

9/15/2008

54-R-08

A RESOLUTION

Authorizing the City Manager to execute Amendment No. 1 to the Amended and Restated Water Supply Contract between the Northwest Water Commission and the City of Evanston

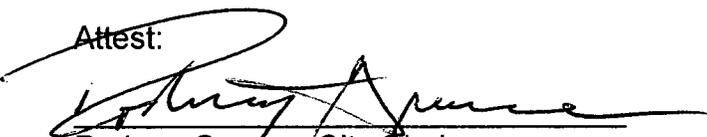
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF EVANSTON,
COOK COUNTY, ILLINOIS:

SECTION 1: That the City Manager is hereby authorized and directed to execute, and the City Clerk hereby authorized and directed to attest on behalf of the City of Evanston, Amendment No. 1 to the Amended and Restated Water Supply Contract between the Northwest Water Commission and the City of Evanston, attached hereto as Exhibit A, and incorporated herein by reference.

SECTION 2: That this Resolution shall be in full force and effect from and after its passage and approval in the manner provided by law.


Lorraine H. Morton, Mayor

Attest:


Rodney Greene, City Clerk

Adopted: September 22, 2008

**AMENDMENT NO. 1 TO
AMENDED AND RESTATED WATER SUPPLY CONTRACT
BETWEEN
THE NORTHWEST WATER COMMISSION
AND
THE CITY OF EVANSTON**

The NORTHWEST WATER COMMISSION (hereinafter referred to as the "Commission") and the CITY OF EVANSTON (hereinafter referred to as "Evanston") enter into this Amendment No. 1 to the "Amended and Restated Water Supply Contract Between the Northwest Water Commission and the City of Evanston" dated as of April 27, 1995 (hereinafter referred to as the "Contract"). The Commission and Evanston are each sometimes referred to herein as a "Party" and collectively as the "Parties."

RECITALS

I. By letter to the Commission dated March 30, 2006, Evanston gave notice pursuant to paragraph 16 of the Contract to cause negotiations for the purpose of determining the rates to be billed by Evanston and paid by the Commission on and after October 1, 2006, to be reopened.

II. During the period from March 30, 2006 through September 15, 2008, the Parties have engaged in a series of meetings and exchanges of documents and other information constituting negotiations towards determination of a revised method or methods for determining the billing and rates for water provided by Evanston to the Commission on and after October 1, 2006, as contemplated by paragraph 16(b) of the Contract.

III. The Parties, each of them having conducted such investigation and due diligence as it deems appropriate, have reached agreement as to (i) the methods to be used to determine the billing and rates for water provided by Evanston to the Commission on and after October 1, 2006 and certain amendments to the Contract to implement those methods, (ii) the final rates and amounts to be billed by Evanston and paid by the Commission for water provided by Evanston to the Commission during the Service Year October 1, 2006 through September 30, 2007 (such period hereinafter referred to as "SY 2006-2007"), and (iii) the monthly Return on Rate Base Charge, monthly Depreciation Charge and monthly Meter Maintenance Charge, and the interim Quantity Rate, to be used to determine the amounts to be billed by Evanston and paid by the Commission for water provided by Evanston to the Commission during the Service Year October 1, 2007 through September 30, 2008 (such period hereinafter referred to as "SY 2007-2008"), and desire to memorialize their agreements in this Amendment No. 1 to the Contract.

Now, therefore, in consideration of the mutual covenants and agreements herein contained, the Parties agree as follows:

1. Amendment to Paragraph 6(e). Paragraph 6(e) of the Contract shall be, and is hereby, amended as follows:

(i) to change the date "October 1, 2006" to "October 1, 2009" in the third line of paragraph 6(e) on page 15;

(ii) to add the phrase “negotiations pursuant to paragraph 16(b) or” on page 16, line 3 following “result of” and before “arbitration”;

(iii) to add the following sentence in the thirteenth line on page 16, following the sentence that ends with “new charges”: “For the Service Year beginning on October 1, 2008, Evanston shall deliver the computation referred to in the preceding sentence to the Commission within 30 days following full execution of Amendment No. 1 to the Contract by both Parties.”;

(iv) to change “1900 Group”, “1905 Group” and “1910 Group” to “7100 Group”, “7105 Group” and “7110 Group”, respectively, in each of paragraphs (i) and (ii) starting on lines 4 and 11 of page 17; and

(v) to change “1935.401, 1935.420, 1935.421 and 1935.423” to “7100.61510, 7100.61615, 7105.61510, 7105.61515, 7110.61510 and 7110.61515” in paragraph (iii) starting on line 15 of page 17.

2. Amendment to Appendix C. For Service Years commencing October 1, 2006, and thereafter, Appendix C to the Contract shall be replaced in its entirety by the attached “Appendix C for Service Years Commencing On and After October 1, 2006,” which is made a part of the Contract and this Amendment No. 1 by this reference. For Service Years commencing October 1, 2006, and thereafter, all references to “Appendix C” in the Contract, including in Appendix E thereto, shall be deemed to be to the attached “Appendix C for Service Years Commencing On and After October 1, 2006.” No change to Appendix C is intended for Service Years prior to October 1, 2006.

3. Methods to be Used to Determine the Billing and Rates for Water provided by Evanston to the Commission On and After October 1, 2006.

A. Evanston shall bill the Commission and the Commission shall pay Evanston for water provided by Evanston on and after October 1, 2006 using the methods set forth in paragraphs 6(a), 6(b), 6(c) and 6(d) and Appendix E of the Contract (such methods hereinafter referred to as the “Appendix E Methods”), with the clarifications and adjustments set forth in this Amendment No. 1. In addition, for periods beginning on and after October 1, 2007, Evanston shall bill the Commission and the Commission shall pay Evanston a Meter Maintenance Charge of \$200 per month in accordance with paragraph 4 of the Contract.

B. For purposes of calculating, in accordance with the Appendix E Methods, the charges to be billed by Evanston and paid by the Commission for water provided by Evanston, the following clarifications and adjustments shall apply:

i. In the calculation of Original Cost Rate Base, Reproduction Cost Rate Base, Fair Value Rate Base, Return on Rate Base Charge and Depreciation Charge, Evanston Water Utility Pumping Asset #1430 (Chloralart Detect S Tank) and Treatment

Asset #1235 (Chlorinators V100-3) and the related accumulated provision for depreciation shall be excluded.

ii. In the calculation of Original Cost Rate Base, Reproduction Cost Rate Base, Fair Value Rate Base, Return on Rate Base Charge and Depreciation Charge, the costs of Pumping Assets #66, #118 and #1255 and Treatment Assets #190, #214, #217, #229 and #291 shall be adjusted (reduced) as shown on the documents and schedules in **Annex A** to this Amendment No. 1.

iii. In addition to the adjustments referred to in paragraph 3.B.ii, subsequent to February 28, 2007, should Evanston replace or retire a component of a Source of Supply, Pumping, or Treatment Asset that is included in Fair Value Rate Base and which has not been fully depreciated, but not replace the entire asset, then in the calculation of Original Cost Rate Base, Reproduction Cost Rate Base, Fair Value Rate Base, Return on Rate Base Charge and Depreciation Charge, the cost of such asset shall be adjusted to remove the cost of the replaced or retired component and the related accumulated depreciation, with such adjustment to be determined using a method substantially similar to the method shown on the documents and schedules in **Annex A** to this Amendment No. 1. Evanston shall cause any such adjustment to be prepared by a reputable qualified consulting engineering firm experienced in water works valuation. For purposes of the documents and schedules in Annex A only, the consulting engineering firm that prepared the adjustment shown in the documents and schedules in **Annex A** to this Amendment No. 1 shall be deemed a "reputable qualified consulting engineering firm experienced in water works valuation."

iv. In the calculation of the Quantity Rate, no expense amount shall be included for phosphate chemicals, as the Commission is billed for and pays separately for the cost of phosphate chemicals that are injected by Evanston into the water provided to the Commission pursuant to paragraph 2 of the Contract.

4. Payments for SY 2006-2007. The Parties agree to the following in connection with payments for SY 2006-2007 to be made based on the agreements made in this Amendment No. 1:

A. Total Amount. The total amount to be paid by the Commission to Evanston for water provided by Evanston during SY 2006-2007 is \$4,098,604, which amount is based on the following rates: (i) Return on Rate Base Charge of \$122,553.50 per month; (ii) Depreciation Charge of \$19,767 per month; and (iii) Quantity Rate of \$0.26518 per 1,000 gallons. Such rates were calculated using the Appendix E Methods, with clarifications and adjustments based on and as provided in this Amendment No. 1.

B. Amounts Due. The Commission has previously paid Evanston a total of \$3,594,941 for water provided by Evanston during SY 2006-2007. Therefore, the Commission shall pay Evanston an additional, final amount of \$503,663 for water provided by Evanston during SY 2006-2007. The calculations of the figures set forth in this paragraph 4 are shown on the schedules in **Annex B** to this Amendment No. 1. In addition, the Commission, by invoice

issued September 26, 2005, has billed Evanston the amount of \$31,022.38 for the electricity costs of the operation of the Morton Grove Booster Station in the calendar year 2005, which invoice has not been paid by Evanston; the parties agree that the Commission shall take a credit of \$31,022.38 against the amount due to Evanston for water provided in SY 2006-2007, in full satisfaction of the invoice issued September 26, 2005, resulting in a net payment to be made by the Commission to Evanston of \$472,640.62.

C. Time of Payment. The Commission shall make a payment of \$472,640.62 as stated in paragraph 4.B above to Evanston within fifteen days following full execution of this Amendment No. 1 by both Parties, in full, final and complete satisfaction of the Commission's obligation to pay Evanston for water provided by Evanston to the Commission during SY 2006-2007. Any portion of such amount of \$472,640.62 that is not paid by the Commission to Evanston by such date shall bear interest from such date until the date of payment at the rate of 10 per cent per annum.

5. Payments for SY 2007- 2008.

A. Setting of Charges. Evanston shall bill the Commission, and the Commission shall pay Evanston, for water provided by Evanston during SY 2007-2008 at the following rates:

i. Return on Rate Base Charge of \$121,377 per month; and

ii. Depreciation Charge of \$20,420 per month; and

iii. Preliminary Quantity Rate of \$0.26518 per 1,000 gallons; at the conclusion of SY 2007-2008, Evanston will calculate a final Quantity Rate in accordance with the Appendix E Methods, with the clarifications and adjustments based on and as provided in this Amendment No. 1, and a final bill or credit will be issued by Evanston to the Commission, in accordance with the procedure set forth in paragraph 6(d) of the Contract; and

iv. Meter Maintenance Charge of \$200 per month.

The calculations of the Return on Rate Base Charge, Depreciation Charge and preliminary Quantity Rate set forth in this paragraph 5.A are shown on the schedules in **Annex C** to this Amendment No. 1. The rates specified in paragraphs 5.A.i, 5.A.ii and 5.A.iii were calculated using the Appendix E Methods, with the clarifications and adjustments based on and as provided in this Amendment No. 1.

B. Interim Payment. As of September 15, 2008, Evanston has billed the Commission for water provided by Evanston during the months of October, November and December 2007 and January, February, March, April, May, June, July and August 2008 (hereinafter referred to as the "Previously Billed SY 2007-2008 Months"), at a rate other than the rates set forth in paragraph 5.A. Evanston will issue a revised bill or bills to the Commission for water provided by Evanston during the Previously-Billed SY 2007-2008 Months using the rates set forth in paragraphs 5.A.i, 5.A.ii, 5.A.iii and 5.A.iv, showing on such bill or bills a credit or

credits to the Commission for amounts previously paid by the Commission to Evanston for water provided by Evanston during the Previously-Billed SY 2007-2008 Months, and the net amount or amounts due from the Commission to Evanston. The Commission shall pay to Evanston the net amount or amounts due as shown on such revised bill or bills within 30 days after the date or dates shown on each such revised bill or bills. Any amount due pursuant to a revised bill that is paid by the Commission more than 30 days after the date of the revised bill shall bear interest from such date until the date of payment at the rate of 10 per cent per annum.

6. Remaining Term of Contract. In accordance with paragraph 16(e) of the Contract, the Commission has the right to elect to extend or shorten the term of the Contract by five (5) years ("Right to Extend or Shorten") within 180 days following the effective date of this Amendment No. 1. The Parties agree to extend the period during which the Commission may elect to exercise this Right to Extend or Shorten through and including September 30, 2013.

IN WITNESS WHEREOF, the Parties hereto, acting under authority of their respective governing body, have caused this Amendment No. 1 to the Contract to be executed in several counterparts, each of which shall constitute an original, all as of this 1st day of October, 2008.

THE NORTHWEST WATER COMMISSION

By: _____
Chairman

Attest:

Executive Secretary

THE CITY OF EVANSTON

By: _____
Interim City Manager

Attest:

Clerk

APPENDIX C
FOR SERVICE YEARS COMMENCING ON AND AFTER OCTOBER 1, 2006
(Pursuant to Amendment No. 1)

Quantity Rate

Operating Costs to be included in determining the Quantity Rate shall be (i) the costs assigned to the functions of pumping, filtration and administration reflected in the following accounts in the books and records of the Evanston Water Fund, and (ii) those insurance costs as set forth below under "Calculation of Insurance Costs."

Account No.

commencing with

Service Year 2006-2007

Description

7100 Group

Administration

7105 Group

Pumping

7100 Group

Filtration

Calculation of Insurance Costs

1. Health and Life Insurance. For the Service Year commencing October 1, 2006 and thereafter, in the calculation of the Quantity Rate, Evanston's expense for Medical Insurance (Account 1935.420 previously listed in Appendix C to the Contract) and Life Insurance (Account 1935.421 previously listed in Appendix C to the Contract) will not be included in insurance expense. Instead, Evanston's expenses for Medical Insurance and Life Insurance charged to the Water Fund expense functions of Administration, Pumping, and Filtration for each Evanston Fiscal Year shall be included in the Operating Costs for Administration, Pumping, and Filtration included in the calculation of the Quantity Rate for that Service Year. The accounts in which these medical insurance and life insurance expenses are recorded are:

Administration: Accounts 7100.61510 (Health Insurance) and 7100.61615 (Life Insurance)

Pumping: Accounts 7105.61510 (Health Insurance) and 7105.61615 (Life Insurance)

Filtration: Accounts 7110.61510 (Health Insurance) and 7110.61615 (Life Insurance).

2. Workers' Compensation Insurance and Other Insurance. For the Service Year commencing October 1, 2006 and thereafter, in the calculation of the Quantity Rate, Evanston's expense for Workmen's Compensation Insurance (Account 1935.401 previously listed in Appendix C to the Contract) and Other Insurance (Account 1935.423 previously listed in Appendix C to the Contract), collectively referred to in this Supplement to Appendix C as "Insurance Expense," shall be equal to the Insurance Expense for the immediately preceding Evanston Fiscal Year multiplied by 1 plus the Insurance Inflation Adjustment Factor. The

resulting Insurance Expense calculated for each Evanston Fiscal Year shall be included in the calculation of the Quantity Rate for that Fiscal Year and shall be deemed to include Evanston's expense for Excess Workmen's Compensation Insurance, Excess Liability Insurance, and Property Insurance, and settlements and damages paid and amounts reserved by Evanston against Evanston's self-insurance retention on Workmen's Compensation claims and other liability claims, relating to the facilities and activities at the Evanston Water Works Plant. For purposes of the calculation of Insurance Expense:

- (i) The Insurance Expense is \$95,000 for FY 2006-2007.
- (ii) The Insurance Inflation Adjustment Factor shall be zero for FY 2006-2007 and for all Evanston Fiscal Years subsequent to FY 2006-2007 shall be calculated for each such Evanston Fiscal Year as described in subparagraphs (A) through (D) below:
 - (A) the percentage change, expressed as a decimal, in the Consumer Price Index – All Urban Consumers, Chicago IL/Northwest IN, as published by the U.S. Department of Labor, Bureau of Labor Statistics, 1982-1984=100, or any successor index (hereinafter referred to as the "CPI"), from the value of the CPI for the month of December included in the preceding Evanston Fiscal Year to the value of the CPI for the month of December included in the current Evanston Fiscal Year, plus
 - (B) the percentage change, expressed as a decimal, in the national Producer Price Index – Total Durable Goods, as published by the U.S. Department of Labor, Bureau of Labor Statistics, 1982=100, or any successor index (hereinafter referred to as the "PPI"), from the value of the PPI for the month of December included in the preceding Evanston Fiscal Year to the value of the PPI for the month of December included in the current Evanston Fiscal Year,
 - (C) said sum ((A) + (B)) then divided by two to produce the average of the percentage change of the CPI and the PPI, and then reduced by 0.0175, and
 - (D) subject to the limitation that (1) if the result of $((A) + (B))/2$ minus 0.0175 is greater than the ceiling of 0.0725, the Insurance Inflation Adjustment Factor shall be deemed to be 0.0725, and (2) if the resulting dividend is less than the floor of 0.0200, then the Insurance Inflation Adjustment Factor shall be deemed to be 0.0200.

Basis of Allocation

Entire amount of Operating Costs allocated to Commission based upon the ratio of its average day water use of the Evanston Water Works System to the aggregate average day water use of Evanston, the Commission and other customers or users of said system during the fiscal year.

ANNEX A
TO
AMENDMENT NO. 1
TO
AMENDED AND RESTATED
WATER SUPPLY CONTRACT
BETWEEN
THE NORTHWEST WATER COMMISSION
AND
THE CITY OF EVANSTON



February 13, 2008

Ms. Regina R. Lookis
Assistant Superintendent, Water and Sewers
City of Evanston
2100 Ridge Avenue
Evanston, Illinois 60201

Adjustments to the Valuation of the Water Works Properties
Addressing Specific Asset Items Raised by Northwest Water Commission
Project No. 48039

Dear Ms. Lookis:

Burns & McDonnell is pleased to present this letter summarizing the value of several adjustments we have made pertaining to the Valuation of the Water Works Properties for the City of Evanston (the City). The adjustments have been completed at the request of the City to prepare an appropriate response to rate base issues raised by the Northwest Water Commission (the NWC). Burns & McDonnell originally completed a Report on the Valuation of the Water Works Properties for the City dated September 5, 2006. The adjustments summarized in this letter provide the City with information that will allow the City to determine both the original cost and reproduction cost new less depreciation as of February 28, 2006 and February 28, 2007.

The NWC had several items of concern pertaining to asset retirements where a portion of an asset was replaced. The NWC did not believe the replaced portion was removed from the original cost or the reproduction cost determination. Eight specific partial retirement components were identified for consideration and evaluation. These components are shown on Table 1. This information was provided to Burns & McDonnell by the City. Burns & McDonnell has prepared an estimate of the original cost and replacement cost new along with associated depreciation amounts for each of the partial retirement components identified by the NWC. The methodology for determining the amounts of adjustment for each item is described below.

First, the installed cost for the new component that replaced the removed component was identified. This installed cost of the replacement component was adjusted back to 1990 utilizing appropriate Handy Whitman Index information. (See columns (4) through (10) of Tables 2 and 3.

Second, the installed cost of each replacement component was reduced by the labor cost to remove the retired component that was included in the installed cost of the replacement component (see column (11) of Tables 2 and 3). The resulting values are the cost of materials and installation labor for the replacement component (see column (12) of Tables 2 and 3). The adjustments for removal labor costs were developed by Burns & McDonnell as described below:

For the items relating to pumping assets, 30 percent of the cost was labor related and 70 percent was for materials. The labor cost portion was assumed to be equally divided between removal and installation costs. For the roof replacement item and the overhead door replacement item, 40 percent of the cost was labor related and 60 percent was for materials. The labor cost portion was assumed to be divided 40 percent for removal costs and 60 percent for installation costs. For the window replacement item, 40 percent was labor related and 60 percent was for materials. The labor cost portion was assumed to be divided 25 percent for removal costs and 75 percent for installation costs. For the filter media rehabilitation item, 40 percent was labor related and 60 percent was for materials. The labor cost portion was assumed to be divided equally between



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removal and installation costs. For the air conditioning unit replacement item, 30 percent was labor related and 70 percent was for materials. The labor cost portion was divided equally between removal and installation costs.

After the removal labor cost was deducted from the replacement component cost value to arrive at an adjusted replacement component cost value representing installation costs only (column (12)), this adjusted replacement component cost value was compared to the original cost value of the entire asset (stated in 1990 dollars) (column (13)), to determine the cost of the replacement component as a percent of the total original cost of the entire asset (column (14)). This percentage was applied to the original cost of the entire asset (column (15)) to determine the portion of the original cost of the entire asset to be assigned to the retired component (column (16)). Similarly, the percentage in column (14) was applied to the accumulated depreciation on the entire asset (column (17)) to determine the portion of the accumulated depreciation to be assigned to the retired component (column (18)). The methodology used by Burns & McDonnell treats the retired component as comprising the same percentage of the total cost of the entire asset as the cost of the replacement component is to the cost of the entire asset.

The actual calculations for adjustments to the original cost and reproduction costs for the partial retirements for each component are shown in Table 2 and 3, respectively. Columns 16 and 18 on each table show the appropriate amounts to remove for the cost of and accumulated depreciation on the retired component. From the original cost a total of \$401,952 should be removed for the retirement of the eight items, consisting of \$230,618 for pumping plant assets and \$171,334 for treatment plant assets. For depreciation associated with the retired components, \$76,553 should be removed for retired pumping plant components and \$117,331 should be removed for retired treatment plant components, for a total of \$193,865.

For the reproduction cost new a total of \$2,760,475 should be removed for the retired components. For pumping plant the amount is \$625,546 and for treatment plant the amount is \$2,134,928. For depreciation associated with the retired components, \$1,543,240 should be removed, comprised of \$284,357 for pumping plant and \$1,258,883 for treatment plant.

Burns & McDonnell next used these adjustment for partial retirements to determine revised numbers for original cost less depreciation and reproduction cost new less depreciation as of February 28, 2006 and February 28, 2007. Tables 4 and 5 show the calculations to arrive at adjusted amounts reflecting the adjustments for the eight partial retirement components identified by the NWC.

We appreciated the cooperation and assistance given by City staff members to Burns & McDonnell.

Respectfully submitted,

BURNS & MCDONNELL

Ted J. Kelly
Project Manager, Business & Technology Services

Attachments

Table 1

Rate Base Issues Raised by the Northwest Water Commission
 City of Evanston, IL

Asset	Value	NWC Concern	Evanston Response
Pumping Asset 1524 #2 HL Engine Install (1998)	\$147,540.18	This asset replaces gas engine that is part of asset #66 (10 MGD HL Pump 2); should remove value of old engine from RCNLD on #66	
Pumping Asset 1541 #7 LL Engine Install (1999)	\$157,142 or \$238,645 (need clarification)	This asset replaces gas engine that is part of asset #118 (25 MGD LL Pump 7); should remove value of old engine from RCNLD on #118	Regarding Value: Correct figure is \$157,142. The \$238,645 questioned is the sum of the assets added to pumping in 1999.
Pumping Asset 1583 HL #3 Conv to Dual Drive (2001)	\$321,081 or \$328,612 (need clarification)	This asset adds a dual drive and replaced old electric motor installed in 1992 but asset reference to 1583 seems incorrect - not clear what is original asset number)	1) Correct value is \$321,081. The figure of \$328,612 represents the total assets added to pumping in 2001. 2) Replaced the old electric motor install in 1992, asset #1255.
Treatment Asset #1504 1949 Filter Room Replacement (1997)	\$662,231 or \$690,551 (need Clarification)	This asset replaces roof and includes lead abatement and repainting that is part of asset #217 (Filter Building #3); should remove roof value from RCNLD on #217	1) Correct value is \$662,231. The figure of \$690,551 represents the total assets added to treatment in 1997.
Treatment Asset 1520 OH Door W Plt Dock (1997)	\$3,649	This asset replaces door on asset #301 (Rapid Snd Filters '63 Add); is this the correct reference?	No, the correct reference is asset # 190. This door replaced the overhead door on the 1915 building.
Treatment Asset #1574 Window Replacement (2000)	\$101,710 or \$155,486 (need clarification)	This asset replaces 107 windows on 1914 and 1949 buildings (asset #217 and 229); should reduce value of old windows from RCNLD.	1) The correct value is \$101,710. The figure of \$155,486 represents the total assets added to treatment in 2000. Replaces windows in Asset #190(the 1914 building, asset #229 (the current laboratory) and asset #291(old chlorine room and the filter work shop)
Treatment Asset #1579 Rehab of 1948 Filters (2001)	\$1,278,522	This asset replaces the original filter media in asset #214 (Rapid Snd Filters '48 Add); should reduce value of old filters from RCNLD.	
Treatment Asset #1580 Lab HVAC	\$88,433	This asset replaces the original AC unit from 1964 on asset #291 (Chemical Building Addition); should reduce value of old AC unit from RCNLD	



Table 2
Asset Refinements Proposed by Northwest Water Commission
OCLD Adjustments
City of Evanston, IL

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Old Asset - Description	Old Asset Number	New Asset	New Asset Installed Cost Value	Install Date	Henry Whitman Index	Index at Install Date	Trend Ratio	New Asset 1990 Cost Value	Duration of Asset Removed Labor Cost [1]	Adjusted New Asset 1990 Cost Value	Old Asset 1990 Total Cost Value	New Asset Percent of Old Asset Total	Old Asset - Original Installed Cost	Asset Amount to Retire on Old Asset	Old Asset - Accumulated Depreciation	Depreciation Amount to Retire on Old Asset	
10 MGD HIGH LIFT SERV PUMP 2	66	Pumping Asset 1574 #7 HL Engine Install (1998)	\$ 147,540	1998	HWH-9	465	0.70	103,278 \$	(15,467) \$	87,766 \$	264,090 \$	33.33%	40,704 \$	13,530 \$	36,438 \$	12,113 \$	
25 MG D LOW LIFT SERV PUMP 7	118	Pumping Asset 1547 #7 LL Engine Install (1998)	\$ 157,142	1998	HWH-9	469	0.68	106,657 \$	(16,029) \$	90,228 \$	250,906 \$	36.20%	117,102 \$	42,401 \$	71,702 \$	25,556 \$	
HL #3 CONVEY TO DUNK DROME	1255	Pumping Asset 1583 #3 HL Conv to Dual Drive	\$ 321,081	2001	HWH-9	531	0.64	205,492 \$	(20,824) \$	174,668 \$	269,646 \$	64.78%	269,646 \$	174,668 \$	95,391 \$	38,465 \$	
FILTER BUILDING #3	217	Treatment Asset #1584 1949 Filter Room Replacement (1997)	\$ 662,221	1997	HWH-15	516	0.62	540,029 \$	(68,865) \$	465,145 \$	646,459 \$	70.58%	110,865 \$	78,248 \$	72,974 \$	51,491 \$	
RAPID SAND FILTERS #2 ADD	190	WV PD Dock (1997)	\$ 3,647	1997	HWH-15	316	0.82	2,981 \$	(478) \$	2,512 \$	390,759 \$	0.81%	26,312 \$	715 \$	21,462 \$	223 \$	
FILTER BUILDING #7, CHEMICAL BUILDING STRUCT	217, 229	Treatment Asset #1574 W/Room Replacement (2000)	\$ 101,710	2000	HWH-15	516	0.62	63,402 \$	(8,340) \$	75,062 \$	2,252,252 \$	3.33%	397,462 \$	12,897 \$	279,062 \$	9,315 \$	
RAPID SAND FILTERS #6 ADD	214	Treatment Asset #1919 Rehab of 1949 Filter (2001)	\$ 1,278,322	2001	HWH-16	414	0.71	907,751 \$	(181,530) \$	726,201 \$	971,947 \$	74.72%	87,841 \$	65,631 \$	65,708 \$	49,065 \$	
CHEMICAL BUILDING ADDITION	281	Treatment Asset #1580 Lab HVAC	\$ 88,433	2001	HWH-15	516	0.82	72,515 \$	(10,877) \$	61,638 \$	481,558 \$	12.80%	112,062 \$	14,347 \$	36,306 \$	7,307 \$	
Total													\$ 401,952	\$ 493,865			
Pumping Plant													\$ 220,618	\$ 76,633			
Treatment Plant													\$ 171,334	\$ 117,231			

[1] Asset removal labor costs are based on Burns & McDonnell estimated breakdown between material costs, asset removal labor costs and asset installation labor costs.



Ms. Regina R. Lookis
 February 13, 2008
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Table 3
 Asset Retirements Proposed by Northwest Water Commission
 RCHLD Adjustments
 City of Evanston, IL

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Old Asset Description	Old Asset Number	New Asset Description	New Asset Installed Cost Value	Install Date	Henry Whittman Index	Index at Install Date	Trend Ratio	New Asset 1990 Cost Value	Deduction of Asset Removal Labor Cost (1)	Adjusted New Asset 1990 Cost Value	Old Asset 1990 Total Cost Value	New Asset Percent of Old Asset Total	2005 RCH of Old Asset	Asset Amount to Retire on Old Asset	2005 Depreciation of Old Asset	Depreciation Amount to Retire on Old Asset	
10 MGD RIGHT SERV PUMP 2	66	Pumping Asset 1524 (#7) LE Engine Head (1996)	\$ 147,540	1998	HWH-9	485	0.70	102,278	(15,492)	87,786	294,090	33.24%	480,148	155,850	382,975	120,627	
25 MGD LOW LEFT SERV PUMP 7	118	Pumping Asset 1541 (#7) LE Engine Head (1996)	\$ 157,142	1999	HWH-9	499	0.66	106,857	(16,039)	90,818	250,916	36.59%	446,777	161,353	233,423	84,469	
PL # 3 CONVO DUAL DRIVE	125	Pumping Asset 1503 (#6) LE In Dual Drive	\$ 321,081	2001	HWH-9	531	0.69	221,546	(33,232)	188,314	289,648	68.84%	441,375	306,243	113,408	79,201	
FILTER BUILDING 63	217	Filter Room Replacement (1997)	\$ 662,231	1997	HWH-15	316	0.82	540,029	(66,868)	473,161	646,458	70.86%	1,083,256	784,351	588,873	413,960	
PUMP SIO FILTERS 83 ADD	190	Filter Room Replacement (1997)	\$ 3,647	1997	HWH-15	316	0.82	2,891	(470)	2,512	300,729	0.81%	519,058	4,209	323,819	2,626	
FILTER BUILDING 83, CHEMICAL BUILDING STRUCT	217, 229	Filter Room Replacement (2000)	\$ 107,710	2000	HWH-15	316	0.82	83,407	(8,340)	75,067	2,255,221	3.39%	3,779,070	125,760	2,304,330	76,695	
PUMP SIO FILTERS 46 ADD	214	Filter Room Replacement (2001)	\$ 1,278,522	2001	HWH-16	414	0.71	907,751	(181,500)	726,251	971,547	74.72%	1,522,168	1,137,304	969,860	74,641	
CHEMICAL BUILDING ADDITION	291	Filter Room Replacement (2001)	\$ 88,433	2001	HWH-15	316	0.82	72,516	(10,877)	61,639	481,538	12.80%	886,995	102,265	320,017	40,951	
													Total	\$ 2,780,475	\$ 1,543,240		
															\$ 625,546	\$ 284,357	
															\$ 2,154,928	\$ 1,258,883	

(1) Asset removal labor costs are based on Burns & McDonnell estimated breakdown between material costs, asset removal labor costs and asset installation labor costs.



TABLE 4
ORIGINAL COST LESS DEPRECIATION FEBRUARY 28, 2006 THROUGH FEBRUARY 28, 2007
City of Evanston, IL

	Additions		Retirements		Delete Assets		Remove Asset		Depreciation on		Minus 12 yr		Plus 12 yr		Remove Asset		Total Depreciation at 2/28/2006 Adjusted
	2/28/05	2/28/06	2/28/06	2/28/06	# 143041725	2/28/06	Cost	Adjustment	OC Balance at 2/28/06	2/28/06	Retirements	Additions	Retirements	Adjustment	2/28/2006	Adjusted	
OC Balance at 2/28/2006	4,212,469	0	0	0	0	4,212,469	0	4,212,469	1,525,557	46,758	0	0	0	1,572,515	0	1,572,515	2,639,884
Pumping Plant	7,543,974	301,771	224,825	1,149	7,619,971	230,618	5,642,227 [1]	3,066,792	137,901	129,802	2,731	2,103	1,149	3,019,064	76,533	2,303,515 [2]	3,311,712
Treatment Plant	15,107,854	1,024,792	0	6,804	16,129,622	171,334	15,958,488	5,003,838	275,752	0	8,782	0	6,804	5,263,624	117,331	5,146,493	10,807,996
TOTAL	26,864,217	1,326,563	224,825	7,953	27,892,202	401,952	25,889,124	9,538,187	469,431	129,802	11,493	2,103	7,953	9,851,403	193,864	9,049,573	16,759,801
OC Balance at 2/28/2006	4,212,469	0	0	0	4,212,469	0	4,212,469	1,525,557	46,758	0	0	0	0	1,572,515	0	1,572,515	2,639,884
Pumping Plant	5,642,227	464,941 [3]	6,109	6,109	6,109,699	0	6,109,699	2,303,515	116,429	5,538	4,208	56	2,412,253	2,412,253	2,412,253	3,669,805	
Treatment Plant	15,958,488	0	0	0	15,958,488	0	15,958,488	5,146,493	272,822	0	0	0	5,419,315	5,419,315	5,419,315	10,535,173	
TOTAL	25,889,124	464,941	6,109	6,109	26,267,565	0	26,267,565	9,049,523	430,009	5,538	4,208	56	9,469,341	9,469,341	9,469,341	16,759,114	

[1] Adjusted to reflect asset retirements proposed by MWC

Asset Cost	Asset Depr
Adjustment	Adjustment
230,618	76,533
Pumping plant adjustment	171,334
Treatment plant adjustment	117,331

[2] Depreciation at 2/28/2006

Less Pump Depreciation Encumbered
Asset # 7204/18new
Asset # 106504/1557new
Asset # 106504/1558new
Adjusted OC Balance 2/28/2006
3,015,064

[3] Asset Addition

Asset # 7204/18new
Asset # 106504/1557new
Asset # 106504/1558new
Depreciation 2/28/2005 to 2/28/2006
Adjusted Depreciation balance 2/28/2006
464,941



Ms. Regina R. Lookis
February 13, 2008
Page 7

TABLE 5

REPRODUCTION COST NEW LESS DEPRECIATION FEBRUARY 28, 2005 THROUGH FEBRUARY 28, 2007
City of Evanston, IL

RCNLD at 2/28/2005	Adjusted RCN		RCNLD at 2/28/2005	Adjusted Depreciation at 2/28/2005	RCNLD at 2/28/2005	Adjusted Depreciation at 2/28/2005	RCNLD at 2/28/2006	Adjusted Depreciation at 2/28/2006	RCNLD at 2/28/2006	Adjusted Depreciation at 2/28/2006	RCNLD at 2/28/2007	Adjusted Depreciation at 2/28/2007
	Balance at 2/28/2005	Depreciation at 2/28/2005										
Source of Supply	18,949,683	6,973,139	11,976,544	18,949,683	6,973,139	11,976,544	18,949,683	6,973,139	11,976,544	18,949,683	6,973,139	11,976,544
Pumping Plant	27,268,955	11,886,391	15,282,564	23,829,423 [1]	10,658,837 [2]	13,170,586	22,334,887	10,658,837	404,261	572,778	2,731	10,582
Treatment Plant	58,597,848	24,325,018	34,272,830	58,597,848	24,325,018	34,272,830	57,477,338	24,325,018	982,862	0	8,762	24,029,861
TOTAL	104,816,486	43,284,548	61,531,938	101,376,954	41,956,994	59,419,960	98,761,907	41,956,994	1,597,464	572,778	11,493	10,532
Source of Supply	18,949,683	0	0	0	0	18,949,683	18,949,683	0	0	0	0	7,183,480
Pumping Plant	23,829,423	301,771	1,162,148	1,613	625,546	22,334,887	22,334,887	404,261	572,778	0	1,613	10,212,201
Treatment Plant	58,597,848	1,024,792	0	10,374	2,194,528	57,477,338	57,477,338	982,862	0	10,374	1,256,863	24,029,861
TOTAL	101,376,954	1,326,563	1,168,148	11,988	2,780,474	98,761,907	98,761,907	1,597,464	572,778	11,988	1,543,240	41,925,542
Source of Supply	18,949,683	0	0	18,949,683	0	18,949,683	18,949,683	0	0	0	0	7,393,821
Pumping Plant	22,334,887	464,941	46,678	22,753,150	57,477,338	22,753,150	22,753,150	34,238	4,208	422	10,586,010	
Treatment Plant	57,477,338	464,941	46,678	57,477,338	982,862	57,477,338	57,477,338	982,862	0	0	25,012,723	
TOTAL	98,761,907	464,941	46,678	98,180,170	41,425,542	1,605,035	41,425,542	1,605,035	34,238	4,208	422	42,892,553

(1) RCN at 2/28/2005:
Less Pump Costs Excluded
Asset # 704d/15new
Asset # 1085old/155/new
Asset # 1086old/155/new
Adjusted RCN Balance 2/28/2005

(2) Depreciation at 2/28/2005:
Less Pump Depreciation Excluded
Asset # 704d/15new
Asset # 1085old/155/new
Asset # 1086old/155/new
Adjusted Depreciation Balance 2/28/2005

(a) Adjusted to reflect asset retirements proposed by MWC
Asset Cost
Asset Depr
Adjustment
Adjustment

Pumping plant adjustment 625,546 264,357
Treatment plant adjustment 2,194,528 1,256,863
Total Adjustment 2,780,474 1,543,240

ANNEX B
TO
AMENDMENT NO. 1
TO
AMENDED AND RESTATED
WATER SUPPLY CONTRACT
BETWEEN
THE NORTHWEST WATER COMMISSION
AND
THE CITY OF EVANSTON

Fair Value Return on Rate Base Calculation:

2/28/2006

	As of 2/28/06	Multiplier	
Original Cost New Less Depreciation	\$16,759,601	0.75	\$12,569,701
Reproduction Cost New Less Depreciation	\$57,336,366	0.25	\$14,334,092
Total Fair Value Rate Base			\$26,903,792
Percent allocable to NWWC based on DNR allocations			57.54%
Fair Value Rate Base Allocated to NWWC			\$15,480,442
Fair Value Rate Base Annual Return			9.50%
Total Annual Revenue from Fair Value Return on Rate Base			\$1,470,642

*Less pumps excluded by Exhibit E and partial retirements and deletions of agreed upon assets

Depreciation Calculation:

Depreciation Expense for the FY 2005-06 fiscal year	\$412,244
NWWC percentage DNR Allocation	57.54%
Amount of Annual Depreciation allocated to NWWC	\$237,205

ORIGINAL COST LESS DEPRECIATION FEBRUARY 28, 2005 THROUGH FEBRUARY 28, 2007
City of Evanston, IL

OC Balance at 2/28/05	Additions 3/1/05 to 2/28/06	Retirements 3/1/05 to 2/28/06	Delete Assets # 1430 & 1235	OC Balance at 2/28/06	Remove Asset Cost Adjustment (a)	OC Balance at 2/28/06 Adjusted	Depreciation on OC Balance 2/28/05	Depreciation on OC 3/1/2005 to 2/28/06	Minus		Delete Assets # 1430 & 1235	Total Depreciation at 2/28/2006	Remove Asset Cost Adjustment (a)	Total Depreciation at 2/28/2006 Adjusted	OCLD at 2/28/2006
									Depreciation on Retirements 2/28/2006	Depreciation on Additions					
Source of Supply	4,212,409	0	0	4,212,409	0	4,212,409	1,525,757	46,758	0	0	0	1,572,515	0	1,572,515	2,639,894
Pumping Plant	7,543,974	301,771	224,625	1,149	7,619,971	230,618	3,008,792	137,921	129,802	2,731	2,033	3,015,064	76,533	2,330,515 [2]	3,311,712
Treatment Plant	15,107,834	1,024,792	0	6,804	16,125,822	171,334	5,003,638	275,752	0	8,762	0	5,263,824	117,331	5,146,493	10,807,995
TOTAL	26,864,217	1,326,563	224,625	7,953	27,958,202	401,952	9,538,187	460,431	129,802	11,493	2,033	9,851,403	193,864	9,049,523	16,759,601

Adjusted OC Balance at 2/28/06	Additions 3/1/06 to 2/28/07	Retirements 3/1/06 to 2/28/07	OC Balance at 2/28/07	Adjusted Depreciation on OC Balance 2/28/06	Depreciation on OC 3/1/2005 to 2/28/07	Minus		Total Depreciation at 2/28/2007	OCLD at 2/28/2007
						Depreciation on Retirements 2/28/2007	Depreciation on Additions		
Source of Supply	4,212,409	0	4,212,409	1,572,515	46,758	0	0	1,619,273	2,593,136
Pumping Plant	5,642,227	464,941 [3]	6,109	2,330,515	110,429	5,538	4,208	2,431,253	3,669,805
Treatment Plant	15,954,488		15,954,488	5,146,493	272,822	0	0	5,419,315	10,535,173
TOTAL	25,809,124	464,941	26,267,956	9,049,523	430,009	5,538	4,208	9,469,841	16,798,114

[3]

(\$)

[1] Original Cost at 2/28/2006	7,619,971
Less Pump Costs Excluded	
Asset # 73old/16Snew	572,613
Asset # 1085old/1557new	832,610
Asset # 1086old/1558new	241,803
Adjusted OC Balance 2/28/2006	5,872,845

[1]

(a) Adjusted to reflect asset retirements proposed by NWC	Asset Cost Adjustment	Asset Depr Adjustment
Pumping plant adjustment	230,618	76,533
Treatment plant adjustment	171,334	117,331

[2] Depreciation at 2/28/2006:	3,015,064
Less Pump Depreciation Excluded	
Asset # 73old/16Snew	247,779
Asset # 1085old/1557new	306,564
Asset # 1086old/1558new	22,050
Depreciation 2/28/2005 to 2/28/2006	31,623
Adjusted Depreciation Balance 2/28/2006	2,407,048

[3] Asset Addition	
Asset # 35239 557929 prorated 5/6	464,941

REPRODUCTION COST NEW LESS DEPRECIATION FEBRUARY 28, 2005 THROUGH FEBRUARY 28, 2007
City of Evanston, IL

	RCN Balance at 2/28/2005	Depreciation at 2/28/2005	RCNLD at 2/28/2005	Adjusted RCN Balance at 2/28/2005	Adjusted Depreciation at 2/28/2005	RCNLD 2/28/2005 Adjusted
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
RCNLD at 2/28/2005						
Source of Supply Pumping Plant	18,949,683	6,973,139	11,976,544	18,949,683	6,973,139	11,976,544
Treatment Plant	27,268,955	11,986,391	15,282,564	23,829,423 [1]	10,658,837 [2]	13,170,586
TOTAL	58,597,848	24,325,018	34,272,830	58,597,848	24,325,018	34,272,830
TOTAL	104,816,486	43,284,548	61,531,938	101,376,954	41,956,994	59,419,960

	Adjusted RCN Balance at 2/28/05	Additions at cost 3/1/05 to 2/28/06	Retirements at RCN 3/1/05 to 2/28/06	Delete Assets # 1430 & 1235	Remove Asset Cost Adjustment (a)	RCN Balance at 2/28/06- Adjusted	Adjusted Depreciation at 2/28/2005	Depreciation on RCN 3/1/2005 to 2/28/2006	Minus Depreciation on Retirements 2/28/2006	Minus 1/2 yr Depreciation on Additions	Plus 1/2 yr Depreciation on Retirements	Delete Assets # 1430 & 1235	Remove Asset Cost Adjustment (a)	Depreciation at 2/28/2006 Adjusted	RCNLD at 2/28/06
	(\$)	(\$)	(\$)			(\$)	(\$)	(\$)	(\$)	(\$)	(\$)		(\$)	(\$)	(\$)
RCNLD at 2/28/2006															
Source of Supply Pumping Plant	18,949,683	0	0	0	0	18,949,683	6,973,139	210,341	0	0	0	0	0	7,183,480	11,766,203
Treatment Plant	23,829,423	301,771	1,169,148	1,613	625,546	22,334,887	10,658,837	404,261	572,778	2,731	10,582	1,613	284,357	10,212,201	12,122,686
TOTAL	58,597,848	1,024,792	0	10,374	2,134,928	57,477,338	24,325,018	982,862	0	8,762	0	10,374	1,258,883	24,029,861	33,447,477
TOTAL	101,376,954	1,326,563	1,169,148	11,988	2,760,474	98,761,907	41,956,994	1,597,464	572,778	11,493	10,582	11,988	1,543,240	41,425,542	57,336,366

	RCN Balance at 2/28/06	Additions at cost 3/1/06 to 2/28/07	Retirements at RCN 3/1/06 to 2/28/07	RCN Balance at 2/28/07	Depreciation at 2/28/2006 Adjusted	Depreciation on RCN 3/1/2006 to 2/28/2007	Minus Depreciation on Retirements 2/28/2007	Minus 1/2 yr Depreciation on Additions	Plus 1/2 yr Depreciation on Retirements	Total Depreciation at 2/28/2007	RCNLD at 2/28/07
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
RCNLD at 2/28/2006											
Source of Supply Pumping Plant	18,949,683	0	0	18,949,683	7,183,480	210,341	0	0	0	7,393,821	11,555,862
Treatment Plant	22,334,887	464,941	46,678	22,753,150	10,212,201	411,832	34,238	4,208	422	10,586,010	12,167,140
TOTAL	57,477,338	0	0	57,477,338	24,029,861	982,862	0	0	0	25,012,723	32,464,615
TOTAL	98,761,907	464,941	46,678	99,180,170	41,425,542	1,605,035	34,238	4,208	422	42,992,553	56,187,617

	(\$)
[1] RCN at 2/28/2005:	27,268,955
Less Pump Costs Excluded	
Asset # 73old/165new	1,276,229
Asset # 1085old/1557new	1,883,935
Asset # 1086old/1558new	279,368
Adjusted RCN Balance 2/28/2005	23,829,423

[2] Depreciation at 2/28/2005:	11,986,391
Less Pump Depreciation Excluded	
Asset # 73old/165new	553,748
Asset # 1085old/1557new	707,376
Asset # 1086old/1558new	66,430
Adjusted Depreciation Balance 2/28/2005	10,658,837

(a) Adjusted to reflect asset retirements proposed by NWC

	Asset Cost Adjustment	Asset Depr Adjustment
	\$	\$
Pumping plant adjustment	625,546	284,357
Treatment plant adjustment	2,134,928	1,258,883
Total Adjustment	2,760,474	1,543,240

CITY OF EVANSTON
CALCULATION OF DEPRECIATION CHARGE
Fiscal Year , 2006

	Assets				Depreciation							NWC Allocation	DEPRECIATION CHARGE	
	OC Balance FY End at 2/28/05	Additions 3/1/05 to 2/28/2006	Delete Asset # 1430 & 1235	Retirements 3/1/05 to 2/28/2006	OC Balance FY End at 2/28/06	Remove Asset Cost Adjustment	OC Balance at 2/28/2006 Adjusted	Depr. At FY End at 02/28/2006	Minus 1/2 Yr. Depr. On Additions	Plus 1/2 Yr. Depr. On Retirements	Total Depr. FY 3/1/05 to 2/28/06		Annual	Monthly
Source of Supply	4,212,409				4,212,409	0	4,212,409	46,758			46,758			
(1) Pumping Plant	5,796,848 (1)	301,771	(1,149)	(224,625)	5,872,845	230,618	5,642,227	102,124	(2,731)	2,033	101,426			
Treatment Plant	15,107,834	1,024,792	(6,804)		16,125,822	171,334	15,954,488	272,822	(6,762)		264,060			
TOTAL	25,117,091	1,326,562	(7,953)	(224,625)	26,211,075	401,952	25,809,124	421,704	(11,493)	2,033	412,244	57.54%	237,205	19,767

(1) Original Cost at 2/28/2005 7,543,974
Less Pump Costs Excluded
Asset # 73old/16Snew 572,613
Asset # 1085old/1557new 932,610
Asset # 1085old/1558new 241,903

Adjusted OC Balance 2/28/2005 5,796,848

Calculation of Quantity Rate and Quantity Charge

2/28/2007
Schedule A

	Service Year
	<u>10/1/06-9/30/07</u>
	3/1/06 - 2/28/07
A. Fiscal Year	
Operating Expenses (1)	
Pumping (3)	\$1,748,954
Filtration (3)(4)	\$1,587,364
Administration (3)	\$577,101
Insurance	\$95,000
Total	\$4,008,419
B. Fiscal Year Usage	
(Gallons)(1)	
NWC	8,894,627,000
Evanston	2,891,989,000
Skokie	3,329,305,000
Total	15,115,921,000
C. Quantity Rate/1000 Gal.	\$0.26518
(A/(B/1000))	
D. NWC Usage During	
Service Year (2)	9,015,602,000
E. Final Quantity Charge to NWC	
at end of Service Year (2)	\$2,390,757.34

- (1) Figures are for Fiscal Year (March through February).
- (2) Figures are for Service Year (October through September).
- (3) Excludes pension costs.
- (4) Includes sludge removal fees.

Expenses	Audited Expenses FY 06/07	Less Pension Expenses 06/07	Additional excluded expenses	Net Expense
Pumping	\$ 1,864,554	\$ 115,600		\$ 1,748,954
Filtration	\$ 1,784,406	\$ 139,900	57,142	\$ 1,587,364
Administration	\$ 642,518	\$ 59,100	6,317	\$ 577,101
Insurance	\$ 95,000			\$ 95,000
Total				\$ 4,008,419

Notes on Additional excluded expenses:

Administration expense - Net expenses excludes \$6317 that was paid to the MWRD for distribution water main.
Filtration Expenses - Net expenses deducts the payment for phosphate chemicals

Service Year 2006/2007 Payment Calculation

6/3/2008

Period (1)	Gallons Billed (2)	Amount Billed (3)	Depreciation (4)	Return on Rate		Total (7)	Difference (8)
				Base (5)	Quantity Charge (6)		
Oct-06	672,453,000	\$262,687.04	\$19,767.00	\$122,553.50	\$178,321.09	\$320,641.59	\$57,954.55
Nov-06	633,610,000	\$253,063.83	\$19,767.00	\$122,553.50	\$168,020.70	\$310,341.20	\$57,277.37
Dec-06	683,444,000	\$272,967.53	\$19,767.00	\$122,553.50	\$181,235.68	\$323,556.18	\$50,588.65
Jan-07	687,075,000	\$274,417.76	\$19,767.00	\$122,553.50	\$182,198.55	\$324,519.05	\$50,101.29
Feb-07	666,172,000	\$266,069.10	\$19,767.00	\$122,553.50	\$176,655.49	\$318,975.99	\$52,906.89
Mar-07	682,713,000	\$272,675.57	\$19,767.00	\$122,553.50	\$181,041.83	\$323,362.33	\$50,686.76
Apr-07	671,240,000	\$268,093.26	\$19,767.00	\$122,553.50	\$177,999.42	\$320,319.92	\$52,226.67
May-07	827,552,000	\$330,524.27	\$19,767.00	\$122,553.50	\$219,450.24	\$361,770.74	\$31,246.47
Jun-07	918,659,000	\$366,912.40	\$19,767.00	\$122,553.50	\$243,609.99	\$385,930.49	\$19,018.09
Jul-07	957,459,000	\$382,409.12	\$19,767.00	\$122,554.00	\$253,898.98	\$396,219.98	\$13,810.85
Aug-07	818,015,000	\$326,715.19	\$19,767.00	\$122,553.50	\$216,921.22	\$359,241.72	\$32,526.53
Sep-07	797,210,000	\$318,405.67	\$19,767.00	\$122,553.50	\$211,404.15	\$353,724.65	\$35,318.97
TOTALS	9,015,602,000	\$3,594,940.75	\$237,204.00	\$1,470,642.00	\$2,390,757.34	\$4,098,603.84	\$503,663.09

06/07 Annual Return on Rate Base (1) \$1,470,642
 Monthly Return on Rate Base Charge \$122,554

Annual 06/07 Depreciation Charge (2) \$237,205
 Monthly 06/07 Depreciation Charge \$19,767

Quantity Rate per 1000 gallons (per schedule A) \$0.26518

06/07 Appendix E Final Charges:

Annual Fair Value Return on Rate Base \$1,470,642
 Annual Depreciation \$237,205
 Annual Quantity Charge per Schedule A \$2,390,757
 \$4,098,604

Column (7) = Column (4) + Column (5) + Column (6)

Column (8) = Column (7) - Column (3)

ANNEX C
TO
AMENDMENT NO. 1
TO
AMENDED AND RESTATED
WATER SUPPLY CONTRACT
BETWEEN
THE NORTHWEST WATER COMMISSION
AND
THE CITY OF EVANSTON

Fair Value Return on Rate Base Calculation:

2/28/2007

	As of 2/28/07	Multiplier	
Original Cost New Less Depreciation	\$16,798,114	0.75	\$12,598,586
Reproduction Cost New Less Depreciation	\$56,187,617	0.25	\$14,046,904
Total Fair Value Rate Base			\$26,645,490
Percent allocable to NWWC based on DNR allocations			57.54%
Fair Value Rate Base Allocated to NWWC			\$15,331,815
Fair Value Rate Base Annual Return			9.50%
Total Annual Revenue from Fair Value Return on Rate Base			\$1,456,522
Monthly Charge for Fair Value Return on Rate Base			\$121,376.87

*Less pumps excluded by Exhibit E and partial retirements and deletions of agreed upon assets

Depreciation Calculation:

Depreciation Expense for the FY 2006-07 fiscal year	\$425,856
NWWC percentage DNR Allocation	57.54%
Amount of Annual Depreciation allocated to NWWC	\$245,038
Monthly Charge for Depreciation	\$20,419.80

ORIGINAL COST LESS DEPRECIATION FEBRUARY 28, 2005 THROUGH FEBRUARY 28, 2007
City of Evanston, IL

	OC Balance at 2/28/05	Additions 3/1/05 to 2/28/06	Retirements 3/1/05 to 2/28/06	Delete Assets # 1430 & 1235	OC Balance at 2/28/06	Remove Asset Cost Adjustment (a)	OC Balance at 2/28/06 Adjusted	Minus						Delete Assets # 1430 & 1235	Total Depreciation at 2/28/2006	Remove Asset Cost Adjustment (e)	Total Depreciation at 2/28/2006 Adjusted	OCLD at 2/28/2006		
								Depreciation on OC Balance 2/28/05	Depreciation on OC 3/1/2005 to 2/28/06	Depreciation on Retirements 2/28/2006	Minus 1/2 yr Depreciation on Additions	Plus 1/2 yr Depreciation on Retirements	Depreciation on Additions						Depreciation on Retirements	
OCLD at 2/28/2006																				
Source of Supply	4,212,409	0	0	0	4,212,409	0	4,212,409	1,525,757	46,758	0	0	0	0	0	0	0	1,572,515	0	1,572,515	2,639,894
Pumping Plant	7,543,974	301,771	224,625	1,149	7,619,971	230,618	5,642,227 [1]	3,008,792	137,921	129,802	2,731	2,033	1,149	3,015,064	76,533	2,330,515 [2]	3,311,712		3,311,712	
Treatment Plant	15,107,834	1,024,792	0	6,804	16,125,822	171,334	15,954,488	5,003,638	275,752	0	8,762	0	6,804	5,263,824	117,331	5,146,493	10,807,995		10,807,995	
TOTAL	26,864,217	1,326,563	224,625	7,953	27,958,202	401,952	25,809,124	9,538,187	460,431	129,802	11,493	2,033	7,953	9,851,403	193,864	9,049,523	16,759,601		16,759,601	

	Adjusted OC Balance at 2/28/06	Additions 3/1/06 to 2/28/07	Retirements 3/1/06 to 2/28/07	OC Balance at 2/28/07	Minus						Total Depreciation at 2/28/2007	OCLD at 2/28/2007								
					Adjusted Depreciation on OC Balance 2/28/06	Depreciation on OC 3/1/2005 to 2/28/07	Depreciation on Retirements 2/28/2007	Minus 1/2 yr Depreciation on Additions	Plus 1/2 yr Depreciation on Retirements	Depreciation on Additions			Depreciation on Retirements							
OCLD at 2/28/2006																				
Source of Supply	4,212,409	0	0	4,212,409	1,572,515	46,758	0	0	0	0	0	0	0	1,619,273		2,593,136			2,593,136	
Pumping Plant	5,642,227	464,941 [3]	6,109	6,101,059	2,330,515	110,429	5,538	4,208	55					2,431,253		3,669,805			3,669,805	
Treatment Plant	15,954,488			15,954,488	5,146,493	272,622	0	0	0					5,419,315		10,535,173			10,535,173	
TOTAL	25,809,124	464,941	6,109	26,267,956	9,049,523	430,009	5,538	4,208	55					9,499,841		16,798,114			16,798,114	

(3)

[1] Original Cost at 2/28/2006	7,619,971
Less Pump Costs Excluded	
Asset # 73old/165new	572,613
Asset # 1085old/1557new	932,610
Asset # 1086old/1558new	241,903
Adjusted OC Balance 2/28/2006	5,872,845

(a) Adjusted to reflect asset retirements proposed by NWC		
	Asset Cost Adjustment	Asset Depr Adjustment
Pumping plant adjustment	230,618	76,533
Treatment plant adjustment	171,334	117,331

[2] Depreciation at 2/28/2006:	3,015,064
Less Pump Depreciation Excluded	
Asset # 73old/165new	247,779
Asset # 1085old/1557new	306,564
Asset # 1086old/1558new	22,050
Depreciation 2/28/2005 to 2/28/2006	31,623
Adjusted Depreciation Balance 2/28/2006	2,407,048

[3] Asset Addition	
Asset # 39239 557929 prorated 5/6	464,941

REPRODUCTION COST NEW LESS DEPRECIATION FEBRUARY 28, 2005 THROUGH FEBRUARY 28, 2007
City of Evanston, IL

	RCN Balance at 2/28/2005	Depreciation at 2/28/2005	RCNLD at 2/28/2005	Adjusted RCN Balance at 2/28/2005	Adjusted Depreciation at 2/28/2005	RCNLD 2/28/2005 Adjusted
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
RCNLD at 2/28/2005						
Source of Supply Pumping Plant	18,949,683	6,973,139	11,976,544	18,949,683	6,973,139	11,976,544
Treatment Plant	27,268,955	11,986,391	15,282,564	23,829,423 [1]	10,658,837 [2]	13,170,586
TOTAL	58,597,848	24,325,018	34,272,830	58,597,848	24,325,018	34,272,830
TOTAL	104,816,486	43,284,548	61,531,938	101,376,954	41,956,994	59,419,960

	Adjusted RCN Balance at 2/28/05	Additions at cost 2/28/06	Retirements at RCN 3/1/05 to 2/28/06	Delete Assets # 1430 & 1235	Remove Asset Cost Adjustment	RCN Balance at 2/28/06-Adjusted	Adjusted Depreciation at 2/28/2005	Depreciation on RCN 3/1/2005 to 2/28/06	Minus Depreciation on Retirements 2/28/2006	Minus 1/2 yr Depreciation on Additions	Plus 1/2 yr Depreciation on Retirements	Delete Assets # 1430 & 1235	Remove Asset Cost Adjustment	Depreciation at 2/28/2006 Adjusted	RCNLD at 2/28/06
	(\$)	(\$)	(\$)		(a)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)		(a)	(\$)	(\$)
RCNLD at 2/28/2006															
Source of Supply Pumping Plant	18,949,683	0	0	0	0	18,949,683	6,973,139	210,341	0	0	0	0	0	7,183,480	11,766,203
Treatment Plant	23,829,423	301,771	1,169,148	1,613	625,546	22,334,887	10,658,837	404,261	572,778	2,731	10,582	1,613	284,357	10,212,201	12,122,686
TOTAL	58,597,848	1,024,792	0	10,374	2,134,928	57,477,338	24,325,018	982,862	0	8,762	0	10,374	1,258,883	24,029,861	33,447,477
TOTAL	101,376,954	1,326,563	1,169,148	11,988	2,760,474	98,761,907	41,956,994	1,597,464	572,778	11,493	10,582	11,988	1,543,240	41,425,542	57,336,366

	RCN Balance at 2/28/06	Additions at cost 3/1/06 to 2/28/07	Retirements at RCN 3/1/06 to 2/28/07	RCN Balance at 2/28/07	Depreciation at 2/28/2006 Adjusted	Depreciation on RCN 3/1/2006 to 2/28/07	Minus Depreciation on Retirements 2/28/2007	Minus 1/2 yr Depreciation on Additions	Plus 1/2 yr Depreciation on Retirements	Total Depreciation at 2/28/2007	RCNLD at 2/28/07
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
RCNLD at 2/28/2006											
Source of Supply Pumping Plant	18,949,683	0	0	18,949,683	7,183,480	210,341	0	0	0	7,393,821	11,555,862
Treatment Plant	22,334,887	464,941	46,678	22,753,150	10,212,201	411,832	34,238	4,208	422	10,586,010	12,167,140
TOTAL	57,477,338	0	0	57,477,338	24,029,861	982,862	0	0	0	25,012,723	32,464,615
TOTAL	98,761,907	464,941	46,678	99,180,170	41,425,542	1,605,035	34,238	4,208	422	42,992,553	56,187,617

	(\$)
[1] RCN at 2/28/2005:	27,268,955
Less Pump Costs Excluded	
Asset # 73old/165new	1,276,229
Asset # 1085old/1557new	1,883,935
Asset # 1086old/1558new	279,368
Adjusted RCN Balance 2/28/2005	23,829,423

[2] Depreciation at 2/28/2005:	11,986,391
Less Pump Depreciation Excluded	
Asset # 73old/165new	553,748
Asset # 1085old/1557new	707,376
Asset # 1086old/1558new	66,430
Adjusted Depreciation Balance 2/28/2005	10,658,837

	Asset Cost Adjustment	Asset Depr Adjustment
	\$	\$
Pumping plant adjustment	625,546	284,357
Treatment plant adjustment	2,134,928	1,258,883
Total Adjustment	2,760,474	1,543,240

CITY OF EVANSTON
 CALCULATION OF DEPRECIATION CHARGE
 Fiscal Year , 2007

	Assets			Depreciation					DEPRECIATION CHARGE		
	OC Balance FY End at 2/28/06	Additions 3/1/06 to 2/28/2007	Retirements 3/1/06 to 2/28/2007	OC Balance FY End at 2/28/07	Depr. At FY End at 02/28/2007	Minus 1/2 Yr. Depr. On Additions	Plus 1/2 Yr. Depr. On Retirements	Total Depr. FY 3/1/06 to 2/28/07	NWC Allocation	Annual	Monthly
Source of Supply	4,212,409			4,212,409	46,758			46,758			
Pumping Plant	5,642,227	464,941 (2)	(6,109)	6,101,059 (1)	110,429	(4,208)	55	106,277			
Treatment Plant	15,954,488			15,954,488 (3)	272,822			272,822			
TOTAL	25,809,124	464,941	(6,109)	26,267,956	430,009	(4,208)	55	425,856	57.54%	245,038	20,420

(1) Fixed Assets Cost 02/28/2007 Pumping 8,172,939
 Less:
 Asset # 73old 165new -572,613
 Asset # 1085old 1557new -932,610
 Asset # 1086old 1558new -241,903
 Asset # 39239 557928.89 prorated 5/6 -92,988
 Asset # 1430 -1,149
 Remove Asset Cost Adjustment -230,618
6,101,059

(2) Asset Addition
 Asset # 39239 557929 prorated 5/6 464,941

(3) Fixed Assets Cost 02/28/2007 Treatment 16,125,822
 Less:
 Remove Asset Cost Adjustment -171,334
15,954,488

Calculation of INTERIM Quantity Rate and Quantity Charge

2/28/2007
Schedule A

	Service Year
A. Fiscal Year	10/1/07-9/30/08
Operating Expenses (1)	3/1/06 - 2/28/07
Pumping (3)	\$1,748,954
Filtration (3)(4)	\$1,587,364
Administration (3)	\$577,101
Insurance	\$95,000
Total	\$4,008,419
B. Fiscal Year Usage	
(Gallons)(1)	
NWC	8,894,627,000
Evanston	2,891,989,000
Skokie	3,329,305,000
Total	15,115,921,000
C. Quantity Rate/1000 Gal.	\$0.26518
(A/(B/1000))	

- (1) Figures are for Fiscal Year (March through February).
- (2) Figures are for Service Year (October through September).
- (3) Excludes pension costs.
- (4) Includes sludge removal fees.

Expenses	Audited Expenses FY 06/07	Less Pension Expenses 06/07	Additional excluded expenses	Net Expense
Pumping	\$ 1,864,554	\$ 115,600		\$ 1,748,954
Filtration	\$ 1,784,406	\$ 139,900	57,142	\$ 1,587,364
Administration	\$ 642,518	\$ 59,100	6,317	\$ 577,101
Insurance	\$ 95,000			\$ 95,000
Total				\$ 4,008,419

Notes on Additional excluded expenses:

Administration expense - Net expenses excludes \$6317 that was paid to the MWRD for distribution water main.
Filtration Expenses - Net expenses deducts the payment for phosphate chemicals