

**MINUTES OF A SPECIAL MEETING OF THE
DuPAGE WATER COMMISSION
HELD ON THURSDAY, JANUARY 24, 2008
600 E. BUTTERFIELD ROAD
ELMHURST, ILLINOIS**

The meeting was called to order by Chairman Rathje at 6:32 P.M.

Commissioners in attendance: E. Chaplin, L. Hartwig, W. Maio (as of 6:33 P.M.), G. Mathews, W. Mueller, A. Poole, F. Saverino, G. Wilcox, and L. Rathje

Commissioners Absent: W. Murphy, J. Vrdolyak, and D. Zeilenga

Also in attendance: Treasurer R. Thorn, R. Martin, R. M. Richter, M. Crowley, C. Johnson, T. McGhee, R. C. Bostick, E. Kazmierczak, Steve Palac of Greeley & Hansen, Dan Dragan of Greeley and Hansen, Elizabeth Fujikawa of Camp Dresser and McKee Inc., and Dave Tucker of Camp Dresser and McKee Inc.

General Manager Martin began the meeting by informing the Board that he and Commissioner Wilcox briefly discussed Commissioner Wilcox's concerns regarding the Capital Improvement Plan for fiscal year 2008-2009 at the SERWF Dedication Ceremony and that those concerns will be addressed during the presentation.

During General Manager Martin PowerPoint presentation on the Capital Improvement Plan for fiscal year 2008-2009, Commissioner Wilcox verified that the purpose of the DuPage Pumping Station back-up generators were in case all three ComEd electrical lines went down and noted that losing all three ComEd lines has never happened. Water Operations Manager McGhee explained that there have been times during the past year that the Commission lost two of the three ComEd electrical lines due to weather conditions.

Commissioner Wilcox inquired as to whether the Commission's electrical system is proposed to be paralleled with ComEd's system and, if so, voiced his concerns regarding the costs involved. General Manager Martin confirmed that the Commission's system would parallel with ComEd's and explained that the advantage of paralleling the system, should a power outage occur, is being able to get the system back online without shutting the pumps down completely. General Manager Martin added that once power is restored, the generators would parallel the system with ComEd which allows the pumps to be switched over without shutting them down completely and having to restart them. Dave Tucker of Camp Dresser and McKee Inc. noted the cost involved in paralleling the system is approximately \$250,000.00, and that the \$2MM ComEd fee that contributed significantly to the increase in the fiscal year 2008-2009 cost estimate would be required regardless of whether the system was designed to run in parallel with ComEd's.

Commissioner Wilcox questioned why the cost for the electrical generation facility project had doubled in the last year and why the cost increase was never brought to the Board's attention. General Manager Martin replied by stating that, in addition to the \$2MM ComEd fee, the original numbers were only estimates based upon a minimal

Minutes of the 1/24/08 Special Meeting

level of design detail. In response to Commissioner's question concerning the total generating capacity of the proposed system, General Manager Martin advised that even though the design standard was to supply average demand only, the excess generating capacity was needed in order to start the motors.

Commissioner Mathews reminded the Board that the Capital Improvement Plan is a budgeting document and that staff should be able to finish the presentation before anything is decided.

General Manager Martin continued the presentation with Commissioner Poole asking why the corrosion mitigation of steel water mains was required. General Manager Martin explained that the project stemmed from the Commission's discovery that in one area the original coating on the steel pipes had been incorrectly installed.

Commissioner Wilcox then asked when the bidding process will begin for the Lexington Pumping Station Electrical Generation Facility. General Manager Martin advised that the current schedule is for the Commission to seek bids for the project by the summer of 2008.

Commissioner Chaplin asked whether ComEd would be buying power from the Commission. General Manager Martin explained that the engineers feel there is no economic benefit to the Commission for peak shaving under the current regulatory environment but that the system could be modified to do so in the future if conditions warrant. General Manager added, however, that current plans are for the Commission to operate under a curtailable rate program.

Facilities Construction Supervisor Bostick explained that under a not yet final curtailable rate program the Commission could, but would not be obligated, to use the generators to curtail its consumption of ComEd power when requested to do so by ComEd and, in return, would receive a stipend from ComEd if the Commission chose to do so. Facilities Construction Supervisor Bostick noted that the curtailable rate stipend would exceed the cost to the Commission of running the generators but that, from a return on-investment perspective, the curtailable rate option was certainly not the motivating factor in proceeding with the project.

Commissioner Chaplin noted that if the benefit of the backup generators does not outweigh the cost, and the risk of a power outage is small, then she would agree with Commissioner Wilcox that the project should be reevaluated and Commissioner Poole concurred.

With respect to the repainting of the Commission's five standpipes, Commissioner Maio first confirmed that repainting was estimated to cost approximately \$1 Million for each standpipe and then asked what kind of engineering is involved for painting, especially at a cost of approximately \$163,000.00. General Manager Martin advised that Tank Industry Consultants would provide some painting design, but mostly the cost was

Minutes of the 1/24/08 Special Meeting

attributable to inspection, testing, resident engineering, and project management services.

Referring to the photovoltaic project, Commissioner Maio noted that the solar photovoltaic system is proposed to generate 1.0 MW and asked if there would be any advantage to increasing the capacity in order to be able to start and run at least one pump. General Manager Martin explained that when the Intergovernmental Agreement with the City of Chicago was negotiated, it was the City's recommendation to limit the capacity to 1.0 MW because the Commission's maximum cost exposure was capped at \$4 million under the agreement. Steve Palac of Greeley and Hansen provided a more detailed cost breakdown and explained that 1 MW of power to be generated by the photovoltaic project would equate to approximately \$100,000.00 in energy savings, of which the Commission should obtain approximately 80% (depending upon water levels in the tunnel) of savings realized.

In response to Commissioner Poole's question, General Manager Martin explained that the difference in the \$2MM ComEd fee for the DuPage Pumping Station generator project and the \$800,000 ComEd fee for the Lexington Pumping Station generator project was attributable to the fact that the Lexington Pumping Station is on a different grid than the DuPage Pumping Station and has four feeds to the DuPage Pumping Station's three.

Commissioner Mueller asked about the life expectancy of the photovoltaic panels. Mr. Palac informed the Board that the solar panels have a life expectancy of approximately 20 years, and that the two inverters, at an estimated cost of \$100,000.00 each, have a 10-year life expectancy.

The Board then began its discussion on various options for water rate increases. General Manager Martin informed the Board that staff was recommending a direct pass-through of the City of Chicago rate increases, resulting in Commission water rates of \$1.45 for fiscal year 08-09, \$1.68 for fiscal year 09-10, and \$1.93 for fiscal year 10-11.

Commissioner Chaplin asked staff what the City of Chicago projected water rate increase was. Commissioner Poole answered that the City's current water rate is \$1.33 and will be increasing to \$1.53.

Commissioner Saverino asked, for voting purposes, whether the projected water rate increase is tied in with the Capital Improvement Plan for fiscal year 2008-09 and would voted on together. After consulting with the Staff Attorney, General Manager Martin clarified that even though a new water rate could not be established until April 2008 for a May 1 effective date, establishing a "projected" water rate increase would give the utility customers an idea of where the Commission's rate is headed and allow them to better prepare their own budgets.

Commissioner Maio confirmed that until the Commission's new water rate is officially established, the Commission would be absorbing the City of Chicago's water rate

Minutes of the 1/24/08 Special Meeting

increase which equates to approximately \$3.5 - \$4 million for the months of January 2008 – April 2008. To avoid that problem in the future, Commissioner Maio suggested establishing water rates that would take into account the January 1 City of Chicago rate increases.

Commissioner Wilcox stated that the Commission's total cash reserves never drop below \$60 million and it would be bad business to raise the water rate in the spring due to high consumption during the warmer months. Commissioner Wilcox suggested waiting until the fall season to raise the rates and absorb the increased water purchase costs during the interim.

General Manager Martin stated that water rate increases have always been done by May 1st in keeping with the new fiscal year of most customers. Staff Attorney Crowley advised the Board that the water rate can be changed at any time, but that any rate increase can only go into effect after a hearing of the Charter Customers on such higher price is held upon 21 days advance notice.

Commissioner Mueller suggested keeping to the normal fiscal year timing for rate increases, noting that the water restrictions in place for summer recreational watering would serve to decrease the net effect of a May 1st increase. Commissioner Mueller further suggested deferring any rate increase to FY 09/10 since he doubted that the funds allocated for expenditure in FY08/09 under the Capital Improvement Plan would be spent.

Commissioner Hartwig moved to approve the Fiscal Year 2008-2009 Capital Improvement Plan as presented. Seconded by Commissioner Mathews.

Before the vote was called, Commissioner Wilcox again noted his concerns with raising water rates when the Commission's reserves sit at \$80 million but did not think the Commission could delay a rate increase for an entire year.

The motion to approve the Fiscal Year 2008-2009 Capital Improvement Plan as presented was unanimously approved by a Roll Call Vote:

Ayes: E. Chaplin, L. Hartwig, W. Maio, G. Mathews, W. Mueller, A. Poole, F. Saverino, G. Wilcox, and L. Rathje

Nays: None

Absent: W. Murphy, J. Vrdolyak, and D. Zeilenga

Commissioner Wilcox moved to direct staff to notify Commission customers, for planning purposes only, that the Commission intends to delay the \$1.45 May 1, 2008, water rate increase shown in the Summary of Revenues, Expenditures, & Fund Balances to October 1, 2008, but proceed with the \$1.68 May 1, 2009 increase and the \$1.93 May 1, 2010 increase. Seconded by Commissioner Mueller.

Minutes of the 1/24/08 Special Meeting

Commissioner Mathews questioned the wisdom of holding the rate increase until October 1 but then raising the water rate again in just six months. Commissioner Saverino agreed with Commissioner Mathews concerns, noting everyone knows about Chicago's rate increases and would not be surprised that the Commission had to follow suit. With respect to Commissioner Wilcox's concerns with Commission fund balances, Commissioner Saverino expressed his preference for keeping the Commission's reserves and possibly again rebating any excess to the customer utilities.

Commissioner Maio questioned why the Board was trying to lock itself to a rate this early when the customers could simply be informed that the Capital Improvement Plan for fiscal year 2008-2009 was adopted based upon a direct pass-through of the City of Chicago's water rate increases as a "worst case" scenario but that the Commission was still considering whether it could defer some portion of the pass-through.

Commissioner Hartwig reminded the Board that the utility customers need time to develop their own budgets that are partly based upon the action the Commission takes regarding a water rate increase.

Commissioner Mueller acknowledged that with Commission's reserves at \$57 million, it will be hard to explain a rate increase to residents, but, as noted by Commissioner Poole, it will need to be done at some point.

After Commissioner Poole complimented the Commissioners on a great discussion, the motion to direct staff to notify Commission customers, for planning purposes only, that the Commission intends to delay the \$1.45 May 1, 2008, water rate increase shown in the Summary of Revenues, Expenditures, & Fund Balances to October 1, 2008, but proceed with the \$1.68 May 1, 2009 increase and the \$1.93 May 1, 2010 increase was approved by a Roll Call Vote:

Ayes: E. Chaplin, L. Hartwig, G. Mathews, W. Mueller, A. Poole, and G. Wilcox

Nays: W. Maio, F. Saverino, and L. Rathje

Absent: W. Murphy, J. Vrdolyak, and D. Zeilenga

Before moving on to the next agenda item, both Chairman Rathje and Commissioner Maio voiced their concerns regarding the direction the Commission was heading in planning to defer the water rate increase to October and then raise it again in six months.

Commissioner Mathews moved to suspend the purchasing procedures of the Commission's By-Laws and approve Purchase Order No. 10398 in the amount of \$40,000.00 to Stonkus Hydraulic, Inc. Seconded by Commissioner Hartwig.

Commissioner Chaplin questioned the advisability of foregoing a Request for Proposals process to save \$1,000.00 without any assurance that the \$1,000 was a real savings. General Manager Martin informed the Board that the original company that installed the valve control system, Parco Hydraulic, is no longer in business and Stonkus Hydraulic

Minutes of the 1/24/08 Special Meeting

was and still is the service representative and the only company that has the parts needed for the Commission's system. Staff Attorney Crowley then advised that, if Stonkus Hydraulic was the sole source, then the purchasing procedures of the Commission's By-Laws did not need to be suspended.

With the consent of the seconder, Commissioner Mathews amended his motion to delete the reference to suspending the purchasing procedures of the Commission's By-Laws, whereupon the amended motion to approve Purchase Order No. 10398 in the amount of \$40,000.00 to Stonkus Hydraulic, Inc. was unanimously approved by a Roll Call Vote:

Ayes: E. Chaplin, L. Hartwig, W. Maio, G. Mathews, W. Mueller, A. Poole, F. Saverino, G. Wilcox, and L. Rathje

Nays: None

Absent: W. Murphy, J. Vrdolyak, and D. Zeilenga

Before concluding the meeting, Chairman Rathje shared with the Board that the Regional Water Supply Planning Group (RWSPG) elected General Manager Martin to serve as Vice-Chairman. Chairman Rathje also shared various excerpts from a handout provided by Dr. Timothy Loftus of the Chicago Metropolitan Agency for Planning dated January 15, 2008 *entitled Sustainability and Regional Water Supply Planning*. Chairman Rathje also noted that by having General Manager Martin involved with the RWSPG it will keep the Board better informed about current and future issues.

Chairman Rathje then shared that the Village of Carol Stream has started a "going green" program and asked Commissioner Saverino to share some of the changes that the community has implemented.

Commissioner Saverino responded that the Village of Carol Stream is trying to encourage the residents of Carol Stream to participate, not only as a community, but individually, in more environmentally friendly practices. Commissioner Saverino added that the Village's recently adopted green resolution includes using rain barrels for recycling, changing light bulbs for better energy efficiency, and implementing a leak detection program for water conservation purposes.

Commissioner Mathews moved to adjourn the meeting at 8:04 P.M. Seconded by Commissioner Mueller and unanimously approved by a Voice Vote.

All voted aye. Motion carried.