WATER SUPPLY AGREEMENT BETWEEN
THE CITY OF EVANSTON AND
THE VILLAGE OF MORTON GROVE AND
THE VILLAGE OF NILES

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Background

The City of Evanston ("Evanston") is the owner and operator of a water intake, filtration, treatment and pumping plant (the "Water Plant") located at 555 Lincoln Street, Evanston, Illinois. The Water Plant is on the shore of Lake Michigan and Evanston draws water from Lake Michigan for Evanston’s drinkable water, firefighting and fire protection needs for its community, and for distribution and resale to its customers ("Evanston Water Utility"). The Village of Morton Grove ("Morton Grove") and the Village of Niles ("Niles") (collectively, "MG-N") want to purchase drinkable Lake Michigan water from the Evanston Water Utility for the uses specifically allowed by this Agreement, including but not limited to, distribution and sale to customers of the Morton Grove and Niles water systems, respectively.

1. Parties

1.01 Parties
The parties to this Water Supply Agreement ("Agreement") are Evanston, Morton Grove, and Niles, who are at times referred to in this Agreement as a “Party” or collectively as the “Parties”.

2. Initial Term of Agreement; Extended Term; Service Year; Fiscal Year

2.01 Initial Term
Because of the significant financial commitment and debt obligations that MG-N is making and incurring to expand its respective water systems to connect to the Evanston Water Utility under the terms of this Agreement, the Initial Term ("Initial Term") shall commence on the Effective Date of this Agreement (as defined in Section 19.16 (Effective Date)) and shall end at 11:59 p.m. on December 31, thirty nine (39) years after the Effective Date of this Agreement.

2.02 Extended Term
The Initial Term of this Agreement shall be extended for up to two (2) consecutive terms (generally referred to as an “Extended Term” or specifically referred to as the “First Extended Term” and the “Second Extended Term”) in the sole discretion of MG-N, upon written notice by MG-N delivered to Evanston in writing not less than five (5) years prior to the termination date
of the then-existing Term. The First Extended Term and the Second Extended Term will each be ten (10) years in length, unless MG-N delivers notice of its intention to not extend the Initial Term or any Extended Term of this Agreement. If MG-N elects to extend this Agreement for the Second Extended Term, then this Agreement shall renew automatically at the end of the Second Extended Term at ten (10) year intervals thereafter, unless either Party conveys written notice of its intention to terminate this Agreement not less than five (5) years prior to the termination date of the then-existing Term.

2.03 Service Year; Fiscal Year
Each Service Year (“Service Year”) under this Agreement will be the time period of January 1st to December 31st. Each Fiscal Year (“Fiscal Year”) under this Agreement will be the time period of January 1st to December 31st.

3. Water Defined
3.01 Water Defined
In this Agreement, Water means Lake Michigan water that is safe for human consumption (i.e. drinkable water) and that meets or exceeds the requirements of any current or successor federal, state of Illinois, or local agency or governmental authority having jurisdiction over the operation of public water supplies. Evanston shall supply water that is like kind and quality with that supplied by Evanston to its other customers. Whether “water” is capitalized in this Agreement or not, it shall have the meaning set forth in this Section.

4. Commencement of Obligation to Deliver and Receive Water
4.01 MG-N Notice to Evanston to Proceed with Preliminary Project Phase Work
Not more than thirty (30) calendar days after MG-N awards the corridor and route study relative to identifying the optimum MG-N water transmission route from the Point of Delivery (defined in Section 6.01 (Water System Definitions and Related Terms)) between the Evanston Connection Facilities and the MG-N Water System, MG-N shall deliver to Evanston in writing a notice to proceed on preliminary design of the Evanston Connection Facilities.
4.02 MG-N Notice to Evanston to Proceed with Final Engineering Design

Not more than thirty (30) calendar days after MG-N awards the final engineering design work for the MG-N Water System, MG-N shall deliver to Evanston in writing a notice to proceed on final engineering design of the Evanston Connection Facilities.

4.03 MG-N Notice to Evanston to Proceed with Construction

Not more than thirty (30) calendar days after MG-N awards the first construction contract relative to the construction of the MG-N Water System, MG-N shall deliver to Evanston in writing a notice to proceed on construction of the Evanston Connection Facilities.

4.04 Delivery Date

Evanston shall deliver water to MG-N, or to Morton Grove or to Niles on a date mutually agreed by the Parties, but no later than one hundred and twenty (120) calendar days of receiving written notice from MG-N (or Morton Grove or Niles) that MG-N (or Morton Grove or Niles) is ready to receive water.

4.05 MG-N Payment for Water; Water During Construction

Except for water usage during construction and testing of the Project improvements, MG-N shall not be responsible to pay for any water charges under this Agreement until the improvements and construction at the Point of Delivery, are completed, and until Evanston delivers water to MG-N or Morton Grove or Niles for resale to its customers. During the construction and testing of the improvements at the Point of Delivery, Evanston will charge MG-N for its water usage at the water rates and charges identified in Section 4.07 (Water Rate Payable to Evanston in Service Years 2018, 2019, and 2020) of this Agreement.

4.06 Phased Water Delivery to Morton Grove and Niles

Due to separate, existing water supply contract obligations of Morton Grove and Niles with the City of Chicago, Morton Grove may elect, by sending written notice pursuant to Section 4.04 (Delivery Date) to receive water under this Agreement before Niles receives water from Evanston. If Morton Grove elects to receive water under this Agreement before Niles, all water
charges incurred by Morton Grove shall be due and owing to Evanston solely from Morton Grove, not Niles. If Niles elects to receive water from Evanston before Morton Grove, then the notice and payment obligations set forth in the preceding sentences applicable to Morton Grove shall apply to Niles. From and after the date that both Morton Grove and Niles are receiving water under this Agreement, the water charges shall be the responsibility of MG-N.

**4.07 Water Rate Payable to Evanston in Service Years 2018, 2019, and 2020**

The Parties agree that the identification of the total equivalent water rate payable to Evanston per 1,000 gallons supplied to MG-N in Service Years 2018, 2019, and 2020 will be as follows:

<table>
<thead>
<tr>
<th>Service Year</th>
<th>MG-N Not To Exceed Rate</th>
<th>Morton Grove Only Not To Exceed Rate</th>
<th>Niles Only Not To Exceed Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$0.78</td>
<td>$0.84</td>
<td>$0.85</td>
</tr>
<tr>
<td>2019</td>
<td>$0.81</td>
<td>$0.86</td>
<td>$0.87</td>
</tr>
<tr>
<td>2020</td>
<td>$0.94</td>
<td>$1.01</td>
<td>$1.01</td>
</tr>
</tbody>
</table>

The above rates may be adjusted down based on final rate calculations as provided for in Section 5 (Rate). The rate charged to MG-N for water sold for construction and testing shall also use the above table. No True Up will be calculated for water sold for construction and testing purposes. Except for water sold to MGN for construction and testing, if the actual rate incurred at any time during Service Years 2018, 2019, or 2020 is different than the scheduled rate set forth in this Section, a “True-Up” calculation, in accordance with Section 5.08 (True-Up) will be completed no later than thirty (30) days after the Evanston Comprehensive Annual Financial Report (“CAFR”) applicable to that Service Year is completed. The Parties attached as Group Exhibit “A” to this Agreement an illustrative example of the “True-Up” process, including an identification of the formula and its components that will be used in performing the “True-Up” calculation. Any credit due to MG-N or Morton Grove or Niles will be allocated to that Party according to the process outlined in Section 5.08 (True-Up) of this Agreement. All water charges otherwise required to be paid under Section 4.06 (Phased Water Delivery to Morton Grove and Niles) will be payable by MG-N, or Niles, or Morton Grove, as the case may be.
4.08 Water Rate Payable to Evanston in Service Years 2021 and Thereafter

The Parties agree that the identification of the total equivalent water rate payable to Evanston per 1,000 gallons supplied to MG-N in Service Years 2021 and thereafter will be calculated in accordance with Section 5 (Rate) below.

4.09 Rate Equity Parameters

Unless otherwise agreed to by the Parties, the water rate charged to any new wholesale water customers who have a total IDNR water allocation less than one hundred and fifty percent (150%) of the total IDNR water allocation of MG-N shall be calculated based on terms that are not more favorable than the water rate formula set forth in Section 5.03 (Return on Rate Base), Section 5.04 (Depreciation Charge), and Section 5.05 (Quantity Charge).

5. Rate

5.01 General Principles and Policies

The Parties agree that the definitions, policies and principles described in the AWWA M-1, the “Principles of Water Rates, Fees and Charges published by the American Water Works Association, Sixth Edition”, as amended, may be used as a reference guide for the Parties under this Agreement. However, in the event of a conflict or inconsistency between any provision or term of the AWWA M-1 and this Agreement, the provision or term of this Agreement shall govern.

5.02 Billing and Payments

Evanston shall submit all water bills to MG-N on a monthly basis. MG-N shall pay all amounts due to Evanston pursuant to this Agreement in accordance with the Local Government Prompt Payment Act, 50 ILCS 505/1 et seq. (“LGPPA”). The water bills shall be itemized with sufficient detail to inform MG-N that the charges and fees set forth in each monthly bill conform to the agreed-upon rates and cost components set forth in this Agreement. If payment is not made within the required thirty (30) calendar day period, Evanston will charge MG-N a penalty for late payment of water bills in accordance with the interest penalty provision contained in Section 4 of the LGPPA (50 ILCS 505/4). No other penalty can be assessed against MG-N for late payments.
of water bills, except for Evanston’s optional right to terminate this Agreement for nonpayment as provided for in Section 18.01 (Termination by Evanston). Evanston’s termination option is subject to the right of MG-N to resolve any late payment within the applicable cure period.

The billing structure will conform to the rates and components identified and defined below:

- **Demand Charge**: A fixed monthly payment consisting of (i) one-twelfth (1/12th) of the Annual Return on the Fair Value Rate Base as determined in accordance with Section 5.03 (Return on Rate Base) and (ii) a Depreciation Charge determined in accordance with Section 5.04 (Depreciation Charge).

- **Quantity Charge**: A payment based on the quantity of water delivered through the metering point(s) to MGN’s water system multiplied by the Quantity Rate determined in accordance with the provisions of Section 5.05 (Quantity Charge).

### 5.03 Return on Rate Base

The “Rate Base” consists of those components of Evanston’s Water Utility relating to assets in the Source of Supply, Pumping Plant, Treatment Plant, Water Plant and Transmission locations (the “Evanston Water Utility Components”). These Water Utility Components in service as of December 31, 2015, are identified in the “Evanston Water Utility Components Sheet” which is part of attached **Group Exhibit “B”** (Example of Rate Calculation for MG-N Water Rate for Service Year 2017 Based on Evanston Audited Information for Fiscal Year 2015) to this Agreement. The Parties to this Agreement understand and acknowledge that these Evanston Water Utility Components will adjust annually as of the end of each Fiscal Year to reflect additions to, and retirements of, Evanston Water Utility Components. The Parties to this Agreement understand and acknowledge that these Evanston Water Utility Components may adjust between the Effective Date of this Agreement and the date of delivery of water. Evanston shall be included as a component of the Evanston Water Utility for purposes of asset allocation and rate making related to asset allocation only for MG-N.

- **Original Cost Rate Base**: The components of the Rate Base valued at the original cost to Evanston of the acquisition, engineering, construction and installation of the assets of the Water Utility as identified in the most recently available Evanston Comprehensive
Annual Financial Report ("Evanston CAFR"), minus accrued depreciation as of the end of the Fiscal Year used as a basis for determining Water Charges under this Agreement.

- **Reproduction Cost New Rate Base**: The components of Rate Base valued initially in the most recently available Evanston CAFR prior to the commencement of delivery of water under this Agreement. Reproduction Cost New Rate Base will be recalculated as of the end of each succeeding fifth Fiscal Year, starting in 2020, reflecting components then properly allocated to the Rate Base pursuant to this Agreement. The recalculation of the Reproduction Cost New Rate Base will utilize the most current valuation of the Evanston Water Utility, as identified by a reputable qualified consulting engineering firm experienced in water works valuation hired by Evanston. Accrued depreciation identified by the engineering firm’s valuation study, plus accrued depreciation which occurred from the date of the valuation to the end of the applicable Fiscal Year of the rate determination, will be deducted from the reproduction cost new of the plant in service at the end of the Fiscal Year.

- **Fair Value Rate Base**: This will be calculated initially in the most recently available Evanston CAFR prior to the commencement of delivery of water under this Agreement. The Fair Value Rate Base will be recalculated as of the end of each succeeding fifth Fiscal Year, starting in 2020, and will consist of the sum of fifty percent (50%) of the original Cost Rate plus fifty percent (50%) of the Reproduction Cost Rate Base as of the calculation date. The Fair Value Rate Base will be subject to annual adjustment as of the end of the Fiscal Year between Fair Value Rate Base recalculations to reflect additions to and retirements of Water Utility assets contained in the Rate Base during the Fiscal Year. The next verification of the elements of the Fair Value Rate Base will be performed by Burns and McDonnell in 2020 (or its successor entity selected by Evanston, as the case may be), and then once every five (5) calendar years thereafter. Additions will be valued at their original cost until recalculation of the Fair Value Rate Base, at which time such additions will be valued in the same manner as the Fair Value Rate Base. Retirements will be valued at their fair value as reflected in the last previous Fair Value Rate Base computation.
• Annual Return on Rate Base: The Annual Return on Rate Base will be multiplied **nine and one half percent (9.5%)** on the MG-N share of the Fair Value Rate Base identified in the most recently available Evanston CAFR, and otherwise conform to the cost of service principles identified in Section 5.01 (Ratemaking Principles and Policies). The MG-N share of the Fair Value Rate Base will be determined by allocating to MG-N a portion of such Fair Value Rate Base, as adjusted and recalculated from time to time as provided by this Agreement. This adjustment will be based upon the ratio of each Evanston Water Utility customer allocation, which includes the City of Evanston’s allocation, compared to the total allocation of all Evanston Water Utility customers established by order of the Illinois Department of Natural Resources (“IDNR”) during the Fiscal Year.

**5.04 Depreciation Charge**

These charges will be calculated as of the end of each Fiscal Year following commencement of the delivery of water to MG-N and will consist of one-twelfth (1/12th) of an annual depreciation charge, calculated by applying the depreciation rates utilized by Evanston identified in Group Exhibit “C” (Depreciation Rates) to this Agreement, to the original cost of the depreciable Water Utility asset defined in Section 5.03 (Return on Rate Base) in service contained in the Fair Value Rate Base allocated to MG-N. As of the date when any depreciable Water Utility asset will be placed in service or any depreciable Water Utility asset in the Fair Value Rate Base is retired from service, charges of depreciation to MG-N will be correspondingly adjusted as of the end of the Fiscal Year in which the addition or retirement took place.

**5.05 Quantity Charge**

MG-N will pay Evanston a Quantity Charge based upon a Quantity Rate equal to MG-N’s share of the “Operating Costs” per 1,000 gallons of water delivered to the Point of Delivery. The “Operating Costs” to be included in determining the Quantity Rate are the costs assigned to the functions of Administration, Pumping, Filtration, and Distribution, identified in the Evanston CAFR of the Evanston Water Fund described in Group Exhibit “B” attached to this Agreement. The Operating Costs applicable to water deliveries during the Service Year will be determined
based on the results of operation of the Evanston Water Utility, as audited by independent certified public accountants selected by Evanston, as reviewed by MG-N. The total Quantity Charge will be adjusted at the end of each Service Year to reflect the actual, total Quantity Charge owed to Evanston based on the Fiscal Year Operating Costs finally determined by the latest annual audit performed by the current Evanston independent certified public accountant as defined in Section 5.08 (True Up). In determining the Quantity Rate, Operating Costs will be allocated to MG-N based upon the ratio of its Average Day Demand identified in Section 7 (Water Supply; Allocation; Distribution) of this Agreement supplied by the Evanston Water Utility, to the aggregate of the Average Day Demand of all Evanston Water Utility, MG-N and other customers or users of the Evanston Water Utility system during the Fiscal Year. The Quantity Rate will not include any portion of any costs included in computing the Fair Value Rate Base, Annual Return on Rate Base or Depreciation Charge.

5.06 Demand Charge and Quantity Charge Smoothing

- **Demand Charge Cap.** Upon completion of the Clearwell Project immediately south of the Evanston Water Utility, and upon completion of the Intake Replacement Project, but not later than the end of year 2022, any increase and decrease in any Evanston Water Utility Asset shall not increase the total rate charged to MGN by more than **four percent (4%) per year** until the entire cost of the Evanston Water Utility Asset has been recovered by either Party compared to the cost change that would have occurred if the Evanston Water Utility Asset change was not smoothed. No cap or smoothing will be calculated due to the change in total customers utilizing the Evanston Water Utility. Any increased capital costs associated exclusively with the acquisition of new customers by Evanston will not be included in the rate calculation for MG-N. MG-N’s rate shall not be increased as a result of the acquisition of new Evanston customers. Evanston may accelerate the replacement of assets assigned to MGN, as needed, to add a new Evanston customer or may add new assets beneficial to MGN, provided that the new rate for MG-N is equal to or less than the then-current MGN rate.

- **Quantity Charge Cap.** The Parties agree to cap the annual increase of the labor costs portion of the Operating Costs that are used to determine the Quantity Rate based on the
actual, annual aggregate cost increase (if any), if Evanston labor costs increase more than 4% in any given year. When Evanston labor costs increase by more than 4% any given year, the labor costs portion of the Operating Costs shall be capped based on the **average** of the annual percentage increases of labor costs for public works employees of Evanston, Morton Grove and Niles (e.g., Evanston increase (4.4%) plus Morton Grove increase (4.0%) plus Niles increase (4.14%) divided by three equals a 4.167% capped increase).

**5.07 MG-N Audit Rights**

Not more than once per year, MG-N shall have the right to audit all parts of the water charges, and the components thereof, as well as any other fees, charges, or assessments provided for in this Agreement. MG-N’s right to audit includes, but is not limited to, the Demand Charge, the Quantity Rate, the Quantity Charge, the Rate Base and the Depreciation Charge, as well as any other components of the water charges. Evanston shall reasonably cooperate with requests by MG-N and its auditors regarding reasonable requests for documents and information needed to complete the audit related to the rights and obligations of the Parties under this Agreement. Each Party is responsible for its respective costs of the audit.

**5.08 True-Up**

At the end of each Service Year and subject to Section 5.07 (MG-N Audit Rights), there will be a final Quantity Charge or credit issued by Evanston to MG-N to adjust the total Quantity Rate calculated by utilizing the latest available Fiscal Year audited Operating Costs. Any adjustments to the water charges, and the components thereof, as well as any other fees, charges, or assessments provided for in this Agreement, that require additional payment to Evanston by MG-N or any credit to MG-N by Evanston shall be calculated as part of this annual True-Up process. The Parties have attached as **Group Exhibit “A”** to this Agreement, illustrative examples of the “True-Up” process. After the True-Up process and any dispute resolution process are completed, this final charge or credit shall be paid by the responsible Party within thirty (30) calendar days of the issuance of the invoice or credit by separate payment or as otherwise mutually agreed to in writing by the Parties.
6. **Water System Definitions**

6.01 **Water System Definitions and Related Terms**

In this Agreement, the following definitions apply:

- **Evanston Clearwell Project**: The replacement of the 5.0 MG treated water storage facility located on the south side of Lincoln Street opposite the water treatment plant (See, **Group Exhibit “B”**, #203 of the Treatment Plant asset list).

- **Evanston Connection Facility**: Evanston control valve, delivery meter, piping and other components necessary to supply water to MG-N that will be housed in an underground vault near the intersection of McCormick Boulevard and Emerson Street and owned by Evanston and included as a transmission component in the rate base.

- **Evanston Facilities Adjustments**: Modifications to the Evanston distribution system near the intersection of McCormick Boulevard and Emerson Street necessary to construct the Evanston Connection Facility and continue delivery of water to the Village of Skokie.

- **Evanston Intake Replacement Project**: The replacement of Evanston’s 36” and 42” diameter intake(s) and all appurtenances thereto (See **Group Exhibit “B”**, #9 and #13 in the Source of Supply asset list).

- **Evanston Water Utility**: The assets in the Source of Supply, Pumping Plant, Treatment Plant, Water Plant and Transmission locations in service as of December 31, 2015, and identified in **Group Exhibit “B”** to this Agreement, which components may adjust annually as of the end of each Fiscal Year to reflect additions to, and retirements of, Water Utility components.

- **Morton Grove Water System**: The infrastructure that makes up the Morton Grove Water System, including but not limited to, the water treatment, pumping, storage, distribution and delivery system, pump stations, transmission and distribution mains, valves, meters, and connection facilities.

- **Niles Water System**: The infrastructure that makes up the Niles Water System, including but not limited to, the water treatment, pumping, storage, distribution and delivery system, pump stations, transmission and distribution mains, valves, meters, and connection facilities.
• MG-N Water System: The infrastructure that makes up a shared waterworks system that extends from the Point of Delivery to the Morton Grove Water System and the Niles Water System, including the MG-N connection facilities.

• Point of Delivery: The point of connection of the MG-N Water System and the Evanston Connection Facility adjacent to the underground vault near the intersection of McCormick Boulevard and Emerson Street.

• Project: The construction of the Evanston Connection Facilities, the Evanston Facilities Adjustments, the MG-N Water System, and all related and necessary improvements made to the Evanston Water Utility, the Morton Grove Water System, and the Niles Water System, as provided for in this Agreement.

• To the extent a word or term is used in this Agreement that is not defined herein, the first source of interpretation of the word or term shall be its definition in the AWWA M-1 Manual or other AWWA publication pertaining to water transmission and distribution facilities (if defined therein), then any applicable federal or state laws (e.g., Clean Water Act) and then the common definition found in the most recent edition of any mutually agreed upon nationally published dictionary (e.g., Webster’s Dictionary or Merriman’s Dictionary).

7. Water Supply; Allocation; Distribution

7.01 Water Supply, Sale and Purchase; Allocation

Evanston will sell and deliver to MG-N the full water requirements of the MG-N Water System, except as otherwise set forth in this Agreement. MG-N will purchase all of the water it receives from Evanston in accordance with this Agreement.

Morton Grove, Niles and MG-N, and their successor entities, are each responsible to obtain and maintain a water allocation from the Illinois Department of Natural Resources (“IDNR”). In this Agreement, Average Day Demand (“ADD”) means the IDNR allocations established in November 2011 for Morton Grove and Niles. In this Agreement, Maximum Flow Rate (“MFR”) means the rate of flow that Evanston is required to provide at the Point of Delivery.
The Maximum Flow Rate to Morton Grove and Niles is based on the Year 2030 IDNR allocation assigned to Morton Grove and Niles multiplied by a 1.65 peaking factor.

- Illustrative formula for calculating the MFR for Morton Grove and Niles: Morton Grove Year 2030 IDNR allocation = 3.880 x 1.65 = 6.402 Million Gallons Per Day (“MGD”) MFR.
- Niles Year 2030 IDNR allocation = 5.146 x 1.65 = 8.491 MGD MFR.
- Total Maximum Flow Rate at Point of Delivery by Evanston to MG-N throughout the Term of this Agreement shall be 14.893 MGD MFR.

### 7.02 Emergency Connections

This Agreement will not prohibit MG-N or Evanston from entering into any emergency water service agreement with another municipality, water agency, or other source. Nothing in this Section will prevent Evanston’s right to collect all water charges provided for in this Agreement.

### 7.03 Coefficient of Friction

MG-N shall maintain its transmission mains to provide a coefficient of friction (“C-factor”) to be determined after the completion of the final design engineering for the MG-N Water System, which C-factor will be incorporated into this Agreement by a jointly executed side-letter issued prior to the delivery date of water. Unless otherwise agreed to by the Parties, the C-factor rating of the MG-N Water System between the Point of Delivery and the MG-N booster station or MG-N (referred to as the “Evanston Pressurized Zone” of the MG-N Water System) receiving reservoir shall not be less than a C-factor rating of 90. If the C-factor falls below 90 within the Evanston Pressurized Zone of the MG-N Water System, Evanston is not required to meet the Maximum Flow Rate as indicated in Section 7.01 (Water Supply Sale and Purchase; Allocation). The Maximum Flow Rate shall decrease directly on a one to one basis with the decrease in C-factor rating (e.g., 80 C-factor = 80% maximum flow rate). The C-factor is identified in Cameron Hydraulic Data, or equivalent successor statement of measure, and typically used for the design of concrete pipes to reflect the roughness of the pipe after many years of operation. MG-N shall test its transmission mains beginning in Year 2023, and every fifth year thereafter, to determine the C-factor rating and promptly provide those results to Evanston to ensure adherence to this requirement. If the transmission main(s) of MG-N fail to meet the required C-factor rating as set
forth in this Section, then another C-factor test shall be conducted during the subsequent Service Year.

7.04 Pressures
Evanston will supply water to MG-N by direct pressure from the Evanston Water Plant without intermediate pumping from reservoirs. Evanston shall control operating pressures within its water distribution system and adjust such pressures according to the water demands within its water distribution system to ensure that the pressure at the Point of Delivery is at all times between 40 and 50 pounds per square inch (“PSI”).

7.05 Supply and Service Agreement Only: Title to Water
Nothing in this Agreement shall be construed as granting any proprietary or other interest in the Evanston Water Utility to MG-N. Nothing in this Agreement shall be construed as granting any proprietary or other interest in the MG-N Water System to Evanston. Evanston and MG-N agree that this Agreement is solely an agreement for the sale and purchase of a supply of Water and related services. Title to Water passes at the Point of Delivery from Evanston to MG-N. Evanston agrees to deliver an adequate water supply on a regular basis to maintain MGN water requirements as provided for in this Agreement. Evanston agrees to not utilize off-peak pumping to meet the MG-N water requirements, unless requested by MG-N.

7.06 Temporary Restriction
Evanston has the right to restrict, on a temporary basis, the supply of water to MG-N in order to ensure an adequate water supply to all customers of the Evanston Water Utility for basic water services, and firefighting purposes, provided that the duration of the temporary water restriction is limited to the minimum time period necessary to resolve the condition or unforeseen emergency that caused the temporary restriction. Evanston shall take immediate, commercially reasonable actions to fix, repair, employ a temporary solution until a permanent solution is available or resolve the condition or unforeseen emergency that caused the temporary water restriction. If there is an insufficient water supply available to serve MG-N and all other customers, MG-N will receive its pro-rata share of the amount of water based on the IDNR
Allocation(s) that is stored and available at the Evanston Water Utility as defined and identified in the then current **Group Exhibit “B”** to this Agreement. If Evanston temporarily restricts the supply of water to MG-N under this Section, it shall deliver immediate written notice to MG-N that explains the reason(s) for the restriction, identifies the estimated reduction in the volume of water to be supplied to MG-N and the anticipated duration of the reduction in water supply service. During the first twenty-four (24) hour period of the temporary water restriction, Evanston shall provide MG-N with status reports in subsequent eight (8) hour(s) intervals relative to the progress in resolving the condition or unforeseen emergency that caused the temporary water restriction. If the temporary water restriction extends or is anticipated to extend beyond a twenty-four (24) hour period, the Parties agree to meet to discuss commercially reasonable options and actions to fix, repair, employ a temporary solution until a permanent solution is available or resolve the condition or unforeseen emergency that caused the temporary water restriction.

7.07 Maintenance
Scheduled maintenance and repair to the Evanston Water Utility or the MG-N Water System that may impact water supply and service to MG-N cannot be done except upon prior notice to the other Parties of not less than five (5) days. Scheduled maintenance to water system infrastructure during peak demand periods shall be avoided to the extent possible. Notice of emergency maintenance or repair will be provided by the Party performing the maintenance and repair to the other Party as soon as practicable under the circumstances. Each Party agrees to maintain their respective water systems in accordance with the manufacturers’ warranty and operational specifications.

7.08 MG-N Option to Purchase Water from Other Suppliers
Notwithstanding any other provision in this Agreement, MG-N may purchase water from other water suppliers under the following two (2) situations. First, MG-N may purchase water from other water suppliers to the extent Evanston fails to deliver to MG-N the full water requirements up to the total amount of the IDNR allocations as required by this Agreement. In the event of such failure by Evanston, but excluding temporary restriction(s) under Section 7.06 or
maintenance situations under Section 7.07 above, Evanston shall provide written notice to MG-N of the service failure, which shall include a description of the operational or technical reasons for the failure to deliver MG-N’s full water requirements. Second, MG-N may purchase water from the City of Chicago under non-emergency conditions in order to maintain an active, operational water supply connection.

7.09 Surges and Back-Flows
No surges or back-flows into any Party’s water system are allowable under this Agreement.

7.10 MG-N Responsibility for Damage to Evanston’s Water Utility
MG-N is responsible for damage to the Evanston Water Utility or of any of its customers due to surges and back-flows caused by malfunction or misuse of MG-N’s Water System, including, without limitation, valve operation or booster station operation, excluding damage where Evanston is responsible for the operation of the MG-N Water System, including, without limitation, its valve operation or booster station. MG-N shall install a flow control system and a pressure recording system consisting of remotely operated flow control valve(s) at the MG-N receiving reservoir(s). MG-N shall provide the necessary equipment to transmit pressures, rates of flow and receiving reservoir(s) elevations prior to delivery of water by Evanston. All devices necessary for the control and transmission of pressures, levels and rates of flow of water furnished to MG-N that are part of the MG-N Water System shall be provided and maintained by MG-N, and comply with the provisions of Section 10 (Meters and Measurements; Meter Testing). Water pressure and rate of flow readings shall be transmitted to the Evanston Pumping Station. All flow control valves within the Evanston Water Utility shall be controlled by Evanston in accordance with the provisions of this Agreement.

7.11 Evanston’s Responsibility for Damage to MG-N’s Water System
Evanston is responsible for damage to the MG-N Water System or of the water systems any of its customers due to surges and back-flows caused by malfunction or misuse of Evanston’s Water Utility, including, without limitation, valve operation, booster station operation or pump station operation.
7.12 Operating Meetings and Plan
Evanston shall provide to MG-N, at no cost to MG-N, with a copy of Evanston’s most recently prepared annual operating plan and capital plan related to the Evanston Water Utility (“Operating Plan”) no less than thirty (30) calendar days before each operations meeting provided for in this Section. Evanston shall convene an operations meeting with MG-N at least two (2) times per year for every year this Agreement is in effect. Meetings may be in person or may be convened through mutually acceptable electronic means. Evanston shall provide MG-N with copies of all required State or Federal filings that Evanston is required to file regarding its operation of its Water Utility and Water System. Evanston will provide MG-N with its then applicable Operating Plan related to the Evanston Water System prior to the date of first delivery of Water to MG-N.

7.13 Continuity of Operations Plan
Evanston agrees to provide a copy of the most recent WTP/Evanston Water Utility System evaluation report, along with a status report on the actions taken on the recommendations made in that report by March 1, 2017. Evanston agrees to have a plant evaluation performed by a consultant in Year 2018 and every ten (10) years thereafter. This evaluation shall review each system and component of the Evanston Water Treatment Plant (“WTP”), and the portions of the Evanston Water Utility System that serves MG-N, to determine their useful life and dependability in order to meet the needs of the users of the WTP, and shall be summarized in a report. This report will be made available to Evanston’s wholesale water customers and MG-N. The Parties agree to meet and confer regarding the scheduling and implementation of any recommendations provided in the report during meetings convened under Section 7.12 (Operating Meetings and Plan) and Evanston agrees to update its capital improvement plan annually to address the report recommendations and share this information with MG-N. Evanston has a vulnerability assessment report for the WTP and the Evanston Water Utility System and agrees to update the report on an as needed basis, and will be available for review by MG-N. This report is currently an exempt public record under the Illinois Freedom of Information Act.
8. **Existing and Future Customers of Evanston; MG-N Other Users**

**8.01 Existing and Other Water Customers Served by Evanston**

Evanston agrees that it will continue to supply water to its existing customers without impairing MG-N’s right to Water service from Evanston under this Agreement, or impairing Evanston’s ability to deliver Water to MG-N under this Agreement. Nothing in this Agreement limits Evanston executing new, modified or amended agreements with any other current or future wholesale water customer served by Evanston. Evanston shall give MG-N at least six (6) calendar months prior written notice before Evanston enters into a contract to serve a new wholesale water customer or enters into an addendum to amend any water supply agreements with existing wholesale water customers. Evanston shall provide MG-N with copies of the contract and/or the addendum and the cost / benefit analysis report provided to the Evanston City Council, prepared in regard to the addition of a new wholesale water customer or customer whose IDNR allocation has been changed, and MG-N may provide Evanston with written comments regarding this subject. MG-N agrees Evanston has the right to serve new wholesale water customer(s) subject to its obligations to MG-N under this Agreement.

In the event of the loss of the Northwest Water Commission (“NWC”) between the years of 2034-2047, the change in the total rate increase shall be calculated, and MG-N shall be assessed, **not more than fifty percent (50%)** of the rate increase incurred by the loss of NWC. Assuming the loss of NWC between the years of 2034-2047, total MG-N rate increases shall be **capped at eight percent (8%) per annum**. Evanston shall take all commercially reasonable actions to reduce all assets in use at the WTP to reflect the new plant demand without NWC. After 2048, MG-N rates shall be recalculated according to this Agreement.

**8.02 Right of MG-N to Supply Water to Other Users**

MG-N has the right to resell Water it owns under this Agreement to existing and future water users of MG-N’s Water System, provided that MG-N does not exceed its ADD under its then current IDNR water allocation, as determined by the IDNR or its successor regulatory agency. MG-N shall give Evanston at least six (6) calendar month prior written notice before MG-N enters into a contract to service any new water customer(s), and MG-N shall provide Evanston with copies of the contract and the cost / benefit analysis report in prepared in regard to the
addition of a new wholesale water customer. Evanston may provide MG-N with written comments regarding this subject.

8.03 Liability for Unreasonable Delay by MG-N

If MG-N fails or refuses to complete the MG-N Water System as required by this Agreement, then MG-N shall pay to Evanston all reasonable, actual, documented costs incurred by Evanston as listed in Section 18.03 (G, H, or I) (Termination by MG-N), and in Sections 4.01 (MG-N Notice to Evanston to Proceed With Preliminary Project Phase Work) through 4.07 (Commencement of Obligation to Deliver and Receive Water). If MG-N fails to complete the MG-N Water System due to a Force Majeure Event(s) or any other delays that prevent the completion of MG’s Project Improvements until after the Delivery of Water (Section 4.04), MG-N shall not be obligated to pay to Evanston any costs or penalty, provided that MG-N has taken and continues to take all commercially reasonably actions to complete the MG-N Project Improvements as soon as reasonably possible after the expected Delivery Date Of Water.

8.04 Liability for Unreasonable Delay by Evanston

If Evanston fails or refuses to complete the components at the Point of Delivery in a commercially reasonable time frame as outlined in Section 4.01 (MG-N Notice to Evanston to Proceed with Preliminary Project Phase Work) through Section 4.07 (Commencement of Obligation to Deliver and Receive Water) and MG-N are unable to receive water from Evanston by the anticipated initial delivery date of water, or such other alternate water delivery date, as provided for in Section 4.01 (MG-N Notice to Evanston to Proceed with Preliminary Project Phase Work) through Section 4.07 (Commencement of Obligation to Deliver and Receive Water) above, due to such failure or refusal by Evanston, then Evanston will pay to MG-N the difference between the water rate that would have been charged by Evanston under this Agreement, and the then-applicable Chicago water rate (or the water rate charged by an alternate water supplier).
9. Facility Completion Schedule

9.01 Specifications and Sequence of Construction for the Project Improvements

After the approval of this Agreement, and subject to the notice to proceed provisions set forth in this Agreement, the Parties agree to work cooperatively together and to share relevant information to develop their respective specifications for their own Project improvements and to prepare construction schedules and operating procedures for the Project improvements, including the joint review of preliminary design plans and final design plans for review comment purposes and delivery of periodic status reports by each Party relative to the Evanston Connection Facilities and the MG-N Water System.

9.02 IEPA and Other Approvals for the Project

The Parties agree to apply for, obtain and maintain all permits, licenses and other approvals required by the federal, state, county and local governments and governmental regulatory agencies with jurisdiction over the Project.

9.03 Easements, Licenses, Permits, Fees and Approvals

A. Evanston. Evanston shall take all necessary action to provide and grant to MG-N easements, permits and licenses for the construction of the MG-N Water System on Evanston-owned or controlled real property or easement premises and within Evanston’s corporate boundaries. Evanston agrees to waive all required permit fees, license fees and plan review fees that would otherwise be paid by MG-N to Evanston related to this Project. However, Evanston will not be responsible for any costs not on Evanston-owned or controlled real property or Evanston held easements but within Evanston’s corporate boundaries. Construction of the MG-N Water System within Evanston must be completed in accordance with all Evanston City Code requirements governing construction and restoration applicable in Evanston.

B. MG-N. MG-N shall take all necessary action to acquire easements, permits and licenses for the construction of the MG-N Water System Facilities within Evanston’s corporate boundaries and outside of Evanston’s corporate boundaries. MG-N agrees to pay all required permit fees, license fees and plan review fees to all governmental regulatory agencies with jurisdiction
over the Project, except for Evanston. Construction of the MG-N Water System shall conform to all applicable laws, ordinances, codes, regulations and specifications.

10. **Meters and Measurements; Meter Testing**

**10.01 Unit of Measurement**
The unit of measurement for water delivered pursuant to this Agreement will be gallons of water, U.S. Standard Liquid measure, and all meters installed pursuant to this Agreement must, unless the Parties otherwise agree, be so calibrated, and must read at one thousand (1,000) gallons of water.

**10.02 Supervisory Control and Data Acquisition ("SCADA")**
Evanston shall in real time provide to MG-N the following SCADA information, except during SCADA failure:

a) total plant flow data;
b) flow through MG-N master meter data;
c) pressure at MG-N delivery meter facility data; and
d) Evanston control valve position.

MG-N shall in real time provide to Evanston incoming and outgoing flow data from each receiving reservoir as well as the water level in each receiving reservoir, except during SCADA failure. At all times, but with prior notice to MG-N unless there is an emergency situation, Evanston will operate and control the control valves at the booster station / receiving reservoir(s) in Morton Grove or Niles through the use of the SCADA system, provided Evanston has approved the design and construction of the pressure control devices, control valves and related SCADA components that are designed and constructed to reasonable industry standards (e.g., a hydraulic transient study). In regard to on-site visits and inspections of each Party’s respective water system facilities, the requesting Party shall request any on-site visits and inspections in advance by written notice to the receiving Party and shall comply with all security protocols and be accompanied by the receiving Party’s staff during the on-site visit or inspection, and the
receiving Party shall cooperate in scheduling such on-site visits and inspections. Evanston and MG-N agree to promptly repair any SCADA failures.

10.03 Delivery Meters
Water sold and delivered to MG-N pursuant to this Agreement must be measured through a meter or meters furnished, installed, maintained, replaced and read by Evanston (the “Delivery Meters”). Except as provided in this Agreement, all billing for Water sold and supplied pursuant to this Agreement must be based upon Evanston’s readings of the Delivery Meters, subject to MG-N’s right to audit Evanston’s readings under Section 5.07 (MG-N Audit Rights) above. All Delivery Meters shall be in good working order, shall at all times meet or exceed the standards of the AWWA, or its successor entity, and shall be available for inspection, testing, and checking by MG-N upon reasonable request to Evanston. Evanston shall at its cost maintain, inspect, test, calibrate and adjust all Delivery Meters not more than two (2) times per year. Representatives from MG-N shall have the right to witness all such maintenance, inspections, tests, calibrations and adjustments. The cost of testing the Delivery Meters payable by MG-N shall be Two Hundred Dollars ($200.00) per month. Copies of the results of all such maintenance, inspections, tests, calibrations and adjustments must be furnished by Evanston to MG-N upon request.

10.04 Check Meters
MG-N may, at their option and expense, install and operate a check meter(s) (a “Check Meter”) to check each Delivery Meter, but the measurement of water for billing pursuant to this Agreement shall, except as hereinafter provided, be measured solely by the Delivery Meters. All Check Meters shall meet or exceed the standards of the AWWA and shall be available for inspection and checking by Evanston upon reasonable request to MG-N. The costs for installation, maintenance, regulatory fees, reading, testing, calibration, and adjustment of all Check Meters shall be performed by MG-N at MG-N’s sole cost and expense.

10.05 Meter Calibration and Adjustment
If either Evanston or MG-N at any time observes a variation between a Delivery Meter and a Check Meter or any other evidence of meter malfunction, such Party must promptly notify the
other Party, and Evanston and MG-N agree to cooperate to inspect and test the accuracy of such meter(s). If upon any inspection or test, any meter is found to be out of service or the percentage inaccuracy of any meter is found to be **in excess of two percent (2%)** slow or fast, then the meter’s registration, as well as charges for water based on incorrect metering, must be corrected by agreement of Evanston and MG-N based on the best data available. The best data available is defined as the registration of an installed Check Meter that is accurately registering **in excess of two percent (2%)** slow or fast during the period extending back to the time when such inaccuracy began. If it is impossible to determine the time period of inaccuracy, the correction period will extend back one-half of the time elapsed since the last date of calibration. Otherwise, the amount of water delivered during such period may be estimated by:

- correcting the error if the percentage of the error is ascertainable by calibration tests or mathematical calculation; or
- if the error is not ascertainable by calibration tests or mathematical calculation, by estimating the quantity of water delivered by reference to deliveries during the preceding periods under similar conditions when the meter or meters were registering accurately.

**10.06 Notification Concerning Meter Tests.**

Evanston and MG-N shall deliver to the other Party written notice at least seventy-two (72) hours in advance of the time of any planned maintenance, inspection, test, calibration, adjustment or other work affecting any Delivery Meter or Check Meter so that the other Party may arrange to have a representative present. If said representative is not present at the time set in such notice, the inspection, test, calibration, adjustment or other work will proceed in the absence of said representative. Notices required under to this Section 10.06 shall be given to the following persons at the following addresses, unless otherwise provided in writing by MG-N or Morton Grove or Niles:
If for Evanston:

   Director of Public Works Agency  
   555 Lincoln Street  
   Evanston, Illinois 60201  
   Phone: 847.448.4311  
   Email: current business email address

If for Morton Grove:

   Director, Public Works  
   Village of Morton Grove  
   7840 Nagle Avenue  
   Morton Grove Illinois 60053  
   Phone: (847) 470-5235  
   Fax: (847) 965-9511  
   Email: current business email address

If for Niles:

   Public Services Director  
   Village of Niles  
   6849 West Touhy Avenue  
   Niles, Illinois 60714  
   Phone: (847) 588-7900  
   Fax: (847) 588-7950  
   Email: current business email address

10.07 Removal of Meters
Delivery Meters and Check Meters may be removed upon termination of this Agreement only upon mutual agreement of the Parties and upon the release of any easements related thereto.

10.08 Meters for Customers
Each Party is responsible for providing water meters to its own customers.

11. Dispute Resolution

11.01 Negotiation
If a dispute arises between Evanston and MG-N concerning this Agreement, the Parties will first attempt to resolve the dispute by negotiation. Each Party will designate persons to negotiate on their behalf. The Party contending that a dispute exists must specifically identify in writing all
issues and present it to the other Parties. The Parties will meet and negotiate in an attempt to resolve the matter. If the dispute is resolved as a result of such negotiation, there must be a written determination of such resolution, and ratified by the corporate authorities of each Party, which will be binding upon the Parties. If necessary, the Parties will execute an addendum to this Agreement. Each Party will bear its own costs, including attorneys’ fees, incurred in all proceedings in this Section. If the Parties do not resolve the dispute through negotiation, any Party to this Agreement may pursue other remedies under Section 11.02 (Remedies) below to enforce the provisions of this Agreement.

11.02 Remedies
In any action with respect to this Agreement, the Parties are free to pursue any legal remedies at law or in equity. Each and every one of the rights, remedies, and benefits provided by this Agreement shall be cumulative and shall not be exclusive of any other rights, remedies, and benefits allowed by law. Each Party will bear its own costs, expenses, experts’ fees, and attorneys’ fees, incurred in all litigation arising under this Agreement.

11.03 Venue and Applicable Law
All questions of interpretation, construction and enforcement, and all controversies with respect to this Agreement, will be governed by the applicable constitutional, statutory and common law of the State of Illinois. The Parties agree that, for the purpose of any litigation relative to this Agreement and its enforcement, venue will be in the Circuit Court of Cook County, Illinois or the Northern District, Eastern Division of the United States District Court, Chicago, Illinois, and the Parties consent to the in personam jurisdiction of said Courts for any such action or proceeding.

12. Force Majeure
12.01 Excuse From Performance
No Party will be liable in damages to any other Party for delay in performance of, or failure to perform, its obligations under this Agreement, if such delay or failure is caused by a Force Majeure Event as defined in Section 12.02 (Force Majeure Event) below. If a Party cannot
perform under this Agreement due to the occurrence of a Force Majeure Event, then the time period for performance of the Party under this Agreement shall be extended by the duration of the Force Majeure Event.

12.02 Force Majeure Event
A “Force Majeure Event” means an event not the fault of, and beyond the control of, the Party claiming excuse which makes it impossible or extremely impracticable for such Party to perform obligations imposed on it by this Agreement, by virtue of its effect on physical facilities and their operation or employees essential to such performance. Force Majeure Events include:

- an “act of God” such as an earthquake, flood, fire, Lake Michigan seiche, tornado, earth movement, or similar catastrophic event,
- an act of terrorism, sabotage, civil disturbance or similar event,
- a strike, work stoppage, picketing, or similar concerted labor action,
- delays in construction caused by unanticipated negligence or breach of contract by a third party or inability to obtain essential materials after diligent and timely efforts; or
- an order or regulation issued by a Federal or State regulatory agency after the Effective Date or a judgment or order entered by a Federal or State court after the Effective Date.

A Force Majeure Event does not include a change in economic or market conditions or a change in the financial condition of a Party to this Agreement.

12.03 Notice
The Party claiming a Force Majeure Event excuse must deliver to the other Parties a written notice of intent to claim excuse from performance under this Agreement by reason of a Force Majeure Event. Notice required by this Section must be given promptly in light of the circumstances. Such notice must describe the Force Majeure Event, the services impacted by the claimed event, the length of time that the Party expects to be prevented from performing, and the steps which the Party intends to take to restore its ability to perform its obligations under this Agreement.
13. **Preservation of Water Rights**
Evanston intends to preserve all of its water rights, irrespective of whether the water held under such water rights is allocated under this Agreement. Nothing in this Agreement shall be construed as an abandonment, or evidence of intent to abandon, any of the water rights that Evanston presently possesses.

14. **Good Faith and Fair Dealing**
The Parties each acknowledge their obligation under Illinois law to act in good faith toward, and deal fairly with, each other with respect to this Agreement.

15. **MG-N Option to Create a JAWA or a Water Commission; Assignment**
A. **JAWA; Water Commission.** If a Municipal Joint Action Water Agency (“JAWA”) is created, pursuant to 5 ILCS 220/3.1, as amended from time to time, or a municipal Water Commission is created, pursuant to 65 ILCS 5/11-135-1, et seq., as amended from time to time, which has jurisdiction over the MG-N Water System (the "MG-N Successor Entity"), all of MG-N's rights and obligations under this Agreement shall be automatically assigned to, and assumed by, the MG-N Successor Entity. MG-N shall have no further rights or obligations under this Agreement, effective as of the date of the creation of the MG-N Successor Entity. MG-N shall give Evanston prior written notice of the proposed creation of a MG-N Successor Entity at least ninety (90) calendar days prior to the creation of the MG-N Successor Entity. Immediately after the creation of the MG-N Successor Entity, signed copies of the corporate approval and formation documents (i.e. approving ordinance, intergovernmental agreement and by-laws) of the MG-N Successor Entity shall be sent to Evanston. Thereafter, the MG-N Successor Entity and Evanston agree to enter into an addendum to this Agreement to formally recognize the automatic assignment set forth herein and that MG-N has no further rights or obligations under this Agreement, provided however that MG-N is current in all required payments and charges owing to Evanston prior to such assignment taking effect.

B. **Assignment by MG-N or the MG-N Successor Entity.** MG-N and any MG-N Successor Entity shall have the right to assign this Agreement to a public water utility or another statutory water
agency, provided that MG-N or Morton Grove or Niles becomes a member of the new statutory water agency, subject to prior written notice to Evanston and approval of the assignment by Evanston, which approval shall not be unreasonably withheld so long as the Successor Entity assumes all obligations of MG-N (or the obligations assumed by the MG-N Successor Entity) as set forth in this Agreement or any addendum, and the Successor entity is authorized and obligated to collect adequate revenue from its customers to pay the water rate charged by Evanston. After the assignment, MG-N, Morton Grove, or Niles, or the MG-N Successor Entity, shall have no further rights or obligations under this Agreement.
16. Financing Options for the Project

16.01 Cooperation with Project Financing

Evanston and MG-N will cooperate with each other to explore options for issuing water revenue bonds, other debt obligations and/or applying for any grants or loans to assist with the financing of the anticipated improvements to be made to their respective Water Systems in order to complete and operate the Evanston Connection Facilities, the Evanston Facilities Adjustments, the MG-N Water System and any other Water System improvements covered by this Agreement. Evanston may, if necessary and advantageous for Evanston and as determined solely by Evanston, issue debt to finance the Project, in part or in whole as the case may be, only if necessary and advantageous for MG-N, as determined by MG-N, provided that Evanston is able to earn an acceptable profit on the debt. To the extent that the Parties agree to issue bonds or other debt instruments in the name of Evanston, alone, or in their own respective or collective corporate names, the Parties agree to enter into such other additional intergovernmental agreements as are necessary to provide the statutory authority to issue such bonds and other debt instruments. As between Evanston and MG-N, each respective Party shall be responsible to make payments on its own debt service for its own Project Improvements. Evanston shall not be obligated to pay any of the debt service payments for MG-N Project Improvements. MG-N shall not be obligated to pay any of the debt service payments for Evanston Project Improvements.

16.02 MG-N Project Financing Options

MG-N reserves the right to finance its own Project Improvements.

17. Disconnection, Removal Relocation of Connection Facilities or Transmission Mains

17.01 Termination of Agreement

Upon termination of this Agreement, Evanston, in its discretion and at its cost, may disconnect or remove the Evanston Connection Facilities and / or the MG-N Connection Facilities and / or transmission mains located within Evanston’s rights of way or utility easements, but only after the Parties mutually approve and sign an agreement and a release of easements that pertain to
disconnection and/or removal of the Evanston Connection Facilities, the MG-N Connection Facilities and / or the transmission mains.

17.02 Relocation

In the event that the Point of Delivery or any portion of the Evanston Connection Facilities and the MG-N Connection Facilities or any transmission mains need to be relocated due to unanticipated circumstances or at the request of either Party, the Parties may negotiate an addendum to this Agreement that provides for the relocation, reconstruction, financing and cost sharing of the relocation work. If this Agreement is terminated, within one (1) year of the effective date of such termination, all connection facility assets, components, and equipment within Evanston must be removed at MG-N’s sole cost and expense, unless otherwise agreed upon by the Parties.

18. Termination; Default

18.01 Termination by Evanston

This Agreement shall be subject to termination if a court of competent jurisdiction restricts or limits any of Evanston’s rights to obtain, sell, contract for, or distribute water to MG-N in a manner that prohibits Evanston from complying with its obligations to MG-N under this Agreement. Evanston will have the right to terminate this Agreement if MG-N fails and defaults with respect to its obligations under Section 5.02 (Billing and Payments) of this Agreement, and otherwise fails and refuses to cure such default under Section 11.01 (Negotiation) and Section 18.04 (Default; Cure Period; Relief).

18.02 Termination by Mutual Agreement

Only upon mutual consent, the Parties may agree terminate this Agreement, in writing, after the approval of a termination or wind-down agreement by their respective corporate authorities.
18.03 Termination by MG-N

MG-N shall have the right to terminate this Agreement if it delivers written notice to Evanston of its intention to terminate this Agreement not less than five (5) years prior to the termination date of the then-existing Term. In addition, MG-N has the right to terminate this Agreement for the following reason(s):

A. If MG-N is unable to obtain easements or title to real property to construct the MG-N Connection Facilities and other necessary MG-N Project Improvements.

B. If the MG-N Engineering and Route Study determines that the MG-N Connection Facilities and other necessary MG-N Project Improvements will not be feasible for any reason, including but not limited to a lack of technical feasibility to complete the MG-N Project Improvements, or a lack of relative financial feasibility to pay for the MG-N Project Improvements.

C. If the bid results for the MG-N Connection Facilities and other necessary MG-N Project Improvements exceeds:

1) the MG-N Engineer’s Estimate;
2) the approved MG-N Project Budget; or
3) the MG-N Project Financial / Debt Repayment schedule. MG-N shall provide all documents and data to Evanston prior to MG-N cancelling the bid.

D. Evanston fails to deliver water in accordance with or otherwise fails to comply with the terms of this Agreement,

E. MG-N can terminate this Agreement at the end of the Initial Term, or as otherwise provided during any Extended Term, subject to timely written notice to Evanston.

F. MG-N can terminate this Agreement prior to its issuance of written notice to proceed with Evanston’s Preliminary Project Phase Work as set forth in Section 4.01 above, for any reason, without any liability to Evanston.

G. MG-N can terminate this Agreement after its issuance of written notice to proceed with Evanston’s Preliminary Project Phase Work as set forth in Section 4.01 above, provided MG-N fully reimburses Evanston for all reasonable actual, documented costs incurred by Evanston relating only to Project consultants and Project engineering fees and expenses that are incurred by Evanston after the date of issuance of MG-N’s Notice to Evanston to Proceed with
Preliminary Project Phase Work. Evanston or MG-N will not be reimbursed for staff time or corporation counsel time or outside legal counsel fees and expenses.

H. MG-N can terminate this Agreement after its issuance of written notice to proceed with Evanston’s Final Engineering Design Work as set forth in Section 4.02 above, provided MG-N fully reimburses Evanston for all reasonable actual, documented costs incurred by Evanston relating only to Project consultants and Project engineering fees and expenses that are incurred by Evanston after the date of issuance of MG-N’s Notice to Evanston to Proceed with Final Engineering Design Work. Evanston or MG-N will not be reimbursed by the other Party for staff time or corporation counsel time or outside legal counsel fees and expenses.

I. MG-N can terminate this Agreement prior to acceptance of water from Evanston, provided MG-N fully reimburses Evanston for all reasonable actual, documented costs incurred by Evanston, relating only to Project consultants and Project engineering fees and expenses and construction costs that are incurred by Evanston after the date of issuance of MG-N’s Notice to Evanston to Proceed with Construction as set forth in Section 4.03 above. Evanston or MG-N will not be reimbursed by the other Party for staff time or corporation counsel time or outside legal counsel fees and expenses.

18.04 Default; Cure Period; Relief

In the event any Party defaults in regard to any obligation under this Agreement, the non-defaulting Party shall send written notice of the default, with a description of the default, and a request that the defaulting Party cure the default. Any Party deemed to be in default under this Agreement by another Party shall have a thirty (30) calendar day cure period to resolve the default to the other Party’s satisfaction or to initiate and continue to take actions that are designed to cure the default in a reasonable time period so that the Party in default is in conformance with the terms of this Agreement. In the event that a default is not cured, the non-defaulting Party and the defaulting Party shall participate in the “Dispute Resolution” process contained in Section 11.01 (Negotiation) above. If the Dispute Resolution process is not successful, then either Party may seek to enforce remedies in Section 11.02 (Remedies) to enforce the provisions of this Agreement.
19. **General Conditions**

19.01 **Entire Agreement**
This Agreement constitutes the entire agreement of the Parties concerning all matters specifically covered by this Agreement. There are no representations, covenants, promises or obligations not contained in this Agreement that form any part of this Agreement or upon which any of the Parties is relying upon in entering into this Agreement. There are no other commitments, understandings, promises or condition among the Parties in any other contract or agreement, whether oral or written, and this Agreement supersedes all prior written or oral agreements, commitments and understandings among the Parties.

19.02 **Prompt Payment**
In regard to the payment of any fee, charge or assessment provided for under this Agreement, the Parties are subject to and shall comply with the Local Government Prompt Payment Act (50 ILCS 505/1, et seq.).

19.03 **Compliance With Laws**
The Parties to this Agreement shall comply with all applicable Federal, State and local laws, rules and regulations in carrying out the terms and conditions of this Agreement.

19.04 **Regulatory Bodies**
This Agreement shall be subject to all valid rules, regulations, and laws applicable hereto passed or promulgated by the United States of America, the State of Illinois, or any governmental body or agency having lawful jurisdiction, or any authorized representative or agency of any of them; provided, however, that this Section 19.04 shall not be construed as waiving the right of any Party to challenge the validity of any such rule, regulation, or law on any basis, including impairment of this Agreement.
19.05 Illinois Freedom of Information Act

The definition of a “public record” in the Freedom of Information Act (5 ILCS 140/1, et seq.) (“FOIA”) includes a “public record that is not in the possession of a public body but is in the possession of a party with whom the agency has contracted to perform a governmental function on behalf of the public body and that directly relates to the governmental function and is not otherwise exempt under this Act.” (5 ILCS 140/7(2). Consequently, the Parties shall maintain and make available to the other Parties, upon request, their public records relating to the performance of this Agreement in compliance with the requirements of the Local Records Act (50 ILCS 205/1, et seq.) and FOIA.

19.06 Interpretation; Headings

This Agreement shall be construed and interpreted so as to preserve its validity and enforceability as a whole. No rule of construction that a document is to be construed against any of the drafting Parties shall be applicable to this Agreement. Section headings and titles are descriptive only and do not in any way limit or expand the scope of this Agreement.

19.07 Waiver

The failure of any Party to enforce any section, subsection, term, condition or covenant (collectively referred to as "provision") of this Agreement shall not be deemed a waiver or limitation of that Party's right to subsequently enforce and compel strict compliance with such provision and every other provision of this Agreement. No provision of this Agreement shall be deemed waived by any Party, unless the provision to be waived and the circumstances giving rise to such waiver are set forth specifically in a duly authorized and written waiver of the Party charged with such waiver. No waiver by either Evanston or MG-N of any provision of this Agreement shall be deemed or construed as a waiver of any other provision of this Agreement, nor shall any waiver of any breach be deemed to constitute a waiver of any subsequent breach whether of the same or a different provision of this Agreement.
19.08 No Individual or Personal Liability
The Parties agree that the actions taken in regard to and the representations made by each respective Party in this Agreement and by their respective corporate authorities have not been taken or made in anyone’s individual capacity and no mayor/president, board member, council member, official, officer, employee, volunteer or representative of any Party will incur personal liability in conjunction with this Agreement.

19.09 No Third Party Beneficiaries
This Agreement is not intended to benefit any person, entity or municipality not a Party to this Agreement, and no other person, entity or municipality shall be entitled to be treated as beneficiary of this Agreement. This Agreement is not intended to nor does it create any third party beneficiary or other rights in any third person or party, including, but not limited to, any agent, contractor, subcontractor, consultant, volunteer or other representative of any Party hereto. No agent, employee, contractor, subcontractor, consultant, volunteer or other representative of the Parties hereto will be deemed an agent, employee, contractor, subcontractor, consultant, volunteer or other representative of any other Party hereto.
19.10 Amendments
No amendment to this Agreement shall be effective until it is reduced to writing in an addendum and approved by the corporate authorities of the Parties. All addenda shall be executed by an authorized official of each Party. If any governmental agency with regulatory authority enacts new rules or regulations or new nationally recognized water system engineering requirements are adopted that require the method of water production or any components of the infrastructure used for the delivery of water under this Agreement to be changed or modified, the Parties agree to negotiate an addendum to this Agreement that addresses the construction and operation of the required water system improvements to the Evanston Water Utility and/or the MG-N Water System, the cost allocation of such improvements among the Parties and the financing of such improvements.

19.11 Assignment
Except as set forth in Section 15 (MG-N Option to Create a JAWA or a Water Commission; Assignment), no Party shall assign, sublet, sell or transfer its interest in this Agreement or any of its rights or obligations under this Agreement without the prior written, mutual consent of the other Parties. The terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and assigns.

19.12 Notice
Except as otherwise provided in this Agreement, all notices and other communications in connection with this Agreement shall be in writing and deemed to be given on the date of mailing if sent by certified mail, return receipt requested and deposited in the U.S. Mail, postage prepaid, or may be delivered by messenger delivery, or overnight express mail, or personal delivery, or via facsimile, or via electronic internet mail (“e-mail”) to the current mailing address(es) or email address(es) of the Parties’ principal administrative offices, addressed to the Mayor/Village President or the City Administrator/City Manager/Village Manager. Facsimile notices shall be deemed valid only to the extent that they are (a) actually received by the individual to whom addressed and (b) followed by delivery of actual notice in the manner described in either (i), (ii), or (iii) above within three (3) business days thereafter at the
appropriate address set forth below. E-mail notices shall be deemed valid only to the extent that they are (a) opened by the recipient on a business day at the address set forth below, and (b) followed by delivery of actual notice in the manner described in either (i), (ii), or (iii) above within three (3) business days thereafter at the appropriate address set forth below. Unless otherwise provided in this Agreement, notices shall be deemed received after the first to occur of (a) the date of actual receipt; or (b) the date that is one (1) business day after deposit with an overnight courier as evidenced by a receipt of deposit; or (b) the date that is three (3) business days after deposit in the U.S. mail, as evidenced by a return receipt. By notice complying with the requirements of this Section, each Party to this Agreement shall have the right to change the address or the addressee, or both, for all future notices and communications to them, but no notice of a change of addressee or address shall be effective until actually received.

Notices and communications shall be addressed to, and delivered at, the following addresses, unless otherwise directed by the Parties:

If for City of Evanston:

City Manager
Lorraine Morton  Civic Center
2100 Ridge Avenue
Evanston, Illinois 60201
Phone: 847.866.2936
Email: citymanagersoffice@cityofevanston.org

Director
Public Works Agency
555 Lincoln Street
Evanston, Illinois 60201
Phone: 847.448.4311
Email:

With copy to: Corporation Counsel (same address as City Manager)

If for Village of Morton Grove:

Village Administrator
Richard T. Flickinger Municipal Center
Village of Morton Grove
6101 Capulina Avenue
Morton Grove Illinois 60053
Phone: (847) 663-3001
Fax: (847) 370-1649
Email: business email address

Director, Public Works
Village of Morton Grove
7840 Nagle Avenue
Morton Grove Illinois 60053
Phone: 847-470-5235
Fax: 847-965-9511
Email: business email address

With copy to: Corporation Counsel (same address as Village Administrator)
19.12 Changes in Addresses

By notice with the foregoing requirements of this Section 19.12, the Parties shall have the right to change the addresses for all future notices and communications to itself, but no notice of such a change shall be effective until actually received.

19.13 Severability

In the event any term, provision or condition of this Agreement is held invalid by a court of competent jurisdiction, such invalidity shall not affect other terms, provisions or conditions of this Agreement which can be given effect without the invalid term, provision or condition. To this extent and purpose, the terms, provisions and conditions of this Agreement are declared severable. If any part of this Agreement is adjudged invalid, such adjudication shall not affect the validity of this Agreement as a whole or of any other part.

19.14 No Separate Legal Entity; No Joint Venture or Partnership or Agency

This Agreement establishes a cooperative intergovernmental undertaking, but the Parties do not intend to create a new or separate legal entity by entering into this Agreement. This Agreement does not establish or create a joint venture or partnership between the Parties, and no Party shall be responsible for the liabilities and debts of the other Parties hereto. No Party shall be deemed to be the agent, employee, or representative of any other Party.


**19.15 Independent Sovereign Status**

The Parties to this Agreement are independent, sovereign units of local government and no Party shall exercise control over either the performance of any other Party or the employees of any other Party.

**19.16 Effective Date**

The Effective Date of this Agreement shall be the date that the last authorized signatory signs and dates this Agreement, which date shall be inserted on the first page of this Agreement. This Agreement shall become effective only in the event the corporate authorities of each Party approve this Agreement.

**19.17 Authorization**

In accordance with applicable state laws, this Agreement was approved by each Party as follows:

A. The adoption of Ordinance 5-O-17 by the Mayor and City Council of Evanston on the 13th day of February, 2017.

B. The passage of Resolution Number _____ by the Village President and Board of Trustees of the Village of Morton Grove on the 23rd day of January, 2017.

C. The passage of Resolution Number _____ by the Village President and Board of Trustees of the Village of Niles on the 24th day of January, 2017.

**19.18 Counterparts**

This Agreement may be executed in counterparts (including facsimile signatures), each of which shall be deemed to be an original and all of which shall constitute one and the same Agreement.

**19.19 Exhibits**

In the event of a conflict between any Exhibit attached hereto and the text of this Agreement, the text of this Agreement shall control. The following Exhibits are attached to this Agreement and made a part hereof:


C. Group Exhibit “C”: Depreciation Rates comprised of Page C-1: Depreciation Rates (Classes of Plant included: Source of Supply, Pumping Plant, Treatment Plant, Water Plant and Transmission)

D. Exhibit “D”: City of Evanston Ordinance 5-O-17 (Approval of Water Supply Agreement Between the City of Evanston, the Village of Morton Grove and the Village of Niles)

E. Exhibit “E”: Village of Morton Grove Resolution Number __ (Approval of Water Supply Agreement Between the City of Evanston, the Village of Morton Grove and the Village of Niles)

F. Exhibit “F”: Village of Niles Resolution Number __ (Approval of Water Supply Agreement Between the City of Evanston, the Village of Morton Grove and the Village of Niles)

IN WITNESS WHEREOF, this Agreement was executed on behalf of the Parties through their authorized representatives, after all duly required corporate action was taken, as set forth below on the signature pages.

SIGNATURE PAGES TO FOLLOW
SIGNATURE PAGE FOR

CITY OF EVANSTON

IN WITNESS WHEREOF, the below authorized officials of the City of Evanston signed this Agreement pursuant to legal authorization granted to him/her under Article VII, Section 10 of the 1970 Illinois Constitution, the Intergovernmental Cooperation Act (5 ILCS 220/1 et seq.) and the corporate approval granted by passage of Ordinance 5-O-17 by the Corporate Authorities of the City of Evanston.

City of Evanston

By:____________________________
Name: Elizabeth B. Tisdahl
Mayor, City of Evanston
Date: February___, 2017.

Attest:
By:____________________________
Name: Rodney Greene
City Clerk, City of Evanston
Date: February___, 2017

Approved as to form and legality:
By:_________________________________
W. Grant Farrar, Corporation Counsel
IN WITNESS WHEREOF, the below authorized officials of the Village of Morton Grove have signed this Agreement pursuant to legal authorization granted to him/her under Article VII, Section 10 of the 1970 Illinois Constitution, the Intergovernmental Cooperation Act (5 ILCS 220/1 et seq.) and the corporate approval granted by passage of a Resolution by the Corporate Authorities of the Village of Morton Grove.

Village of Morton Grove

By: ____________________________

Name: Daniel DiMaria
Village President, Village of Morton Grove
Date: ________________________, 2017.

Attest:

By: ____________________________

Name: Connie Travis
Village Clerk, Village of Morton Grove
Date: _________________________, 2017

Approved as to form and legality:

By: ____________________________

Teresa Liston, Village Attorney
SIGNATURE PAGE FOR
VILLAGE OF NILES

IN WITNESS WHEREOF, the below authorized officials of the Village of Niles have signed this Agreement pursuant to legal authorization granted to him/her under Article VII, Section 10 of the 1970 Illinois Constitution, the Intergovernmental Cooperation Act (5 ILCS 220/1 et seq.) and the corporate approval granted by passage of a Resolution by the Corporate Authorities of the Village of Niles.

Village of Niles

By:_____________________________

Name: Andrew Przybylo

Mayor, Village of Niles

Date:__________________________, 2017

Attest:

By:____________________________

Name: Marlene Victorine

Village Clerk, Village of Niles

Date:__________________________, 2017

Approved as to form and legality:

By:_____________________________

Danielle Grcic, Village Attorney
**Group Exhibit “A” – True Up**


(attached)

**Group Exhibit “B”**

Example of Rate Calculation for MG-N Water Rate Commission for Service Year 2017 Based on Evanston Audited Information for Fiscal Year 2015 comprised of Pages B-1 through B-21 (Pages B-1 and B-2: Example of Rate Calculation for MG-N Water Supply Prepared on 12/14/2016 by Dave Stoneback, Morton Grove - Niles Water Supply Rate Calculation for Service Year 2017, Based on FY 2015 Actual Information; Pages B-3 to B-12: Evanston Water Utility Component Sheets, Table B-1 dated 6/30/2016 (Reproduction Cost New Less Depreciation As Of December 31, 2015, Pages 1 through 10 of Burns & McDonnell Water Works Properties Valuation); Page B-13: Table B-2 dated 6/30/2016 (Reproduction Cost New Less Depreciation As Of December 31, 2015, Burns & McDonnell Water Works Properties Valuation); B-14: Table B-3 dated 6/30/2016 (Original Cost New Less Depreciation As Of

(attached)

**Group Exhibit “C”**

Depreciation Rates comprised of Page C-1: Depreciation Rates (Classes of Plant included: Source of Supply, Pumping Plant, Treatment Plant, Water Plant and Transmission)

(attached)
Exhibit “D”

City of Evanston Ordinance 5-O-17 (Approval of Water Supply Agreement Between the City of Evanston, the Village of Morton Grove and the Village of Niles)

(attached)
Exhibit “E”

Village of Morton Grove Resolution Number __ (Approval of Water Supply Agreement Between the City of Evanston, the Village of Morton Grove and the Village of Niles)

(attached)
Exhibit “F”

Village of Niles Resolution Number __ (Approval of Water Supply Agreement Between the City of Evanston, the Village of Morton Grove and the Village of Niles)

(attached)