



*Village of*  
**HOMER**  
**GLEN**

# Sewer & Water Task Force

Interim Report  
September 20, 2005

# Task Force Members & Liaisons

---

- Rob Denton
- Joe Jeraminas
- Dwight Johnson
- Jim Robert
- Mary Niemiec
- George Tarasuk (newly appointed)

## Liaisons

- Aaron Fundich (Robinson Engineering)
- Stephen Dalton (Nies Engineering)
- Brett Postl (Postl-Yore Associates)
- Marcia DeVivo (Stormwater Task Force)

# Initial Task Force Concerns

---

- High cost of water
- High fee for sewer
- Quality of water

# Additional Task Force Concerns

---

- Unauthorized use of hydrants by developers and private parties.
- Lack of routine maintenance of hydrants, especially in commercial centers.
- Fire flows in certain areas of community is low.
- No update of the company's master water and sewer plan has been received by the Village yet. The plan was last updated in 1995 and a new update is said to be underway.
- Coordination of the requirements of new developments is sometimes difficult.

# Additional Task Force Concerns

---

- Illinois American's customer service system is remote, difficult to negotiate, and sometimes provides inaccurate answers for our local situation.
  - i.e., disconnect notices sent for bills in dispute less than 30 days
  - Residents are told Homer Glen sets rates
  
- Bill is confusing and contains irrelevant information which contributes to concern.

# Task Force Activities

---

The task force began meeting in June, 2004

- Information in this report was gathered from:
  - Rate filings and other public documents
  - Illinois Commerce Commission
  - Illinois American Water Company
  - American Lake Water Company
  - Numerous state agencies
  - Surrounding communities
  - Communities served by private utilities
  - Homer Glen Legal Counsel
  - Residents

# Service Provider

---

- Illinois American Water Company is the largest private water provider in Illinois. This private company provides potable water and sanitary sewer service.
- IAW purchases water wholesale from the American Lake Water Company . This company was formed to construct the water pipeline from Bedford Park to Illinois American (then Citizens Utilities Company) consumers and municipalities.
- IAW and American Lake Water Company are owned by RWE Thames of Germany.

# Facts

---

- Homer Glen began receiving Lake Michigan water from a new pipeline beginning in March 2001.
- Community forums were held, community leaders engaged. Ultimately, the choice to seek a Lake Michigan Certificate was made as a business decision by Citizen's Utility.

# Facts

---

- All service to our residents, including the rates charged, continues to be solely under the authority of the Illinois Commerce Commission (ICC).
- Studies during the 1990's showed that ultimately the underground aquifer could not support the future anticipated population of Homer Glen and Homer Township. Surveys showed residents wanted Lake Michigan water.

# Facts

---

- Illinois American currently serves about 6,000 homes in Homer Glen, or about **79%** of the community.

# Facts

---

- The pipeline built was estimated to be the lowest cost alternative, providing the most stable water supply, of three pipeline routes considered and evaluated - according to the report.
- Communities receiving Lake Michigan water are required to adopt conservation measures, i.e., minimize lost or unaccounted for water.

# Facts

---

- Homer Glen is a part of the Southwest Suburban district of the Chicago Metro area. Portions of Lemont, Plainfield, and Bolingbrook are also in the Southwest Suburban district.

# Facts

---

- Illinois American owns and operates three waste-water plants within the Village of Homer Glen: Chickasaw, Derby Meadows and Oak Valley.
- There is currently no contract or franchise agreement between either Homer Township or the Village of Homer Glen for water or sewer service in the Village.



# Residential Water Bill

## Customer Account Information

For Service To:   
 Account Number:   
 Premise Number: 

## Billing Period & Meter Information

Billing Date: Sep 07, 2005  
 Billing Period: Aug 03 to Sep 02 (30 days)  
 Next reading on/about: Oct 03, 2005  
 Rate Type: Residential

Meter readings in current billing period:  
 Meter Number 052211512R is a 5/8-inch meter.

Present actual	728
Last-actual	718
1000G used	10
Gallons used	10000

## Billing Summary

-----Prior Balance-----	
Balance from last bill	\$133.00
Payments as of Sep 07, 2005. Thanks!	-133.00
Total prior balance, Sep 07, 2005	.00
-----Current Water Charges-----	
Basic Service	9.25
Use (\$3.511700 x 10.00)	35.12
Total water charges, Sep 07, 2005	44.37
-----Other Current Charges-----	
Supply Charge - Chickasaw	38.70
SWr Treatment	45.52
Fire Protection Charge	4.28
Total other charges, Sep 07, 2005	88.50
-----Taxes-----	
State Recovery Tax	.13
Total taxes, Sep 07, 2005	.13
-----Total Current Charges-----	133.00
-----TOTAL AMOUNT DUE-----	<b>\$133.00</b>

# Basic Service Fee

## Customer Account Information

For Service To: [REDACTED]

Account Number: [REDACTED]

Premise Number: [REDACTED]

## Billing Period & Meter Information

Billing Date: Sep 07, 2005

Billing Period: Aug 03 to Sep 02 (30 days)

Next reading on/about: Oct 03, 2005

Rate Type: Residential

## Meter readings in current billing period:

Meter Number 052211512R is a 5/8-inch meter

Present-actual 728

Last-actual 718

1000G used 10

Gallons used 10000

## Billing Summary

-----Prior Balance-----

Balance from last bill \$133.00

Payments as of Sep 07, 2005, Thanks! -133.00

Total prior balance, Sep 07, 2005 .00

-----Current Water Charges-----

Basic Service 9.25

Use (\$3.511700 x 10.00) 35.12

Total water charges, Sep 07, 2005 44.37

-----Other Current Charges-----

Supply Charge - Chickasaw 38.70

Swr Treatment 45.52

Fire Protection Charge 4.28

Total other charges, Sep 07, 2005 88.50

-----Taxes-----

State Recovery Tax .13

Total taxes, Sep 07, 2005 .13

-----Total Current Charges----- 133.00

-----TOTAL AMOUNT DUE----- \$133.00



# Key Findings

---

- Basic rates charged by Illinois American and approved by the ICC vary by the size of the water meter installed.
- Smaller meters result in lower overall charges for the same level of usage. The size of the initial meter installed in a new home or building is based upon a formula in the plumbing code.
- There is no known restriction governing the exchange of meters after the initial construction of the home. However, a smaller meter may mean a resident may not be able to use as many fixtures simultaneously.

# Use Charge

## Customer Account Information

For Service To:   
 Account Number:   
 Premise Number: 

## Billing Period & Meter Information

Billing Date: Sep 07, 2005  
 Billing Period: Aug 03 to Sep 02 (30 days)  
 Next reading on/about: Oct 03, 2005  
 Rate Type: Residential

## Meter readings in current billing period:

Meter Number 052211512R is a 5/8-inch meter.  
 Present-actual 728  
 Last-actual 718  
 1000G used 10

Gallons used 10000

## Billing Summary

-----Prior Balance-----  
 Balance from last bill  
 Payments as of Sep 07, 2005. Thanks!  
 Total prior balance, Sep 07, 2005  
 -----Current Water Charges-----  
 Basic Service  
 Use (\$3.511700 x 10.00)  
 Total water charges, Sep 07, 2005  
 -----Other Current Charges-----  
 Supply Charge - Chickasaw  
 SWr Treatment  
 Fire Protection Charge  
 Total other charges, Sep 07, 2005  
 -----Taxes-----  
 State Recovery Tax  
 Total taxes, Sep 07, 2005  
 -----Total Current Charges-----  
 -----TOTAL AMOUNT DUE-----

\$133.00
-133.00
.00
9.25
35.12
44.37
38.70
45.52
4.28
88.50
.13
.13
133.00
\$133.00



# Key Findings

---

- Use charge is based upon the amount of water used during the billing period.
- Purpose is to cover cost of providing water, maintaining mains and pumping stations at the local distribution site.

# Key Findings

---

- ✓ Basic Service charge for meter (depends on meter size) increased 48.5% in 2003.
- ✓ The most recent rate increase of the Use Fee became effective in August, 2003. This rate increased by 45% for Illinois American Water Company. The previous Use Fee increase was in 1995.

# Residential Water Bill

## Customer Account Information

For Service To:   
 Account Number:   
 Premise Number: 

## Billing Period & Meter Information

Billing Date: Sep 07, 2005  
 Billing Period: Aug 03 to Sep 02 (30 days)  
 Next reading on/about: Oct 03, 2005  
 Rate Type: Residential

## Meter readings in current billing period:

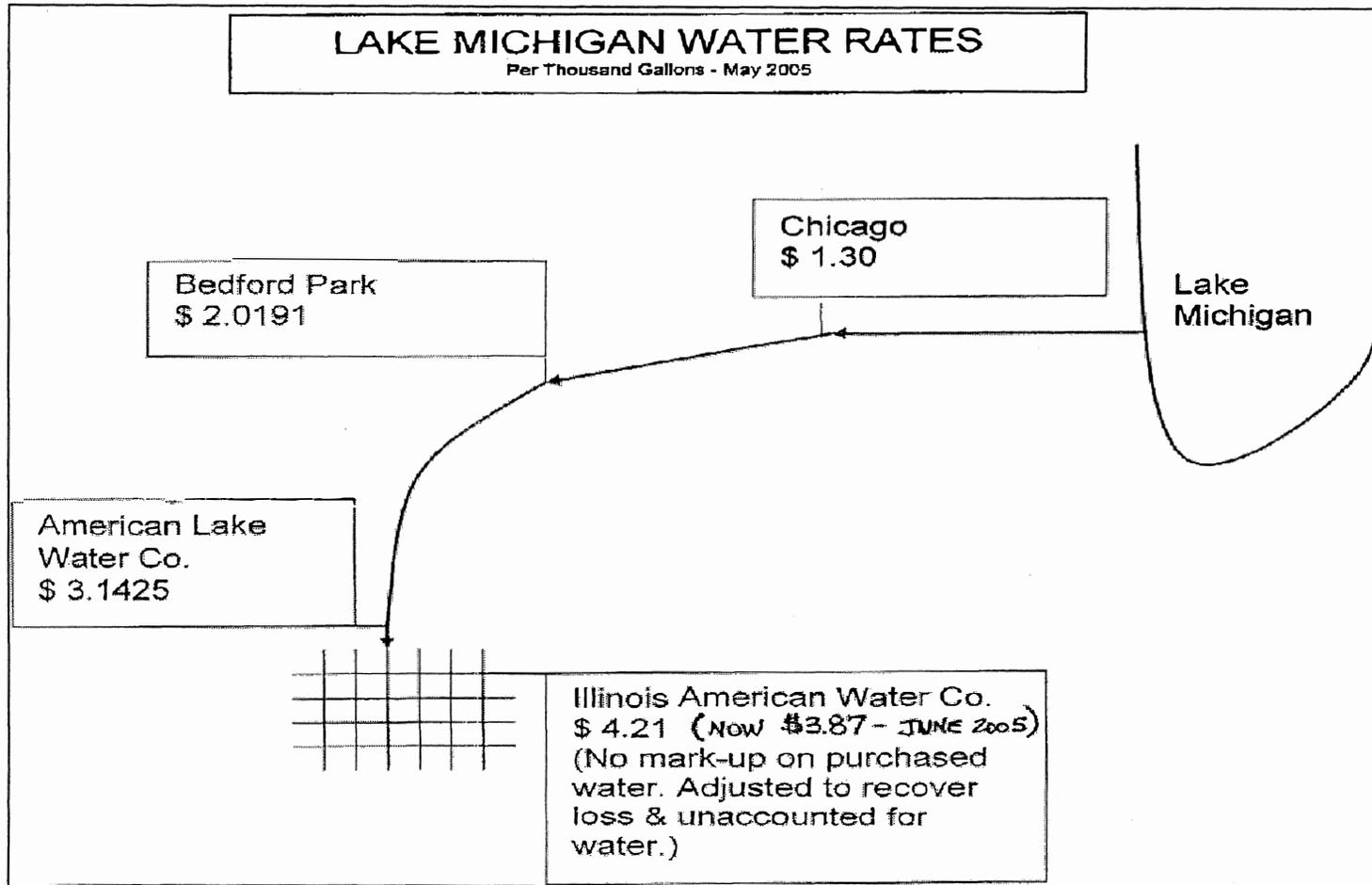
Meter Number 052211512R is a 5/8-inch meter.  
 Present-actual 728  
 Last-actual 718  
 1000G used 10  
 Gallons used 10000

## Billing Summary

-----Prior Balance-----	
Balance from last bill	\$133.00
Payments as of Sep 07, 2005. Thanks!	-133.00
Total prior balance, Sep 07, 2005	.00
-----Current Water Charges-----	
Basic Service	9.25
Use (\$3.511700 x 10.00)	35.12
Total water charges, Sep 07, 2005	44.37
-----Other Current Charges-----	
Supply Charge - Chickasaw	38.70
Swr Treatment	45.52
Fire Protection Charge	4.28
Total other charges, Sep 07, 2005	88.50
-----Taxes-----	
State Recovery Tax	.13
Total taxes, Sep 07, 2005	.13
-----Total Current Charges-----	133.00
-----TOTAL AMOUNT DUE-----	\$133.00



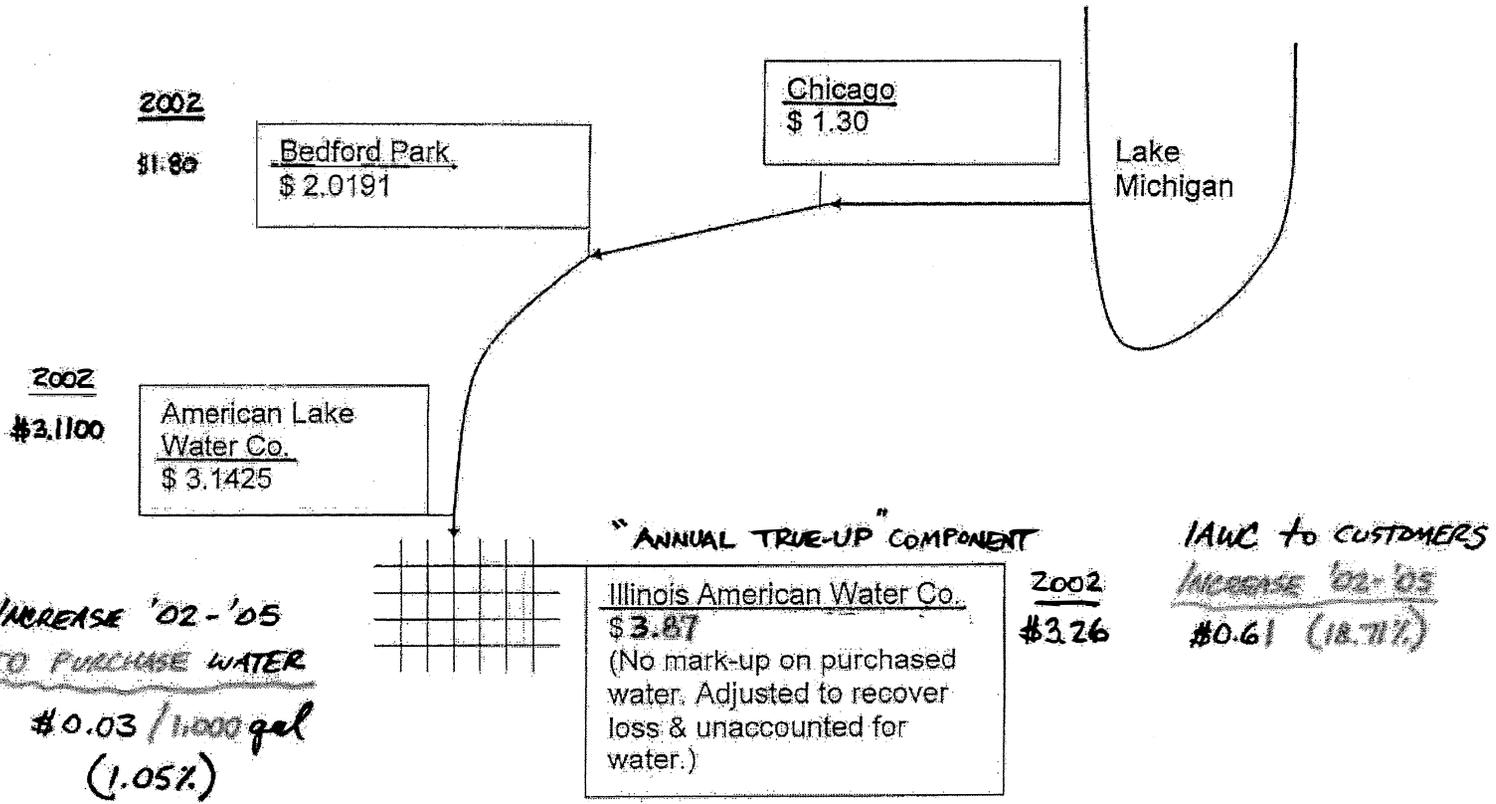
# Flow of Water from Lake Michigan - Supply Charge



# Flow of Water from Lake Michigan - Supply Charge

(SUPPLY CHARGE)

LAKE MICHIGAN WATER RATES  
Per Thousand Gallons - May 2005.



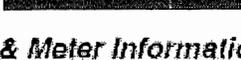
# Key Findings

---

- ✓ An increase in the Supply Charge due to the reconciliation of unaccounted for water was filed in 2005.
  
- ✓ Over a 3 year period April 2002 to April 2005
  - ✓ Cost to purchase water to IAW from American Lake increased from 3.11 to 3.14 (1%) per 1000 gal.
  - ✓ Charge to customers by IAW went from 3.26 to 3.87 (18.7%) per 1000 gallons.
  - ✓ Cost increase to IAW - \$.03
  - ✓ Cost increase to customers - \$0.61
  
- ✓ This is attributed to unaccounted for water.

# Residential Water Bill

## Customer Account Information

For Service To:   
 Account Number:   
 Premise Number: 

## Billing Period & Meter Information

Billing Date: Sep 07, 2005  
 Billing Period: Aug 03 to Sep 02 (30 days)  
 Next reading on/about: Oct 03, 2005  
 Rate Type: Residential

Meter readings in current billing period:  
 Meter Number 052211512R is a 5/8-inch meter.  
 Present-actual 728  
 Last-actual 718  
 1000G used 10  
 Gallons used 10000

## Billing Summary

-----Prior Balance-----	
Balance from last bill	\$133.00
Payments as of Sep 07, 2005. Thanks!	-133.00
Total prior balance, Sep 07, 2005	.00
-----Current Water Charges-----	
Basic Service	9.25
Use (\$3.511700 x 10.00)	35.12
Total water charges, Sep 07, 2005	44.37
-----Other Current Charges-----	
Supply Charge - Chickasaw	38.70
SWT Treatment	45.52
Fire Protection Charge	4.28
Total other charges, Sep 07, 2005	88.50
-----Taxes-----	
State Recovery Tax	.13
Total taxes, Sep 07, 2005	.13
-----Total Current Charges-----	133.00
-----TOTAL AMOUNT DUE-----	\$133.00



# Key Findings

---

- ✓ The sewer portion of the utility bill is a flat rate charge. It does not appear as that Homer Glen, Homer Township or area residents were represented at the hearings on the sewer rate increase.
- ✓ Residential units individually metered pay \$45.52.
- ✓ Multiple residential units not individually metered pay \$36.44
- ✓ Commercial & Industrial sewer service is charged on a per usage basis – not a flat rate.

# Residential Water Bill

## Customer Account Information

For Service To:   
 Account Number:   
 Premise Number: 

## Billing Period & Meter Information

Billing Date: Sep 07, 2005  
 Billing Period: Aug 03 to Sep 02 (30 days)  
 Next reading on/about: Oct 03, 2005  
 Rate Type: Residential

## Meter readings in current billing period:

Meter Number 052211512R is a 5/8-inch meter.  
 Present-actual 728  
 Last-actual 718  
 1000G used 10  
 Gallons used 10000

## Billing Summary

-----Prior Balance-----	
Balance from last bill	\$133.00
Payments as of Sep 07, 2005. Thanks!	-133.00
<b>Total prior balance, Sep 07, 2005</b>	<b>.00</b>
-----Current Water Charges-----	
Basic Service	9.25
Use (\$3.511700 x 10.00)	35.12
<b>Total water charges, Sep 07, 2005</b>	<b>44.37</b>
-----Other Current Charges-----	
Supply Charge - Chickesaw	38.70
Swr Treatment	45.52
Fire Protection Charge	4.28
<b>Total other charges, Sep 07, 2005</b>	<b>88.50</b>
-----Taxes-----	
State Recovery Tax	.13
<b>Total taxes, Sep 07, 2005</b>	<b>.13</b>
-----Total Current Charges-----	133.00
<b>-----TOTAL AMOUNT DUE-----</b>	<b>\$133.00</b>



# Key Findings

---

- Fire Protection Fee provides for the availability of water in the event of need.
- Last year Homer Glen had 3 fires. None used hydrants.
- ✓ Fire Protection Charge rose from 2.60 to 4.28 in Fall of 2003 – an increase of 64.2%
- ✓ Not all villages – privately serviced or municipally owned - assess a fire protection fee.

# Residential Water Bill

## Customer Account Information

For Service To: 

Account Number: 

Premise Number: 

## Billing Period & Meter Information

Billing Date: Sep 07, 2005

Billing Period: Aug 03 to Sep 02 (30 days)

Next reading on/about: Oct 03, 2005

Rate Type: Residential

Meter readings in current billing period:

Meter Number 052211512R is a 5/8-inch meter.

Present actual 728

Last-actual 718

1000G used 10

Gallons used 10000

## Billing Summary

-----Prior Balance-----

Balance from last bill

\$133.00

Payments as of Sep 07, 2005. Thanks!

-133.00

Total prior balance, Sep 07, 2005

.00

-----Current Water Charges-----

Basic Service

9.25

Use (\$3.511700 x 10.00)

35.12

Total water charges, Sep 07, 2005

44.37

-----Other Current Charges-----

Supply Charge - Chickesaw

38.70

Swr Treatment

45.52

Fire Protection Charge

4.28

Total other charges, Sep 07, 2005

88.50

-----Taxes-----

State Recovery Tax

.13

Total taxes, Sep 07, 2005

.13

-----Total Current Charges-----

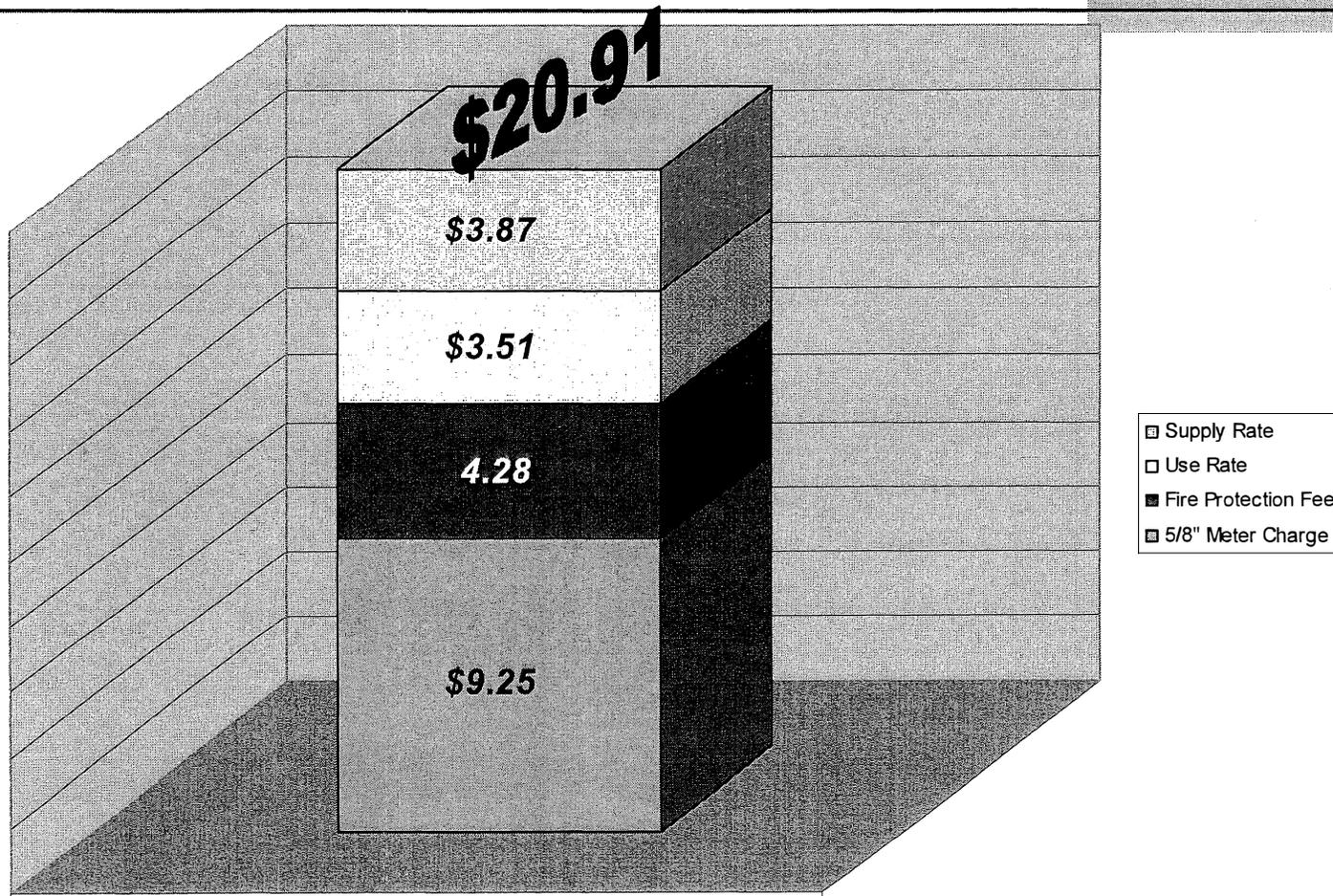
133.00

-----TOTAL AMOUNT DUE-----

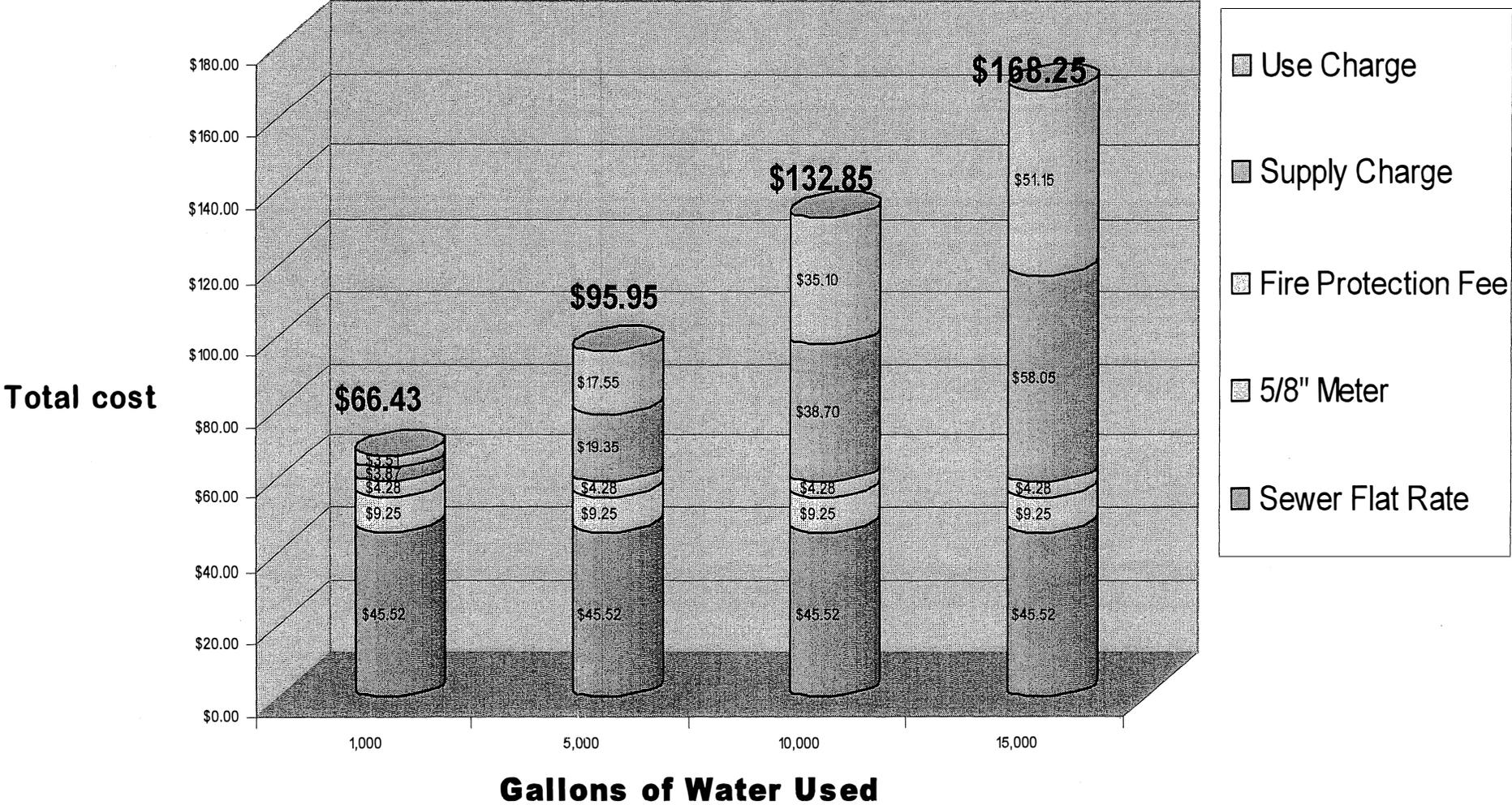
\$133.00



# First 1,000 Gallons of Water Costs



# Components of Bill

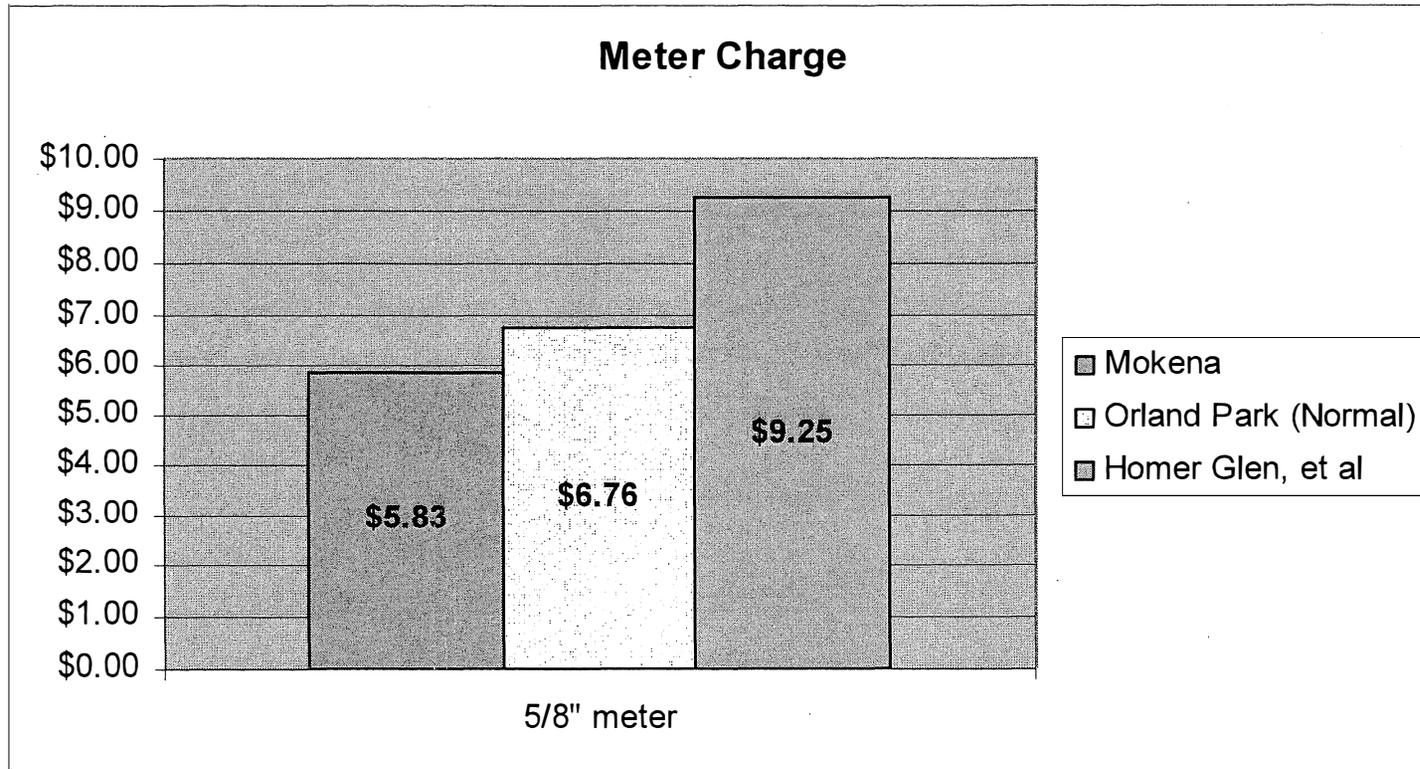


# Rate Comparisons

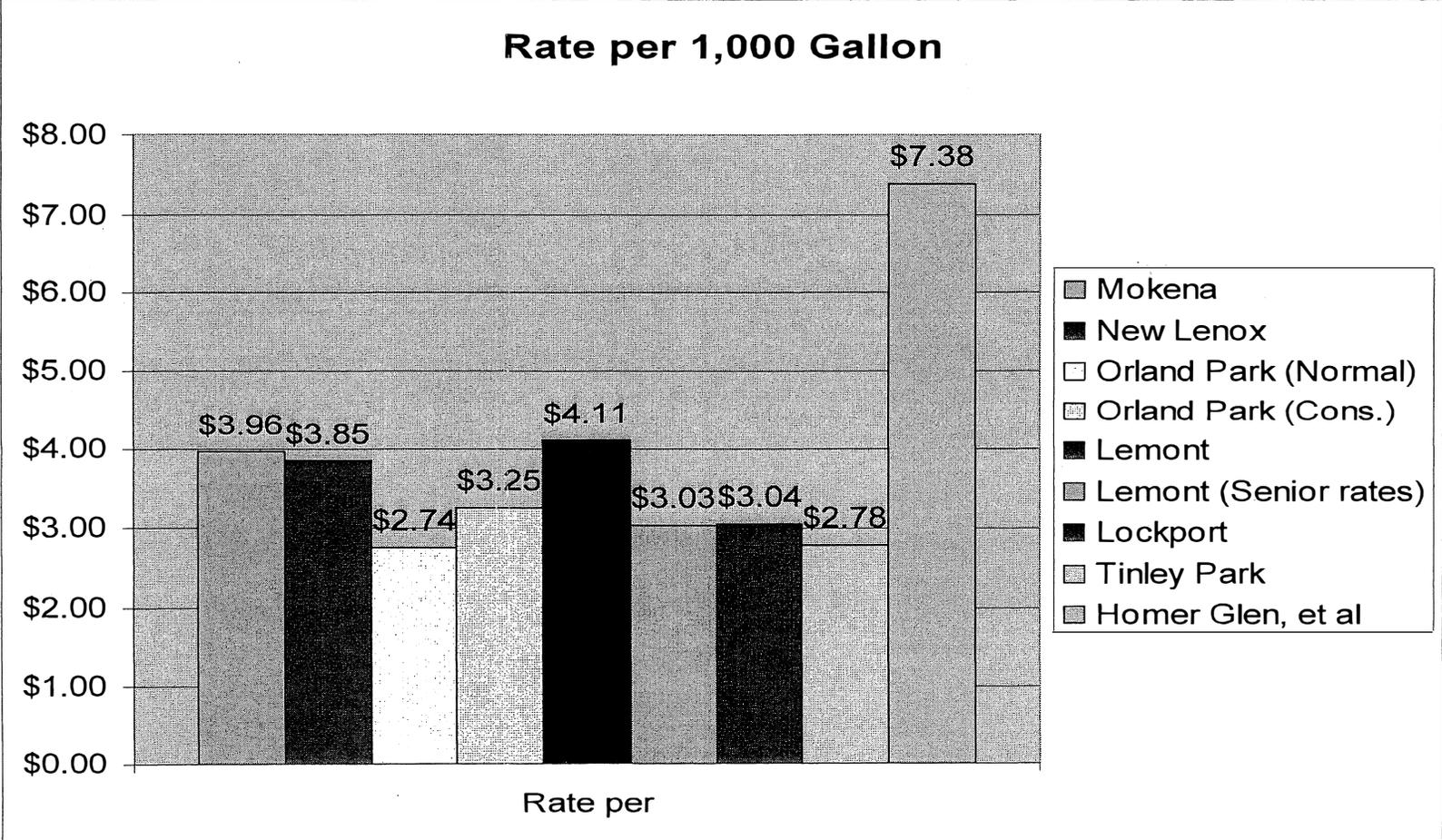
---

- Rate comparisons of communities served by municipal utilities are non standardized and of limited relevance in determining the appropriateness of water rates in Homer Glen - served by a private utility. Municipal utilities have use of multiple means of funding water service to residents.
  - direct billing to residents for water service.
  - the MWRD that appears on the property tax bills in Cook County to cover the cost of sewerage conveyance and treatment.
  - Special taxing districts that cover special assessments, special service areas and state chartered taxing bodies.

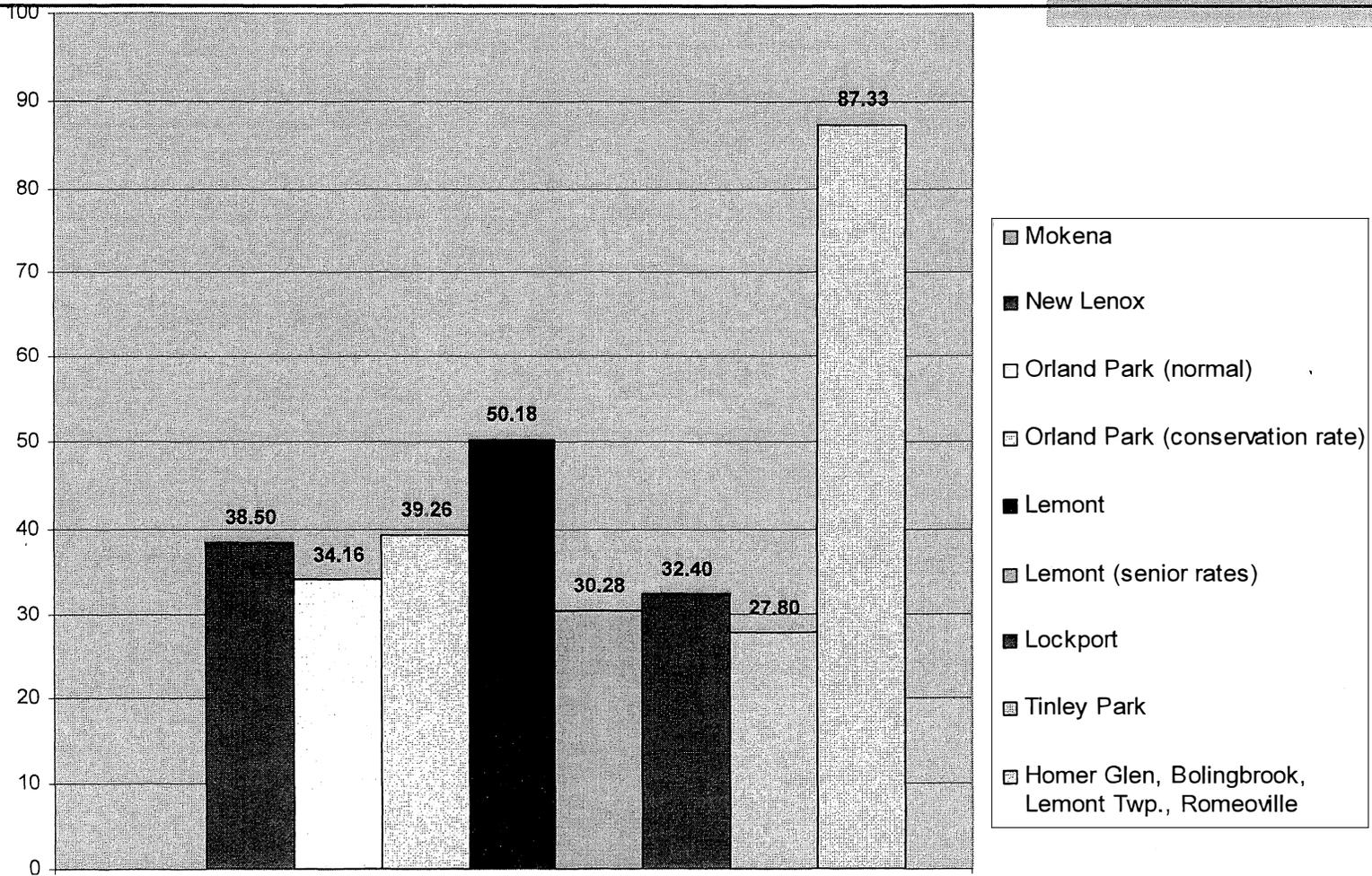
# Comparisons – Basic Service



# Comparisons – Supply & Use Charge



# Water Bill Comparisons - Surrounding Communities (10,000 gallons usage)



# Private Utility vs. Public (Municipal) Utility

## General Reasons for Cost Differentials

*(not specific to IAWC)*

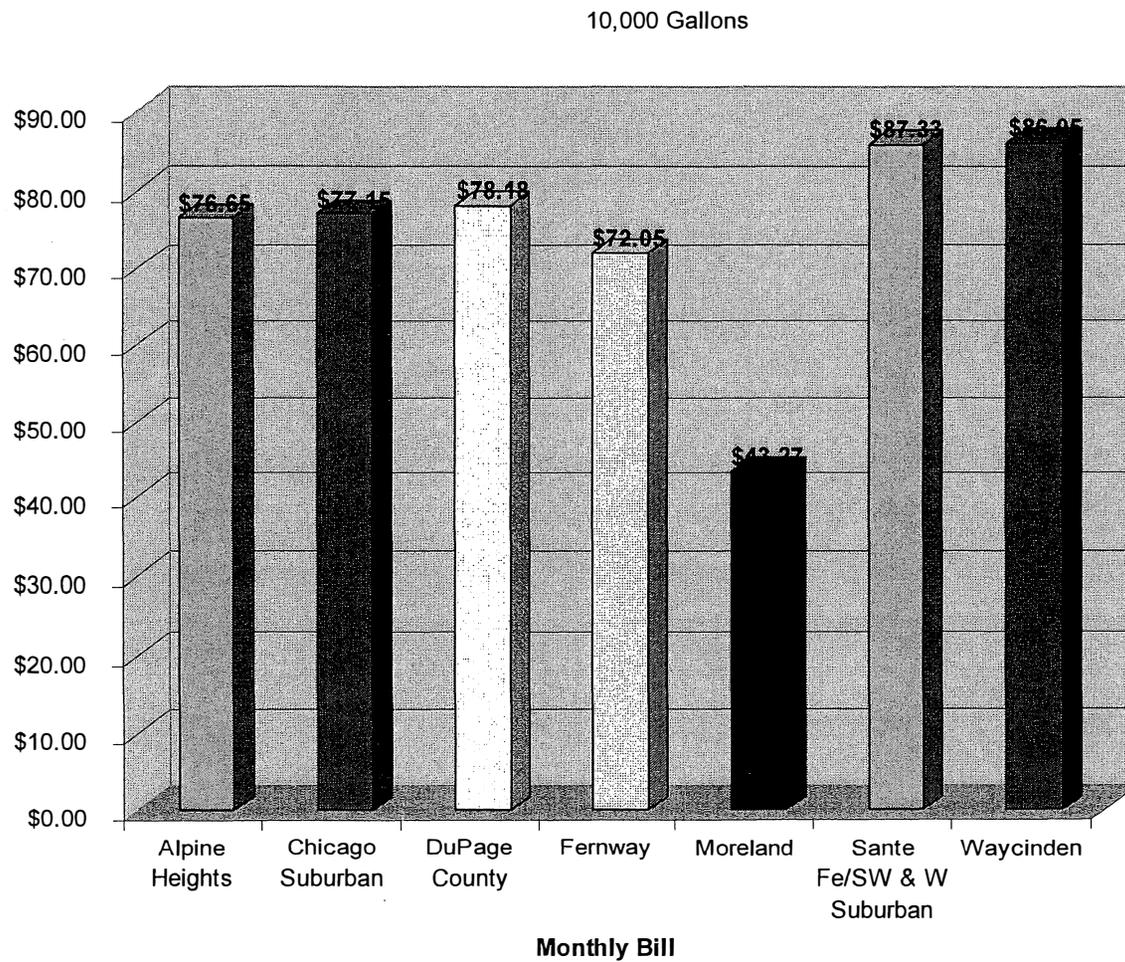
- **Private Utilities are For-Profit Corporations**
  - *ICC establishes a reasonable profit margin for private utilities*
- **Utility Company Profits are Subject to Corporate Income Taxes**
  - *these first two items alone are responsible for ~25% higher rates than a municipal utility*
- **Private Utilities are Subject to Property Tax**
  - *local facilities are assessed as industrial property*
- **Private Utility Purchases are Subject to Sales Tax**
- **Private Utilities Must Compensate Developers for New Infrastructure**
  - *ICC requires utilities to return 1 ½ times first year's projected revenue to developers*
- **Private Utilities Cannot Fully Assess Impact Fees on Developers**
  - *municipal utilities can assess impact fees for off-site improvements necessary to serve development; private utilities have only limited ability to impose fees for wastewater improvements and none for water system improvements*
- **Public (Municipal) Utilities Can Levy Property Taxes**
  - *these taxes can be used to fund capital improvements or augment operating expenses*

# Comparing Private Water Rates

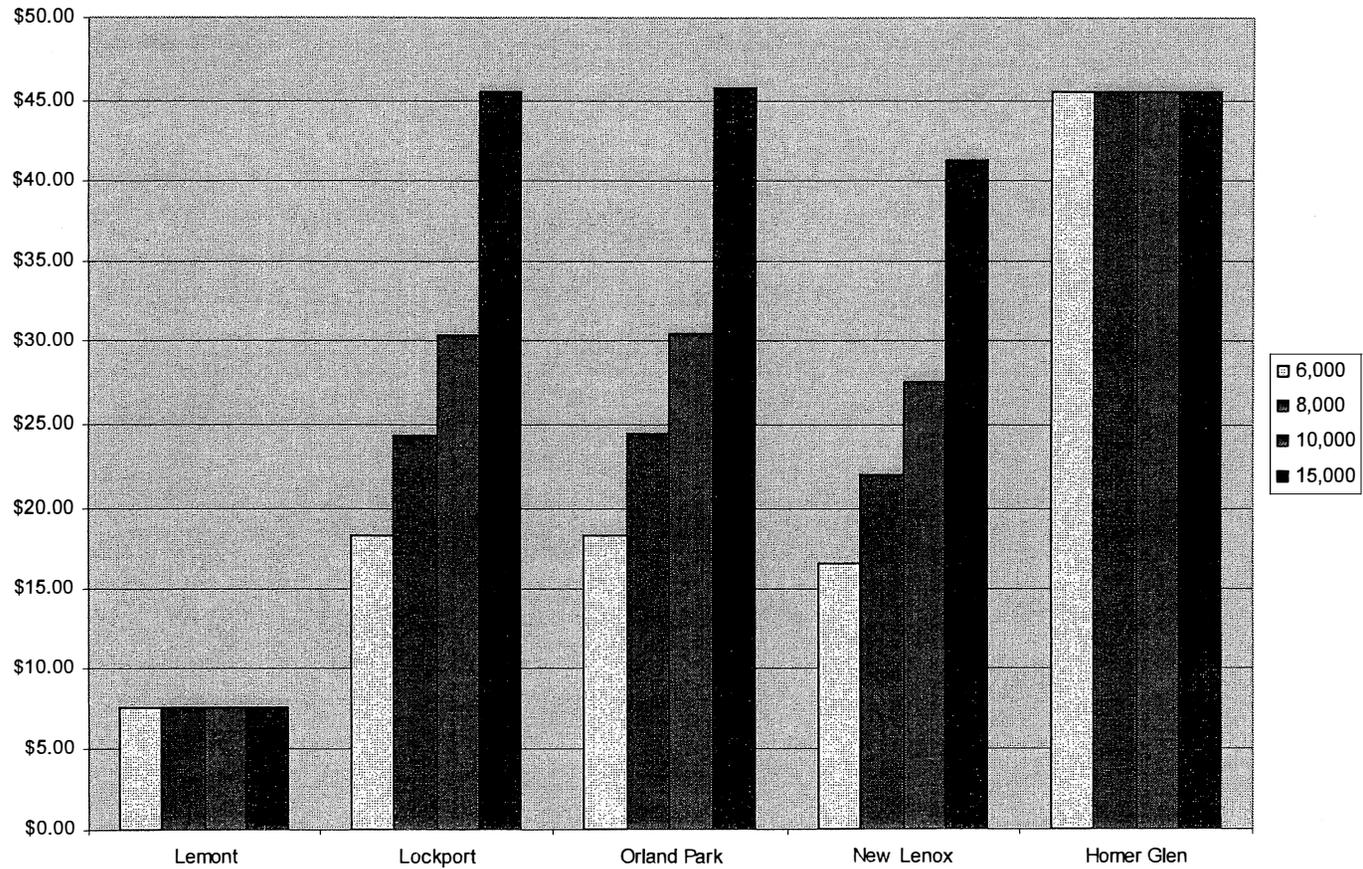
---

- Typical (water only) bills in municipalities served by private utilities range from the low of \$28.31 to our high of \$87.33/10k usage.
- Homer Glen has the highest water rate in Illinois among communities served by a private utility company.

# Private Comparisons



# Sewer Rate Comparisons



# GENERALLY SATISFIED

---

- The quantity of water available was not an issue this summer, despite a drought.
- The quality of the Lake Michigan water is very good.
- The Illinois American sewer treatment facilities do not have a record of a large quantity or severe violations of environmental laws and permits.
- The water distributions system and the sewer collection system seem to be generally reliable.

# Key Findings

---

- The cost of the pipeline construction continues to be a significant factor in the overall water charges, accounting for about 13% of the total bill.
- The pipeline was oversized to eventually serve additional communities to the west. Current ratepayers are paying for 81% of the oversize costs, not the investors in the private utility company.

# Key Findings

---

- Illinois American reported unaccounted water equal to 18% of its total purchased water. The current rates allow 11% to be charged to customers.
- The company indicates that it measures carefully for losses in the main pipeline route.
- Some unaccounted water is unavoidable due to fires, flushing of mains, exercising of fire hydrants and other normal operations.
- However, 18% is about double the norm for other water systems in our area. Unaccounted for water drives the costs for Illinois American but does not provide revenue for the company since it is by definition unbilled.

# One Theory....

---

- Construction Water Service Charge
  - Developer pays flat rate for unmetered usage.
  - This is factored into rate when set by ICC. However, future year evaluated for Homer Glen was 2003 when development was not at current peak.
  - Building permits are now being issued at double the 2003 rate.

# Unaccounted for Water

---

- Unaccounted for water charged back to metered customers annually as 'true-up' adjustment.
- Since this loss occurs in the local distributions system and this cost is transferred to the homeowner, there is no incentive for IA to aggressively resolve the unaccounted for water

# Key Findings

---

- Homer Glen has the legal authority to enter into a franchise agreement with Illinois American on a voluntary basis, but has no legal authority to require a franchise agreement with the company.

# Options

---

- Obtain existing water mains, water and sewage treatment plants from Illinois American.
  - In essence – establish a municipal owned and operated water and sewer system.
  - Seek an advisory municipal referendum to issue revenue bonds for purchase.
  - Establish a village water and sewer department.

# Options

---

- Require developers to dedicate all new water and sewer lines to the Village, thus giving the Village an ownership interest in the system.
  - Allows the Village to capture all of the costs of utility expansion through impact fees.
  - Negotiate for water and sewer maintenance service for municipal owned lines.

# Options

---

- Consider developing an alternative municipal system for undeveloped parts of the Village.

# Options

---

- Seek a rate change from ICC for IAW water use, supply and sewer treatment charges on behalf of residential customers.
  - Inclusive of a senior citizen rate for sewer costs.
  - Factoring in the proper allocation of costs between ratepayers and investors for the over-sizing of the transmission pipe.

# Recommended Strategies

---

- Advise residents of their right to register complaints with the ICC
  - To date – our duplicate log shows **341** complaints have been registered.

# Recommended Strategies

---

- Petition the Illinois Commerce Commission for:
  - a review and evaluation of existing water usage and supply charge using current year data
  - a review and evaluation of the current sewer charge
    - change from a flat fee sewer rate to a rate based on usage - or
    - a rate change in sewer rate based on winter water usage.
  - a formal review of the changeover in meters and backward billing of water associated with the change.
  - a formal review of the cost burden of the additional cost of over sizing the water transmission line from Bedford Park.
- Simplification of IAW bill.

# Recommended Strategies

---

- Negotiate a franchise agreement with Illinois American to address development and operational issues such as:
  - fire hydrant maintenance and protection
  - Efficiencies to minimize unaccounted water
  - Long range planning
  - Changes in the Customer Service division of Illinois American to improve response to the local concerns of residents.
  - Option to buy clause.

# Recommended Strategies

---

- Work with our legislators to draft new legislation addressing the rate approval process including:
  - Creating incentives for private utility companies to be efficient
  - Formalizing relationships with larger local government entities
  - Holding rate hearings where affected residents can reasonably attend and be heard
  - Allowing municipalities to have more options to acquire private systems.

# Recommended Strategies

---

- Inform residents
  - Potential indicators for leaks
  - Unauthorized use of fire hydrants
  - Avenues for complaint registration
    - ICC
    - IAW

# Recommended Next Steps

---

- Establish a local ordinance to protect fire hydrants from unauthorized usage.

# Recommended Next Steps

---

- Hold Community Open House
  - Request Village Board to approve date

# Recommended Next Steps

---

- Request Village to continue to monitor the unaccounted for water issue and the efforts of Illinois American to reduce the percentage of unaccounted water.
- Request Village to contact DNR and inquire about IAW compliance in conservation programs.

# Recommended Next Steps

---

- Establish a consortium with other area villages and cities.
  - Those served by Illinois American.
  - Others who might potentially benefit from water from the American Lake Water Company pipeline.

# Recommended Next Steps

---

- Seek a commitment from Illinois American Water Company to not bill customers for estimated past usage due to faulty meters and credit customers who have already been billed for estimated past usage.
- Seek a commitment from IAW to suspend disconnect procedures for all bills currently in dispute.

# Recommended Next Steps

---

- Village Board should allocate resources to explore the feasibility of options presented, other potential options, implementation of desired actions, and help assure that the Village is notified and is a prepared participant in future rate issues before the Illinois Commerce Commission
  - Funds used for legal and engineering expenses primarily.
  - Audit multi-year period (10 years) of IA capital, operational and water costs.

# Sewer & Water Task Force

---

- Seeking guidance from Village Board
- Future Role of Task Force
  - After open house – charge reconsidered