



UCSD's
Possible Sale of
6.3 MGD of Effluent to
Cronus Chemicals, LLC

Terms Sheet Evaluation

Board Meeting

June 17, 2013

3:30 PM

Public Invited

Public Notice

NOTICE AND AGENDA OF SPECIAL BOARD MEETING URBANA & CHAMPAIGN SANITARY DISTRICT

Notice is given that on Monday, June 17 at 3:30 PM the Board of Trustees of the Urbana & Champaign Sanitary District will hold a Board Meeting in the Administration Building at 1100 E. University Ave, Urbana, Illinois.

The agenda of the meeting consists of the single topic:

Terms Sheet Regarding Potential Sale of Effluent to Cronus

Background

- Buyer would be Cronus Chemicals, LLC
 - Potential \$1.2B urea fertilizer plant near Tuscola
 - 150 permanent jobs, 1,500 construction jobs
 - 3 year construction window (2016/17 start up)
 - Considering Tuscola or N Central Iowa
 - Site selection not complete
- Cronus prefers UCSD effluent as water supply
 - 6.3 million gallons per day of effluent requested
 - No nearby groundwater options available
 - Avoids pumping new water from Mahomet Aquifer
 - Avoids pumping water from Kaskaskia River
 - Water quality a good match for their needs
 - UCSD effluent is used drinking water, so it is softened
 - Matches lower-grade water with lower-grade use
- Requires assurances from UCSD regarding availability, prior to making site selection
- Terms sheet is not a final contract
 - It is a commitment to work under the agreed terms

Terms Sheet Provisions - 1

- Buyer would be Cronus Chemicals LLC
- 6.3 million gallons per day (MGD) typically
- 20 year commitment
- Initial rate = \$1.30/thousand gallons = \$3 million/year until 100% of Cronus-related construction projects are paid for
 - Expected to take about 4 years
 - Income to be guaranteed via a Letter of Credit
- Continuing rate = \$1.00/thousand gallons = \$2.3 million per year

Terms Sheet Provisions -2

- Cronus to design, build and fund transmission pipeline connecting UCSD to Cronus
- UCSD to build Sewer Realignment Pump Station and Storage Lagoon as a Cronus-related construction projects
 - Both Pump Station and Lagoon to be useful assets to UCSD even without Cronus' usage
 - Avoids UCSD spending local funds for these
- UCSD to expand treatment plant capacity at SW Plant via income from \$2.3 M/year continuing rate income
 - UCSD to fund \$50,000/year in habitat repair and reconstruction via this fund (\$500,000 over the next decade)
 - Net benefit to UCSD estimated to be \$1.3M/year clear plus \$20M in useful assets
 - Rate includes Producers Price Index inflation factor

Terms Sheet Provisions - 3

- Environmental Sensitivity
 - Re-uses 6.3 MGD of water without tapping Mahomet Aquifer
 - Protects most valuable water in region (Mahomet Aquifer)
 - Uses effluent water that cannot legally be used to recharge aquifer
 - Matches lower-grade water (effluent) with lower-quality need (industrial usage)
 - Avoids drawing water from Kaskaskia River
 - First 1.5 MGD of effluent goes to Copper Slough, even in times of extreme drought
 - Provides \$50,000/yr in habitat repair and reconstruction
 - \$500,000 over next decade
 - Continuing, reliable, locally directed funding can attract matching grant funds
 - Ability to use 50 million gallon (MG) storage lagoon to provide effluent to Copper Slough (creek) during drought
 - First known effluent storage lagoon in Illinois
 - UCSD continues discharging to creeks 24x7x365
 - Ability to reduce Cronus' usage to 5.5 MGD (10%) or 4.3 MGD during extreme drought (30%)

Storage Lagoon -1

- UCSD to design, build, own, and direct operation of storage lagoon
 - Lagoon to be located at SW Plant
 - Lagoon expected to be 50 MG
 - Preliminary budget is \$4 million
 - Paid for via insured revenue from Cronus
 - Lagoon storage designed to avoid curtailment
 - No curtailment would have been needed during recent history
 - By providing smaller volumes of stored effluent to the creek, over the course of 100 days, 20 MG would have prevented any curtailment in 2012-scale of drought
 - Once lagoon not needed for storage of effluent, will be converted to equalization basin for UCSD
 - During periods of curtailment, UCSD to receive \$0.50/thousand gallons, or \$0.25/thousand gallons

Realignment Pump Station -1

- Pump station and sewer realignment necessary for UCSD with or without Cronus
 - Preliminary budget \$6 million
 - Capacity expected to be about 3 MGD
 - Paid for via insured revenue from Cronus
 - Avoids spending local ratepayers money for this work
 - Long-term asset to UCSD in terms of sewer capacity and flexibility
 - Net impact is re-routing flow from NE Plant to SW Plant

Realignment Pump Station -2

- UCSD to design, build, and operate pump station and related sewer realignment
 - Necessary for UCSD with or without Cronus
 - Satisfies immediate UCSD need to reduce flow in “1956” interceptor (year it was built)
 - 1956 was built to serve industrial areas in west Champaign (i.e. Kraft) before SW Plant existed
 - Realignment will shift this flow to natural drainage area, the SW Plant
 - Satisfies near-term UCSD need to reduce flow in 1898, 1923, and 1946 interceptors
 - Three interceptors serve oldest parts of towns, downtown areas, near-west Champaign, campus
 - Interceptors built before SW Plant existed
 - Need more capacity to serve increased density of high-rises in campus and downtown
 - Interceptors cross through these areas
 - UCSD would like to avoid costly, difficult-to-build 4th interceptor in this same area
 - Realignment pump station would shift near-west Champaign flow to SW Plant



Questions/Comments?

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