

January 27, 2023

Mr. Mark Siefert  
City of Crest Hill  
2090 Oakland Avenue  
Crest Hill, IL 60403

Re: Lake Michigan Allocation Status  
City of Crest Hill, Illinois (City)

Dear Mark,

The City's use of Lake Michigan water for domestic water supply results in a diversion of Lake Michigan water beyond its tributary boundary. Illinois is the only state or province bordering the Great Lakes that is allowed to divert a limited amount of water from a Great Lake's tributary basin. Because of this, Lake Michigan domestic water usage is permitted, and very closely monitored, by Illinois Department of Natural Resources (IDNR). Illinois Administrative Code Title 17 Chapter I Subchapter h Part 3730 provides the rules for the governance. The permit, called an Allocation, is obtained through a complex permitting process, which includes the following (as described on the IDNR's Web site):

1. An active public participation program.
2. An identification of available water supply sources.
3. A long-range water demand forecasting methodology.
4. Formal allocation hearings on all requests.
5. An issued Allocation Order.
6. Ongoing monitoring of water use and consumption by all permittees.
7. Formal process to make adjustments in allocations.

During the Alternative Source Water Analysis in 2021, when investigating the details and costs associated with Lake Michigan water, Strand Associates, Inc.® (Strand) included the cost and effort associated with the permitting process (knowing that it was a significant effort). The estimated cost of the application was \$250,000, in 2020 dollars. In 2022, the fee Strand developed for the City was based on the City of Joliet's (Joliet) application process, which was completed in 2021. Joliet had the following four main steps in which it incurred costs for the effort:

1. Development of the permit application.
2. Attendance at a Preliminary Hearing in which IDNR would provide comments on the initial application.
3. Revision and resubmittal of the application
4. Attendance at a final hearing.

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Joliet received 13 comments on its initial submittal, most of which were not significantly difficult to address. Given the successful Joliet application as a guidance (and anticipating a similar level of effort), the initial fees for the City was \$98,900 for the preparation of the initial application. An additional fee of \$31,000 was included for attendance at a prehearing, revision of permit materials, and attendance at a final hearing. So, the total amount requested was \$129,900.

In the time since Joliet completed the process, staffing changes at IDNR have resulted in a different reviewer. Also, IDNR conducted a routine process of adjusting the allocation permit limits for the other permittees (more than 200) in the state. For the first time, many communities saw a significant reduction in the allocation amounts. This was performed because, in general, water demands are decreasing, the amount of aged infrastructure being replaced in reducing water loss to below 10 percent, and IDNR wanted to make more water available for new users. Reducing the excess in allocation amounts for communities caused great concern and resulted in significant scrutiny of IDNR and new users in this area, mainly Joliet.

The City submitted the initial application in late March 2022. The prehearing was held on November 9, 2022. There were six other communities that also submitted around March 2022 and received similar responses. Strand assumes for the two reasons previously stated, the initial review of the City's application resulted in significantly more comments than past permittee reviews (and required additional study, information gathering, and steps) including:

1. Review and alter population projections for Stateville Correctional Center based on new Chicago Metropolitan Agency for Planning information.
2. Perform additional study and cost opinion development for the use of the Des Plaines River as a source.
3. Provide additional justification of the inadequacies of other possible sources.
4. Provide evidence of the public involvement and the Council involvement in the process.
5. Inform the Council of the addition of costs and efforts required when becoming a Lake Michigan permittee.
6. Provide evidence that the Council understands and is committed to the additional efforts required to be a Lake Michigan permittee.
7. Provide greater detail in the required water audit and water system improvement plan, as required for communities that exceed regulatory water loss limits, referred to as nonrevenue water.
8. Resubmit the application ( in its entirety) attend a second preliminary hearing process and gather additional comments.

Since the prehearing, Strand has been gathering additional information and meeting with the other commission members staff to combine efforts and maximize the efficiency of the response. Strand has added detail and performed additional study of the other alternatives. Spesia and Taylor has prepared a resolution to provide written support of the City's efforts and understanding of the requirements of being a Lake Michigan permittee.

The additional efforts and prehearing process has created additional scope and fee for the City's consideration. This totals \$65,000, bringing the total amount of the application for Strand's efforts to \$194,900. This is still less than the amounts stipulated in the 2021 study and conceptual rate analysis.

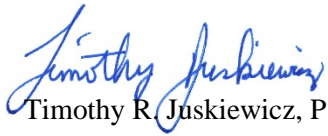
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The resubmittal is due on March 29, 2023. The second prehearing is scheduled for May 17, 2023. It is anticipated and hoped that only minor revisions (if any) will be required after that meeting, leadto a June 2023 resubmittal, and will be followed by a September 2023 formal hearing and March 2024 ruling. It is anticipated that the final ruling will be the issuance of an Allocation Order.

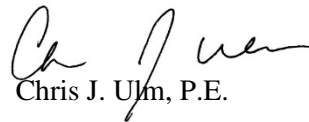
Please call 815-744-4200 if you have any questions regarding this matter.

Sincerely,

STRAND ASSOCIATES, INC.®



Timothy R. Juskiewicz, P.E.



Chris J. Ulm, P.E.