utility could choose to compete with RESs for customers by functionally separating its generation services functions from its transmission and distribution functions. Such functional separation is designed to ensure that the utility's retail generation services are not unfairly advantaged by superior access to transmission and distribution system data and customer information, but to otherwise permit the utility to actively compete for energy supply customers.

- **Standards of Service**. Establishing uniform basic standards of service is a critical element of ensuring effective electricity competition. During 2000, the Commission conducted a rulemaking proceeding to establish standards of service applicable to electric utilities and ARESs. ComEd, other suppliers of electricity, as well as consumer groups and governmental entities, worked together in workshops sponsored by the Staff of the Commission to consider the basic standards of electric service that should be required in the new competitive environment in Illinois.

  Through the workshops and hearings, the Commission established standards that apply equally to electric utilities and to ARESs. Standards established include requirements for billing information to be provided to customers, accuracy and testing standards for electric metering equipment, and provisions for responding to customer complaints. The Commission's standards ensure that a consistent minimum level of customer protection and service is provided to all electric customers in Illinois, regardless of the supplier of their electric power.

- **Uniformity.** During 2000, the Commission initiated a proceeding to determine what, if any, changes to utilities' delivery services tariffs should be ordered to promote statewide uniformity of delivery services and related tariff offerings. ComEd has consistently adhered to an approach that provides for greater uniformity among business processes and delivery services tariffs of the Illinois electric utilities where it is shown to be consistent with the rights of utilities and where it makes sense considering both the benefits and the costs. ComEd actively participated in workshops with Commission Staff and other market participants, resulting in agreement on a number of delivery services tariff issues. In addition, ComEd agreed to several measures that will enhance uniformity between the delivery services tariffs of Illinois electric utilities and increase the ease with which users may review ComEd's delivery services tariffs.

Tariffs.

- **Residential Rate Reduction**. On June 17, 1998, ComEd filed tariffs that effective August 1, 1998, reduced electric service rates to residential customers by 15%. From the effective date of the rate cut through the end of 2000, ComEd residential customers have saved approximately $955 million. ComEd residential customers will benefit from an additional 5% rate reduction in October, 2001.

- **Real Time Pricing**. The Commission approved tariffs effective October 1, 1998, that allow non-residential retail customers to purchase power and energy at prices set on an hourly basis. ComEd maintains two real-time pricing tariffs, a standard tariff that prices all energy at real time rates (Rate HEP) and a limited experimental development tariff that prices incremental load at such rates (Rate RTP – Experimental). On January 18, 2001, ComEd proposed amendments to these tariffs to set real-time prices based on the cost of day-ahead hourly energy in the ComEd market, rather than on the incremental costs of only ComEd units and transactions. In addition to appropriately reflecting the transfer of ComEd's generating units to Exelon Generation, these modifications will provide customers with more realistic hourly price signals. The Commission approved these modifications on February 21, 2001.

  With respect to real time pricing for residential customers, ComEd made its Rate IDR – Residential Service – Time of Day, available to all residential customers with a tariff filing on May 1, 2000, that became effective on June 15, 2000 in accordance with Section 16-107 of the Customer Choice Law.

- **Delivery Services Tariffs, Implementation Plans, and Related Tariffs**. Since they were first implemented in October of 1999, ComEd has implemented several revisions to its delivery services tariffs. In particular, ComEd has: (1) implemented off-cycle switching of customers to delivery services; (2) offered additional split load delivery services options to load "first through the meter" and to a percentage of load delivered, and (3) incorporated uniformity provisions in accordance with a stipulation included in a Commission order. ComEd has also implemented business systems that allow customers to seamlessly move their delivery services and supplier relationships when changing location within ComEd's service territory.

- **Meter Services Tariffs**. In accordance with the Commission's order, ComEd filed rates providing for this new service, which were considered and approved by the Commission. ComEd met the Commission's requirement that such service be ready for provision by January 1, 2001.

IV. Information Required by Section 16-130.

Section 16-130(a)(1): Data on Customers Who Have Selected Delivery Services.

Section 16-130(a)(1) requires each utility to report data relating to the number of customers who have elected delivery services.

The Customer Choice Law has had a dramatic effect on the market as a significant percentage of ComEd's annual customer usage has shifted to delivery services. ComEd compared the total annual kWh usage of all customers that have selected delivery services with the total annual kWh usage of all customers eligible to select delivery services. As of December 31, 1999, 27.5% of eligible annual kWh usage had switched. By December 30, 2000, approximately 50% of eligible usage had opted for delivery services. On December 31, 2000, the remaining 81% of ComEd's non-residential customers became eligible to select delivery services. As of February 23, 2001, approximately 30% of eligible usage had opted for delivery services.

The following tables summarize the customer count information required by Section 16-130(a)(1). Table A identifies the number of customers who have elected delivery services from ComEd. In the first three months of open access (October, November and December 1999), 4,717 customers, or more than 11% of those eligible, elected delivery services from ComEd. Through December 30, 2000, 9,533 customers, or just over 15% of the eligible customer population, had selected delivery services. On December 31, 2000, approximately 275,500 additional customers became eligible for delivery services. As of February 23, 2001, 11,059 or just over 3% of all eligible customers had selected delivery services.

Tables B-1 and B-2 identify for 1999 and 2000, respectively, the total kilowatt-hours delivered to delivery services customers, the customer revenue loss experienced by ComEd as a result of lost energy sales and the total CTCs that ComEd collected. In sum, in the last three months of 1999, ComEd delivery services customers purchased approximately 368,154,158 kWhs of electricity from RESs and ComEd (through the PPO). In 2000, delivery services customers purchased 12,499,593,258 kWhs from such suppliers. ComEd's revenue loss associated with customers taking delivery rather than bundled service during the last three months of 1999 was $11,074,938. For the twelve months of 2000, that revenue loss was $323,765,587. ComEd collected approximately $3,598,954 in CTCs from customers that selected delivery services for the last three months of 1999. ComEd expects to collect $151,728,582 in such charges for the calendar year 2000.

Table A
Number of Customers
That Have Elected Delivery Services[6]

Rate RCDS Customer Class	As of December 31, 1999	As of December 31, 2000	Additions during the Month of January, 2001
With Only Watt-hour Only Meters	217	592	178
0 kW to and including 25 kW	717	1595	271
Over 25 kW to and including 100 kW	1575	2945	380
Over 100 kW to and including 400 kW	1217	2389	169
Over 400 kW to and including 800 kW	581	1026	22
Over 800 kW to and including 1,000 kW	91	200	18
Over 1,000 kW to and including 3,000 kW	174	518	17
Over 3,000 kW to and including 6,000 kW	74	166	4
Over 6,000 kW to and including 10,000 kW	26	38	1
Over 10,000 kW	24	41	0
Railroad	0	0	0
Pumping	19	20	5
Fixture-included Lighting	2	0	0
Street Lighting – Dusk to Dawn	0	0	0
Street Lighting – All Other Lighting	0	3	0
TOTALS	**4717**	**9533**	**1065**

[6] Given the various steps in the enrollment process, there are potentially many ways to report the number of customers that have elected delivery services. ComEd's reporting methodology captures the total number of customers that have selected service from a RES or under the Power Purchase Option. That number includes customers that are active with their new supplier and those that are awaiting actual switch to a new supplier. The number does not include customers that have rescinded their request to switch, or requests that ComEd, for one reason or another, has rejected. If a customer has switched suppliers several times, that customer is included only once. ComEd believes that this method of reporting best identifies the number of customers that have selected delivery services.

Table B-1
Revenue Losses and Transition Charges Collected from Delivery Services Customers in 1999 By RCDS Customer Class[7]

Rate RCDS Customer Class	Delivered Energy (kWh)	Revenue Loss[8]	Revenue from Transition Charges[9]
With Only Watt-hour Only Meters	46,060	172	1,738
0 kW to and including 25 kW	642,572	12,938	15,384
Over 25 kW to and including 100 kW	17,593,124	670,292	172,073
Over 100 kW to and including 400 kW	36,910,828	1,299,041	461,837
Over 400 kW to and including 800 kW	85,826,679	3,160,818	560,482
Over 800 kW to and including 1,000 kW	13,220,065	421,347	193,935
Over 1,000 kW to and including 3,000 kW	41,864,576	1,105,390	702,325
Over 3,000 kW to and including 6,000 kW	38,501,886	1,418,241	537,293
Over 6,000 kW to and including 10,000 kW	32,708,493	1,030,418	406,233
Over 10,000 kW	98,555,730	1,867,255	522,246
Railroad	0	0	0
Pumping	2,250,261	87,332.63	25,023
Fixture-included Lighting	33,884	1,693	386
Street Lighting – Dusk to Dawn	0	0	0
Street Lighting – All Other Living	0	0	0
TOTALS	**368,154,158**	**$11,074,938**	**$3,598,955**

[7] The calculations set forth in Tables B-1 and B-2 were derived from customer bills issued in 1999 and 2000.

[8] For customers with a customer class or group CTC, the revenue losses in Tables B1 and B-2 are calculated by taking the average bundled base rate revenue for each customer class from the Determination of CTC (Exhibit B, Attachment 4) filed with the Commission on March 20, 2000, multiplied by the kWhs delivered in 2000 supplied, less the actual base rate revenue received by ComEd. The actual base rate revenue includes revenue from customers that are on Rider PPO as well as those that are not on Rider PPO. For customers with a customer specific CTC the average bundled base rate revenue was calculated individually for each specific customer.

[9] Revenue from transition charges in Tables B-1 and B-2 are derived from ComEd's billing system.

Table B-2
Revenue Losses and Transition Charges
Collected from Delivery Services Customers in 2000
By RCDS Customer Class

Rate RCDS Customer Class	Delivered Energy (kWh)	Revenue Loss	Revenue from Transition Charges
With Only Watt-hour Only Meters	2,457,828	32,396	93,208
0 kW to and including 25 kW	31,332,663	536,549	857,878
Over 25 kW to and including 100 kW	411,569,843	12,468,629	5,598,229
Over 100 kW to and including 400 kW	966,586,930	28,207,890	14,132,302
Over 400 kW to and including 800 kW	1,845,317,876	49,774,228	17,124,029
Over 800 kW to and including 1,000 kW	493,748,842	12,424,926	6,888,625
Over 1,000 kW to and including 3,000 kW	2,327,492,912	58,029,453	31,793,428
Over 3,000 kW to and including 6,000 kW	2,294,060,742	62,767,456	29,102,336
Over 6,000 kW to and including 10,000 kW	1,271,384,706	36,719,317	16,839,169
Over 10,000 kW	2,816,714,226	61,486,847	28,817,540
Railroad	0	0	0
Pumping	37,934,392	1,294,365	469,550
Fixture-included Lighting	992,298	23,531	12,288
Street Lighting – Dusk to Dawn	0	0	0
Street Lighting – All Other Lighting	0	0	0
TOTALS	**12,499,593,258**	**$323,765,587**	**$151,728,582**

B. Section 16-130(a)(2): Steps Taken to Mitigate and Reduce Costs.

Section 16-130(a)(2) requires each utility to describe "any steps taken . . . to mitigate and reduce its costs." Utilities must detail the "steps taken during the preceding calendar year and a summary of steps taken since the effective date of this amendatory Customer Choice Law of 1997 . . . including, to the extent practicable, quantification of the costs mitigated or reduced by specific actions taken by the electric utility."

The following section sets forth the major efforts that ComEd has undertaken to reduce and mitigate costs since December 1997. Cost reduction and mitigation are necessary and ongoing processes throughout ComEd because (1) the Customer Choice Law allows utilities to recover through CTCs only a portion of the costs that may be unrecoverable as a result of the transition to a competitive supply of electric power and energy, and (2) customer expectations and new reliability requirements under the Customer Choice Law are creating substantial cost pressures. Accordingly, this report does not purport to capture each and every activity that has reduced or mitigated costs.

ComEd's Year 2000 Cost Reduction Activities.

Unicom Merger With PECO

On October 19, 2000, Unicom and PECO received approval from the Securities and Exchange Commission under the Public Utilities Holding Company Act of 1935, the last necessary regulatory approval, to complete their merger to form Exelon Corporation. The companies finalized the merger on October 20, 2000.

Upon completion of the merger, PECO and ComEd became the principal utility subsidiaries of Exelon. This result was achieved by a mandatory exchange of the outstanding common stock of PECO for common stock of Exelon and a subsequent merger of Unicom with and into Exelon wherein holders of Unicom common stock received 0.875 shares of Exelon common stock plus $3.00 in cash for each of their shares of Unicom common stock. The merger transaction will be accounted for as a purchase of Unicom by Exelon.

Based on the terms of the merger, Unicom repurchased approximately $1 billion of its common stock prior to the consummation of the merger transaction. Consistent with Unicom's repurchase, in January 2000, ComEd physically settled the forward share repurchase arrangements it had with Unicom for the repurchase of 26.3 million ComEd common shares based on the aggregate market value of the shares under the arrangements. In 1999, net unrealized losses of $44 million (after-tax) were recorded related to the arrangements. The settlement of the arrangements in January 2000 resulted in a gain of $113 million (after-tax), which was recorded in the first quarter of 2000. The settlement of the arrangements resulted in a reduction in ComEd's outstanding common shares and common stock equity, effective January 2000. During the first quarter of 2000, ComEd repurchased an additional 4 million of its common shares from Unicom. Approximately $1.1 billion of proceeds from the 1998 issuance of transitional trust notes were used to fund the stock repurchases.

The principal benefits of the merger for Illinois customers will be the continued transition of ComEd toward operations in a competitive marketplace, the formation of a new company with significant financial and managerial resources to insure reliable electric service and a new structure that will support greater management attention to the operation of ComEd's transmission and distribution systems.

The combined companies expect to achieve cost savings primarily from eliminating duplicate corporate and administrative positions and programs and achieving efficiencies in operations, business processes and purchasing. Also, as a result of the combination, ComEd and PECO expect to achieve revenue enhancements.

a) Improved Nuclear Generating Station Performance.

ComEd's nuclear generating stations continued strong operating performance in 2000, achieving an all-time ComEd record aggregate capacity factor for the second year in a row. Such factors in 2000 and 1999 were 94.5% and 89.4%, respectively. Seven of ComEd's ten units were refueled in 2000 with an average outage time of just less than 19 days compared to an U.S. average of 39 days in 2000. The year 2000 production level included a summer capacity factor of 98.1% compared to 96.9% in 1999 and 75% in 1998. Nuclear net generation increased to 79,429,000 MWhs in 2000, an increase of 7.8% over 1999. Nuclear fuel costs decreased to $4.76 per MWh in 2000 compared to $5.16 per MWh in 1999.

Workforce Reductions.

ComEd's workforce declined again in 2000 from 14,245 employees at year-end 1999 to 13,624 at year-end 2000, a reduction of 621 employees, including 214 attributable to the merger between Unicom and PECO. ComEd attributes the other workforce reductions to retirement, attrition, etc. in the ordinary course of business.

Redemption of Securities with Proceeds from Transitional Funding Instruments.

Article XVIII of the Public Utilities Act creates a significant opportunity by allowing a utility to refinance a portion of debt and equity with securities that are supported by a portion of its future revenues. On July 21, 1998, the Commission entered an order under the Public Utilities Act approving the issuance of up to $3.4 billion of such securities by ComEd. In December 1998, ComEd issued $3.4 billion of asset-backed securities at an average interest rate of 5.57%. As of March 15, 2000, ComEd has redeemed the following using the proceeds from the asset backed securities (in millions):

Short-term debt	$ 500
Long-term debt	1,101
Preference Stock	607
Common Stock	1,104
Total:	$ 3,312

Exhibit C, attached to this report, identifies the securities that ComEd redeemed and the expenses associated with the redemption. ComEd estimates that it will realize annualized interest savings of $50 million from refinancing the debt and preference stock redemptions with lower cost asset-backed securities.

b) Increased Off-System Sales.

On October 1, 1999 approximately 41,000 of ComEd's non-residential customers became eligible to choose open access. As reported in Section IV(A) of this report, 9,533 customers had elected delivery services (*i.e.* a new supplier or ComEd's PPO) as of December 31, 2000. Based upon customer bills issued in 2000, the customers who selected suppliers other than ComEd purchased approximately 7,865,353,861 kWhs of energy. ComEd took steps to sell on the wholesale market the energy that it would have supplied to those customers. Based on the average revenue per kWh for off-system sales for the year 2000, ComEd estimates that the "freed-up" energy sales totaled approximately $208 million. As of the date of the ComEd/PECO merger, the wholesale trading business is handled by Exelon Genco.

ComEd's Year 2000 Cost Mitigation Activities.

The transition to competition in some cases has created new costs and, in other cases, has exerted upward pressure on existing costs. ComEd's year 2000 operating and maintenance expenses associated with its transmission and distribution system increased by $54 million and capital expenditures increased by $277 million compared to 1999. Operating and maintenance expenses and capital expenditures had increased $77 million and $182 million, respectively, in 1999 compared to 1998. Such increases are primarily due to ComEd's intensive efforts to improve the reliability of its transmission and distribution systems. In addition, ComEd expended approximately $18 million in 2000 for the continued development and implementation of information systems and business processes and procedures to ensure that all eligible customers receive non-discriminatory access to ComEd's delivery services. The Company spent $45 million in 1999 on such systems, processes and procedures.

Summary of Savings and Cost Mitigation Activities Since 1997.

For 1998, 1999 and 2000 ComEd reported a number of cost saving and mitigation initiatives. These included the sale of its fossil generating plants, increased off-system sales, closure of the Zion Nuclear Station, discontinuation of certain regulatory accounting practices, improved generating performance, issuance of asset-backed securities, workforce reductions, and the implementation of a new financial system. Because of offsetting expenses, increased revenues, and other variables, the cost savings attributable to these activities are difficult, if not impossible, to calculate.

Section 16-130(a)(3): Steps Taken Under Sections 5-104, 7-204, 9-220, and 16-111.

Section 16-130(a)(3) requires utilities to describe actions taken under Sections 5-104, 7-204, 9-220, and 16-111 of the Public Utilities Act, and to describe the costs or benefits experienced by customers as a result of those actions. Briefly, those sections relate to the following actions: Section 5-104 concerns depreciation accounts kept by utilities; Section 7-204 concerns utility reorganizations, Section 9-220 concerns changes in the rates and charges based on changes in fuel cost, and Section 16-111 concerns rates and restructuring transactions during the mandatory transition period.

2. Section 5-104.

Effective with the completion of the merger of Unicom and PECO on October 20, 2000, ComEd changed the site-specific depreciation rates related to its nuclear generating stations. The depreciation rates reflect an increase in the estimated depreciable lives for certain nuclear stations and the revaluation of the nuclear generating assets under the merger as required by purchase accounting. The depreciation rates include estimated net removal costs. The approximate $4.8 billion reduction in utility plant resulting from the revaluation is estimated to reduce annual depreciation expense by approximately $215 million. As described in Section IV(C)(4)(d), ComEd transferred its nuclear generating assets to an affiliate, Exelon Genco, on January 12, 2001.

3. Section 7-204.

ComEd took no steps under Section 7-204 in 2000.

4. Section 9-220.

ComEd took no steps under Section 9-220 in 2000.

Section 16-111.

In 2000, ComEd engaged in numerous activities under Section 16-111(g), which authorizes certain utility actions upon notice to the Commission. Each of the actions described below has the potential to reduce ComEd's costs. Nevertheless, because of the bundled service rate freeze that is in effect until January 2005, ComEd's customers will not experience immediately the effect of the actions described below. ComEd hopes that the savings and mitigation actions will better prepare it for the next bundled service rate case when these actions, as well as others, will be assessed in light of the Company's overall costs and revenues.

Sale of Office/Commercial Building.

Description of Action Taken.

In May 2000, ComEd sold an office/commercial building, located in Chicago, Cook County, Illinois. The bargain sale agreement price of $100 provided ComEd a charitable contribution of approximately $4.8 million resulting in an expected reduction of approximately $1.9 million in the amount of taxes ComEd will have to pay for the year 2000. ComEd filed a notice of the sale, pursuant to Section 16-111(g), with the Commission on February 10, 2000.

Effective Date of the Action.

The sale closed on May 31, 2000.

Annual Savings or Additional Charges Realized by Customers from Actions Taken.

Customers have realized no savings or additional charges as a result of the transaction.

The Accumulated Impact on Customers.

None.

Summary of the Method Used to Quantify the Impact on Customers.

Not applicable.

Assignment of Receivable.

Description of Action Taken.

In January 2001, ComEd sold and assigned to ABB Energy Capital L.L.C. the right to receive 10 annual payments of $1,442,144 in return for a cash payment of $10,183,875 less $7,500 for legal fees. The annual payments related to energy conservation services that ComEd provided to the Department of Energy at Fermi National Accelerator Laboratory in Batavia, Illinois. ComEd filed a notice of the assignment, pursuant to Section 16-111(g), with the Commission on November 1, 2000.

Effective Date of the Action.

The assignment was completed on January 12, 2001.

Annual Savings or Additional Charges Realized by Customers from Actions Taken.

Customers have realized no savings or additional charges as a result of the assignment.

The Accumulated Impact on Customers.

None.

Summary of the Method Used to Quantify the Impact on Customers.

Not applicable.

Transfer of Portion of Promissory Note to Affiliate.

Description of Action Taken.

In November 2000, ComEd transferred to Exelon Corporation, its parent Company, the principal amount of $850 million of a promissory note from Unicom Investment Inc. ("UII") bearing a total principal amount of approximately $2,209 million. The promissory note was received from UII in connection with the sale of ComEd's fossil plants to Edison Mission Energy in December 1999. In consideration for the transfer, Exelon remitted to ComEd approximately 19,940,000 shares of ComEd common stock. ComEd filed a notice of the transfer, pursuant to Section 16-111(g), with the Commission on October 27, 2000.

Effective Date of the Action.

The transfer closed on November 27, 2000.

(3) Annual Savings or Additional Charges Realized by Customers from Actions Taken.

Customers have realized no savings or additional charges as a result of the transaction.

The Accumulated Impact on Customers.

None.

Summary of the Method Used to Quantify the Impact on Customers.

Not applicable.

Transfer of Generating Assets and Wholesale Marketing Business.

Description of Action Taken.

On May 22, 2000, pursuant to Section 16-111(g), ComEd filed notice of its intent to transfer to a subsidiary of ComEd, all of its nuclear generating assets, together with certain related assets and obligations, and its wholesale marketing business, including any and all real and personal property used to conduct that business, and to exchange the stock of such subsidiary for the common stock of ComEd held by Exelon Corporation, thereby making such subsidiary a direct subsidiary of Exelon. The assets of such subsidiary were ultimately transferred to Exelon Genco in exchange for ComEd common stock. In connection with the transfer, ComEd has entered into various agreements with Exelon Genco including a PPA. Under the terms of the PPA, ComEd will obtain all of its power supply from Exelon Genco through 2004, except for power that ComEd is required to purchase elsewhere under applicable law. In 2005 and 2006, ComEd will obtain all of its power supply from Exelon Genco, up to the capacity of ComEd's transferred nuclear generating plants. The energy prices under the PPA for the years 2005 and 2006 will be determined prior to 2005. ComEd will obtain any additional supply required from market sources in 2005 and 2006, and, subsequent to 2006, will obtain all of its supply from market sources, which could include Exelon Genco. Also under the terms of the transfer, ComEd will assign its rights and obligations under various power purchase agreements and fuel supply agreements to Exelon Genco. Exelon Genco will supply power to ComEd from the transferred nuclear generating plants, assigned power purchase agreements, and other market sources. In addition, ComEd transferred to its subsidiary all assets held in its decommissioning trusts. ComEd retains the obligation to collect unfunded decommissioning cost charges from customers, and to forward such funds to Exelon Genco. The net transfer is expected to result in an exchange of ComEd common stock worth approximately $1.6 billion. Such net transfer amount is not yet finalized.

Besides the benefits associated with centralizing the generation and wholesale operations of PECO and ComEd within Exelon Genco, ComEd and its customers will benefit by the further separation of ComEd's transmission and distribution operations from the generation and wholesale marketing operations. This separation will focus management attention on increasing the reliability of ComEd's transmission and distribution systems. In addition, the transfer will offer protection from the operational and financial risks associated with ComEd's former nuclear stations. By relocating the generation and wholesale marketing businesses, and shifting the associated risks to Exelon Genco, the transfer is a further significant step in restructuring ComEd's operations to both facilitate and adapt to the development of competitive retail and wholesale markets.

Effective Date of the Action.

The transfer was substantially completed on January 12, 2001, with an effective date of January 1, 2001.

Annual Savings or Additional Charges Realized by Customers from Actions Taken.

Although there have been no direct savings or charges realized or borne by customers, the transfer will materially advance the development of competition for the sale of electric power and energy in Illinois.

The Accumulated Impact on Customers.

Presently none.

Summary of the Method Used to Quantify the Impact on Customers.

Not applicable.

Transfer of Assets and Liabilities to Exelon Genco.

Description of Action Taken.

In its order in Docket No. 00-0369 & 00-0394 Cons., dated August 2000, the Commission approved the transfer of ComEd's nuclear generating station assets, nuclear decommissioning trusts and wholesale marketing assets, as described in its May 2000 Section 16-111(g) notice. In addition to the transferred assets and liabilities described in the May 2000 notice, ComEd also transferred to Exelon Genco (through the transactions described in the May 2000 notice) certain other assets and liabilities related to the operations of its generation resources and wholesale marketing. Such transfers to Exelon Genco from ComEd included working capital. The transfer also included an accounts payable from ComEd to Exelon Genco as compensation for the current liabilities transferred to Exelon Genco. The net transfer amount is included in the common stock exchanged as described above under the May 2000 notice. ComEd filed notice of the transfer on December 1, 2000, pursuant to Section 16-111(g).

Effective Date of the Action.

The transfer was substantially completed on January 12, 2001, with an effective date of January 1, 2001.

Annual Savings or Additional Charges Realized by Customers from Actions Taken.

Although there have been no direct savings or charges realized or borne by customers, the transfer will materially advance the development of competition for the sale of electric power and energy in Illinois.

The Accumulated Impact on Customers.
None.

Summary of the Method Used to Quantify the Impact on Customers.
Not applicable.

Transfer of Assets and Liabilities to Exelon Business Services Company.
Description of Action Taken.

On December 1, 2000 ComEd filed notice pursuant to Section 16-111(g) of its intent to transfer to an affiliate, Exelon Business Services Company ("BSC"), certain assets and obligations used to conduct that business. BSC, created as part of the restructuring of Exelon Corporation, provides ComEd with a full range of services previously performed by ComEd such as legal, human resources and financial services. The transfer to BSC includes personal property (computers and equipment, etc.), cash and accounts payable. The net transfer is expected to result in a ComEd notes payable to BSC of approximately $82 million. The net transfer amount is not yet finalized.

Effective Date of the Action.
The transfer was completed on January 12, 2001, with an effective date of January 1, 2001.

Annual Savings or Additional Charges Realized by Customers from Actions Taken.
Although there have been no direct savings or charges realized or borne by customers, the transfer will materially advance the development of competition for the sale of electric power and energy in Illinois.

The Accumulated Impact on Customers.
None.

Summary of the Method Used to Quantify the Impact on Customers.
Not applicable.

Section 16-130(a)(4): Transitional Funding Instruments.
Section 16-130(a)(4) requires utilities to summarize their use of transitional funding instruments and to summarize how they used the proceeds of transitional funding instruments issued under Article XVIII of the Public Utilities Act.

On July 21, 1998, the Commission issued an order in Docket No. 98-0319 authorizing ComEd to issue up to $3.4 billion of Transitional Funding Instruments as defined in Section 18-102 of the Public Utilities Act. The Commission order also authorized, among other things, the imposition, collection and periodic adjustment of non-bypassable charges, constituting "instrument funding charges" as defined in Section 18-102 of the Public Utilities Act. On December 16, 1998, ComEd, through trusts established as Special Purpose Entities, issued $3.4 billion of Transitional Funding Trust Notes at an average interest rate of 5.57%. The notes carry various maturity dates from March 2000 through December 2008. In accordance with the

Commission's order, the proceeds are being used to redeem debt and equity securities to reduce the Company's overall cost of capital. Exhibit C summarizes the specific allocation, through March 15, 2000, of the approximately $3.4 billion proceeds.

Section 16-130(a)(5): Base Year Sales Calculation.

Section 16-130(a)(5) requires utilities to provide certain revenue calculations called Base Year Sales. Base Year Sales are defined to be the kilowatt-hours consumed in the twelve months ending December 31, 1996 (by customer class), multiplied by the revenue per kilowatt-hour, adjusted (a) to remove charges added to customers' bills pursuant to Sections 9-221 and 9-222 of the Public Utilities Act, during the twelve months ending December 31, 1996, and (b) for the reductions required by Section 16-111(b) and the mitigation factors contained in Section 16-102. Utilities must state that amount for each calendar year beginning with 1998. The calculations for ComEd are as follows:

Table C
Section 16-130(a)(5)
Base Year Sales Calculation
(000's except per kWh data)

	1996 Base Year kWh	1996 Base Year Revenue per $/kWh	1996 Base Year Sales[10]	1996 Base Year Sales Adjusted for Rate Cut[10, 11]	1996 Base Year Sales Adjusted for Rate Cut and Mitigation Factor[10, 11]
Residential	22,579,016	0.1072	$ 2,420,250	$ 2,268,073	$ 2,057,213
Small Commercial & Industrial	25,390,365	0.0789	2,003,802	2,003,802	1,984,704
Large Commercial & Industrial	24,102,358	0.0568	1,369,241	1,369,241	1,326,482
Public Authorities	7,414,836	0.0643	476,726	476,726	476,518
Railroads	427,891	0.0702	30,051	30,051	30,051
TOTALS	**79,914,466**	**0.0788**	**$ 6,300,070**	**$ 6,147,893**	**$ 5,874,968**

[10] These calculations exclude Sections 9-221 and 9-222 (Municipal Gross Receipts and PUR) and include 1996 Fuel Adjustment Clause charges.

[11] The calculations for 1998, 1999 and 2000 are adjusted for the Section 16-111(b) Residential Rate Reduction of 15% effective August 1, 1998. The 1999 and 2000 calculations are adjusted for the mitigation factors contained in Section 16-102, effective October 1, 1999. The mitigation factor is based upon the actual factors included in transition charges billed to delivery services customers in 1999 and 2000. The adjustment for the mitigation factor represents the actual revenue reduction due to the mitigation factor associated with customers who were subject to a CTC in 1999 and 2000.

Section 16-130(a)(6): Adjusted Base Year Sales Calculation.

Under Section 16-130(a)(6) utilities must report Base Year Sales described in Section 16-130(a)(5) adjusted for growth in the utility's service territory, as well as the other adjustments described in Section 16-130(a)(5). Those calculations are as follows:

Table D
Section 16-130(a)(6)
Adjusted Base Year Sales Calculation
(000's)

	Adjusted for 1996-1998 Load Growth		**Adjusted for 1996-1999 Load Growth**		**Adjusted for 1996-2000 Load Growth**	
	1996 Base Year Sales[10]	1996 Base Year Sales Adjusted for Rate Cut[10, 11]	1996 Base Year Sales[10]	1996 Base Year Sales Adjusted for Rate Cut and Mitigation Factor[10, 11]	1996 Base Year Sales[10]	1996 Base Year Sales Adjusted for Rate and Mitigation Factor[10, 11]
Residential	$2,566,286	$2,404,926	$2,542,094	$2,160,780	$2,572,272	$2,186,432
Small Commercial & Industrial	2,131,256	2,131,256	2,298,526	2,297,652	2,291,689	2,269,847
Large Commercial & Industrial	1,365,874	1,365,874	1,276,734	1,275,741	1,361,560	1,319,041
Public Authorities	480,541	480,541	498,669	498,659	553,349	553,108
Railroads	30,424	30,424	28,628	28,628	31,114	31,114
TOTALS	$6,574,381	$6,413,021	$6,644,651	$6,261,460	$6,809,984	$6,359,542

Section 16-130(a)(7): Total Revenue and Net Income.

Section 16-130(a)(7) requires utilities to report the total revenue and net income for 1997, 1998, 1999 and 2000 that the utility reports or will report on Form 1 to the Federal Energy Regulatory Commission. That information for ComEd is as follows:

	2000	1999	1998	1997
Revenue	$6,970,728,656	$6,766,892,026	$7,135,879,302	$7,073,086,936
Net Income (Loss)	731,684,670	622,727,895	594,206,042	(773,772,576)

Section 16-130(a)(8): Consideration Received by Utility from Sales of Generating Plants in Excess of Net Book Cost to Non-Affiliated Third Parties.

Section 16-130(a)(8) requires utilities to report any consideration in excess of "net book cost" received from a sale of any generating plant made after December 16, 1997, to a non-affiliated third party.

ComEd received no consideration in 2000 that is reportable under Section 16-130(a)(8).

Section 16-130(a)(9): Consideration Received by Utility from Sales of Generating or Other Significant Assets to Affiliated Interests.

Section 16-130(a)(9) requires utilities to report any consideration received from certain sales or transfers during the year to an affiliated interest of generating or other plants.

ComEd received no consideration in 2000 that is reportable under Section 16-130(a)(9). However, as described above in Section IV(C)(4)(d) and (e), ComEd completed the transfers of its generating assets and wholesale marketing business to Exelon Genco in January 2001.

Section 16-130(a)(10): Consideration Received by Affiliated Interests from Sales of Certain Generating Assets to Non-Affiliated Third Parties.

ComEd affiliated interests received no consideration in 2000 that is reportable under Section 16-130(a)(10).

Section 16-130(a)(11): Summary Account of Expenditures for Transmission and Distribution Projects, Programs and Improvements.

Section 16-130(a)(11) requires utilities to provide a summary account of those expenditures made for projects, programs, and improvements outside the corporate limits of any municipality with 1,000,000 or more inhabitants relating to transmission and distribution.

In 1999, ComEd spent approximately $670 million on transmission and distribution projects outside the corporate limits of Chicago. This figure includes $258 million spent on operation and maintenance projects, such as vegetation management and repair and replacement; and $412 million spent for capital installation projects, such as capital investments, infrastructure expansion and reliability enhancing projects.

In 2000, ComEd spent approximately $948 million on transmission and distribution projects outside the corporate limits of Chicago. This figure includes $309 million spent on operation and maintenance projects, such as vegetation management and repair and replacement; and $639 million spent for capital installation projects, such as capital investments, infrastructure expansion and reliability enhancing projects.

EXHIBIT A

ComEd nonresidential customers can choose their own Suppliers

NEWS SUN STAFF REPORT
1/01/01

Non-residential ComEd customers will be eligible to choose their electricity suppliers in the new
year.

ComEd said the third and final phase of free choice actually began Sunday when all of its 300,000 non-residential customers would be able to purchase their power from suppliers other than ComEd.

The free choice began Oct. 1, 1999 for major businesses. Small businesses were eligible through a lottery process. But Sunday marked the day when all businesses became eligible to choose their own suppliers. As of Dec. 28, ComEd said about 9,500 of its customers had exercised their right to choose a new supplier.

"ComEd fully supports restructuring of the electricity industry in Illinois and has been steadily working to facilitate a smooth and knowledgeable transition for Illinois electricity customers," said Arlene Juracek, vice president of regulatory and strategic services.

Free choice was made possible in 1997 when the Illinois General Assembly enacted "The Electric Service Customer Choice and Rate Relief Law." The legislature, however, chose a phased-in approach which began in 1999 to ensure a workable transition from regulated to competitive power markets.

Under the law residential customers will be eligible to choose their own suppliers beginning in May 2002.

Another test for deregulation Small business users get options for 2001 power by Mike Comerford Daily Herald Business Writer
Posted on Saturday, December 30, 2000

As revelers welcome the new millennium at the stroke of midnight Sunday, a decidedly less enthusiastic welcome is likely for the new era of power choice for Illinois businesses.

The state's electric power deregulation enters another phase on Monday as ComEd's estimated 235,000 small business users will be given the option of switching electricity providers.

However, proponents acknowledge that small businesses are not turning out in great numbers for the party. ComEd's competitors, due to regulatory constrictions, are also reportedly less interested in the slimmer profits and smaller users.

Nonetheless, this phase gives choice to all nonresidential users, and ComEd officials say it shows slow but steady growth.

"I'd say it has gained momentum over time," said Arlene Juracek, vice president of regulatory and strategic services for ComEd Energy Services. "I think we've had a healthy showing compared to others in Pennsylvania or California."

Thus far choice has been restricted to large companies and manufacturers. A large company is any that uses 500 kilowatts or more. For example, a stand-alone Jewel grocery store averages about that much, according to ComEd. A Jewel/Osco store would double that usage, but a McDonald's restaurant would be considered a small business.

As of Monday, all businesses regardless of size will be able to choose a power generation firm. Included in that group will be non-residential users such as governmental and non-profit organizations.

Since deregulation was first passed by the Illinois Legislature in 1997, about 9,500 area businesses, or about 14 percent of all eligible large businesses, have exited ComEd for a competitor.

Although that may seem modest, Juracek said that represents about 50 percent of all kilowatt hours generated by the company.

Illinois has spent more than $1 million on public education on deregulation.

The state still has two key phases yet to come. ComEd will give residential users a 5 percent rate cut this October. Then on May 1, 2002, most residential customers will be able to make the same choices businesses can now make.

When completed, ComEd aims to be primarily a service delivery provider as customers choose from a variety of power generation companies including Edison Mission, which it sold its fossil fuel plants to last year, and Exelon Generation, the nuclear power plant subsidiary of ComEd's parent company.

College Briefs

Posted on Tuesday, November 28, 2000
Daily Herald

New electricity contract might yield big savings

Oakton Community College may save about $100,000 a year with a new electricity contract, a college administrator says.

The board of trustees for the Des Plaines-based college approved a 10-year, $7.95 million contract Tuesday with Enron Energy of Houston to provide electricity starting in January. The power will be carried over ComEd lines.

"They're able to provide savings for 10 years," said David Hilquist, Oakton's vice president for business and finance.

The college has been spending about $900,000 annually for electricity, Hilquist said. With the new contract, the college would spend about $800,000 a year.

College officials said they decided against staying with their current electricity provider, Nicor Energy of Naperville, because the company offered only a 2 percent reduction in its rates for next year.

He also said ComEd's projected rates were more than 11 percent higher than Enron's.

Oakton board Trustee Jeanne Kriechbaum expressed misgivings about the college signing such a long-term contract. "I'm not much of a risk taker," she said.

But Hilquist said the Enron contract is worth the long-term commitment. Enron is the largest supplier of gas and electricity in the United States and has annual sales of $40 billion, he said.

Its area clients include the Chicago Catholic Archdiocese, Lucent Technologies, O'Hare International Airport and Hyatt Hotels, Hilquist said.

CITY JOINS SUBURBS, AGENCIES IN ELECTRICITY PURCHASE

By Jill Blackman, Tribune Staff Writer.

Published: Tuesday, July 18, 2000
Section: METRO, Chicago Tribune
Page: 1

The City of Chicago and 47 local government bodies will jointly buy electricity from a single provider, making them the nation's largest non-utility purchaser of renewable power, officials announced today.

"We believe the agreement will save taxpayers millions of dollars and contribute to a cleaner environment," Mayor Richard Daley said at a news conference at the Jardine Water Purification Plant, 1000 E. Ohio St., a major user of electrical power.

Daley said the group is soliciting proposals from the 13 licensed power providers in Illinois and that the provider must lower costs for each member as well as generate 20 percent of the power from clean renewable sources, such as solar or wind energy.

Daley said the U.S. Department of Energy would help evaluate the proposals to make sure they are environmentally sound. The new contract is expected to take effect early next year.

"This was made possible through the deregulation of the electric power industry which took effect in 1997," Daley said. "Until then, local governments had no choice of power providers because ComEd had a monopoly."

In addition to the city, the Chicago Transit Authority, the City Colleges of Chicago and the Chicago Park District, the local governments participating in the group purchase include those of Northbrook, Schaumburg, Hoffman Estates, River Forest and Chicago Heights.

"The most compelling reason for any local government to participate in this program is to save taxpayer dollars," said Northbrook Village President Mark Damisch. "Whether we're pumping water in Chicago or lighting streets in the suburbs, we owe it to our residents to use their tax dollars wisely."

City Environment Commissioner Bill Abolt said the agreement affects only governmental users, not commercial or residential customers. He said homeowners would be able to solicit proposals from energy providers in 2002.

Daley said the city already has taken steps to reduce its energy bills.

"Last year the City of Chicago, the CTA, the Chicago Park District and City Colleges saved about $10.6 million dollars through consolidated billing with ComEd," Daley said. "This was a savings of 10 percent over the previous year."

The Chicago Public Schools system is not eligible to participate in the program because it signed a contract with ComEd last year that includes price reductions and energy efficiency, Abolt said.

SAVINGS EXPECTED BY JOINING POWER ALLIANCE

David Sharos.
Published: Friday, July 7, 2000
Section: Trib West, Chicago Tribune
Page: 4

The Bartlett Village Board has agreed to join a 71 -community consortium and the City of Chicago in a local government electric power alliance that would allow the village to buy power at rates at least 7 percent below current costs, with potential savings as high as 20 percent.

Administrative Assistant Chris Hostetler said the village spends $500,000 a year on electricity.

"If the village were to participate in the proposed joint purchase, the village could expect a savings anywhere from $35,000 to $100,000 in one year." Hostetler said.

Trustee Tom Floyd expressed concerns about the village being required to buy a certain number of kilowatts per year and wondered whether the free ComEd service the village receives would be affected.

"This plan lets you use what you need. Because it's such a large consortium, there's no predicting required," said Paula Schumacher, assistant to the village administrator.

Service is expected to begin Jan. 1, 2001, and the contract with service providers is expected to last at least three years.

FERC OKAYS COMED INTERCONNECTION PLAN; MASSEY CALLS FOR A STANDARD

Electric Utility Week
5/01/00

The Federal Energy Regulatory Commission last week approved a Commonwealth Edison proposal that makes it easier for outside-system generators to connect to the utility's transmission network.

The revisions to ComEd's open-access transmission tariff will codify the process for generators requesting transmission and the criteria ComEd will use to evaluate the requests (Docket No. EROO- 1 820). ComEd's territory has become a hotbed of announced merchant plant activity and in June, the utility developed a map of several sites where new generation would be best suited.

With all the merchant activity in other areas of the country, primarily New England, Commissioner William Massey noted that interconnection to the grid has become an increasingly important policy area for the commission. Other transmission owners should follow ComEd's example, he said. "This is another critical step to rational interconnection policy."

At some point, however, FERC should consider establishing an industry standard for utilities to
follow, he said, repeating a call he has made before.

Independent power producers have been prodding the commission to develop uniform interconnection procedures, and FERC recently clarified a policy that generators hooking up to the grid should not also have to take transmission service (EUW, 20 March, 20).

At the meeting last week, Commissioner Curt Hebert disagreed with Massey's call for other transmission owners to file interconnection plans--Entergy now has one pending--or for FERC to establish some national standards. Instead, utilities should move toward for-profit transmission companies, which would solve all of the interconnection problems, he said. "A transco loves requests for interconnection," Hebert said. "With power flows its bread and butter, the more interconnections, the merrier." It should be the "pull of profits, not the clutch of regulators" that set market standards, he said.

Chairman James Hoecker was ambivalent about a national standard, but said he does like the implications of ComEd's application. "It's a subtle but important change in the way transmission owners view independent generators: as customers," he said. "What a concept."

POWER PRICES

Crains's Chicago Business
5/1/00

ICC approves new rate-setting rules

The Illinois Commerce Commission late last week approved rules supported by Commonwealth Edison Co. that change the way the market price of electricity is set under a deregulation scheme that allows businesses to pay deregulated power rates without switching to a competing electricity supplier. The rule changes, backed by most of ComEd's competitors, are aimed at averting a situation this summer in which most businesses that already had switched to outside electricity providers were planning to return to ComEd because the price of its state-mandated, deregulated product was artificially low.

Users take charge

Businesses save by switching energy providers

Crain's Chicago Business
April 24, 2000
By Lisa Bertagnoli

Electricity deregulation has been very, very good to MacLean-Fogg Co.

Thanks to contracts it signed with three electricity providers, the Mundelein-based manufacturer will save about $500,000 a year, or 10% of its annual energy budget, compared with what it paid Chicago-based Commonwealth Edison Co.

"ComEd worked well with us over the years to save money in the regulated market," says CEO Barry MacLean. "We wanted to work with them, but we have to take advantage of this environment."

As Mr. MacLean and others have learned, taking advantage of the deregulated market is not just a matter of sitting back and letting the offers roll in. With only 5 1/2 weeks until the next wave of businesses can select their electricity provider, it behooves all firms to consider the advice of corporations that have chosen their power supplier.

Among the preparations companies need to make before shopping around is determining how much and what kind of electricity they use - data that are not always easy to obtain.

"I'm not slamming ComEd, but the information exchange can be tedious," says Thomas Keaty, director of mechanical operations for TrizecHahn Office Properties Inc. in Chicago. TrizecHahn's attorney, who specializes in energy, was instrumental in getting the documents, Mr. Keaty says.

Companies searching for new providers also must understand power contracts, which is no small feat, says Craig Sieben, president of Sieben Energy Associates LLC, a Chicago-based consulting firm. "Most people have never seen a contract before, and the devil is in the details," he says.

Those who have been there also advise getting an early start on deregulation. Brookdale Living Communities Inc., a Chicago-based manager of retirement communities, began investigating deregulation a full year before options became available. As a result, the company was able to switch providers in July, three months early.

In addition, customers must understand what deregulation means. Viewing electricity as a manageable expense, instead of a fixed one, will take education and time, Mr. Sieben says: "This is still very new and mysterious."

A consultant helped remove some of the mystery at MacLean-Fogg, says Controller Paul Thomas. Mr. Sieben, MacLean's consultant, helped him understand the deregulation timetable, the formulas for savings and other details, Mr. Thomas says. "There are all sorts of quirks you have to pay attention to," he says - among them different riders that dictate what sort of power a company may buy.

For instance at one plant, the company was able to take advantage of "rider 25," a feature of electricity service under which companies can install special equipment to use electricity to heat a space. Exercising this provision will enable MacLean-Fogg to save 17% on electricity at that plant.

Custom contracts

Contract length may prove a sticky matter for companies wishing to switch. MacLean-Fogg, for instance, received what looked like a good offer from Enron Energy Services. The Houston-based provider offered five-year contracts with what Mr. MacLean calls an "attractive" upfront cash payment. Enron, a national company, also could have eventually handled the 18 MacLean-Fogg facilities around the country.

The savings, however, dissolved "when you got into the details," Mr. MacLean says. The manufacturer ended up signing 12-to-18-month contracts with MidAmerican Energy, Blackhawk Energy Services LLC and New Energy Midwest LLC for five of its six Chicago-area plants. (A sixth plant, in Richmond, will qualify for deregulation in June.)

Indeed, companies with multiple locations needn't sign up with only one provider. After sending out 11 requests for proposals, Mr. Keaty chose Peoples Energy Services Corp. to provide electricity to the Sears Tower and Cilco for 10 and 120 S. Riverside Plaza. In June, Mr. Keaty will probably choose the power purchase option, the money-saving deal for ComEd customers (see related story, this issue), for a fourth building at 2 N. LaSalle St.

Mr. Keaty, like the executives at MacLean-Fogg, was more comfortable with a short-term contract; in the case of the Sears Tower, TrizecHahn inked a 16-month contract that will result in energy savings of 8% to 11%.

A long-term relationship with Enron, however, works well for Brookdale and its seven Chicago-area properties. The company signed a 10-year contract that promises 10% off 1999's energy prices for the life of the contract, says Stephan Beck, senior vice-president of operations at Brookdale. The result is $1.7 million in energy savings over the next decade, he says.

Mr. Beck did build some flexibility into the contract, a move he thinks is important because the market is new. The first five years are fixed, and the second five years are priced according to an index. Brookdale can also renegotiate the contract after five years.

Lots of homework

Regardless of whether a business retains an energy consultant, the key to understanding deregulation and what savings it might offer is to start researching early, says Frank Frankini, senior vice-president of design and construction for Equity Office Properties Trust in Chicago.

"You have to monitor the process because it changes," he says. "Get involved early and follow (deregulation) in great detail."

Mr. Frankini also challenges the claim that energy providers will help with energy audits, metering and other services. Although all the companies he talked with offered such services, none impressed him.

Likewise, Mr. Beck seemed unimpressed with the service angle of deregulation. Enron will manage Brookdale's utilities and perform energy audits, but for a price. Mr. Beck has also enlisted a consultant to perform audits. "We have a third party watching out for us," he says.

Above all, companies and consultants stress the importance of understanding that deregulation is a work in progress.

"No one can tell you what's going to happen eight, six or two years from now," says Mr. Frankini. That uncertainty is part of the reason Equity signed a yearlong contract with New Energy Midwest, he says.

Among the uncertainties are "stranded costs," the amount paid to ComEd to compensate it for investments in power plants and distribution lines that can't be recouped under deregulation. Those stranded costs will eventually disappear, but they may be charged through 2006.

Furthermore, the rules continue to change. In early April, for instance, a tariff filing indicated that the power purchase option rate, the rate firms pay if they stay with ComEd, was calculated too low, thus hindering competition. ComEd has submitted a petition to revise the formula.

Such changes, while confusing, are good for customers, Mr. Sieben says. "We said to change the methodology because it wasn't rewarding customers enough, and ComEd agreed," he says.

Be diligent and take advantage of the market, advises Mr. Keaty. "Get all the information you can and do analyses," he says. "The electrical atoms flow no matter who the provider is. This is just a matter of economics."

Preparing for electricity deregulation

By Maura Webber
Crain's Chicago Business
4/24/00

Savvy businesses willing to navigate the unfamiliar waters of Illinois' deregulated electricity market are cutting an average of 8% off their energy bills, according to the Illinois Commerce Commission.

But fewer companies than expected have left incumbent utility Commonwealth Edison Co., partly because decision makers haven't understood how to pursue other options, experts say.

Nearly 42,000 businesses had the chance to switch providers in October 1999, but only about 6,000, or 15%, actually did. All manufacturers can change providers June 1, and all other businesses can do so Jan. 1. Experts say that companies preparing for a possible switch shouldn't be intimidated by the preparation required. Compiling electricity bills and soliciting bids should be fairly easy, but evaluating the bids can be a bit more complicated, they say.

"At times, we make (the process) more complicated than it needs to be," says James Nordloh, sales representative at Dynegy Energy Services Inc., an alternative energy provider in Illinois and a unit of Houston-based Dynegy Inc.

For starters, customers may be unclear about what they're changing: They can switch to another provider for power generation only; ComEd is still responsible for distributing power in the Chicago area.

To learn about choices and possible savings, companies should begin by analyzing their past utility bills, according to consultants and energy company officials. If your energy use has increased or decreased significantly in the past couple of years, or if you're seeking a contract spanning three to five years, try to get three to five years' worth of bills, says Anthony Visnesky, principal at Anthony Engineering Associates, a Springfield-based energy consulting firm.

The process is quicker if a company has its bills on hand, says Todd Raba, vice-president of sales and marketing for Iowa-based alternative provider MidAmerican Energy Co. If the bills are not available, companies can get them from ComEd, which is required to keep billing records for two years.

The bills contain valuable information such as how much energy is used monthly and at peak and off-peak times. For many smaller companies, especially those with simple usage patterns, providers might be able to develop a bid using only the bills, Mr. Raba says.

When you solicit bids, ask providers whether they will get your billing records from ComEd or whether they want you to submit them.

Manufacturers and other large energy users - those with annual peak demand of at least a megawatt, according to Robert Ricobene, director of electricity supplier services at ComEd - also can tap another source of information. Interval data detail how much power was used every half-hour for a month, and companies must request it from ComEd. The information is particularly useful for companies that can consider shifting their power use to less expensive periods, such as at night or during the winter, Mr. Visnesky says.

To get a rough idea of how likely they are to benefit from a switch, companies can compare energy costs to other expenses, Mr. Visnesky says. For non-manufacturing companies to benefit, their energy bills would need to account for more than 15% of ongoing operation and maintenance expenses; for manufacturers, bills should represent more than 15% of the cost of producing goods, he says. However, he adds that there are exceptions to the guideline.

Still, some companies that use less electricity have joined other smaller users and saved money by switching, he says. For example, some business organizations and associations have allied with certain providers that can offer lower rates to members. But consultants still urge members of such organizations to compare pricing options because they might get a better rate on their own or by selecting the power purchase option (PPO) - an automatic discount available upon customer request from every utility that charges a transition fee, a charge to recoup investments that can't be recovered under deregulation.

"You have to look at the dollars," says Jerry Burin, of Sieben Energy Associates LLC, a Chicago-based energy consultant.

Experts say that in many cases, the PPO is hard to beat, though that could change if the PPO is recalculated, as expected.

Armed with an understanding of their history, companies can find a list of providers certified to operate in the state on the Illinois Commerce Commission's Web site ' at www.icc-.state.il.us, or by calling (800) 524-0795.

After you've requested and received bids, the process gets more complex. "It's hard to get companies to respond in the same manner," says Craig Schuttenberg, vice-president of Energy Choices Inc., an energy consulting company in Highland Park.

Some providers propose exact rates per kilowatt hour. Others offer a percentage of savings from ComEd's bundled rate, which includes generation, transmission and distribution charges.

In addition, some bids might show much greater savings because they deal with only the generation portion, says lawyer Patrick Giordano, managing director of Chicago-based law firm Giordano & Associates Ltd.

Companies should also make sure the transition charge has been factored into the bid, because they will pay it if they switch.

Still another factor that could affect savings is the length of the contract. While contracts typically run one or two years, Enron Energy Services, an alternative provider and a unit of Houston-based energy giant Enron Corp., says it often signs multiyear contracts.

Enron maintains that longer contracts shield customers from any price hikes if ComEd raises the distribution piece of the energy bill to cover investments. Yet Mr. Schuttenberg of Energy Choices says he advises clients to sign contracts spanning no more than a year so that they can take advantage of the changing market.

Consultants say they can help by sorting through the offers and negotiating the final terms of the contract. "We've learned a lot about how to do it through some big customers, and as a result, we've been able to streamline the process," says Mr. Giordano. His firm either charges a fee or agrees to be paid a percentage of savings for energy consulting. However, he says it might be more cost-effective for businesses with energy bills of less than $100,000 annually to negotiate without a consultant.

Zell pulls the plug on ComEd power

February 9, 2000
Chicago Sun-Times

BY DAVID ROEDER BUSINESS COLUMNIST

Chicago billionaire Sam Zell has become the biggest real-estate tycoon here to defect from Commonwealth Edison. Zell's Equity Office Properties Trust, owner of 25 buildings in the Chicago area, now is buying power from NewEnergy Inc.

Equity Office said the deal, covering all of its 10 million square feet in the Chicago area, will save tenants $1 million a year. NewEnergy executives said that amounts to 10 percent of Equity Office's power costs.

Zell's firm isn't the first to cut the cords to ComEd, Sears Tower, the John Hancock Center and the Aon Center have done it, although some are doing business with another part of ComEd parent Unicom Corp. that sells discounted power.

NewEnergy Vice President Phil O'Connor said Equity Office will become one of the company's five biggest customers, smaller only than some industrial or institutional users. O'Connor, former chairman of the Illinois Commerce Commission, said the 17-month deal started in January.

Equity Office's properties include 161 N. Clark, the Civic Opera Building and the Chicago Mercantile Exchange towers.

Unicom scores two tall orders

January 5, 2000
Chicago Sun-Times

BY ROBERT MANOR BUSINESS REPORTER

In a sign that a monopoly can learn to compete, Unicom won contracts to sell discounted electricity to the John Hancock Center and to help manage power use at the Sears Tower.

Unicom is facing its first stiff competition in an increasingly deregulated industry where its corporate child, Commonwealth Edison, once held a monopoly to sell electricity. Many business customers are now free to choose their electrical supplier, and all will have that option by the end of the year.

So far several thousand business customers have opted to buy their power elsewhere.

But Shorenstein Realty Service, operator of the Hancock Center, chose Unicom.

Dean Johnson, general manager of the Hancock Center, said he looked at several competing power suppliers before choosing Unicom.

"The building has been dealing with ComEd for years," Johnson said. "We want to make sure we are going with a very large, credible company."

Unicom wouldn't disclose details of its contracts, but it said the deal will cut the Hancock building's electric bill by as much as 10 percent.

It applies only to the common areas of the building--garage, elevators and the like--as Hancock's condominium residents won't be free to choose an alternative power supplier until May 2002.

In effect, the Hancock Center has stopped paying full price for electricity sold by ComEd, and begun buying at a discount from another Unicom subsidiary.

Paul Elbert, president of Unicom Enterprises, corporate umbrella of Unicom's unregulated businesses, acknowledged that Unicom's revenues could suffer as customers switch from ComEd to buy at a discount from Unicom's unregulated energy business.

But "getting 60 cents on the dollar is better than getting zero on the dollar," Elbert said.

Deregulation also offers the opportunity to sell other services as the market opens up, Elbert said. No one is sure what those services might be, but many utilities are interested in bundling together telephone and Internet, natural gas and other products.

Unicom now sells competitively priced electricity to 2,000 locations-one customer may have multiple locations--and natural gas to 3,000 more.

Unicom has also won the Sears Tower as a customer for its eQuator energy management service.

Gulio Giometti, vice president of another Unicom business, Unicom Active Energy Management, said Trizec-Han Corp., manager of the Sears Tower, can expect to save 6 percent to 11 percent on its power bill through efficiencies offered by eQuator.

He said eQuator uses the Internet to monitor electric meters and other devices. Analysis software determines whether consumption is out of line. For example, eQuator could point out that the air conditioning has been left on in an unoccupied warehouse.

Giometti said that somewhat fewer than 100 customers have signed up for eQuator.

EXHIBIT B

Dow Jones Energy Service

High Court To Weigh State-Federal Divide For Power Sales
02/27/2001
By Bryan Lee

WASHINGTON -(Dow Jones)- The Supreme Court's decision to hear challenges to landmark federal rules requiring utilities to open their high-voltage power lines to competitors is a knife that could cut two ways, legal experts said Monday.

The case will decide once and for all an issue vexing the effort to inject competition into the $215 billion U.S. electricity sector: the dividing line between state and federal jurisdiction over power sales.

The court Monday agreed to consolidate and hear oral arguments later this year in two separate appeals of the U.S. Federal Energy Regulatory Commission's Order No. 888, a 1996 ruling that required utilities to open their transmission lines to competing electricity providers on a nondiscriminatory basis.

In one appeal, state utility regulators argued that FERC's order usurped the rights of states to regulate retail power sales under the 1935 Federal Power Act.

The other, brought by the power-marketing unit of Enron Corp. (ENE), argued that FERC didn't go far enough in asserting its jurisdiction over the federally regulated wholesale transmission services "bundled" into state-regulated retail electricity rates.

Legal experts were uncertain how to read the tea leaves of the court's decision. On one hand, the court has increasingly shown a preference for state's rights. But to rule for the states would mark a reversal of decades of Supreme Court precedent giving the commission broad authority to regulate electricity in interstate commerce, they said.

"I really don't know how to handicap it," said Elizabeth Moler, who heads the Washington office of Exelon Corp. (EXC) and was FERC's chairman when the order was finalized.

The court's decision to take the case likely pointed to a reversal, said William Massey, the only sitting FERC commissioner remaining from the panel that approved Order 888.

"I think it is probably true, statistically speaking, that whenever the court takes a case the odds are in favor of reversal," Massey said. The question then, he said, is in which direction the court will reverse FERC's order.

"This is a Supreme Court that has (trended) in favor of greater state's rights, with the large glaring exception of election law," Massey said. "On the other hand, electricity is a unique commodity that is an inherently interstate commodity."

The court will hear arguments on appeal of a U.S. Court of Appeals for the District of Columbia Circuit decision last year sweepingly approving FERC's order.

In a footnote, the appeals court said FERC could have asserted more jurisdiction than it did over wholesale transmission reserved by utilities to serve their own customers. FERC in the order deferred to state jurisdiction over bundled retail sales.

Officials at Enron were ecstatic at the news that the court had agreed to hear the company's petition for review. The probability of getting an appeal heard by the Supreme Court is very low, and the odds of a FERC case being heard are "astronomically low," said Joe Hartsoe, Enron's vice president of federal regulatory affairs in Washington.

Hartsoe viewed the pending case optimistically, noting that the court refused to take up most of the state regulators' appeal while agreeing to hear all of Enron's appeal.

"It would create chaos if there were no FERC jurisdiction over retail-bundled wholesale transmission," Hartsoe said.

Enron spokesman Mark Palmer called Monday's decision "great news."

Palmer predicted the court will see as "crystal clear" Enron's arguments that vertically integrated utilities are using FERC's decision not to regulate wholesale transmission reserved by the utilities to serve their own customers to benefit their own competitive wholesale power operations.

The Supreme Court "has to take the roadblocks out of the way" of greater competition in wholesale power markets, Palmer said, FERC's Massey appeared to side with Enron's optimism.

"I believe that for competitive markets to work, the Supreme Court must continue to recognize the inherently interstate nature of the electricity grid," Massey said. "A balkanized electricity grid will not produce vibrant markets or just and reasonable prices for consumers."

William Scherman, a former FERC general counsel now in private practice with Skadden Arps Meagher & Flom, applauded the court's decision to weigh into the debate over where FERC's jurisdiction ends and the authority of the states begins.

"We'll finally get a Supreme Court ruling on the scope of federal jurisdiction over transmission, 'Scherman said, calling the issue the $64 question" in the congressional debate over federal electricity restructuring legislation.

"If the court resolves this question, this will really set the stage for a restructuring bill," he said.

"I'm glad to see (the court is) taking a lead on this issue," said FERC Chairman Curtis Hebert, citing the ruling's import for FERC's efforts to establish regional power grid planning and coordinating bodies.

Utilities, regulators plead case for deregulation

By William Neikirk
Washington Bureau

WASHINGTON—Regulators and utility executives from Illinois, Pennsylvania, Ohio and Maryland shared a single sentiment Thursday in testifying before Congress about electricity deregulation in their states: We're not California.

But they weren't rubbing it in.

Speaking to a subcommittee of the House Commerce and Energy Committee, the witnesses admitted to a bit of concern that their current surplus generating capacity could turn into a future shortage if they fail to build an adequate number of new power plants or transmission facilities.

And, while they expect to avoid California-style difficulties, they [illegible] are concerned about how that state's problems exposed a potential for extreme volatility in the wholesale market for electricity, key to making state deregulation programs work.

John Rowe, chief executive of Exelon Corp., parent firm of Commonwealth Edison in Illinois and Peco Energy in Pennsylvania, said that while state authorities can best handle retail electricity markets, "the wholesale market issues are clearly the responsibility of Congress and other federal officials."

Rowe said that "with great reluctance" he would favor temporary caps on wholesale prices in California because "the costs streaming into the state are so overwhelming that they fracture almost any workable system."

He added that any caps would have to be set in excess of the replacement costs of new capacity. "It seems to me you don't have a fully competitive market at the moment" in California, he said.

As for Illinois and Pennsylvania, Rowe cited statistics showing that both states have built adequate capacity for current needs, with more to come on line in the future. "These are two states where utility restructuring is working, but we need to do much to keep it working," he said.

Building more capacity is required, he said, although he added he would like to see a greater diversity in the type of energy used, whether nuclear, coal, natural gas or other forms of power, he said. "Natural gas is the only easy kind of generation plant to build, and even gas-fired plants are subjected to" not-in-my-backyard pressures, said Rowe.

Rep. John Shimkus (R-Ill.) said Illinois is experiencing such high natural gas prices that building more coal-fired plants is desirable. He said that the Clean Air Act had forced utilities to build more natural gas plants, because the fuel is cleaner burning. Coal-fired plants require so-called scrubber technology to meet environmental standards.

John Quain, chairman of the Pennsylvania Public Utility Commission, said that if his state continues to build new generating facilities, it will be able to avoid California's problems. Electricity rates are, on average, more than 4 percent lower than the rest of the nation, he said.

Alan Schriber, chairman of the Public Utilities Commission of Ohio, said regulators must be vigilant and react quickly to movements in wholesale prices.

In Ohio, where deregulation has just begun, Shriber wasn't quite so confident its reserve generating capacity of 6 percent to 10 percent would be adequate. "It's not as comfortable as you would think if you have an extraordinarily hot summer," he said.

Michael Travieso, people's counsel for Maryland and secretary of the National Association of State Utility Consumer Advocates, said the regional wholesale market for Pennsylvania, New Jersey, Maryland, Delaware and the District of Columbia appears to have adequate supplies.

He called on Congress to pass legislation to guarantee that the wholesale market remains competitive. In California, he said, it was subject to market manipulation by energy suppliers.

PEAKER POWER PLANT PROPOSAL TAKES A STEP TOWARD REALITY

Rob Smith.
Published - Thursday, September 14, 2000
Section: Metro Northwest, Chicago Tribune
Page: 2

Ameren Corp. received tentative approval from the Elgin City Council on Wednesday to proceed with the development of a 468-megawatt peaker power plant on the city's southeast side.

The move allows Ameren to begin the formal application and review process and to begin scheduling workshops to educate residents about the plant's impact on the community.

Approval will be needed from the city for a special-use permit and from state and federal environmental agencies for air, storm water and wastewater issues. Community meetings could begin at the end of October, said Richard Smith, manager of generation development for Ameren.

The proposed Elgin Energy Center would be built on a 33-acre site at the southeast corner of Spaulding and Gifford Roads. Ameren hopes to begin construction in April.

"Ameren has a policy of being open and up front with these projects," said Smith. Meetings will be held in both Elgin and Bartlett, which is adjacent to the site. Council member John Walters, who said the city received notification from ComEd last spring that brownouts could occur during the summer, wanted to know whether the project would benefit Elgin's electricity supply. While Smith said he could not comment on where ComEd transmits electricity, plants like the one he proposes would increase the overall supply.

Third firm eyes city for power plant

Sunday, August 13, 2000
By Michael Drakulich
The Star

Chicago Heights is becoming a popular attraction to power companies now that industry deregulation is in full swing.

At Thursday's Chicago Heights City Council meeting, a third company asked aldermen for support in the construction of a power plant.

Aldermen heard a petition from Duke Energy Corp. for annexing a 57-acre plot of land in unincorporated Cook County. The plot lies north of Joe Orr Road and West of Cottage Grove.

The land would be used for a $230 million, 640 megawatt natural gas-fired power plant built by the North Carolina-based energy company.

The council referred the proposal to the city's Plan Commission and Zoning Board of Appeals. If the proposed plant meets zoning requirements and its constriction is in accordance with city ordinances, the Zoning Board of Appeals and Plan Commission will recommend to the City Council the plant should be built.

Ultimate approval rests with the City Council.

Duke Public Relations Director Kate Perez said Friday the main difference between her company's plant and others that have been proliferating in Illinois is that Duke's is not exclusively a peaker plant.

Peaker plants are used when energy consumption is at its highest, normally in the summer when temperatures are high.

Perez said the plant Duke has designed is called a combined cycle plant, which means it runs more often than at peak times, perhaps as much as year round.

Conceivably, Perez said, Duke's power plant could sell electricity to ComEd at times other than during peak consumption.

Duke Energy's plant would provide 20 to 25 jobs, Perez said.

Perez said the 100-year-old company has targeted the Midwest as an area in need of more electricity generation.

"The Midwest needs significant new generation. New electric generation has not been keeping up with economic development and population growth," said Perez from her office in Houston.

Chicago Heights caught the eye of Duke Energy executives as a possible site because natural gas lines and electric gridlines are already in place, saving the company the cost of having to install them.

Two other companies are looking to build peaker plants in Chicago Heights in the coming year.

In February, Midwest Power secured 64 acres at the northeast comer of Sauk Trail and State Street for a gas-fired plant targeted to be operational for summer 2001.

In March, Graton Development petitioned for annexation of 31 acres at the northwest comer of Joe Orr Road and Cottage Grove Avenue for another peaker plant. No timetable has been set for when Graton's plant is scheduled to undergo construction or start operations.

In other business, the city secured a 15-foot easement on the northeast comer of Chicago Road and Lincoln Highway, in front of newly opened CVS pharmacy.

According to mayoral aide Dominic Candeloro, the city is hoping to construct a kiosk on the easement commemorating the intersection as the "Crossroads of America" and celebrating the designation of Lincoln Highway as a National Scenic Byway.

ZION LOOKING TO GENERATE REVENUE FROM CONTROVERSIAL PEAKERPLANTS

SITES WOULD HELP REPLACE INCOME LOST WHEN COMED LEFT

By Casey Bukro, **Tribune Staff Writer.**
Published - Tuesday, August 8, 2000
Section: McHenry County, Chicago Tribune
Page: 4

Though some communities consider peaker plants to be technological lemons, Zion Mayor Lane Harrison sees them as a chance to make lemonade.

Three power companies have come knocking at Zion's door with peaker-plant proposals, and Harrison on Monday said Zion officials consider the controversial facilities a way to replace revenues lost when Commonwealth Edison Co. shut down its nuclear plant there in 1998.

One avenue to new revenues is peaker-plant "host fees," Harrison said.

"In the absence of a real-estate tax assessment, you get shortchanged if you don't enter into a host-fee agreement with these power companies," Harrison said.

Under current laws, power-generating equipment is taxed as personal property, not real estate, he said.

As a result, he noted, a $300 million power plant produces about $40,000 in annual real estate taxes.

The Zion nuclear power plant produced about $37 million a year in taxes for Zion taxing bodies, but only after Zion sued and got a court ruling in favor of taxing the equipment, in addition to the land and buildings, as real estate.

Zion is negotiating with three companies on power-plant proposals. They are Skygen Energy LLC of Northbrook, Carlton Inc. of Wilmette, and a newcomer, Kinder Morgan Energy Partners of Houston, a major natural-gas pipeline company.

Host fees would be divided among schools, park districts and libraries in the same ratio as real estate taxes, Harrison said.

Deregulation of the electric-utility industry has unleashed a wave of independent power-plant proposals in Illinois, where more than 40 natural gas-powered electric plants are proposed or running.

Peaker plants operate during times of high electric power demand.

Another form of power plant, called baseload plants, operate year-round.

Critics say the new independent power industry is growing largely unregulated.

Gov. George Ryan recently asked the Illinois Pollution Control Board to hold public hearings on their environmental effects.

But Harrison sees the plants as a potential boost to Zion's future development.

"Energy companies have a tendency to attract other developments and business park development, using byproducts of electrical generation like steam for heating or manufacturing," he explained. The baseload plants also produce steam.

Kinder Morgan is talking about building either a peaker plant or a baseload plant in Zion, Harrison said.

Another possible source of new revenue is a proposal to build a new water plant, which would tie into plans for future commercial development.

Zion once ran its own water plant but currently buys water from the Lake County Public Water District, he said. The city's contract expires in 2007.

"In the meantime, we are looking at the possibility of getting a water plant built," Harrison said. "These companies would be major purchasers of water from us, which would create another revenue stream for the city of Zion. This would definitely replace all the revenue lost from Commonwealth Edison. We really have to look at all the creative methods we can find to replace that tax."

PLAN FOR PEAKER POWER PLANT ENERGIZING TO YORKVILLE

By Hal Dardick, Special to the Tribune.

Published - Friday, August 4, 2000
Section: Trib West, Chicago Tribune
Page: 2

A peak-use power plant to be built by a Houston-based energy giant could be located within the boundaries of Yorkville before Labor Day after the City Council last week approved an annexation pact with Enron North America.

In contrast to proposals for so-called peaker plants in other northeastern Illinois communities where opposition has been fierce, nary a word of a dissent was voiced during the council meeting at which aldermen unanimously approved the agreement, City Administrator Jim Nanninga said.

Last month, the Kendall County Board approved a special use permit for the Enron plant, setting the stage for construction. Following that action, annexation by Yorkville was expected.

Nanninga noted that the peaker plant is slated for an agricultural area that has been designated for industrial use. It is surrounded by concrete and asphalt plants, a composting facility and a Commonwealth Edison substation with towering transmission lines.

That site on about 70 acres north of Corneils Road may account for the lack of opposition, he said.

Although the site does not yet abut city borders, only one property between it and the current border remains to be annexed for the site to become adjacent, Nanninga said. The city is discussing annexation with the owner of that intermediate parcel and could annex it within the month, he added.

Once that parcel is within city borders, the Enron site would be immediately annexed, under the terms of the agreement, which calls for Enron to do extensive landscaping, pay for improvements to Corneils and conform to the city noise ordinance.

"We really do want them in the city," Nanninga said, noting the plant would pay annual city property taxes of between $50,000 and $75,000.

Although Enron plans to build its plant in stages as the nearby ComEd substation is able to handle more power, the $150 million natural gas-fired peaker plant ultimately will have eight to 10 turbines that would generate 600 megawatts of power, company officials said.

Enron, which obtained an emissions permit from the Illinois Environmental Protection Agency, plans to have the plant operational by June, so it can operate next summer. Peaker plants run when electricity demand is at its highest, particularly on days when air conditioners are running.

Planners support Indeck

By Ed **Collins**
SPECIAL TO THE NEWS SUN
7/6/00

Generator recommended to Libertyville

LIBERTYVILLE - Indeck Energy Services has received another big boost in its nearly yearlong
quest toward obtaining village approval to build a $ 100 million peak-load power plant.

Wednesday night the firm received the support of the village's key planning staff. Speaking to the Plan Commission in a public hearing at Marytown Conference Center, Community Development director John Spoden recommended, on behalf of a staff development review committee, conditional approval for all five key zoning issues for which Indeck needs village approval.

The company seeks permission to build a 300-megawatt, two-turbine generating plant, fired by natural gas, on 17 acres in Mallory Industrial Campus. The plant would be designed to generate supplemental power for ComEd during peak-load summer months. Critics say most of the power generated by the plant will be sold out of state to the highest bidder.

Indeck's zoning application has been bitterly contested by residents who live close to the proposed plants site. A spring advisory referendum sponsored by opponents showed Libertyville residents oppose the plant by a two to one margin.

The Plan Commission has been holding public hearings on Indeck's application since last November. Commissioners expect to wrap up deliberations July 12. The issue will then go before the Village Board for a final decision.

Spoden echoed the June 14 public testimony of village energy consultant James M. Teitt on many points when he told commissioners, "The project, as proposed, meets all federal, state and local codes and is adequately designed for reliable and safe operation."

"We consider the consulting panel an extension of our village staff," Spoden said.

Wednesday night, Spoden told commissioners the whole issue comes down to answering two
questions:

"Do you believe that electrical services should be included in the 0-2 zoning classification?"

At present, 0-2 zoning includes only office developments and light manufacturing and distribution facilities. Indeck is seeking a text amendment to modify the code to include electrical services.

"If you responded yes to the first question," Spoden said, "then, do you believe Indeck should be granted permission to operate at their selected 0-2 site in Mallory Industrial Campus?"

While Spoden and other village planners agreed with Indeck's requests, they offered 25 conditions which he said were designed to address various concerns that were mentioned throughout the hearings. These conditions range from requesting reimbursement from Indeck for out-of-pocket legal fees, construction inspection staff time, extending a roadway at the Mallory site to accommodate the plant, restricting annual water usage to 9.6 million gallons per year, limiting plant operations to no more than 2,000 hours per year, providing a health and safety plan in the event of an emergency, and a variety of things.

Noise was a big concern among neighbors who testified at the hearings. Spoden therefore recommended a decibel limit, to be measured at the nearest residence, some 1,200 feet away from the plant, to 45 dbA or 10 dbA above minimum background noise.

"At no time, however, should Indeck's contribution to noise levels at the nearest residential property exceed the octave level limits to which Indeck has committed to in this proceeding," the report says.

Additionally, Spoden recommended that the village hire an acoustical engineer, at Indeck's expense, to perform a noise compliance test.

Spoden also recommended that at Indeck's expense the village retain an independent engineering firm to carry out an environmental impact analysis of the facility every two years.

Plan Commission chairman Luke Lukens said the staff report is not to be considered the commission's official position.

"Only the Plan Commission will make our decision. We will consider this report, giving no more, or any less weight, than any of the other reports we have received over the past eight months," Lukens said.

Chris Geiselhart, chairwoman of Concerned Citizens of Lake County, a group of residents and environmentalists who oppose the project, said she was disturbed to hear village staff urge modification of the current zoning by adding "electrical services" into the 0-2 criteria. She argued that the power plant should fall within industrial zoning.

"This means that there is every possibility that other 0-2 zones could be candidates for any
company willing to invest $100 million into a business that could reap untold profits in a short time, few of which would benefit the village," Geiselhart said.

Geiselhart said she supports efforts to have the state Legislature impose a moratorium on siting peak-load power plants until tightened environmental controls can be placed on the state's newly deregulated utility industry.

Following action by the Plan Commission and the Appearance Review Commission, the Village
Board will make the final decision on whether to approve Indeck's request.

CORN PRODUCTS, IOWA UTILITY SET POWER PLANT

By Melita Marie Garza, Tribune Staff Writer.
Published - Tuesday, June 6, 2000
Section: Business, Chicago Tribune
Page: 1

An Iowa utility firm and a Chicago-area corn refiner announced Monday that they will build a natural gas power plant southwest of Chicago, offering a hint of the growing competition that

Commonwealth Edison Co. could face as a result of energy deregulation.

Cedar Rapids-based Alliant Energy Resources Inc. and Corn Products International Inc. of suburban Bedford Park plan to build a 750-megawatt plant on land Corn Products owns in Bedford Park and Summit.

The plant, to be built at an estimated cost of $415 million, will be called Argo Power and will produce enough electricity to power more than 225,000 homes upon completion, expected in 2003.

"The Argo Power project provides an opportunity to supply some much-needed energy in an environmentally friendly way," said Jim Hoffman, executive vice president of business development for Alliant Energy.

The plant would be built with the latest technology in combined-cycle natural-gas-fired turbines, and natural gas fuel will create energy and steam, Hoffman said. The facility will capture heat from the generator exhaust, and the "waste heat" will then be used to produce high-pressure steam for Corn Products' industrial processes.

Known as co-generation, the process uses less fuel than traditional power plants and results in lower costs and reduced air emissions.

Corn Products would use only about 30 percent of the power generated from the plant, with the majority to be sold on the U.S. open market, Hoffman said.

The plant also will be built underneath multiple transmission facilities and close to multiple gas pipelines, he said. "It will be one of the lowest-cost facilities around," Hoffman said.

Don Kirchoffner, a ComEd spokesman, said: "We've long encouraged competition. The loads are going up. We say, bring it on."

Alliant does not intend to stop with the Argo plant and will look for other sites in the Midwest to build more plants, Hoffman said.