner Vrdolyak also asked if the 12 benchmarking utilities interviewed had generators at their source of supply? Cuneyt Feizoulof informed him that they did.

Commissioner Chaplin asked if all Commission customers had back-up wells, would back-up wells solve the problem? Cuneyt Feizoulof replied in the affirmative but noted the solution was less cost effective.

Chairman Vondra asked whether the 12 benchmarking utilities interviewed provided any feedback as to the budget impact (e.g. increased operation and maintenance costs) of back-up generators? Cuneyt Feizoulof replied that no additional manpower was required because all 12 of the benchmarking utilities interviewed use the generators solely for stand-by power and, thus, the generators need only be exercised once each month for six to eight hours.

In response to the General Manager's review of the matrix of 7 different power outage scenarios and the impact upon the Commission and its customers, Commissioner Wilcox stated that the consultants agree there is a high level of reliability but were worried that the Commission could have a problem without the generators in the event of an "impossible event." Commissioner Wilcox noted that generators were not immune from being disabled by the very same impossible event and then inquired as to the likelihood of a catastrophic event happening at the DuPage Water Commission? Thomas McCauley responded by saying it is "very unlikely," but that that is also what the northeast part of the country felt before the August 2003 outage. Thomas McCauley also explained that the August 2003 outage resulted from a confluence of events, some of which were caused by human error and not just equipment and facility failures.

Commissioner Poole indicated that the Commonwealth Edison system is very robust and reliable and that ComEd offered to come to a Board meeting to offer its assurance that the feeds are solid and reliability very strong. In response to Commissioner Mathews' question, Commissioner Poole noted that, after the August 2003 events, ComEd placed higher priority on maintaining service to hospitals and water supplies. Commissioner Poole suggested that, when you take the emotion out of the question, and consider the issue purely under a cost-benefit analysis, decentralized electrical generation was the better method; noting that the Commission should not have to pay for the decentralized facilities but, rather, the Commission should indirectly assist in financing the decentralized facilities through a rate reduction.

Commissioner Hartwig asked Commissioner Poole why he thought other utilities comparable to the Commission have back-up generators? Commissioner Poole responded by saying the Commission was different from the rest and suggested that storage is more important and cheaper than generators.

Commissioner Wilcox complimented Commissioner Poole on his comments and suggestions, and agreed that decentralizing seemed to accomplish the same purpose less expensively and that towns should be interconnecting to increase reliability. Commissioner Wilcox also stated that the Commission should not take the approach of installing generators just because everyone else is doing it.

Commissioner Murphy asked whether decentralization was proposed in prior five year plans? The General Manager responded that decentralization was never recommended by staff in prior plans but that the merits of centralized versus decentralized back-up electrical generation were discussed by the Board at Committee of the Whole meetings in the fall of 2004. It was during those discussions that, due to the concern that a decentralized back-up electrical generation solution would not address a regional power problem, the Board directed that the electrical reliability study be performed. The General Manager also noted that even if all Commission customers had back-up wells, if the Commission's system goes down, and pressure falls below 20 psi, then a boil order would nevertheless need to be issued in order to avoid an extended service disruption while flushing out the Commission's system. The General Manager likened the electrical generation project to life insurance, noting the decision for the Board is whether or not to take the risk. The General Manager also stated his concern that the Commission would lose credibility in the event of a service disruption; it being the Commission's responsibility to provide service to its customers.

Commissioner Zeilenga asked why back-up generators weren't included in the original design 15 years ago? General Manager Martin responded by saying generators were not a priority at the time because of the limited funds available and the large pumps and multiple feeds that were already incorporated into the initial design of the Commission's Waterworks System.

General Manager Martin advised the Commissioners that if they didn't think what happened on the East Coast could happen here, then their vote should be no; But, if they thought it could happen here, then their vote should be yes.

Commissioner Chaplin stated that she was pleased to hear Commissioner Poole's request for a representative from ComEd to provide a presentation to the Board. Commissioner Hartwig suggested, in addition to the ComEd presentation, that the General Manager convene a meeting of the Commission's customers to obtain their expertise in this area and their recommendation as to the appropriate course of action. Chairman Vondra agreed, suggesting that Commissioner Pool's alternatives to centralized back-up electrical generation be incorporated into staff's presentation to the customers.

Commissioner Benson ended his telephonic participation in the meeting at 6:30 P.M., after stating his preference for decentralized back-up electrical generation unless, perhaps, the City of Chicago agreed to pick up the cost of back-up electrical generators at the Lexington Pump Station.

Commissioner Wilcox left the meeting at 6:32 P.M., after requesting that staff (i) firm up the potential savings the Commission could realize from obtaining power under a curtailment rate from its service provider and (ii) determine if any federal grant funds or loans are available for the construction of back-up electrical generation. Commissioner Feltes agreed with Commissioner Wilcox's suggestion and cautioned staff to take into consideration what happens after many of the curtailment rate schedules terminate in 2007.

Commissioner Hartwig asked what kind of noise is involved running the generators? General Manager Martin confirmed that sound dampening would be installed to minimize noise.

Commissioner Mathews stated the issue comes down to each Commissioner's assessment of the risk of an extended power outage and, akin to deciding whether to obtain insurance, whether that risk needs to be protected against. He also stated that the Board needed to make a decision one way or another, there being no need for additional studies.

Chairman Vondra summarized the suggestions made by the Commissioners for follow-up by staff as follows:

1. Hold a meeting with the customer utilities to solicit their comments on the various back-up electrical generation options, including the option suggested by Commissioner Poole.
2. Arrange for a presentation to the Board on the reliability of ComEd's electric power by representatives of Commonwealth Edison.

3. Determine the savings for the Commission under a curtailment rider.
4. Determine if any federal grant funds or loans are available for the construction of back-up electrical generation.

Commissioner Chaplin stressed that if the Commission considers decentralized back-up electrical generation, then it needs to make sure the wells do not exceed maximum contaminant levels.

Commissioner Mueller agreed with Commissioner Mathews that the Board needed to make a decision one way or another and emphasized that the Chairman needs to move forward with the approval of a Five Year Capital Improvement Plan.

With respect to the 2005-2006 Five Year Capital Improvement Plan proposed by staff, Commissioner Poole suggested the Commission's unrestricted surplus needs to be reduced to \$25 million; the reservoir project should be moved forward because the Revenue Bonds will be retired in six years; and the proposed Revolving Loan Program should be eliminated because it duplicates a similar program already funded by the State of Illinois.

With only 10 minutes left of the meeting, General Manager Martin continued with the remainder of the presentation on the 2005-2006 Five Year Capital Improvement Plan proposed by staff.

Commissioner Chaplin moved to adjourn the meeting at 7:00 P.M. Seconded by Commissioner Hartwig and unanimously approved by a Voice Vote.

All voted aye. Motion carried.