

MINUTES

Meeting of the Chicago Water Partners Advisory Council (CWPAC)
(An Advisory Body to the Chicago Department of Water Management)
Tuesday, March 14, 2023

Held at Chicago Plumbers Hall,
1340 W. Washington Blvd., Chicago, IL

Call To Order

The meeting was chaired and called to order by David Kohn, Deputy Commissioner for Regional Partnerships, Chicago Department of Water Management (CDWM) at 10:06 a.m. Mr. Kohn welcomed everyone, introduced himself, and asked everyone to please introduce themselves and to note their affiliation.

Roll Call & Self-Introductions

Meeting participants and representatives of suburban communities and water systems in attendance and/or affiliated with CDWM who introduced themselves were:

Andrea Cheng, Commissioner of the Department of Water Management
Bill Pazdzioch, Village of River Grove Water Superintendent
Brock Leder, Director of Public Works, Village of River Grove
Rick Barger, Village of Forest Park Water Department
Sal Stella, Director of Public Works, Village of Forest Park
Wesley Barber, Superintendent, Broadview-Westchester Joint Water Agency
William Green, Director of Village Projects, Village of Bridgeview
Nick Gornick, Deputy Director of Plant Operations, City of Joliet
Benjamin Daish, Finance Director City of Berwyn
Brett Kryska, Village Manager, Village of Schiller Park
Seth Jensen, Village of River Forest Public Works Department
Dan Tryban, Water Commissioner, Village of Alsip
John Spatz, Advisor, Village of Oak Lawn Regional Water System
Coleen Kelly, Executive Director, Justice-Willow Springs Water Commission
Jason Zurawski, Superintendent, Brookfield-North Riverside Water Commission.
Mark Lucas, Commissioner, Brookfield-North Riverside Water Commission
Tim Watkins, Assistant Director of Public Works, City of Des Plaines
Chris Lesniak, Water Superintendent, Village of Bedford Park
Ramesh Kanapareddy, Exec. Director, NSMJAWA
Tom Tomschin, Director, Town of Cicero Department of Housing
Lido Manetti, Superintendent of Water, Town of Cicero
Steve Davids, Village of Stickney Public Works Dept.
Bob Frederickson, Deputy Commissioner, City of Calumet Public Works
Paul May, General Manager, DuPage Water Commission
Mike Bills, Water & Sewer Superintendent, Village of Oak Park
Orlando Velasquez, Water Operator, Village of Oak Park
Kyle Vester, Village Engineer, Village of Mokena
Kathleen Henly, Asst. to the Commissioner of CDWM, City of Chicago
Joel Vieyra, First Deputy Commissioner, Department of Water Management, City of Chicago

Public Comments

Mr. Kohn mentioned that because the CWPAC is a public body, in compliance with the Open Meetings Act (OMA) members of the public are welcome to attend its meetings and may offer comments if they so choose, so a “Public Comment” item will be included on the agenda for each meeting of the body. As no members of the public were in attendance, he moved on to the next item on the agenda.

Approval of Minutes

Mr. Kohn then turned to consideration of the minutes from the previous meeting of October 18, 2022, noting that draft minutes of that meeting were sent in advance to the members of the CWPAC for review. He mentioned he had found and corrected in the draft the misspelling of the surname of one meeting participant, and asked if anyone had any additional comments on or corrections to the minutes. Hearing no further comments, Mr. Kohn stated that he would entertain a motion to approve the draft minutes as amended. **A motion to approve the minutes of October 18, 2022 was made by Mr. Kanapareddy and seconded by Mr. May. Mr. Kohn then called for a voice vote to approve the minutes, first asking those in favor to signify by saying “aye” and then asking any opposed to signify by saying “nay.” The minutes were approved by unanimous voice vote.** Mr. Kohn thanked the members and indicated that the approved minutes would be posted on the CWPAC webpage that has been established on the Department of Water Management website.

Remarks of the Chair

Mr. Kohn began by updating the members on the formation of the CWPAC, reviewing what has been accomplished so far and additional steps that are needed. He observed that an important first step was adoption of “Chicago Water Partners Advisory Council” as the formal name of the organization, and he thanked the members for reaching consensus on this matter.

He stated that another meaningful next step is the appointment of primary and secondary delegates to the CWPAC. Each community or water system that is a member of this organization, he said, is asked to designate a primary or a secondary delegate to represent them. He emphasized that both delegates need not attend each meeting, but at least one should be at each meeting so that every member of the CWPAC is represented. As of today’s meeting, he added, a total of 27 communities or water systems have named their delegates, which is roughly one-half of the CWPAC’s membership. He asked those members who have yet to appoint their delegates to please do so as soon as possible.

Related to the appointment of delegates, he continued, is the Open Meetings Act requirement that everyone who is appointed to represent a community or water system must complete the online OMA training offered by the Illinois Attorney General’s office, noting that the website where one can complete that training is listed on the agenda for today’s meeting. He explained that after selecting a username and creating a password, the OMA training can be completed in roughly 20-30 minutes. Upon finishing the training, he said, the website will generate and provide a certificate of completion, which delegates should send to Mr. Kohn or Ms. Henly at CDWM so it may be added to the OMA compliance file for CWPAC delegates that CDWM is required to maintain.

Mr. Kohn added that if anyone has previously completed the online OMA training for another public body on which they serve, they should forward a copy of their completion certificate to CDWM, since delegates need complete this training only once and need not renew their training certificate each year.

Finally, and also with respect to OMA compliance, Mr. Kohn mentioned that CDWM now has established a public-facing webpage (www.chicago.gov/city/en/depts/water/provdrs/pship.html#) to publish and make available all information required under the statute, including items such as meeting notices, agendas, and approved minutes. This public webpage allows the general public and news media to obtain information about the CWPAC’s activity and its meetings, should they want to attend. He added that following the organization’s adoption of a formal name, CDWM also has reserved or “parked” a few possible URL/website addresses for the CWPAC’s internal website, which will

contain internal and/or sensitive information about water infrastructure, etc. that may be accessed only by CWPAC members. He said that this website, which will be password protected, will be set up as soon as possible.

Mr. Kohn then moved to the next item on the agenda concerning the CWPAC's quarterly meeting schedule. At the last meeting, he said, the meeting schedule was discussed and a series of dates for the CWPAC's 2023 meetings was selected. Subsequently, he noted, several members advised that the date of the next meeting – June 13 – conflicts with the American Water Works Association (AWWA) annual water conference (known as “ACE 2023”) that many members plan to attend. To avoid this conflict, he said he would like to ask if the CWPAC's June meeting could be rescheduled, perhaps to Tuesday, June 27.

He asked the members if anyone had any objection to moving the 2nd quarterly meeting to Tuesday, June 27, and hearing none, sought approval to move the June 13 meeting to June 27. **The members indicated their approval and the 2nd quarter meeting date was changed by consensus to June 27 during the same timeframe, 10:00 a.m. to noon.**

Next, Mr. Kohn opened the floor for discussion of the location of the June 27 CWPAC meeting. He said that the Plumbers Union Local 130 has kindly allowed the use of their facilities for today's meeting, but as the CWPAC does not want to impose upon Local 130 to host every meeting – and consistent with the goal to hold meetings at locations other than in Chicago and to gather at the facilities of other members – several CWPAC communities and water systems have offered to host a meeting.

He then asked for suggestions for the location of the June 27 meeting. Discussion ensued, during which Mr. May of the DuPage Water Commission (DWC) offered to host the next meeting at the DWC building, located at 600 East Butterfield Road in Elmhurst. The members expressed their concurrence and Mr. Kohn thanked Mr. May for agreeing to host the June 27 meeting, asking everyone to please note the date and location on their calendars and adding that a reminder will be sent out in advance together with the agenda for that meeting.

Committee/Working Group Reports

No reports were offered as formal by-laws to establish committees and/or working groups have not yet been adopted by the body.

Update: CWPAC Draft By-Laws

Mr. Kohn then turned to the next agenda item, concerning development of draft by-laws for the CWPAC's consideration and adoption. He mentioned that several members had volunteered to serve on a by-law drafting committee, which in addition to himself includes Mr. May of DWC, Ms. Swisher of Joliet, Mr. Kanapareddy of NSMJAWA, Mr. Maslow of Harwood Heights, Mr. Spain of Norridge, and Mr. Ward of Evergreen Park.

He reported that this group has made significant progress on the draft by-laws, stating that within the near future, and in well advance of the June 27 meeting, a copy of the draft by-laws will be shared with the members for their review to facilitate discussion and, hopefully, approval of the by-laws at that meeting. He then asked if any member of the drafting committee wished to offer any comments about the draft by-laws that have been developed.

Mr. Kanapareddy said that the purpose of the bylaws is to guide the CWPAC on how to conduct its business, issues to be considered, establishing rules of procedure including a voting process, etc. as the organization begins its function as an advising body to the Commissioner of DWM on water policy and operational matters. He said the draft by-laws document will not be lengthy but will provide an important framework for the organization and its structure going forward. As one example, he mentioned that the current draft envisions a weighted voting system based upon each member's IDNR Lake Michigan water allocation.

Mr. Kohn asked if other members of the drafting committee wished to comment; Mr. May stated that he felt Mr. Kanapareddy had summarized the current draft well.

Picking up on Mr. Kanapareddy's comments, Mr. Kohn agreed that the draft by-laws will be a relatively compact document providing the structure and rules of procedure for the CWPAC's work. He reiterated from the previous meeting that when the CWPAC is considering a matter on which it may take a position or a recommendation to the Commissioner of DWM, as much as possible the goal is to endeavor to do so by consensus in lieu of recorded votes. But in those instances where consensus does not emerge, the organization would have a recorded vote, which as Mr. Kanapareddy mentioned is proposed to be conducted on a weighted-vote basis according to each customer's IDNR allocation.

He added that the draft by-laws propose that the CWPAC be led by an executive committee that will broadly represent the membership. He emphasized that although DWM is convening these meetings and has formed this advisory council, the organization "charts its own destiny" and Chicago does not control how the body operates. The executive committee, therefore, is going to include not just the largest partners of the water system, but also, for example, an at-large representative, which was Mr. Kanapareddy's suggestion.

The draft by-laws also suggest structuring the CWPAC by geographically having representatives from the northern part of the system and the southern part of the system; if a member is served by the Jardine water plant, they would be part of the North group, and if their water service is provided by the Sawyer plant on the south, they would be part of the Southern group of the body.

He mentioned that the proposed Executive Committee (EC) would have nine members, several of which are selected by the membership of the organization, so the EC would include not just the largest partners but others who are selected at large. The objective, he said, is to have diverse leadership and voting strength so that everybody has a voice and everyone's views and opinions guide the CWPAC's work.

He also touched upon the by-laws proposal to establish, on an as-needed basis, certain working groups. For example, he said, if the CWPAC is looking at recommendations concerning rates and billing, or technical matters, or capital improvements to the Chicago water system, a working group could be created to address those issues.

Significantly, he said, when the CWPAC is considering a recommendation to the Chicago Department of Water Management, the draft by-laws state that Chicago does not vote on those matters. If this organization is providing a recommendation to the city and its water department, he said, the by-law drafting committee thought it was not appropriate for the city to vote on recommendations to itself. Therefore, the representative of DWM/the City of Chicago would not vote on recommendations to Chicago that the CWPAC considers.

The other broad category of action that this body could take, he said, is to weigh in as a regional organization on water policy that affects us all. One example would be IDNR allocations. If this body considers some kind of communication or position that we want to communicate to IEPA, or IDNR, or any other external organization that is involved with water policy and water operations, we can and are expected to do that. We are trying to encourage regional collaboration, he stated, and where we concur on a particular issue, we thought it would be helpful for the CWPAC to speak as an organization and as a regional voice. So, in instances when the CWPAC considers a recommendation on something that is broader or external in nature, Chicago would be able to vote on such matters.

Mr. Kohn concluded the by-laws update by reiterating that the draft document will be shared with the CWPAC membership to allow for review in advance of the June meeting, when the goal will be to discuss and formally adopt the by-laws, a key step in the ongoing formation of the organization.

Additional Discussion Prior to Review of AWWA Rate Methodology Implementation

Mr. Kohn indicated that the City's CFO, Jennie Bennett, and the Deputy CFO, Jack Brofman, would soon arrive to discuss the City's plans for transitioning to the Cost-of-Service AWWA rate methodology, which is obviously of concern to everyone present. To recap, he mentioned that AWWA is considered the "gold standard" when it comes to rate setting as well as many other aspects of water operations. The methodology, he said, would in effect create a custom water rate for every community or water system that's part of the Chicago water system. And the components of the rate are calculated based upon a variety of factors, such as how much of the Chicago water system infrastructure is required to get water to customer A or Customer B or customer C, so each suburban wholesale customer's rate will be a little bit different. While awaiting this presentation, Mr. Kohn suggested that the group review other matters concerning water operations of general interest.

Discussion ensued, during which several issues were reviewed. Commissioner Cheng discussed DWM's efforts to monitor and test for Per- and Polyfluorinated Substances (PFAS), sometimes referred to as "forever chemicals," for which USEPA is set to propose standards for detection levels; the Commissioner and representatives of several other communities and water systems discussed their work to inventory and carry out lead service line replacements (LSLRs) and to identify sources of funding to support these efforts; and Mr. Kohn and Mr. Gornick provided an update on the Chicago-Joliet water supply agreement that will provide, by 2030, Lake Michigan water to Joliet and other communities in the southwest suburbs that are joining together to form the Grand Prairie Water Commission.

At this time, the meeting was paused for a 10-minute recess while awaiting the arrival of Ms. Bennett and Mr. Brofman. Following the brief recess and the arrival of Ms. Bennett and Mr. Brofman, Mr. Kohn reconvened the meeting.

Presentation: Implementation of AWWA Cost-of-Service Methodology

Mr. Kohn stated that before hearing the presentation from CFO Bennett and Deputy CFO Brofman, he wanted to offer brief background and context. He said that the two major water policy initiatives that the City is advancing – one being establishment of the CWPAC – the other is the city's commitment to transition to the AWWA cost-of-service rate methodology, which basically develops a custom water rate for every community or water system that is part of the Chicago water system. At the last meeting, the organization expressed a desire to hear from the leadership of the city about its plans, the City's timeline and thoughts about how and when that transition will occur. Mr. Kohn then introduced and turned the floor over to the CFO for the City of Chicago, Jennie Bennett.

Ms. Bennett said she wished to begin with some history, noting that when Chicago started the process of converting to AWWA a number of years ago when Mayor Lightfoot first took office, the City surveyed its water utility and the regional relationships that it had. And it became clear that Chicago needed a stronger relationship with its water partners to talk about water service to the region. And that, she said, started the conversation around the Advisory Council and AWWA. She said that as many here know, AWWA cost-of-service rate setting is a best practice across the country for rate setting; it provides transparency to rates, which is a hallmark of the mayor's administration, and is something the City is committed to and has been working diligently to implement.

She continued, stating that the task of transitioning to a new rate methodology with a large number of wholesale suburban customers is a complex and challenging undertaking, saying that Mr. Brofman would offer additional comments on Chicago's work to develop this framework and effect the transition to the AWWA model.

She added that it has been a very productive process so far and that the City has received a lot of valuable feedback from its suburban water customers on this matter. She noted that the water supply agreement with Joliet, which is in the final stages and will soon be considered and approved by both parties, includes a commitment by the City to implement the AWWA rate setting methodology by the time water service to Joliet and its regional partner communities begins in 2030, so this signals a significant step toward moving to the AWWA methodology and

implementing that for all partners of the Chicago Water System. We look forward, she said, to working with everyone here and all of our suburban customers to achieve this important transition. With that, she said, I would like to turn the floor over to Jack Brofman.

Mr. Brofman thanked CFO Bennett and the CWPAC members. He said that as Chicago's Deputy CFO on Ms. Bennett's team, he and the City's financial team have been leading implementation of the cost-of-service methodology for the City in partnership with DWM. A major part of this work, he said, has been reviewing extensive records concerning the financial aspects, assets and infrastructure of the Chicago Water System, which under the AWWA framework must be organized in a manner that clarifies exactly how each customer is served by the system and the costs that are specifically applicable to the assets that serve a particular customer.

So, he said, a lot of time has been devoted to reviewing the City's records in this regard and refining the information on the various aspects of the Chicago Water System and its operating costs that are relevant to each customer – for example, the pumping stations that serve a customer, are they served by the Jardine plant or by the Sawyer plant, which assets are clearly connected to those larger scale “cost centers,” as we've called them, that serve each of our wholesale customers. So that work is ongoing, he said, but one of the most important underlying principles to implementation of the cost service methodology is allocating only those assets that are, quote-unquote, “used and useful” to providing water service to a particular customer.

He continued, saying that the City is committed to continue refining this information up to the implementation date. With that in mind, one of the next steps is to start engaging with the Advisory Council and with each of the individual wholesale customers, who ultimately will transition to a cost-of-service rate. So that includes gathering and developing systems for recording more specific information, such as the peaking factors associated with each wholesale customer of the system. As of today, he said, there are only a few customers for which we can obtain data such as maximum demand via metering, so the City will be reaching out and setting up a system to start tracking that information.

Importantly, he added, we also need to begin our formal outreach to each and every wholesale customer to present the cost-of-service study and underlying methodology used to establish their rate, noting that this goes beyond the overview presented by Greeley and Hansen at the initial meeting of this council and will entail thorough review of the methodology and receiving feedback from wholesale customers on every material assumption that we're using. So while we continue to develop this AWWA rate framework and to plan for this transition, the members of the CWPAC are critical partners in this process.

Mr. Kohn interjected another observation about the City's transition, which is that as we move down this path together, we're going to be looking at each of the individual water supply agreements (WSAs), reviewing those WSAs to renew each of the contracts to insert what the City is calling a “water rate transition date”; in other words, he said, we will have a continuation of the current rate methodology that Chicago now offers to its customers, which is the flat rate, and then at some date certain to be determined, everyone will receive the AWWA cost-of-service rate that's been developed for their community or water system.

Ms. Bennett then mentioned that there has been an enormous effort by the City across a number of different departments and over several years to achieve this transition to AWWA, including staff from DWM, the Department of Finance, Law, and the City Council – which has twice approved the preliminary agreement with Joliet. So this has been a process that has been in the works for a number of years.

Secondly, she continued, one of the benefits of transparency in rate setting and in working with this council is that it creates more permanence. We now have an advisory council that has been meeting and ultimately, is part of this process towards this greater transparency, and this body has a voice to be able to sustain that and to ensure that the City is accountable.

At this time, Mr. Kohn said he would open the floor to questions and comments about the AWWA rate setting methodology and the City's transition to same.

Mr. May was recognized. He asked if the City could offer some perspective relative to the contracts that are pending renewal. The DuPage Water Commission WSA, he said, is up soon for renewal, and in this context, he inquired when the City anticipates finalizing its contract with Joliet. Also, concerning other wholesalers, he asked "what's the furthest contract expiration date out there?" Overall, he inquired about the process of negotiations with the wholesale customer base and the envisioned schedule for these discussions.

Ms. Bennett replied that the City is in the final stages of negotiating the Joliet contract. She acknowledged that there are a number of water supply contracts whose renewal dates are upcoming and about which we have to have a conversation about effecting the transition to AWWA. She then asked Mr. Brofman to address the range of wholesale contract expiration dates and the timetable for renewal discussions.

Mr. Brofman stated that the contract with the furthest expiration date is in 2042, and clearly that wholesale customer would not be interested in waiting until 2042 to transition to AWWA. Therefore, he said, one of the things we are addressing is figuring out the best way to manage that transition, which would involve amending existing water supply contracts, but this is certainly something that we intend to explore with anyone whose contract expires after the transition date.

Mr. May inquired if the City has a perspective on what the target transition date will be. Mr. Brofman replied that At the current time, Chicago expects that the date certain will be January 1, 2030, and certainly no later than January 2030. So the Joliet contract as written, which is not yet finalized or approved, would create an obligation to the City to provide water to Joliet as of January 1, 2030. And we would include, he said, a similar transition date in every contract that we amend and renew subsequently.

He emphasized that the Joliet contract, however, is not really the driving force of the rate transition process, because the City has approximately 50 wholesale water contracts, and renegotiating those is not a small endeavor. And very significantly, he added, what is really important about AWWA is that it is a uniform methodology that applies to everybody and which is fair, equitable, and transparent. And so, he explained, it does not work if one customer goes first and another is on a different rate setting method, you want everyone to transition all at once. In this context, he noted that seven years is a relatively brief time to try to get all 50 contracts negotiated, but the City's going to do its best to do that.

Mr. Kryska of Schiller Park was recognized and asked if the annual cap on rate increases for inflation would still be involved in the AWWA method. Ms. Bennett replied that while such a cap is not technically in AWWA, a cap limiting annual rate adjustments is contemplated as part of the conversion to AWWA. Mr. Kryska followed up, asking if the current cap in the Chicago Municipal Code on water rates – 5% or the previous year's CPI – would be retained. Ms. Bennett affirmed that this "dual cap" would continue and added that the AWWA rate methodology is really about recovering operational costs. But if in a given year a cost goes up more than inflation or 5%, that's not actually part of the AWWA methodology.

Having said that, she added, we all know predictability and stability is really important for you as it is for us, and how we communicate that to our stakeholders. And so what we are contemplating is annual rate adjustments would be the lower of three values: the AWWA rate, the inflation rate, or 5%. And in terms of how the AWWA rate and cap is calculated, if for some reason there is a major construction cost incurred by the Chicago Water System in one year, that in theory could bring it above either the CPI or the 5% cap.

In such an instance, she said the City gets to recover for that over a 10-year horizon, because it is still a cost that needs to be recovered, for example, to account for construction of a major tunnel, or a major watermain or, a project involving a pumping station, etc. But while the City will need to recover for such costs, it is not something that ratepayers are going to have to absorb in one year, so there's predictability and stability.

Mr. Kohn interjected that this is an area where the CWPAC plays a critical role. The City of Chicago is developing the AWWA rate framework and will present it to this advisory council for review and for comment. And so, on an annual basis the CWPAC is going to be looking at that and matters like Chicago's proposed capital improvement program: what does the City propose to spend for improvements at the Sawyer or Jardine facilities? We want the advisory council to consider those capital improvement plans and to comment upon them to give feedback to DWM and to the Commissioner, so that Chicago receives input on an ongoing basis on these critical aspects of this new rate methodology that it is going to implement.

Mr. May then asked, "may I assume that you have or are underway in producing the estimate model for each community you have a contract with? When can everybody expect to see their projected rate?"

Ms. Bennett replied that yes, the City is working hard on updated cost-of-service models that we will be able to share with everyone. At this time, she said, it is difficult to state an exact timeline, but the City is diligently pursuing development of the AWWA framework and to produce a projected rate to share with each of the individual wholesale customers. Mr. May inquired if the City has a view on when those rate models would be shared – is that a matter of months or years? Ms. Bennett said she would not call it years, stating that this critical task, getting this work done and providing the projected AWWA rates to everyone, is a primary focus of the City.

Mr. Kanapareddy of NSMJAWA was recognized. He stated that his system and a few others have received a preliminary cost-of-service model, and as has been mentioned it looks like the transition to the AWWA methodology will not occur until 2030, or seven years from now. He said NSMJAWA is working to try to bring into its system communities adjacent to its current service area to bring in new customers currently dependent upon wells. Given Chicago's relatively high rate and our efforts to attract new customers, he said, if the cost-of-service rate will not be implemented for seven years, our concern is whether are we going to be able to get these customers to affiliate with us or are they going to go somewhere else? Is there a plan in place, he asked, for those customers to whom Chicago has provided preliminary data on cost-of-service? Is there a transition period that can be implemented so that we are better able to attract more customers without waiting till 2030?

Ms. Bennett said she appreciated this concern, which arises from the complexities of the conversion to the cost-of-service rate. There is a process and a plan for this transition, which entails not only conversations with our suburban customers but refinements in how we account for our system, making sure we are tracking things appropriately and making the needed changes and adjustments.

She mentioned that also relevant to this transition are the conversations the City has been conducting with the rating agencies, which have been very productive as they consider the impact of Chicago's adoption of the cost-of-service methodology. She added that the City has roughly \$2 billion of water bonds outstanding for which changing the rate setting is a significant event and requires a change to the bonds, so the City has to go through the process of recapitalizing its debt structure to account for that.

So, she said, this is not a small task as it involves converting the entirety of how we set rates for about 5 million customers across our region. Now, however, as legislative action is imminent on the Joliet agreement and as other large contracts are coming up for renewal, this process is well underway and Chicago is working as quickly as possible to provide everyone with more information and updated cost-of-service details so everyone can see their projected rate.

Ms. Bennett also noted that because of the conversations Chicago has already had about cost-of-service and because of the progress that has occurred over the last four years, new customers have agreed to come into our system and the City has helped in those conversations as well. We talked with the DuPage Water Commission with respect to them bringing on board the communities of Oswego, Montgomery, and Yorkville. Ultimately, she said, we are more than willing to help our partners in the region sell water to others, because it's beneficial to all of us to have them come in and be a part of the system. We want to provide the certainty folks are looking for and to have them join the Chicago Water System. The AWWA rate transition probably won't take the whole seven years, but there's at least a few years of work ahead to achieve this. And at the very least, she said, you will be able to communicate to potential customers what you expect the rate to be and the way that it is set, and the City of Chicago is eager to participate in those conversations.

Mr. Kohn asked if there were other questions or comments concerning the transition to the AWWA rate methodology, which is a significant and complex matter. He added that it is important to keep in mind that under the relevant appellate court decisions, any public water utility must offer rates on an equitable and fair way, which reflects the need to transition the system and all wholesale customers served by the Chicago system to AWWA at the same time. AWWA, he said, meets the legal guidance on rate setting, because it allocates the cost to each customer based upon a uniform methodology that considers the aspects of the system that are needed to get water – as Mr. Brofman said, that are “used and useful” – to customer A or customer B or customer C. So that's part of the uniform application of the methodology that we need to ensure.

Mr. Green of Bridgeview was recognized and asked: if Joliet has its contract, how does the methodology coming to us really impact anything? How do we make a change if they are already setting the standard?

Ms. Bennett replied that the Joliet agreement does not set the cost-of-service rate for other customers, nor does it contain math that is fixed in a “A plus B plus C and D equals E” manner. There is still an opportunity, she said, for us to continue to have a conversation around the methodology. And ultimately, she added, under the AWWA M1 Manual there is room for interpretation and for discussion about how that is implemented, so the input of the CWPAC is really important in that respect.

Mr. Kohn concurred, stating that part of the CWPAC's role is to review the methodology that the city proposes to calculate water rates for all the partners in the system, and to provide feedback on components such as cost allocations. These are the kinds of conversations, he said, that we are going to have going forward as this process moves along, so that the City receives guidance from the advisory council about the development and implementation of the AWWA rate structure.

Ms. Kelly, of the Justice-Willow Springs Water Commission, was recognized and inquired about the water rate she's heard was being offered to Joliet. She said it was her understanding that Joliet was being offered an extremely low rate for an extended period of time. With respect to Mr. Green's question, is Chicago stating that the AWWA methodology is going to be used for Joliet as well as for other contracts?

Ms. Bennett affirmed that, yes, the same methodology will be applied to everybody in the system. Cost-of-service, she said, means you pay only for what you use, sharing that Mr. Kohn's analogy is the Liberty Mutual Insurance commercials that say, “you only pay for the coverage that you need.” This is the water rate equivalent of that – everyone only pays for the aspects of the system that are used and useful in providing water to them. In essence, we take portions of the system and allocate what you use in the system to develop your rate as a customer. The details of the methodology, she added, are somewhat complex and we will spend a lot of time going through that, but everybody's rate will be developed by applying the same methodology.

Mr. Kohn offered a broad example of how the methodology would be applied. If your community's water service originates from the Sawyer filtration plant, he said, your rate calculation includes none of the costs of operating the Jardine plant, and vice versa; if your water comes from Jardine, the costs attributed to your rate do not reflect the operational and maintenance costs of the Sawyer plant. And that's an aspect of the methodology that is quite welcome, because not only does it incorporate the aspects of the system that are actually needed to get water to you, but it also provides transparency so that everyone can see what goes into the rate and which components of it relate to various aspects of the water operations of the City. So, he said, it is a more discrete and fairer way of setting water rates that accurately reflects the cost of providing water to Customer A or B, or C.

Ms. Bennett said that she wanted to offer one more comment: mainly, that her greatest wish for the Advisory Council is that it uses its collective voice to advocate for issues that the members believe are good for the region. Aside from whatever the City's interests may be in terms of financing the system, etc., ultimately, we are stronger together as a region. And even if that means the Advisory Council may take a position that may not be in the city's interests, it is better to advocate together than for us to devolve into "my area vs. your area," which is something that could divide us.

So, she added, what this is meant to be is an open and transparent dialogue and for the CWPAC to continue its conversations and its work on achieving true collaboration for our region. And it is my greatest hope, she stated, that this continues and that the City and the Advisory Council spend the next several years pursuing this important work together.

Mr. Kohn thanked Ms. Bennett and said that he deeply appreciated that she, Mr. Brofman, Commissioner Cheng and First Deputy Vieyra came to today's meeting. He then asked if there were any other questions or comments.

Mr. Daish of Berwyn was recognized. He inquired if the AWWA rate methodology was a new trend or if this rate-setting method has been employed in municipalities similar to Chicago.

Mr. Brofman replied, explaining that the M1 Manual, a methodology published by AWWA that was developed many decades ago, is considered the "gold standard" for cost-of-service rate setting and is used widely by other large wholesale systems. Some examples, he said, of systems of equivalent size would be the Great Lakes Water Authority in Detroit, the Southern California Metropolitan Water District, as well as San Antonio and Dallas in Texas, and San Francisco. The bottom line, he said, is that AWWA cost-of-service rate setting is used nationwide.

Mr. Daish followed up, asking about transitioning to the AWWA framework. For those that are out of contract now, he asked, or leading to that 2030 transition date, what would be the proposal? Would it be the current, existing rates leading up to that point? Or are you going to present in the contract proposal that communities have to sign off on this methodology right away?

Mr. Brofman said that highly specific methodology language is unlikely to be in the contract. First of all, he said, this obviously needs to be up for discussion, because we have not done a transition type contract with anyone, but we would specify the date of transition to AWWA. Up to that point, we would continue to apply the uniform rate to everyone such that no matter when you renew your contract, whether it's this year, or in 2029, you know that you're going to transition at the same time, and up to that point you would continue to pay the uniform flat rate. And then, concerning how the methodology is laid out in the contract itself, that is to be determined. The Joliet contract provides an example, generally we're talking about statements of principles around how the methodology is going to be applied. But there's not, and Ms. Bennett said, "a plus b equals c" type language in there, because that is not conducive to what this council is trying to accomplish.

To clarify, Mr. Daish said, you are saying that this is going to be handled more or less on a case-by-case basis. Mr. Brofman said that is correct, but the City doesn't want to be inconsistent. Chicago aims for consistency across its wholesale water agreements, but the exact format of how the methodology is described contractually is not yet determined. It will be a process informed by conversations with our customers and feedback about the methodology, which will help refine the methodology as we move closer to the transition.

Mr. Tomschin from the Town of Cicero was recognized. He asked "do you expect the current flat rate to be kind of like the baseline? Or are the municipalities going to see a rate lower than they are currently paying?"

Ms. Bennett said that some rates will be lower and some may be higher, but probably not higher than what will result from the projected CPI adjustments to the uniform rate through 2030. When we took a look at the cost-of-service overall, she said, the rates under AWWA would be close to what the uniform rate will be with the current annual adjustments. But ultimately, it's how this is allocated to different communities, because cost-of-service reflects what you actually use. The other part of that, she added, is that Joliet's addition ends up being a really important part of our ability to make this transition, because of the fact that we start this transition with 30 million dollars in additional annual revenues in a water system for which the cost to operate is already established. So it is not incrementally that much more costly for the system to provide that extra water to Joliet, especially because they are paying for the entirety of all of their capital improvements that are needed to connect to our system.

I would add, she continued, that an important aspect of this that should be appealing to everyone here is that aspects of your water service such as peaking factors, together with other information, means that the efficiency with which an individual wholesale customer takes water and how your system is managed can help determine what your rate is. So, if you have more efficient usage of water, either through changes of operations or additional storage or something to that effect, then that can help you control your rate and drive it down. Hopefully, she said, this would not just incentivize additional storage and better water practices generally, but it would be beneficial for your rate as well.

Mr. Kohn thanked Ms. Bennett and asked if anyone else had a question or comment before adjournment. He reiterated that all CWPAC members should feel free to reach out and let him or Ms. Henly know if there are any other questions that they may answer. He thanked everyone for attending today's meeting and said that we are making great progress toward moving the Advisory Council into ongoing operation, mentioning that a draft of the proposed by-laws will be sent around for review soon.

He thanked all who attended on behalf of himself, Ms. Henly, Commissioner Cheng, Ms. Bennett, Mr. Brofman, and Mr. Vieyra, saying that the Chicago team really appreciates everyone's engagement with this endeavor. This is a big transition for the city and for our region, he said, and that together we will develop better regional collaboration, learn from one another, and receive recommendations for the Chicago water system so that we can improve and become more efficient in our operations.

Old Business

None.

New Business

None.

Adjournment

There being no further business before the Council, Mr. Kohn asked for a motion to adjourn the meeting. Said motion was offered, seconded and approved by voice vote and the meeting was adjourned at 12:10 p.m.