

ORDINANCE NO. 90- 39

AN ORDINANCE APPROVING A SERVICE AGREEMENT
BETWEEN CENTRAL ILLINOIS PUBLIC SERVICE COMPANY
AND THE VILLAGE OF CHATHAM, ILLINOIS

BE IT ORDAINED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF CHATHAM, ILLINOIS, AS FOLLOWS:

SECTION 1: That certain Service Agreement between Central Illinois Public Service Company and the Village of Chatham, Illinois, a copy of which is attached hereto as Exhibit A, (the "Agreement") is hereby approved.

SECTION 2: The President is authorized and directed to execute the Agreement on behalf of the Village, with any minor changes thereto which he deems appropriate after consultation with counsel but which do not change the substance of the Agreement.

SECTION 3: The appropriate officers and employees of the Village are authorized and directed to implement the provisions of the Agreement.

SECTION 4: This Ordinance is effective immediately.

Passed this _____ day of _____, 1990.

Carl D. Oblinger
Village President
VILLAGE OF CHATHAM, ILLINOIS

ATTEST:

Rose Miller, Village Clerk

AYES _____
NAYES _____
PASSED _____
APPROVED _____



CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

October 9, 1990

Mr. John M. Myers
Pfeifer & Kelty
1300 South 8th Street
Springfield, Illinois 62703

Dear Mr. Myers:

Find enclosed a revised proposed agreement for full requirements service to the Village of Chatham. I have incorporated most of your proposed revisions and where a revision could not be made pursuant to your request, I will elaborate in this letter as to the reasons why not.

All of the changes related to the effective date of the agreement and subsequent dates have been made. Per our discussion on the phone last week, your proposed addition to Paragraph 8 has been modified. I believe the second paragraph of Paragraph 8 sets out the intent with respect to a shifting of revenue requirement among the various rate components. I have made some additional language changes to that particular paragraph for the purpose of adding clarity. The intent is such that were there a restructuring of the rates, the provisions contained in Paragraph 6 and 7 regarding the overall percentage increase or decrease (limited to the overall percentage increase or decrease in CIPS' retail rates), would be preserved. I believe this paragraph will eliminate your concern.

With respect to your proposed change to Paragraph 12, I have moved the reference to specific meter equipment investment from the first sentence to the second sentence of the first paragraph. At this time the estimate shall remain blank since the meter engineering department has not yet responded with the estimate. With respect to your proposed language addition to Paragraph 13, I have changed the term "wheeling" to "transmission services" and have deleted the reference to a price ceiling. As discussed on the phone, I was uncomfortable with the Village of Chatham potentially hindering their ability to obtain a more favorable transmission service arrangement by disclosing their ceiling price in the proposed agreement.

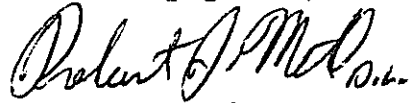
CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

Mr. John Myers
October 9, 1990
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In the revised draft I have taken the opportunity to modify the concept of Paragraph 2 to eliminate the transfer of ownership of the Chatham tap to CIPS. While it was initially placed in the proposal as a safety net for obtaining transmission service, it appears to be no longer necessary since the Village of Chatham and CWLP are actively negotiating for such service. As such, I believe removal of this language does not change the intent of the agreement and removes a potential source of controversy in the future.

I hope you find the revised draft proposal to be satisfactory and should you have any questions regarding this transmittal letter or the enclosed draft, please don't hesitate to give me a call.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Robert J. Mill".

Robert J. Mill, Manager
Rates and Research Department

RJM:jr
Enclosure

**Service Agreement
between
Central Illinois Public Service Company
and
Village of Chatham, Illinois**

This Agreement, (the "Agreement") made and entered into this _____ day of _____, 1990, by and between Central Illinois Public Service Company, a corporation organized and existing under the laws of the State of Illinois, ("CIPS" or "Service Company") and the Village of Chatham, Sangamon County, Illinois, a municipal corporation ("Customer"), (together, the "Parties" or separately, a "Party").

WHEREAS, Customer now owns and operates an electric distribution system serving customers in and contiguous to the Village of Chatham; and

WHEREAS, Customer desires to purchase from CIPS its full requirements of electric energy for its system in accordance with the terms of this agreement; and

WHEREAS, Service Company desires to provide capacity and to sell and deliver to Customer (at a 138 KV delivery voltage) all of Customer's requirements of electric energy in accordance with the terms of this Agreement; and

WHEREAS, Service Company owns and maintains necessary facilities for delivery of the Customer's full power and energy requirements to 138 KV facilities owned and operated by the City of Springfield for delivery to Customer.

NOW, THEREFORE in consideration of the mutual covenants and agreements herein contained, all parties hereto covenant and agree as follows:

1. CIPS shall provide and Customer shall receive firm electric power and energy to serve the full power and energy requirements of Customer.
2. CIPS will furnish and deliver electric power and energy to Customer in accordance with the terms and conditions of this Agreement at 138 KV. The delivery of CIPS power to Customer shall require the utilization of the 138 KV line owned by the City of Springfield ("City") and interconnected with CIPS at the North Auburn substation. Presently, Customer owns and maintains a tap ("Chatham Tap") on the City's transmission line. For the term of this Agreement, the Chatham Tap shall be referred to as the "Point of Delivery". For the purpose of tabulating

monthly charges, power delivered to the Customer will be the power metered at the Point of Delivery, plus any losses assessed CIPS by City.

Electric power and energy supplied hereunder shall be sixty (60) hertz, three (3) phase alternating current. Service Company shall maintain voltage regulation at the Points of Delivery to within ten (10) percent above and below the delivery voltage (nominally 138 KV).

Service Company shall notify Customer of changes of operating practices and/or equipment settings on Service Company's system from time to time, as such changes occur in CIPS' sole discretion, and to the extent such changes affect operation or reliability of Customer's electric system.

In order for Service Company to adequately plan for Customer's power requirements, Customer will provide a 5 year forecast of maximum monthly power requirements. Such forecast shall be provided on or about November 1 of each year of the Agreement.

3. The term of this Agreement shall be for ten years, commencing on June 27, 1991, and continuing through June 26, 2001.
4. This Agreement shall continue in full force for the initial term without the right of either Party hereto to terminate this Agreement unilaterally. Either Party hereto may terminate this Agreement effective June 27, 2001, by providing the other Party with notice in writing of its intent by no later than June 27, 2000. Subsequent to June 27, 2000, this Agreement may be terminated by either Party by giving notice in writing to the other Party at least twelve months prior to the June 27 contract anniversary date on which the terminating Party intends the Agreement to terminate.
5. Rates to be charged shall be in accordance with those stated in Appendix A to this Agreement which is attached hereto and made a part hereof. The rates and charges contained in Appendix A, with the exception of the Demand Charge and monthly fuel clause adjustment, shall remain in effect from June 27, 1991 through June 26, 2001, subject to adjustment pursuant to paragraphs 6, 7 and 8 of this Agreement. On or about July 1, 1999, the Parties hereto agree to enter into discussions with regards to rates, terms and conditions to be effective subsequent to the expiration of Appendix A to this Agreement. Absent an agreement by the Parties prior to March 31, 2001, Service Company reserves the right to file

unilaterally for changes in the Appendix A rate schedule under Section 205 of the Federal Power Act, to become effective on June 27, 2001.

6. From time to time as CIPS deems appropriate in its sole discretion, CIPS may file revisions to the Full Requirements Contract Rate Demand Charge ("Demand Charge") contained in Appendix A. Such revisions (increases or decreases) shall be equal, on a percentage basis, to the total overall percentage revenue increase or decrease in CIPS' retail electric rates as granted by the Illinois Commerce Commission (ICC) plus any overall percentage increases less any overall percentage decreases in CIPS' retail electric rates granted by the ICC since the time that CIPS last increased or decreased the Demand Charge contained in Appendix A to this Agreement; any effects on CIPS' retail rates due to changing the basis of the retail Fuel Adjustment Charge shall be excluded from the calculation of said increases or decreases in the Demand Charge. Any such increase or decrease in the Demand Charge shall be applied prospectively from the date of a final ICC order and shall begin with the first full billing period following such date, however, at no time shall the Demand Charge revised in accordance with this section be lower than the initial Demand Charge stated in Appendix A to this Agreement (that being \$11.88 per KW).
7. If an order of the ICC setting CIPS retail electric rates, and affecting the percentage increase or decrease in the Demand Charge as provided in Paragraph 6 is appealed, CIPS shall place in effect a revised Demand Charge consistent with the ICC order which has been appealed. Should the ICC subsequently issue an order amending its previous order as a result of the appeal, CIPS shall place in effect a revised Demand Charge consistent with the subsequent ICC order, and either refund or charge Customer the difference between what CIPS would have collected from Customer under the new Demand Charge and what CIPS actually collected from Customer since the effective date of the revised Demand Charge based on the ICC order which was appealed, with interest as provided in the regulations of the Federal Energy Regulatory Commission ("FERC").
8. Except as specifically provided for in Paragraphs 5, 6 and 7 hereof with respect to the Demand Charge, nothing contained herein shall be construed as affecting in any way CIPS' right to file unilaterally at any time, for changes in any of the provisions herein, in Appendix A hereto, or any other CIPS rate schedule under Section 205 of the Federal Power Act and pursuant to the FERC's

Rules and Regulations promulgated thereunder. Customer hereby covenants and agrees that it will not oppose the filing of the Agreement or of the Demand Charge revisions as provided for in Paragraphs 5, 6, and 7 hereof, and this Agreement constitutes the acceptance by Customer to have this Agreement and said Demand Charge revisions become effective as to it on the effective date designated by CIPS in its filings with the FERC, without suspension or a hearing before the FERC. With respect to any other changes in this Agreement which CIPS may file in its sole discretion, including rate design structural changes, Customer retains its right to intervene in any proceeding at the FERC initiated to consider such changes.

Any changes in the energy charge as a result of a transfer of the Demand Charge Revenue Requirement or a change in the Fuel Clause via a rate design structural change shall be subject to the same overall percentage revenue increase or decrease limitations imposed upon the demand charges included in paragraphs 6 and 7.

9. This Agreement shall be binding upon and inure to each of the Parties hereto and to their respective representatives, successors and assigns; subject, however, to the express condition that written consent of CIPS shall be necessary to any assignment hereof by Customer. Such assignment shall be subject to review by CIPS and to reasonable terms and conditions requested by CIPS, but approval by CIPS will not be unreasonably withheld. Customer shall inform CIPS at least six months prior to any such assignment. Any such assignment shall not increase the obligations of CIPS hereunder, and after such assignment Customer shall not be liable for any portion of the Agreement which Customer has assigned and to which CIPS has consented.
10. CIPS and Customer shall each use reasonable diligence in maintaining their respective lines and other facilities in proper and serviceable condition, and shall take all reasonable steps and precautions for maintaining the service herein agreed to be performed and received. Customer shall indemnify and save harmless and defend CIPS from and against any and all claims, demands, damages, costs or expenses arising, growing out of or resulting in any manner from electric power or energy after delivery thereof to Customer or from improper or negligent construction, installation, insulation, maintenance or operation of Customer's lines and appurtenances; and CIPS shall indemnify and save harmless and defend Customer from and against any and all claims, demands, damages, costs or expenses arising, growing out

of or resulting in any manner from electric power or energy prior to delivery thereof to Customer or from improper or negligent construction, installation, insulation, maintenance or operation of CIPS' lines and appurtenances. Such indemnification shall not, however, apply to workmen's compensation paid by either CIPS or Customer to their own employees, and both CIPS and Customer agree to take out and maintain adequate workmen's compensation insurance for all of their employees, and to take out and maintain adequate public liability insurance.

11. CIPS and Customer shall not be liable for or on account of any damage, loss (including profit from operations), injury or expense that may be occasioned by any failure, interruption or delay in the delivery or receipt of power and energy hereunder, when such failure, interruption or delay is due to forces beyond the reasonable control of the Party experiencing the difficulty, including, but not limited to, fires, strikes, labor stoppages, epidemics, floods, earthquakes, lightning storms, ice, acts of God, riots, civil disturbances, civil war, invasion, insurrections, military or usurped power, war, sabotage, explosions, failure of equipment or of contractors or suppliers of materials or fuel, inability to obtain or ship materials, fuel or equipment because of the effect of similar causes on suppliers or carriers, or restraint by government agencies prohibiting or failing to approve acts necessary to performance hereunder or permitting any such act only subject to unreasonable conditions; provided however, that upon learning of any failure, interruption or delay of the foregoing type, the Party experiencing the difficulty shall make diligent effort to notify the other Party of the failure, interruption or delay and shall use due, and in its judgment, practicable diligence to remove the cause or causes thereof; and provided further, that neither CIPS nor the Customer shall be required by the foregoing provisions to settle a strike or labor negotiations except when in the best judgment of the Party experiencing the difficulty such settlement seems advisable.
12. Customer shall be responsible for all costs associated with the investment and maintenance of CIPS' metering equipment installed at the Point of Delivery. The Customer shall be billed at a rate of 1-1/2 percent per month of such meter equipment investment, initially estimated to be \$_____. Customer shall be billed direct for time and materials associated with maintenance of the metering equipment by CIPS.

Customer shall also be responsible for any costs incurred by Company as a result of its utilization of the City's transmission line for delivery of power to Customer. Such costs, if incurred, will be included in the monthly billing.

13. This Agreement shall become effective on June 27, 1991, subject to the acceptance by any regulatory authority as may have jurisdiction hereof, and subject to Customer's execution of a suitable transmission services agreement with the City of Springfield, Illinois.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed in their respective corporate names by their duly authorized officers and their respective corporate seals to be hereunto affixed.

CENTRAL ILLINOIS PUBLIC SERVICE CO.

By: _____

Title: _____

Date: _____

VILLAGE OF CHATHAM, ILLINOIS

By: _____

Title: _____

Date: _____

**Full Requirements Service
to the Village of Chatham for
Distribution and Retail Sale To Its Customers**

Availability

This rate schedule shall be available to the Village of Chatham for purchasing its total power requirements pursuant to an Agreement between Company and Chatham, dated _____, 1990, to whom this rate schedule will become effective as of June 27, 1991.

Net Rate

Demand Charge

\$11.88 per kilowatt of Customer's monthly billing demand including 300 kilowatt hours per kilowatt of monthly billing demand. The monthly demand charge may be adjusted in accordance with the service agreement.

Company may determine the average lagging power factor each month, and if found to be less than 85 percent, the demand charge in such month shall be increased by an amount equal to 20 cents for each kilovolt-ampere, or major fraction thereof, of capacitors required to correct the power factor from the nearest whole percent to 85 percent lagging.

Energy Charge

1.22 cents per kilowatt hour for all kilowatt hours used each month in excess of 300 hours use of the monthly billing demand.

Fuel Clause

The net monthly bill computed according to the provisions of this rate schedule (before the application of the Tax Clause) shall be subject to adjustment based upon the difference between the fuel cost per kilowatt hour, as defined below, for the immediate preceding two calendar months (to the nearest 0.001 cent) and 1.000 cent per kilowatt hour multiplied by the number of kilowatt hours used in the billing month.

Date of Filing,

Date Effective,

Fuel cost per KWH shall equal "F" divided by "S".
Fuel costs (F) shall be the cost of:

- (a) fossil and nuclear fuel consumed in the Company's own plants, and the Company's share of fossil and nuclear fuel consumed in jointly owned or leased plants. The cost of fossil fuel shall include no items other than those listed in Account 151 of the Commission's Uniform System of Accounts for Public Utilities and Licensees. The cost of nuclear fuel shall be that as shown in Account 518, except that if Account 518 also contains any expense for fossil fuel which has already been included in the cost of fossil fuel, it shall be deducted from this account;
- (b) the actual identifiable fossil and nuclear fuel costs associated with energy purchased for reasons other than identified in (c) below;
- (c) the net energy cost of energy purchases, exclusive of capacity or demand charges when such energy is purchased on an economic dispatch basis. Included therein shall be such costs as the charges for economy energy purchases and the charges as a result of schedule outage, all such kinds of energy being purchased by the Company to substitute for its own higher cost energy; and less
- (d) the cost of fossil and nuclear fuel recovered through inter-system sales including the fuel costs related to economy energy sales and other energy sold on an economic dispatch basis.

Sales (S) shall be equated to the sum of (1) generation, (2) purchases referred to in (b) above, (3) interchange-in referred to in (c) above, less (4) energy associated with pumped storage operations, less (5) inter-system sales referred to in (d) above, less (6) 4.8 percent of the net sum of (1) through (5) for system losses.

Date of Filing,

Date Effective,

Billing Demand

The billing demand to be used each month shall be the greatest of:

- (1) the monthly maximum demand at delivery point established during the hours of 6:00 A.M. to 10:00 P.M. on Monday through Friday, except on days on which the following holidays are observed in Illinois: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day; or
- (2) 50% of the highest monthly billing demand established during the months of June, July and August of the twelve months ending with the current billing period.

Other Charges

Any costs incurred by CIPS due to application of FERC Annual Charge requirements based on serving Chatham shall be billed Chatham upon payment of such assessment to the FERC by Company. Chatham shall be billed monthly for all costs associated with metering equipment, the CIPS Tap and losses or other costs related to transmission service, pursuant to the terms contained in the service agreement.

Date of Filing,

Date Effective,