DuPage Water Commission
MEMORANDUM

TO: Chairman Vondra & Commissioners

FROM: Robert L. Martin, P.E.
General Manager

DATE: January 11, 2005

SUBJECT: Supplemental Board Meeting Information

Attached is the following supplemental information for the January 13, 2005 Commission meeting:

1. Request for Board Action, Administration Committee regarding the Revolving Loan Program dated January 11, 2005

2. Request for Board Action, Engineering Committee regarding the Revolving Loan Program dated January 11, 2005

3. Request for Board Action, Finance Committee regarding the Revolving Loan Program dated January 11, 2005

4. Daily Herald, Tuesday January 11, 2005, Water panel debates backup

DATE: January 11, 2005

REQUEST FOR BOARD ACTION

AGENDA SECTION Administration Committee	**ORIGINATING DEPARTMENT** General Manager
ITEM Revolving Loan Program	**APPROVAL**

Account Number: Not Applicable

At the December 9, 2004 Commission meeting, Chairman Vondra requested that each Committee review specific issues related to the proposed Revolving Loan Program (RLP). The Administration Committee was to evaluate the (1) establishment of a priority methodology and (2) parity issues.

Establishment of a Priority Methodology

As stated in item 4 of salient points of the RLP given in the General Manager's memorandum to the Board dated November 12, 2004, the loan applications received by January 1 in each year could be prioritized on the basis of the most served for the least cost (loan requested divided by potential number of customer connections).

Parity Issues

The RLP is being proposed as an incentive for the Commission's municipal customers to make Lake Michigan water available to areas of the County of DuPage on private wells. As such, the parity for the RLP would be no different than the parity for the "Contaminated Well Program" implemented by the Commission in 2002. True parity can only be achieved by the Commission returning excess funds to customer utilities through a rebate or through a rate reduction.

MOTION: The Administration Committee recommends to the Commission that RLP applications received by January 1 in each year be prioritized on the basis of the most served for the least cost.

DATE: January 11, 2005

REQUEST FOR BOARD ACTION

AGENDA SECTION Engineering Committee	**ORIGINATING DEPARTMENT** General Manager
ITEM Revolving Loan Program	**APPROVAL**

Account Number: Not Applicable

At the December 9, 2004 Commission meeting, Chairman Vondra requested that each Committee review a specific issue related to the proposed Revolving Loan Program (RLP). The Engineering Committee was to evaluate the matter of the Commission's water system capacity to provide service.

According to the 2000 Census and a survey of the Commission's customer utilities, 59,542 individuals (57.21%) out of an unincorporated population of 104,083 were not receiving Lake Michigan water. Of those unincorporated residents not receiving Lake Michigan water, an estimated 15,500 are served by the DuPage County Public Works Department, leaving an estimated 44,000 on individual wells. If all of these unincorporated residents were to be served by the Commission's existing customer utilities, this would increase the Commission's demand 5%.

The Commission has hired Alvord, Burdick & Howson L.L.C. to conduct a hydraulic capacity study. Because of the low demand during the summer of 2004, the Commission was unable to provide sufficient flow to allow the calibration of the hydraulic model.

Because of the low demand and the probability that not all of the unincorporated areas not receiving Lake Michigan water will be served by existing Commission utilities the Commission will have sufficient hydraulic capacity to serve the unincorporated areas.

MOTION: The Engineering Committee agrees with staff's recommendation that because of the low demand and the probability that not all of the unincorporated areas not receiving Lake Michigan water will be served by existing Commission utilities, the Commission will have sufficient hydraulic capacity to provide service to unincorporated areas as part of the Revolving Loan Program.

DATE: January 11, 2005

REQUEST FOR BOARD ACTION

AGENDA SECTION	Finance Committee	**ORIGINATING DEPARTMENT**	General Manager
ITEM	Revolving Loan Program	**APPROVAL**	

Account Number: Not Applicable

At the December 9, 2004 Commission meeting, Chairman Vondra requested that each Committee review a specific issue related to the proposed Revolving Loan Program (RLP). The Finance Committee was to evaluate the pricing terms of the program.

The following is a listing of the municipalities responding to a letter dated November 17, 2004 to the municipal customer utilities to determine the interest in the RLP. Though this is very preliminary, if the Commission adopts the RLP, a formal letter will be sent to municipal customer utilities.

Municipalities Responding	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	After 2010	Total Cost	Population
Addison	3,557,000	3,557,000	3,557,000	3,557,000	3,557,000	0	17,785,000	4,310
Glen Ellyn	1,899,000	2,300,000	2,022,500	2,085,000	1,973,000			2,538
Hinsdale								
Lombard	1,490,000		1,561,570	1,862,510		1,907,000	6,821,080	3,591
Naperville								
Oakbrook Terrace								
Villa Park								83
Willowbrook	1,100,000						1,100,000	319
Wood Dale	300,000				1,180,000		1,480,000	1,050
Woodridge		3,250,000		3,250,000			6,500,000	2,197
	8,346,000	9,107,000	7,141,070	10,754,510			43,965,580	14,088

There are some questions that the Commission should consider regarding the funding of the RLP:

(1) Should the pricing terms of the loan be at 2%, similar to the $10 million Contaminated Well Program, as an incentive for the municipal utilities to participate in the RLP?
- Because the Commission's rate of return on investments is greater than 2%, the customer utilities that have no need to participate are, in effect, subsidizing those participating in the RLP.

(2) If the pricing terms of the loans are greater than 2%,
- Should the terms be comparable to the Commission's rate of return on investments?
- Should the terms be comparable to the Commission's rate of borrowing, which is generally greater than the Commission's rate of return on investments?
- Should the terms be at a slight premium over the Commission's rate of return on investments?

(3) Should the loan amount exceed the customer utilities' percentage of the aggregate allocation of funds available?

To make funds available only from cash on hand, maintain sufficient reserves and maintain the rate of $1.65 per 1,000 gallons, the RLP can only be funded at a rate of $2.5 million dollars per year for the first five years.

MOTION: The Finance Committee agrees with staff's recommendation to budget $2.5 million dollars per year for the Revolving Loan Program for the first five years.

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Water panel debates backup

By Robert Sanchez Daily Herald Staff Writer
Posted Tuesday, January 11, 2005

Some DuPage Water Commission officials are calling the massive blackout in 2003 that left millions of people without running water in Cleveland and Detroit a wakeup call.

Still, others aren't convinced that event justifies the commission spending millions of dollars to ensure faucets and fire hydrants throughout DuPage County never run dry.

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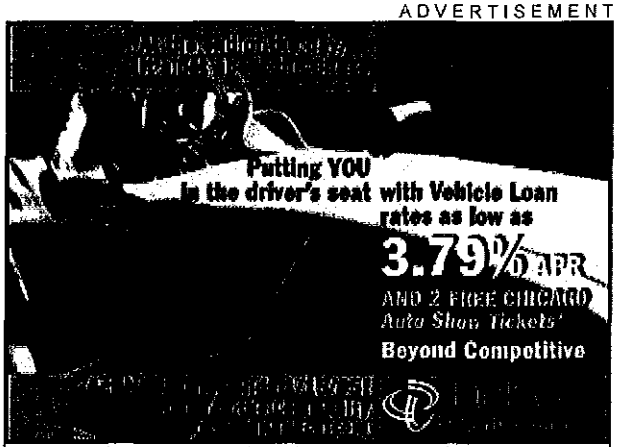

*Does not apply to loans currently financed through DuPage Credit Union. Find a rate lower than ours and the Credit Union will beat it by .25%, 3.79% Annual Percentage Rate (APR) floor. Proof of competitor's rate required. Rates are subject to change without notice. $5,000 minimum loan amount. Rate valid for up to 100% financing. Some restrictions may apply. Two free Auto Show tickets to the first 25 members who finance.

"If we never have a regional power outage, then we spent a lot of money for no real gain," Commissioner Allan Poole said.

The commission staff is recommending up to $33 million be spent on two backup generators for pumping stations in Elmhurst and Chicago.

If approved, officials said, the plan would keep lake water flowing to the 25 municipalities the commission supplies regardless of a tornado, power outage or terrorist attack.

"I consider backup generation to be, probably, the most important issue the board can do right now," said Robert Martin, the commission's general manager.

Martin said the commission had talked about buying backup generators long before the blackouts that darkened the East Coast in August 2003. Still, he says, that event was "a wakeup call."

The commission's Elmhurst pumping station is connected to three separate power substations. But a widespread power outage would render that backup worthless.

"If there were to be any loss of electrical power," Martin said, "being able to provide water during those emergency conditions is something the commission should strive for."

But before buying the generators, several water panel members want to know what the odds are of a prolonged loss of electricity.

"How well do we need to be prepared?" Commissioner Greg Wilcox said. "When spending $32 million, I want to have some reason why I am spending it."

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Commissioners hired a consultant to determine the chances of a big blackout. The study results are expected to be released Thursday.

ComEd spokesman Ernesto Duran said it's "highly unlikely" that a major blackout would happen here.

Duran says the utility has "a strong transmission system" that it continuously maintains and improves. He also said northern Illinois has an abundant supply of power.

"You are never going to say never," he said. "But it's highly unlikely that a major blackout like that would happen in the ComEd region."

Wilcox says he hopes the independent study defines what that statement means.

"Does highly unlikely mean once a month, once a year, once a decade or once a century," said Wilcox, the county's chief operating officer. "If it's once a century, this project is a complete waste of money."

Martin points out that no one predicted 2003 blackout, either.

"When we originally thought about having backup electrical generation, it was for if a tornado came through and took out the power lines to this area," Martin said.

"Now you add in the fact that you have the possible threat of terrorism, I just think this is something that would be in the best interest of the commission to do."

Still, Poole points out that DuPage communities have at least two days of water in their backup municipal wells. The odds of the power system going down for longer are so low, Poole said, it doesn't justify the generators' hefty price tag.

"I am not very favorable at this point, although I still have an open mind," said Poole, Naperville public utilities director.

Officials might use the possibility of lower electric bills to sell the backup generators plan. Martin says the commission could get a cheaper contract with ComEd by promising to produce its own power during peak use times.

"That's a benefit and it helps," Martin said. "But again, I just think that the reliability of the commission's system is important."

Another way the commission might save money and increase reliability is by doubling the size of the 30 million gallon reservoir in Elmhurst.

The more water in reserve, officials said, the less pumping power the commission needs to use during the times power costs the most. It also would give DuPage officials more cushion if the pumping station in Chicago goes down.

However, Martin stressed, the backup generators are more important.

"By having an additional 30 million gallons of storage, you have an additional 8 hours," he said. "That's assuming that you have electricity. If you don't have electricity, then that gains you nothing."

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