

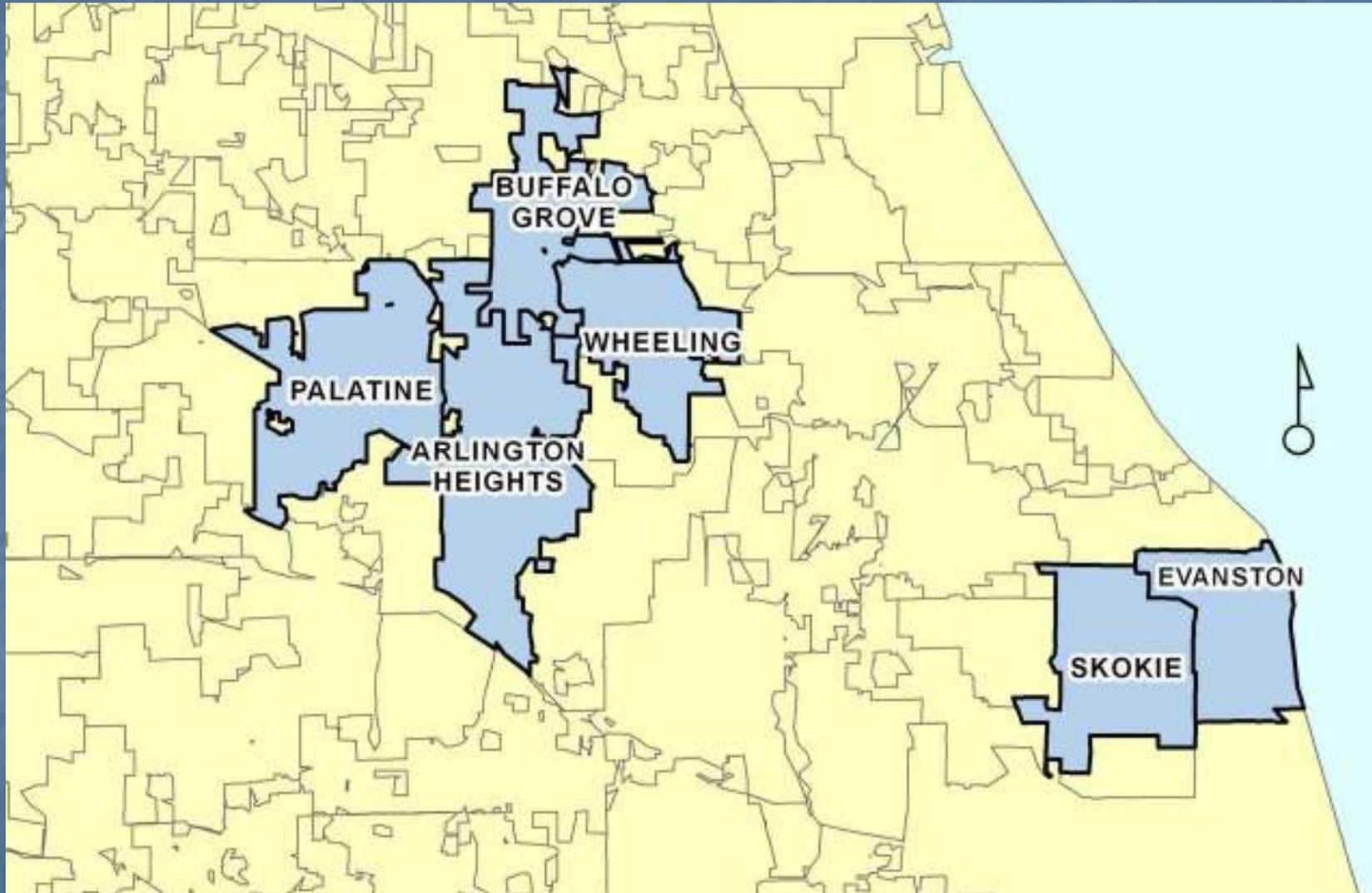


# UPDATE ON WHOLESALE WATER SALES

Presentation to the City Council  
March 31, 2014



# Existing Wholesale Customers





# Existing Wholesale Customers

- Skokie
  - Wholesale customer since 1944
  - Current contract runs through February 28, 2017
  - Current wholesale water rate is \$1.02 per thousand gallons
  - Skokie's water rate to their customers is \$4.56 per thousand gallons

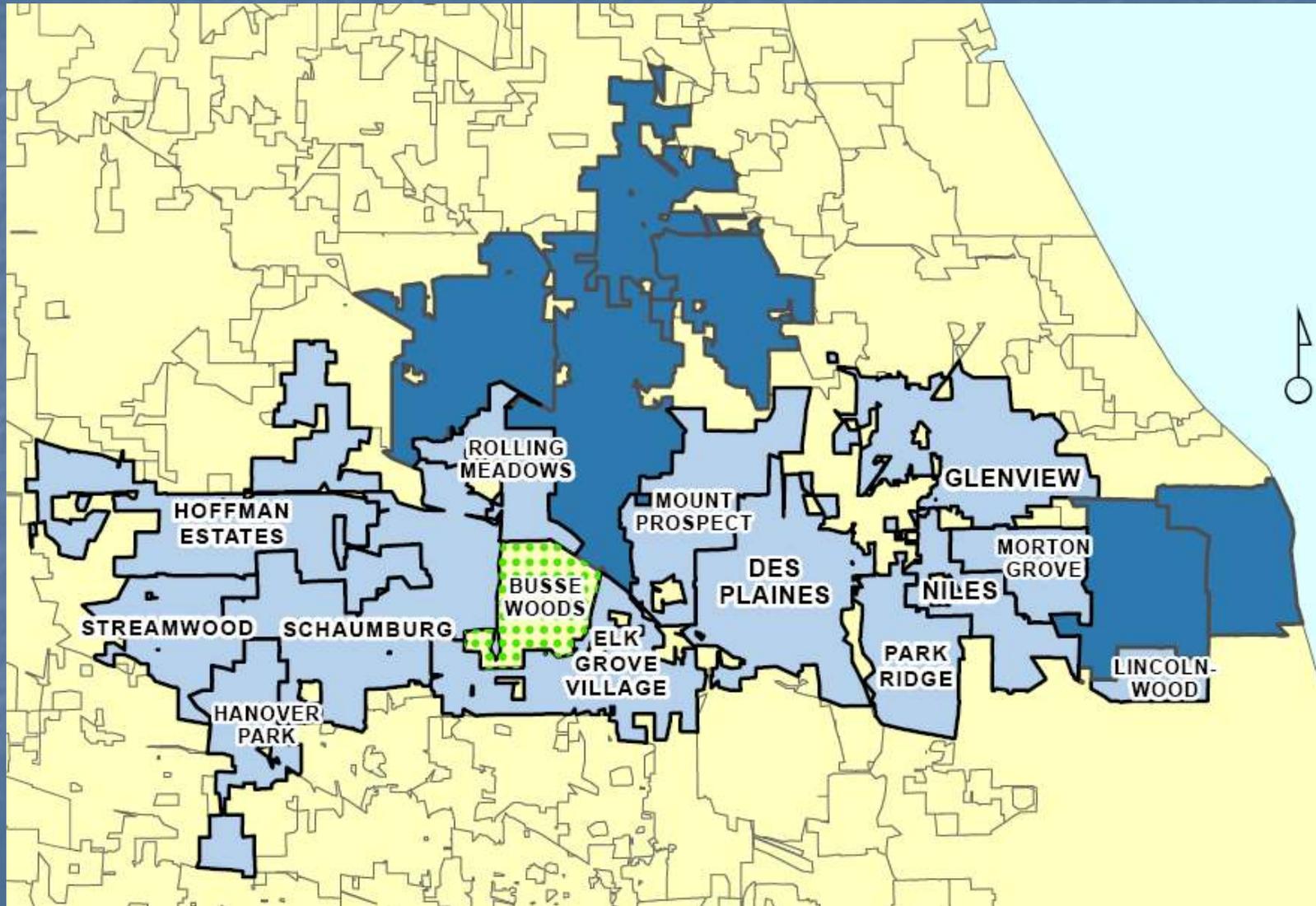


# Existing Wholesale Customers

- Northwest Water Commission
  - Executed Water Supply Contract in 1980
  - Began providing water in 1985
  - Current contract runs through February 28, 2035
  - Current wholesale water rate is \$0.64 per thousand gallons
  - Customer's retail rate ranges from \$3.48 to \$5.41 per thousand gallons



# Existing + Potential Wholesale Customers





# Other North Shore Water Plants

- Wilmette – wholesale supply to Glenview
- Winnetka – wholesale supply to Northfield
- Glencoe – retail only
- Northbrook – retail only
- Highland Park – wholesale supply to Deerfield and Lincolnshire
- Highwood – retail only
- Lake Forest – retail only
- Lake Bluff – location of CLCJAWA
- North Chicago – retail only
- Waukegan – retail only
- Lake County Public Water District – wholesale supply to Zion and Winthrop Harbor



# Wholesale Water Studies Completed To Date

- 2012 Transmission Main Study
  - Lincolnwood, Niles, Park Ridge, Des Plaines, Northwest Water Commission, and Northwest Suburban Municipal Joint Action Water Agency
- 2013 Cost of Service Study
  - Existing 108 MGD Facility
  - Facility expanded to 132 MDG
  - Facility expanded to 214 MGD
- 2014 Transmission Main Study
  - Niles, Park Ridge, Morton Grove, and Glenview



# 2012 Transmission Main Study Findings

## Estimated Construction Costs

Item	Route A North Open Cut	Route B South Open Cut	Route C North Tunnel	Route D South Tunnel
Transmission Main	\$169,011,400	\$157,589,000	\$233,553,600	\$263,816,000
Lincolnwood Connection	\$ 17,836,500	\$ 11,224,000	\$ 17,836,500	\$ 8,314,500
Niles Connection	\$ 13,167,500	\$ 5,313,000	\$ 14,547,500	\$ 5,336,000
Park Ridge Connection	\$ 13,052,500	\$ 5,324,500	\$ 15,536,500	\$ 5,324,500
Des Plaines Connection	\$ 19,872,000	\$ 1,345,500	\$ 20,895,500	\$ 3,082,000
NWC Connection	\$ 2,311,500	\$ 47,713,500	\$ 48,817,500	\$130,881,500
NSMJAWA Connection	N/A	N/A	\$135,907,000	\$ 54,786,000
<b>TOTAL</b>	<b>\$235,251,400</b>	<b>\$228,509,500</b>	<b>\$487,094,100</b>	<b>\$471,540,500</b>



# 2012 Transmission Main Study Findings

## Projected Wholesale Rates

### Route B – South Open Cut

	Transmission Main Debt Service	Evanston Wholesale Rate (132 MGD Plant)	Total Rate per 1,000 gallons	2015 Chicago Water Rate	Projected Annual Savings
Niles	\$0.99	\$1.13	\$2.12	\$3.82	\$2,308,000
Park Ridge	\$1.13	\$1.13	\$2.26	\$3.82	\$2,095,000
Des Plaines	\$1.18	\$1.14	\$2.32	\$3.82	\$3,269,000

### Route D – South Tunnel

	Transmission Main Debt Service	Evanston Wholesale Rate (214 MGD Plant)	Total Rate per 1,000 gallons	2015 Chicago Water Rate	Projected Annual Savings
Niles	\$0.60	\$2.14	\$2.74	\$3.82	\$1,466,000
Park Ridge	\$0.68	\$2.14	\$2.82	\$3.82	\$1,343,000
Des Plaines	\$0.65	\$2.24	\$2.89	\$3.82	\$2,027,000
NSMJAWA	\$0.85	\$2.13	\$2.98	\$3.82	\$9,106,000



# 2012 Transmission Main Study Findings

## Projected Wholesale Rates

- Build a transmission main from Evanston's South Standpipe to Lincolnwood's reservoir.
- Lincolnwood's rate includes costs for Evanston's distribution system as well as plant operation.

**Projected Wholesale Water Rates for Lincolnwood in 2015**

Scenario	Transmission Main Debt Service	Evanston Wholesale Rate	Total Rate per 1,000 gallons	2015 Chicago Water Rate	Projected Annual Savings
108 MGD Plant	\$0.45	\$2.21	\$2.66	\$3.82	\$741,000
132 MGD Plant	\$0.45	\$2.39	\$2.84	\$3.82	\$626,000
214 MGD Plant	\$0.45	\$2.83	\$3.28	\$3.82	\$345,000



# Projected Savings for Lincolnwood During a 30-Year Contract

- Significant savings potential for Lincolnwood.
- Assume 2% annual increase in Evanston's wholesale rate and in Chicago's water rate.

Year	Evanston Wholesale Rate + Debt Service	Chicago Water Rate	Annual Savings
2015	\$2.66	\$3.82	\$741,000
2020	\$2.90	\$4.22	\$843,000
2025	\$3.15	\$4.66	\$965,000
2030	\$3.44	\$5.15	\$1,093,000
2035	\$3.29	\$5.69	\$1,533,000
2040	\$3.64	\$6.28	\$1,687,000
2044	\$3.94	\$6.80	\$1,827,000
<b>Total projected savings over a 30-year contract</b>			<b>\$35,964,000</b>



# 2014 Transmission Main Study (modification of 2012 study)

- Revised customer set
  - Niles and Park Ridge (included in 2012 study)
  - Morton Grove and Glenview (new)
- Assumes all open cut construction
- Four scenarios
  - 1 – add Niles and Morton Grove
  - 2 – Scenario 1 + Park Ridge
  - 3 – Scenario 2 + Glenview (south alignment)
  - 4 – Scenario 2 + Glenview (north alignment)



# 2014 Transmission Main Study Findings

## Estimated Construction Costs

Item	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Transmission Main	\$70,580,000	\$79,100,000	\$87,000,000	\$85,900,000
Morton Grove Connection	\$ 330,000	\$ 330,000	\$ 330,000	\$ 2,440,000
Niles Connection	\$ 7,490,000	\$ 4,720,000	\$ 5,410,000	\$ 5,410,000
Park Ridge Connection	N/A	\$14,030,000	\$ 14,030,000	\$14,030,000
Glenview Connection	N/A	N/A	\$36,540,000	\$19,140,000
<b>TOTAL</b>	<b>\$78,400,000</b>	<b>\$98,180,000</b>	<b>\$143,310,000</b>	<b>\$126,920,000</b>



# 2014 Transmission Main Study Findings

## Projected Wholesale Rates

### Scenario 1

Community	Transmission Main Debt Service	Evanston Wholesale Rate (108 MGD Plant)	Total Rate per 1,000 gallons	2015 Chicago Water Rate	Projected Annual Savings
Morton Grove	\$2.07	\$0.85	\$2.92	\$3.82	\$1,153,000
Niles	\$2.27	\$0.85	\$3.12	\$3.82	\$1,280,000

### Scenario 2

Community	Transmission Main Debt Service	Evanston Wholesale Rate (108 MGD Plant)	Total Rate per 1,000 gallons	2015 Chicago Water Rate	Projected Annual Savings
Morton Grove	\$1.43	\$0.80	\$2.23	\$3.82	\$2,043,000
Niles	\$1.63	\$0.80	\$2.43	\$3.82	\$2,531,000
Park Ridge	\$2.05	\$0.80	\$2.85	\$3.82	\$1,748,000



# Projected Savings for Potential Wholesale Customers During a 30-Year Contract

- Assume 2% annual increase in Evanston's wholesale rate and in Chicago's water rate.

Projected Annual Savings Under Scenario 2			
Year	Morton Grove	Niles	Park Ridge
2015	\$2,043,000	\$2,531,000	\$1,748,000
2020	\$2,381,000	\$2,927,000	\$2,113,000
2025	\$2,900,000	\$3,555,000	\$2,697,000
2030	\$3,526,000	\$4,301,000	\$3,391,000
2035	\$6,160,000	\$8,171,000	\$7,870,000
2040	\$6,480,000	\$9,072,000	\$8,739,000
2044	\$7,449,000	\$9,880,000	\$9,517,000
<b>30-year total</b>	<b>\$126,188,000</b>	<b>\$161,612,000</b>	<b>\$141,179,000</b>



# Alternate Scenarios for Future Consideration

- 2012 and 2014 transmission main studies assumed new wholesale customers would own and maintain the transmission main
- Alternative is for Evanston to be the lead agency for the transmission main
- Could evaluate alternate transmission main route on Touhy Avenue to Niles and Morton Grove.



# Proposed Wholesale Water Rate Structure AWWA M1 Method

- Appropriate rates will be charged to new wholesale water customers to recover the capital cost of the treatment facility expansion (if needed), as well as operation and maintenance costs.
- American Water Works Association (AWWA) is the industry standard for rate making
- Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices (M1)
- Two Parts
  - Demand Charge
  - Quantity Charge



# Current Status Summary

## ■ NWC & NSMJAWA

- Currently have an RFQ for analysis of options for Lake Michigan water treatment facility and delivery system.

## ■ Des Plaines

- Will likely become a member of the NWC

## ■ Glenview

- Currently gets water from Wilmette
- Transmission main cost prohibits them from coming to Evanston
- Leading study with Niles, Morton Grove and Park Ridge to obtain water from Wilmette via Glenview



# Current Status Summary

- Niles, Morton Grove and Park Ridge
  - Performing due diligence to determine if water supply from Evanston or Wilmette is better option.
  - Capital Cost to construct a new transmission main while paying Chicago's high water rate is a burden.
  - Would probably be more interested if Evanston became partner in transmission main construction.
- Lincolnwood
  - Waiting to see if other communities come to Evanston and how it would affect their water rate.



# UPDATE ON WHOLESALE WATER SALES

# Questions?