

Item #4:
Resolution Waiving Bids & Selecting Aqua Illinois As Well Operator

VILLAGE OF LONG GROVE

RESOLUTION NO. 2010-R-__

**A RESOLUTION WAIVING BIDS AND APPROVING
THE SELECTION OF AQUA ILLINOIS FOR THE
OPERATION OF THE ILLINOIS ROUTE 83 SPECIAL
SERVICE AREA WATER SUPPLY SYSTEM**

WHEREAS, pursuant to Ordinance No. 2008-O-15, the Village of Long Grove has established a special service area for potable water service (the "**Water SSA**") to certain properties located along Illinois Route 83 between Aptakisic Road and Old McHenry Road (the "**SSA Service Area**"); and

WHEREAS, the Water SSA authorizes the Village to develop a deep well water supply system (the "**Water System**"), the construction of which is substantially under way; and

WHEREAS, the Village intends to commence operations of the Water System upon completion of its construction; and

WHEREAS, the operation and maintenance of the Water System requires specialized training and experience; and

WHEREAS, the Village, through its Village Engineer, has solicited proposals from persons with appropriate training and experience to operate and maintain the Water System; and

WHEREAS, the Village Engineer has reported that few persons with appropriate training and experience to operate and maintain the Water System have responded to the solicitations for proposals; and

WHEREAS, based on the review and assessment of the credentials of interested persons having the appropriate training and experience to operate and maintain the Water System who have responded to the Village's solicitations, the Village Engineer has recommended that the Village engage Aqua Illinois, Inc. to provide operation and maintenance services for the Water System; and

WHEREAS, Aqua Illinois, Inc. has presented a draft agreement for the provision of such operation and maintenance services for the Water System, a copy of which is attached hereto as **Exhibit A** (the "**Aqua Service Proposal**"); and

WHEREAS, the President and Board of Trustees, being fully advised in the premises, have determined that it is in the best interests of the Village and its residents to waive any and all bidding requirements and approve the Aqua Service Proposal in accordance with the terms herein;

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF LONG GROVE, LAKE COUNTY, ILLINOIS, AS FOLLOWS:

Section 1: Recitals. The foregoing recitals are hereby incorporated herein as findings of the Village Board of Trustees.

Section 2: Approval of Services.

The President and Board of Trustees hereby: (i) waive any applicable requirements for bidding, requests for qualifications, or requests for proposals in light of the prior efforts in this regard and the necessity and urgency of securing a qualified person to operate and maintain the Water System; (ii) approve the selection of Aqua Illinois, Inc. to operate and maintain the Water System based on the general terms of the Aqua Service Proposal; (iii) direct the Village Manager in consultation with the Village Attorney to formalize the terms of such engagement in a contract or other appropriate documentation therefor; and (iv) authorize the Village Manager to execute such contract or other appropriate documentation with Aqua Illinois, Inc. following receipt of such signed documentation from Aqua Illinois, Inc.

Section 3: Effective Date. This Resolution shall be in full force and effect from and after its passage and approval in the manner provided by law.

PASSED THIS ___ DAY OF NOVEMBER, 2010.

AYES:

NAYS:

ABSENT:

APPROVED THIS ___ DAY OF NOVEMBER, 2010.

Village President

ATTEST:

Village Clerk

EXHIBIT A

PROFESSIONAL SERVICES AGREEMENT

**FOR THE
MANAGEMENT AND OPERATION OF WATER UTILITY**

THIS PROFESSIONAL SERVICES AGREEMENT (“Agreement”) is made as of this _____ day of _____, 2010, by and between the Village of Long Grove, with offices at 3110 RFD, Long Grove, IL 60047 (“Village”), and **Aqua Illinois, Inc.**, an Illinois corporation, with offices at 1000 S Schuyler Ave, Kankakee, IL 60901 (“Company”).

WITNESSETH:

WHEREAS, the Village has taken actions necessary to form its own municipal water utility (“Water System”); and

WHEREAS, the Village is desirous of having an experienced third party operate its Water System; and

WHEREAS, the Village has requested Company to provide certain management and operational services for the Water System; and

WHEREAS, Company is experienced in the business of providing water utility management and operational services, and desires to provide those services set forth in this Agreement, upon the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. BASIC SERVICES

Company shall, perform the professional services for the management and operation of the Water System as described on the attached Schedule 1 - Basic Services in a professional and competent manner.

2. COMPENSATION

For the period beginning December 1, 2010 and ending May 31, 2012, the Company shall received compensation for the performance of services by the Company as follows:

- a. a monthly fixed fee for the Basic Services (“Base Fee”) in the amount of Five Thousand Eight Hundred Dollars (\$5,800.00);
- b. reimbursement of costs incurred in the performance of any Additional Services shall be paid to the Company in accordance with Schedule 2.
- c. Any costs incurred by the company for services or expenses not listed in Basic Services or Additional Services. Except for emergency situations, prior approval from the Village

shall be required. For costs incurred on an emergency basis, the Company will notify the Village within two (2) days.

The Company shall invoice the Village monthly for the above items. Village shall pay the invoiced amount within thirty (30) days of receipt.

For the contract year beginning on December 1, 2010, and for each contract year thereafter, annual adjustments to the Base Fee shall, if necessary, increase by the change in the Consumer Price Index for the twelve month prior ending two months prior to the expiration date of this current Agreement or 3% whichever is greater. The Company shall give the Village written notice of the amount of the adjusted Base Fee on or before the expiration of the current Agreement of each year that this Agreement is in effect. Town agrees to pay all such adjusted monthly Base Fee or Customer Service Fee during the term of this Agreement.

The Village and Company agree to negotiate an increase in the Base Fee if additional facilities or customers are added to the Water System or other substantial changes or costs are incurred by the Company to operate and maintain the Water System which are beyond the control of the Company. This initial Agreement is based on a customer count not exceeding 25.

3. ADDITIONAL SERVICES

Company shall, at the specific written request of the Village, or as required in emergency situations, perform the additional services as described on Schedule 2 – Additional Services. Fees for additional services will be invoiced to the Village on a monthly invoice and will be based on the schedule of charges included.

4. EXCLUDED SERVICES

The Company shall not be responsible for the cost of any capital improvements, capital repairs, equipment repair or replacement or other capital expenditures relating to the Water System except as described in Schedule 1 – Basic Service. Company is also not responsible for operation and maintenance of customer owned service lines and appurtances.

The Company shall not be responsible for providing any of the services or other items described in Section 5 of this Agreement and Schedule 3 - Village Retained Responsibilities unless Village and Company agree in writing to an alternative approach.

5. COOPERATION

During the term of this Agreement, the parties shall cooperate in good faith to share relevant information as reasonably required to ensure efficient and complete operations of the Water System. The parties agree that the Exhibit A of this Agreement adequately describes the Water System. Further, Village and Company desire to create an ongoing partnership that will provide Water System customers with consistently high-quality service.

To aid in the efficient administration of this contract, the Village will empower a representative who will be able to authorize work and make timely decisions

related to the Water System. The services to be provided by Company shall be done so in a professional and competent manner.

Village agrees that the Company shall have the right to use the equipment and facilities that are part of the Water System as may be necessary to carry out its professional responsibilities for the management and operation of the Water System.

As part of its overall management and operational services, Company shall provide the services of professional staff appropriately licensed to operate and maintain the Water System. Company shall also appoint an individual as its primary contact for this Agreement, and that person shall be responsible for coordinating the services provided hereunder.

6. TERM

This contract shall have an initial term commencing December 1, 2010 and ending May 31, 2012. Company shall commence performance of this Agreement on a date to be specified by the Village and agreed to by Company.

7. CANCELLATION PROVISION

The Village shall have the right to cancel this Agreement with cause if Company is in substantial breach of the Agreement and does not cure, or does not diligently proceed to cure, such breach within thirty (30) days after receiving written notice of such breach from the Village.

Company shall have the right to cancel this Agreement for cause if the Village is in substantial breach of the Agreement and does not cure, or does not diligently proceed to cure, such breach within thirty (30) days after receiving written notice of such breach from Company.

8. LIABILITY

Each party hereto shall indemnify, defend and hold harmless the other against any loss, cost or liability resulting from the indemnifying party's negligence or intentional wrongs regarding the Water System. The Village's foregoing indemnification shall include, without limitation, design failures in, and inadequate inspection of, projects and installations under the control of the Village's engineers, and work or repairs done by employees or contractors of the Village.

The Village is responsible for all damages, claims, fines and penalties arising from failure by Village, after due notice from Company, to undertake capital repairs and replacements to the Water System in a timely fashion, including capital repairs and replacements related to the Water System, and to provide waterflow into the Facility at levels and characteristics within permit requirements and/or design limits to the extent applicable under Illinois law or applicable federal law. Company shall not be liable to the Village or its customers for any diminution or interruption of service within the Water System not the result of Company's negligence, or for any delay which results from causes beyond Company's reasonable control.

Under no circumstances, shall Company be responsible for special, punitive, incidental or consequential damages. Company will not be responsible for conditions or failures that arise due to the limitations and configuration of the Water System. Company shall not be responsible for any claims, damages or causes of action which may arise in connection with the activities of any other contractor retained directly by the Village.

9. NOTICES

Any and all notices and communications hereunder shall be in writing and delivered personally or mailed by registered or certified mail, return receipt requested.

If to the Village, at:

With a copy to:

If to Company, at:

With a copy to:

Aqua Illinois, Inc.
Attn: Terry Rakocy
1000 S Schuyler Ave
Kankakee, IL 60901

Andrew Henry, Esq.
Aqua America, Inc.
762 West Lancaster Avenue
Bryn Mawr, PA 19010-3489

10. MISCELLANEOUS

This Agreement contains the entire Agreement between the parties relating to professional services and supersedes any prior understanding or agreement. Any change, modification or amendment hereto shall be ineffective, unless in writing and executed by the parties hereto. The covenants and conditions contained herein shall bind and inure to the benefit of the successors and assigns of each of the parties hereto. Nothing herein shall give any right or remedy hereunder to any person or entity, except the parties hereto and their successors and assigns.

11. FORCE MAJEURE

Maintenance, replacement or repairs required due to flood, fire, storm, explosion, negligence by anyone other than Company or its agents, unlawful discharges in or out of the facility, acts of God, war or other reasons outside Company control are not within the scope of services provided by Company in this Agreement. In the event of such occurrences, Company may offer the Village assistance in obtaining or providing additional services, repairs, and replacements at an additional fee.

Company shall operate and maintain the facilities according to design parameters. Any process upsets and/or failures due to changes in raw water or influent water characteristics, volume, infiltration and inflow, physical capabilities or constraints of the treatment plant or conveyance system and/or improper design which could not be reasonably foreseen and properly handled in the exercise of the Company's professional responsibility for maintenance of the facility, shall not be the responsibility of Company, and cannot be used as the basis for termination of this Agreement without written mutual consent of both parties.

12. GOVERNING LAW

This Agreement shall be subject to and governed by the laws of the State of Illinois.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed, as of the day and year first written above.

AQUA ILLINOIS, INC. ("COMPANY")

VILLAGE OF LONG GROVE ("VILLAGE")

By: _____

By: _____

Attest: _____

Attest: _____

SCHEDULE I - BASIC SERVICES

1. Provide licensed operators and support staff to operate, manage and maintain the Water System as described in Exhibit A, including water mains, fire hydrants, service shut-off valves, water treatment equipment, control and monitoring equipment, well equipment, pumping equipment, and generator.
2. Compile data and file all necessary reports with regulatory agencies, such as the Illinois Environmental Protection Agency (“IEPA”)
3. Ensure compliance with all operating standards and notify village of any corrective action beyond basic services it may need to have performed to maintain compliance.
4. Perform sampling and coordinate third party laboratory analyses and review laboratory results and make operational adjustments as necessary.
5. Perform and respond to the Village’s customer service needs, including:
 - (a) Reading active water meters;
 - (b) responding to customer complaints;
 - (c) coordinating the connection of new customers to the Water System including installation of meters;
 - (d) meeting with customers and developers to ensure that service needs are met in a timely and efficient manner; and
 - (e) Operating service shut-off valves.
6. Submit a monthly report to the Village detailing:
 - (a) Operational data on the Water System;
 - (b) Maintenance and repair of facilities required;
 - (c) the number and nature of customer complaints, if any, and the manner in which those complaints were handled; and
 - (d) the Company’s opinion regarding prospective operating or service needs of the Water System.
7. Maintain 24-hour telephone response line and provide an emergency list of operating personnel.
8. Dispatch qualified personnel on a timely basis per circumstances.
9. Attend meetings, if requested by Village.
11. Promptly report emergencies to designated Village’s representative.
12. Provide “locate” services through JULIE
13. Implementation of a Backflow Prevention Inspection Program where Company informs customers of requirements and proper use, and Company will verify that the customer has hired a qualified inspector on the required periodic basis and the customer has performed any corrective actions in a timely manner.
14. Provide basic janitorial services, basic building maintenance, lawn maintenance services, and snow removal services at the water system building facility
15. Off hours emergency response up to 50 manhours annually

SCHEDULE 2 – ADDITIONAL SERVICES

<u>Additional Services available under Agreement for an extra fee</u>	<u>Charge</u>
1. “Pass-thru” purchasing of services and materials related to ordinary operation and maintenance. (See attached list)	Company’s Cost (w/o mark-up)^a
2. Oversight of services and handling of materials related to ordinary operation and maintenance. (See attached list)	No additional Charge^a
3. Technical assistance such as Main Extension permitting, design review, and construction inspection services	\$75.00/ hour plus reimbursables ^b
4. Professional Engineering Services by Company or Third Party	Proposal as needed.
5. Purchasing of services and materials by Company for construction or improvements NOT related to ordinary operation and maintenance.	Invoiced Charges plus 10%
6. Oversight of services and handling of materials for construction or improvements NOT related to ordinary operation and maintenance.	\$60.00/ hour plus reimbursables ^b
7. Equipment rented or provided by Company that may be needed to sustain Service during outages or for construction or improvements NOT related to ordinary operation and maintenance.	Rental Rates plus 10% and Fuel

^a *Company will perform these “pass-thru” procurement services on this “At Cost Basis” only for the initial term of the contract.*

^b *Reimbursables for Technical assistance or Oversight of construction include such items as vehicle costs and postage.*

SCHEDULE 3 - VILLAGE RETAINED RESPONSIBILITIES

1. Oversight and policy making.
2. Establishment of rates and charges.
3. Handling customer calls and transmitting service requests to Company.
4. Capital planning functions including any capital improvements, long-range planning.
5. Regulatory matters with IEPA, ICC, USEPA, etc..
6. Permit fees for Water System
7. Intergovernmental or wholesale water sale agreements.
8. Debt Financing.
9. Eminent Domain/Condemnation Matters.
10. Other utility costs such as electricity or power, natural gas, communication and sewer services

EXHIBIT A

**MAP and DESCRIPTION OF LONG GROVE WATER SYSTEM
(treatment plant, water mains, service area)**

David Lothspeich

From: amalone@esiconsultantsltd.com
Sent: Saturday, October 30, 2010 4:54 AM
To: David Lothspeich; Joseph M. Chiczewski
Subject: Fw: Draft O&M Service Agreement between Village of Long Grove and Aqua
Attachments: Con Op Agreement Long Grove IL Draft 10-29-10.doc
From: "Nargang, Michael" <MNargang@aquaamerica.com>
Date: Fri, 29 Oct 2010 19:12:38 -0400
To: Anthony Malone<Amalone@esiconsultantsltd.com>
Subject: Draft O&M Service Agreement between Village of Long Grove and Aqua

Tony,

We are grateful that the Village of Long Grove has given us this opportunity to present an agreement for Operation and Management services for the Village's new Water System. We visited the site after our last meeting and were impressed with the layout. This is the quality of system at the Water Treatment Plants Aqua owns in Ravenna and Hawthorn Woods, so we understand what has gone into the investment the Village has made.

The contract we are presenting is a standard format for the industry. As I said in our meeting there are 3 levels: Basic Services, Additional Services and Other Services. We paid close attention to the questions you asked in the Meeting about what is included in the Basic Services and we incorporated those words in the Basic Services section – even if we thought they were implicit, we want to make them explicit. There was nothing you asked in the meeting that was out of the norm, because I remember Tony Wright repeating “yes, that’s included” at least a half a dozen times. If we didn’t make something as clear as it needs to be, just let us know.

We talked about tiers of growth in our meeting. Since its hard to predict the growth of this new Water System, we just identified the first tier limit at 25 customers, the treatment plant, and the distribution system right in the area of the RPC & 83. As the system expands and residential or other commercial areas are added, we will adapt the agreement accordingly.

So the attached agreement is a draft and we will incorporate comments to address concerns that come up during review with the Village. The draft agreement is also pending approval of Aqua's corporate and legal staff.

Pass Thru System for Recurring Costs and 1st year costs

As we said in the meeting, the Cost form from Aqua's Proposal included some recurring costs and first year costs. Therefore, the monthly fee for Basic Services is lower than what was shown on that Form. We listed below several recurring costs we would anticipate for this system. We also identified some first year costs that might be in the Construction Project scope but probably are not.

- a. Remote Monitoring system such as OMNI Crystal Ball: \$3200 for equipment and \$2000 - \$3000 for installation
- b. Chlorine Analyzer: \$2500 for the equipment and \$1000 for installation
- c. Combination Flouride/pH/ Hardness Analyzer/Kits : \$2000

11/4/2010

d. Local computer for data entry / reports: \$1500 for Hardware, Software and peripherals

We have used a Pass Thru system for recurring costs before and feel it has the following benefits:

- ◆ Lower cost because Aqua can purchase several items at significant discount
- ◆ Simpler procurement because Aqua can use existing arrangements
- ◆ Steady cost based on spreading the annual cost to a monthly basis
- ◆ Simpler invoicing based on monthly fee plus Pass Thru allowance being consistent

Steps to create and manage the Pass Thru system;

1. Estimate annual cost of items listed and determine the monthly allowance (for the initial period of this contract, the Village would pay what Aqua pays without mark-up and while the system is small the time involved in procurement/tracking would be included in the Basic Services – no additional charge)
2. Include the allowance with the monthly fee.
3. Aqua would use the allowance to purchase the items when needed and keep a record of cost with invoices
4. The cost record would be presented to the Village in the monthly reports
5. The actual cost would be trued up annually. At the end of the year, the Village would be refunded any funds from the monthly allowance not used for pass thru items.
6. In the event the annual cost exceeded the annual allowance or the costs significantly exceeded the allowance in a particular month, Aqua would invoice the Village for the balance.

List of Pass Thru items and anticipated costs (Annual around \$10K). (We tried to estimate the consumption during this initial period based on the type of customers you described (we thought around 3-4 MG for first year) as this will affect chemical usage – this will need to be refined.)

- ◆ Lab Services: \$1,000 (Monthly lab testing for bacteriological 50, 2 annual lead and copper: 100, and 3 annual radium: 250)
- ◆ Testing supplies: \$2,000
- ◆ Chemicals: \$2,100 (\$150.00 fluoride, \$1750 brine salt, \$300 chlorine)
- ◆ Meters & MXUs: \$1,500 (10 @ 150 for 1" meters , Larger commercial meters are more)
- ◆ Third Party Generator Inspection: \$900 (Level 2)
- ◆ Janitorial supplies \$1,000 (including cleaning supplies, paper products, and sidewalk salt)
- ◆ Monthly or Annual Charges \$276 (Omni \$276 - others?)
- ◆ Internet access at plant? \$900 (If easy to do, this should be done. \$75 month)

Thanks,

Michael Nargang, P.E. <><

Engineer, Aqua Illinois

cell: 815.791.6533

direct: 815.614.2060

office: 815.935.6535 x59060

fax: 815.935.8809

1000 S. Schuyler Ave.
Kankakee, IL 60901

mnargang@aquaaamerica.com



Aqua Illinois, Inc.
316 S Main St
Wauconda, IL 60084

T: 847-487-7341
F: 847-487-7843
www.aquaininois.com

August 17, 2010

President Maria Rodriguez
Board of Trustees
Village of Long Grove
3110 Old McHenry Road
Long Grove, IL 60047

RE: Proposal for the Operation and Maintenance of the
Village of Long Grove Water Systems

Dear President Rodriguez:

On behalf of Aqua Illinois, Inc., I am pleased to submit three (4) original copies of our response to your Request for Proposals for Water System Operation for the Village of Long Grove..

Aqua Illinois is a part of Aqua America, Inc., one of the nation's largest publicly-traded water and wastewater utilities, serving over 3 million people in 14 states. In Illinois, we provide water and wastewater utility service to approximately 185,000 people. We are especially proud of our commitment to partnering with communities to meet their water and wastewater needs in these challenging regulatory and economic times. In Illinois, we currently provide water and wastewater operations and maintenance support in 40 communities throughout 7 Counties.

We are committed to providing outstanding service in the communities we serve, and are especially experienced in working with communities to help them meet the challenges of funding water and wastewater system improvements and achieving compliance with environmental regulations.

Aqua has a proven approach that will ensure the successful operations of the Village of Long Grove's water system. Our approach will be based upon the goal of being the Village's long-term partner in utility operations and in community development.

Selection of Aqua as the Village's water operation partner offers a number of unique benefits for Long Grove, including:

- ◆ A proven track record working in similar sized municipalities across the country.
- ◆ Support from Aqua Illinois' Northern Regional Office
- ◆ Operating personnel who have certifications and experience in similar-sized facilities.
- ◆ Outstanding communication and report generation

Aqua Illinois is a part of the Aqua America family of companies, with revenues of \$670 million in 2009. We can provide the Village with the unique capabilities of a company that clearly understands the challenges faced by communities across the country, while having the financial, technological and staff resources to bring additional expertise to the Village when needed.

The attached response submittal by Aqua does not follow Long Grove's RFP format. Any information not provided per the RFP which Long Grove feels is pertinent in moving toward an operation contract with Aqua Illinois will be submitted upon request.

Sincerely,

AQUA ILLINOIS, INC.

Paul A. Wright
Division Manager

Introduction

Aqua Illinois, an Illinois Corporation, is pleased to present this proposal for complete O&M services to the Village of Long Grove. Aqua Illinois is uniquely positioned to deliver highly attentive and professional service to the Village of Long Grove.

- ◆ Aqua has the mindset of a municipal water system owner. For the majority of cities we work in, we don't just operate our facilities in Illinois we own them – we know how to keep them running efficiently for a long time with minimal capital investment.
- ◆ Aqua has an excellent reputation with the IEPA. In fact, they often refer system owners that are having difficulties to Aqua. Aqua is very concerned with maintaining this reputation by open communication and by meeting requirements for quality, performance, reporting. We consistently run systems without violations year after year.
- ◆ Aqua has an excellent reputation with Lake County, and we are actively helping them with solutions for their older systems.
- ◆ Aqua delivers first rate customer service to everyone connected to the system, because they are “our” customers. We are responsive and helpful.
- ◆ Aqua understands the motivations of Municipal officials. We are their partners in supporting citizens and businesses. We help villages develop with a strong dependable infrastructure.
- ◆ Aqua's operators and managers are highly trained and certified. Aqua has technical experts in operations and construction in our corporate office south of Chicago.
- ◆ Aqua America stands behind Aqua Illinois, giving it the technical and financial support it needs.

- ◆ Lastly, an important and unique benefit for Long Grove is how close we are. We operate the Ravenna system in Long Grove, we operate 4 systems in the neighboring town of Hawthorn woods, and we have our regional office in Wauconda which is 15 minutes away.

As we reviewed the description of services listed in the RFP, we felt the way to provide the necessary attention would be on-site 7-days-a-week, the same service we provide the 5 other facilities owned by Aqua in Lake County. The time a system needs the most attention is when it is first started. Furthermore, systems that operate well below rated capacity, require operator management of chemical usage. This level of service will allow Aqua to manage the risk of operational violations instead of the Village.

Since Aqua is established, our technological tools are an available resource on day one: meter reading, billing, monitoring and testing equipment that Aqua already has will be implemented. Since responsiveness is crucial, we will incorporate the new distribution system into our JULIE (locating) maps and coordinate our dispatch system with Long Grove's customer service.

While we want Long Grove to be confident of selecting a partner that meets all of the expectations, yet controlling costs is critical to Aqua and Long Grove. Accordingly, we did not provide detailed answers to some questions which for Aqua Illinois may not be necessary. Instead, for questions regarding corporate structure, experience, technical qualifications, and financial qualifications, we refer to enclosed documents such as Aqua America's Annual Report. If there is any specific information Long Grove needs that we have failed to provide, we would be happy to discuss this with Long Grove. We are a national utility company publically traded on the NYSE (ticker "WTR"), our financial and operational capabilities are monitored very closely by our investors and corporate officers.

Long Grove is encouraged to review the following information available on the internet in addition to the enclosed documents:

Description of Aqua Illinois: <https://www.aquaamerica.com/Illinois/Pages/Home.aspx>

Aqua America Investor Relations: <http://ir.aquaamerica.com/>

Aqua America Annual Reports: <http://ir.aquaamerica.com/annuals.cfm>

SEC Filings (quarterly reports): <http://ir.aquaamerica.com/sec.cfm>

Aqua Illinois, Inc. is a corporate subsidiary of Aqua America, Inc. No other firms will comprise the Proposer's team. In fact, no other company besides Long Grove's Engineer (ESI) has been contacted in reference to this Proposal. Pages of the Proposal that should be kept confidential are marked "CONFIDENTIAL".

Ultimately, the terms of a contractual agreement for services need to be established to determine cost of service, therefore Aqua has provided a reference contract which can serve as a draft contract of services. Rather than provide a firm price offer, the Aqua presents the enclosed technical and cost information and will work together with Long Grove to create an agreement acceptable to the Village. The requested pricing information has been filled out based on costs for similar systems and is provided for Long Grove as reference.

A bid bond was not provided with this submittal. If the Village chooses to further discuss working towards an operation contract any and all bonds may be secured prior to execution of any contract.

Aqua Illinois would prefer to own the systems it operates, therefore if the Village of Long Grove ever decides to sell the water assets we would hope to have an opportunity to purchase them.

Proposal for Water System Operation

Aqua proposes to contract with the Village of Long Grove for the operations and maintenance of its water system that is currently under construction within the limits of the Village. Aqua has reviewed the invitation dated June 18, 2010, the 36 page RFP and addendum. We have also referenced ESI Project 09-274 Construction Documents provided by ESI for information regarding facilities to be constructed.

Aqua Illinois President Terry Rakocy is the person with the authority to commit Aqua to this type of contractual agreement. However, the Village falls within the Northern Illinois Division of Aqua Illinois under the supervision of Tony Wright as the Division Manager. Tony will be the contact for the Village and will have complete oversight and authority over the execution of any contract with the Village.

Primary Contact Information

Tony Wright
Division Manager
Aqua Illinois, Inc.
316 S. Main Street
Wauconda, IL 60084
awright@aquaaamerica.com

Phone : 847-487-7341
Cell: 847-980-5501
Fax: 847-487-7843

Because of the proximity of our office in Wauconda and our facility at Ravenna in Long Grove to the Village, Tony and the division operators are easily reachable and within a short response.

Proposer Information

Parent Company:

Aqua America

762 Lancaster Ave.

Bryn Mawr PA, 19010

Illinois Corporate Office:

Aqua America Midwest

1000 S. Schuyler Ave.

Kankakee IL, 60901

Northern Division Administration Office:

Aqua Illinois

316 S. Main St.

Wauconda IL, 60084

Lake County - Northern Illinois Division

Tony Wright

Division Manager 12 years experience class A certified operator

Primary contact and oversight of project

Deb Los

Administrative Assistant

Tertiary contact and secondary customer service assistance

Matthew O'Meara

Lead Treatment Operator 25 years experience class B certified

Operator In Responsible Charge

Greg Oliver

Field Service Representative (FSR), and meter reader

Staff Operator

We are currently interviewing for this position and expect to hire a Class C Water Operator within 90 days

Additional Aqua Illinois staff of 20 available in Boone County and Kankakee County in the case of an emergency. Aqua Illinois has a team of internal Professional Engineers and Water and Wastewater Operators.

Executive Summary of Approach, Qualifications, and Experience

Aqua America owns and operates over 3000 water systems in fourteen states with an outstanding compliance record. Aqua has put forth great effort to show we are a viable alternative to individual private and underfunded municipal water providers throughout the states that we operate in. The regulating bodies in all of the states we operate in come to us to purchase or take over failing systems because they are aware that we will come in and invest the capital necessary to bring these failing systems up to the required compliance and reliability level.

This is especially true in Illinois. Aqua has a very strong relationship with the Illinois Environmental Protection Agency because of our long history of operations within this state. Aqua has over 62,000 customers and operates 20 water systems in Illinois as an owner. There are very few O&M contracts within Illinois because we have a much stronger connection to our customers and their communities as an owner. As a result, we operate any system on contract as if we were the owners with the exception that we contact the true owners before spending needed capital.

There are several systems within Illinois that are the same as the system that the Village is building including two within the division that are being operated by our existing staff. They are the Ravenna system in Long Grove and the Hawthorn Woods water system. This style of system has been purpose built for us several times which helps to give us a unique advantage over O&M only companies. We have not only run these systems, we have designed and built them as our own systems. With the hands on experience and extensive staff on hand, we are best suited for this operation.

Having our systems in such close proximity keeps the knowledgeable staff on hand instead of hours away and only reachable by phone. This also keeps multiple experienced staff operators within easy reach. Having the background and extent of our operations gives us a vast pool of knowledge to draw upon for any issues that may arise. As an owner, we will run this system the way an owner would run the system.

Operations and Maintenance Service and Plan

Standard Operating Procedures

Monthly Operating Report

IEPA Operating Permit

As an operator of the system the SOPs, MORs, and IEPA permits are the key to all operations. There is an example of each attached for our Hawthorn Woods system because of the nearly identical nature of the two systems. As a system owner we take these documents seriously. Standard Operating Procedures (SOPs) are to insure that the daily requirements are met by displaying to the operations staff how the work is to be performed. The monthly operating report is to provide evidence to the IEPA that we are following all of the parameters of the operating permit, which explains how the system is to run at all times.

The daily rounds at the plant will include checking all of the equipment and running all laboratory tests necessary to maintain proper quantity and quality of the water. Salt and water will be added as needed to maintain the proper brine mix to effect efficient backwashing of the softeners. Monthly bacteriological samples will be taken to ensure there is sufficient disinfection within the distribution system. Regular testing of all required parameters from the IEPA will be accomplished including lead and copper, chlorine, chlorine byproducts, pH, hardness, iron, and many others as requested. These tests will not only prove compliance to the IEPA, they will also aid the operators to maintain the optimal water quality.

Aqua runs and maintains our systems for quality and longevity because we expect to be a permanent part of our communities. This also gives us a greater want and need to enrich our relationships with the municipal leaders who represent customers. Aqua understands the importance of community relationships.

All water systems are interdependent with the police and fire departments. Without the police, there would be no protection from vandalism or more serious threats and without a viable water system the fire department would not have the confidence necessary to protect our homes. Confidence in the water system breeds confidence in all aspects of the community. When it works, no one thinks about it but when it doesn't work, an essential part of life is threatened.

Meters and other common maintenance parts and supplies will be inventoried. There are several parts suppliers within the area that are available 24 hours a day for emergency repair parts and non inventoried parts and supplies. Outside contractors may be used for certain repairs. Aqua will provide the Village with a monthly report that will include a copy of the MOR, a list of all repairs that have been made during the month, and a list of all un-contracted expenses for the month. In the case of an emergency repair, the Village will be informed the following business day after the emergency. All non emergency expenses will be brought to the attention of the Village prior to committing to the work.

The other reporting that will be done for the Village is a compilation of information gathered throughout the year in the monthly reports and the consumer confidence report (CCR). Aqua generates yearly system reports, usage, and cost of service reports. The CCR shows the results of all of the IEPA required testing for the year and all quality complaints. It is an overview of the system for the entire year. Any extraordinary parameters the Village wishes to have monitored will need to be included in the contract and on the daily round sheets.

Aside from the operational samples, there are IEPA samples that are required to be taken and sent to a certified lab for analysis. These samples will be taken according to industry standards and delivered to Mc Henry Analytical (the Lab) within the prescribed hold time for each individual sample. Aqua will complete the MOR and the CCR for the system and deliver them to the appropriate parties as per IEPA regulation.

Emergency Preparedness and OSHA Compliance Plan

A copy of our Emergency Preparedness Plan is available upon request and all employees are aware of its location and how to implement it.

Aqua provides continuing education training for all employees who are certified in the water field to maintain their certification. Safety training is required and provided by Aqua for all employees to include all industry standard safety and OSHA safety topics. We adhere to very strict safety policy which includes drug testing for any at fault injury accident. Our safety policy is strictly enforced by the facilities supervisor and the division manager.

Meter Reading and Billing Service

As the cash register for the water system, the meter is as integral part of the entire utility. Aqua has spent many years and large sums of money updating and upgrading our metering system to the point where it is very reliable and accurate. In Illinois, Aqua uses Sensus meters with an attached RF (radio frequency) device to allow for remote reading. Once installed, the meter reader needs only to drive within about one half to one mile from the RF device with the vehicle collecting unit to pick up the signal. Sensus has made these devices nearly failsafe with the occasional exception of a failed battery in the RF device. This has no affect on the accuracy of the meter and once the RF device has been replaced the accuracy is unchanged. Aqua Illinois north has been able to maintain a 99.5% accuracy with this equipment and it works seamlessly with our billing system.

Backflow Prevention Monitoring Program

All backflow prevention devices will be added to Aqua's existing database and tracked for yearly testing. All costs associated with the testing are the responsibility of the property owner.

Water Meter Inventory and Installation

Aqua will maintain an inventory of meters based on the Village's requirements. When the Village informs Aqua there is a meter to be installed, Aqua will install the meter and the RF device then maintain them throughout the term of the contract. Once the inventory reaches a preset level the Village will be contacted to inform them of the need to order more meters or RF devices.

Utility Locating

Aqua will add the Village water system to our locate listing with JULIE so we will be notified of any locates in the area of the water system and we will respond accordingly.

**COST FORM A
ANNUAL SERVICE FEE FORMULA**

Description Budgeted Costs

1111 Reg Salary, Vac/Sick/Holiday ___\$35,000_____

1112 Overtime Salary ___\$3,500_____

1113 FICA ___\$2,945_____

1114 Group Health and Life ___\$20,000_____

1115 Medicare Insurance _____

1116 Workers Compensation ___\$700_____

1311 Travel Expense ___\$1,000_____

1312 Training Fees, Tuition ___\$1,000_____

1318 Uniforms ___\$1,000_____

1325 Association Dues ___\$500_____

2101 Books and Subscriptions ___\$100_____

2102 Office Supplies ___\$1,000_____

2108 Data Processing Supplies ___\$1,000_____

2109 Software ___\$5,000_____

2115 Janitorial Supplies ___\$1,000_____

2116 Chemicals _____

2121 Duplicating and Photography _____

2125 Gas, Oil, Antifreeze ___\$2,000_____

2131 Food ___\$200_____

2135 Lab Supplies ___\$2,400_____

2138 Agricultural and Botany _____

2142 Regulatory supplies _____

2161 Small Equipment and Hardware ___\$500_____

2172 Medical Supplies _____

2175 Electrical Supplies _____

2178 Paints and Solvents _____

2182 Equipment Parts, Fittings _____

2185 Parts, Fittings/Plumb/Heat/Electric _____

2199 Supplies Not Classified ___\$1200_____

Total **\$80,045** Proposed Annual Operating Budget

Standard Operating Procedure

Hawthorn Woods Water Daily Rounds

1. Log the following-Backwash totalizers on the softener panel. Access these through F4 & F5 inputs.
2. Well #1 totalizer
3. Well #2 totalizer

Well totalizers are accessed on the cover screen of the panelview.

4. Bypass totalizer
5. Backwash totalizer

Bypass and backwash are accessed from the bypass/backwash icon on the panelview.

6. Log the Hypochlorite lbs.
7. Check the level in the reservoir.

If a well is not running Well #2 should be started by changing the Lead Pump On level. Once the well starts the level should be returned to the original status.

TESTING-All samples are drawn from the tap labeled TP01

Check the Hypo content of the finished water using the DR/890 colorimeter. Log the result.

Check the hardness of both softeners #1 & #2 using the Hach Hardness Kit. The result for each of the softeners should be 1 grain. Should the hardness be above 2 grains a backwash must be initiated by pressing the regeneration button for the softener in question. Log the results.

Check the hardness of the finished water using the Hach Hardness Kit. This result should be below 10 grains and above 6 grains. Log the results.

Check the pH content of the finished water using the Oakton pH meter. Log the results.

Check the run time for the generator. Log the results.

Check the level of brine and water in the brine tank. If either level is low fill accordingly.

Enter data to computer. This is the MOR (Monthly Operation Report).

Be certain all doors are locked properly upon completion of rounds.

Standard Operating Procedure

Monthly Collection of Bacteriological Samples

- Start at Ivanhoe WTP where the Sample Bottles are stored. The **Distribution / Chlorinated** Sample bottles have **White** caps, inside there is a Sodium Thiosulfate tablet which inhibits the Chlorine residual so the sample does not continue to disinfect itself. The **Raw** water Sample bottles have **Black** caps and they do not have Sodium Thiosulfate tablets. **Gather and Label** the bottles as indicated in the following: (be sure to bring at least one extra bottle just in case one is dropped or an extra sample is requested)
 1. **Ivanhoe WTP** requires (3) bottles, (2) Raw Samples for the (2) Wells (IV-1 and IV-2), and (1) Distribution Sample (IV-3). Bring a Raw bottle only for the purpose of measuring pH, it does not need to be a new bottle.
 2. **Hawthorn Woods WTP** requires (5) bottles, (2) Raw Samples for the (2) wells (HW-1 and HW-2), (2) Distribution Samples (HW-3 and HW-4), and (1) Finished Water Sample (HW-5).
 3. **Ravenna WTP** requires (4) bottles, (2) Raw Samples for the (2) Wells (RAV-1 and RAV-2), and (1) Distribution Sample (RAV-3), and (1) Finished Water Sample (RAV-4).
- While at Ivanhoe WTP run Well # 1 by Hand for 3-5-minutes and run the Raw Water faucet to Flush, then fill IV-1 bottle to the 100 ml fill line, tighten cap closed. Then stop Well # 1 and start Well # 2 Pump. Run Well # 2 by Hand for 3-5-minutes and run the Raw Water faucet to Flush, then fill IV-2 bottle to the 100 ml fill line, tighten cap closed.
- Take the dedicated Sample Cooler, spray bottle of Rubbing Alcohol, the portable torch, and a frozen gel pack from Ivanhoe freezer.
- Leave Ivanhoe WTP and make a Right onto Hwy 176, turn Right into Ivanhoe Country Club onto Thorngate road which winds several times to the Right.
- Park into an approved parking space and enter the Clubhouse. Go through the Kitchen entrance door on the Right. Use the torch and Alcohol spray bottle to disinfect the faucet (remove the aerator whenever possible) and run the Cold water to flush the lines for 3-5-minutes.
- Measure the Free Chlorine residual (it should be > 0.5 mg/l and never < 0.2 mg/l).
- Fill the Distribution IV-3 bottle to the 100 ml fill line. Fill another bottle for pH.
- Exit Ivanhoe Country Club making a Right on Hwy 176. Make a Left onto Fairfield road. Make a Left onto Old McHenry road. Immediately get into the Left lane and turn Left into the Hawthorn Woods WTP.
-

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 N. Grand Avenue East, P.O. Box 19276
Springfield, IL 62794-9276

Division of Public Water Supplies

Telephone 217/782-1724

PUBLIC WATER SUPPLY CONSTRUCTION PERMIT

SUBJECT: CONSUMERS IL WATER-HAWTHORN WDS COUNTRY CLUB (Lake County-0975060)

Permit issued to:
Regional Manager, Consumers Illinois Water Company
1000 S. Schuyler Avenue
Kankakee, IL 60901

PERMIT NUMBER: 0691-FY2004
Proposed Improvement

DATE ISSUED: January 20, 2004
PROJECT LOG NUMBER: 2004-0391

The issuance of this permit is based on plans and specifications prepared by the engineers/architects indicated, and are identified as follows:

FIRM: Smith Engineering Consultants, Inc.
NUMBER OF PLAN SHEETS: Specifications Only
TITLE OF PLANS: *Wells #1 and #2 Construction **SR**

PROPOSED IMPROVEMENTS:

****Drill and develop Well #1 (13" x 1,332') and Well #2 (13" x 1,332')****

ADDITIONAL CONDITIONS:

1. This permit is issued for the drilling only of the well(s). The project shall not proceed beyond drilling until this Agency has approved supplemental plans and specifications for the completion of the well(s).
2. The Illinois Groundwater Protection Act (P.A. 85-863, effective September 24, 1987) and the Environmental Protection Act (Ill. Rev. Stat., ch. 111 1/2, pars. 1001 et seq., as amended by P.A. 85-563) establishes a minimum setback zone for new community water supply wells. This minimum setback zone for the well permitted hereunder is 400 feet.

RECEIVED
REGION 2

JAN 28 2004

Division of Public Water Supplies
State of Illinois
Environmental Protection Agency

Jerry H. Kuhn, P.E.
Manager, Permit Section
Division of Public Water Supplies

This permit is issued for the construction and/or installation of the public water supply improvements described above, in accordance with the provisions of the "Environmental Protection Act," Title IV, Sections 14 through 17, and Title X, Sections 39 and 40, and is subject to the conditions printed on the reverse side of this page and the ADDITIONAL CONDITIONS printed above.

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY • DIVISION OF PUBLIC WATER SUPPLIES • PERMIT SECTION

1021 N. Grand Avenue East, P.O. Box 19276, Springfield, IL 62794-9276

APPLICATION FOR OPERATING PERMIT

Partial A

The Agency is authorized to require the information under 415 ILCS 652. Disclosure of this information is required and failure to do so may prevent this form from being processed and could result in your application being denied. This form has been approved by the Form Management Center.

RECEIVED

REGION 2

DEC 17 2003

Division of Public Water Supplies
State of Illinois
Environmental Protection Agency

1. Permit Issued to:
President, Consumers Illinois Water Company
1000 South Schuyler Avenue
Kankakee, IL 60901

2. Subject: CONSUMERS IL WTR-HAWTHORN WOODS (Lake County-0975840)

3. Permit Number: 0071-FY2004 Date Permit Issued: August 12, 2003

4. Firm: Christopher M. Berke Engineering, Ltd.

PARTIAL "A"

5. Title of Plans: "Potable Water Supply Facility"

- 1. WELL #1 NOT COMPLETED
- 2. AUTOMATION NOT COMPLETED
- 3. GENERATOR UNIT NOT COMPLETED
- 4. INTERCONNECT NOT COMPLETED

6. Project Completion Date: 9/30/03

7. Certified Water Supply Operator designated in responsible charge.

Name: Michael A. Miller Class and Certificate Number: B-10975

8. Certificate by Owner of Completed Project (or his agent). I/We hereby certify that the project named and described in items 2 through 5 above has been constructed in accordance with plans and specifications approved by the Illinois Environmental Protection Agency and will be operated in accordance with the provisions of the Illinois Environmental Protection Act and the Rules and Regulations adopted by the Illinois Pollution Control Board pursuant to provisions of the Act.

Name of Owner of the Completed Project: CONSUMER ILLINOIS WATER

Signature: [Signature] Date: 9/30/03

Title: V.P./REG. MGR

for IEPA use only for IEPA use only for IEPA use only

OPERATING PERMIT

This application when approved by the Illinois Environmental Protection Agency, constitutes the Operating Permit. This permit is issued under authority granted by the Illinois Pollution Control Board Regulations, 35 Ill. Adm. Code, Subtitle F, Part 602: Permits.

This Operating Permit, No. 0021A-FY 2004/04 is issued on December 15, 2003 and is valid until revoked. This permit is valid only for the work completed under the Construction Permit named in item 3 of the application for this permit.

Jerry H. Kuhn, P.E.
Manager, Permit Section
Division of Public Water Supplies

ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 N. Grand Avenue East, P.O. Box 19276
Springfield, IL 62794-9276

Division of Public Water Supplies

Telephone 217/782-1724

PUBLIC WATER SUPPLY CONSTRUCTION PERMIT

SUBJECT: CONSUMERS IL WTR-HAWTHORN WOODS (Lake County-0973040)

Permit issued to:
President, Consumers Illinois Water Company
1000 South Schuyler Avenues
Kankakee, IL 60901

PERMIT NUMBER: 0071-FY2004
Proposed Improvement

DATE ISSUED: August 12, 2003
PROJECT LOG NUMBER: 2004-0071

The issuance of this permit is based on plans and specifications prepared by the engineers/architects indicated, and are identified as follows:

FIRM: Christopher B. Burke Engineering, Ltd.
NUMBER OF PLAN SHEETS: 32
TITLE OF PLANS: "Potable Water Supply Facility"

PROPOSED IMPROVEMENTS:

***Complete Wells No. 1 & 2 and construct a water treatment plant with storage.

Well No. 1 will be completed with a submersible pump (capacity of 180 gpm @ 250 feet TDH), four inch diameter column pipe, four inch diameter discharge line, valving, controls and necessary appurtenances. Well No. 2 will be completed with a submersible pump (capacity of 180 gpm @ 720 feet TDH), four inch diameter column pipe, five inch diameter discharge line, valving, controls and necessary appurtenances.

RECEIVED
REGION 2

AUG 19 2003
Division of Public Water Supplies
State of Illinois
Environmental Protection Agency

This permit is issued for the construction and/or installation of the public water supply improvements described above, in accordance with the provisions of the "Environmental Protection Act," Title IV, Sections 14 through 17, and Title X, Sections 39 and 40, and is subject to the conditions printed on the reverse side of this page and the ADDITIONAL CONDITIONS printed above.

Jerry H. Kuhn, P.E.
Manager, Permit Section
Division of Public Water Supplies