FINAL REPORT
THE IMPACT OF UNBILLED ENERGY IN UTILITY FRANCHISE AGREEMENTS ON ENERGY EFFICIENCY INVESTMENT BY ILLINOIS MUNICIPALTIES

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EPA Contract No.	**68-W-07-074**
Task Order No.	**R05022**
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January 14, 2011

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Acknowledgements

This report is the result of a collaborative effort between TechLaw, Inc., the U.S. EPA Region 5 and stakeholders. TechLaw gratefully acknowledges the technical direction and contributions of Alexis Cain, U.S. EPA Region 5 Project Manager. We also thank Daniel Schory, U.S. EPA Environmental Protection Specialist for his authorship of Section VI – Opportunities for Energy Efficiency Investment in Municipal Facilities and Carmel Loch, Former U.S. EPA Intern for her research activities during Phase I of this assignment.

Additionally, the U.S. EPA Region 5 would like to thank the following individuals and organizations, who through participation in interviews, response to inquiries and/or participation in the September 15, 2010 meeting, provided assistance in the development of this Report:

- Paula Hewson and Martha Dooley of Schaumburg
- K.C. Poulos of Oak Park
- Susan Wallace of Wheaton
- Rick Curneal, Marty Bourke and Mark Burkland of the Dupage Mayors and Managers Conference
- Ryan McCrady, Ron Neufeld, and Rick Marley of Decatur
- Ellen Baer of Orland Park
- Dennis Marino, Carolyn Collopy and Dave Stoneback of Evanston
- Neil Maloney and Margi Schiemann of Nicor Gas
- Douglas Graham, Michael Guerra, Mike Pabian and Val Jensen of Commonwealth Edison Company d/b/a “ComEd”
- Erin Daughton of the Shaw Group
- Julia Cedillo of La Grange Park
- Tim Burkhalter of Burns & McDonnell
- Julian Prendi of Village of Skokie
- Tom Anderson, Gene Beyer, John Sagone, Matthew Harvey, John Hendrickson and Mary Stephenson of the Illinois Commerce Commission
- Ed Fitzhenry and Bob Buhnerkemper of Ameren
- Kate Tomford of the Department of Commerce and Economic Opportunity (DCEO)
- Christopher Skey and Christopher Townsend of DLA Piper
- Kate Agasie of the Metropolitan Mayors Conference
- Anne McKibbon, Kimberly Loewen and Anne Evens of CNT Energy
- Cheryl Newton, Sabrina Argentieri, Donna Twickler, Melissa Hulting, Elham Tallackson, and George Giese of U.S. EPA

I. Introduction and Project Background

The U.S. EPA Region 5 based in Chicago, Illinois created and funded this project to identify opportunities to improve the ability of Illinois communities to implement energy efficiency investments. This project evaluates the impact on energy efficiency of municipal franchise agreements that supply electricity or gas service without a direct charge (unbilled energy) for certain municipal government facilities in Illinois.

In 2009, U.S. EPA Region 5 contracted TechLaw, Inc. to evaluate utility franchise agreements used by municipal governments. In a December 21, 2009 report,[1] TechLaw summarized franchise agreements from 55 municipalities in Illinois, Indiana, Michigan, Minnesota, Ohio and Wisconsin, and described the general approach to franchise agreements utilized by Commonwealth Edison (ComEd) for a number of communities in Northern Illinois.

The 2009 report described eight approaches to utility compensation of municipalities in franchise agreements:

1. Municipality does not charge the utility a fee or receive unbilled energy for the use of the rights-of-way for distribution assets
2. Municipality provides its own electricity and/or gas
3. Utility pays an annual franchise fee to the municipality
4. Municipality charges an application fee or one time fee to the utility to obtain the franchise
5. Municipality charges a franchise fee based on a percentage of the utility's gross revenues or profits
6. Utility provides unbilled electricity and/or gas to the municipality for municipal buildings and/or lights
7. Municipality reserves the right to charge a franchise fee
8. Municipality provides utility with a tax break.

The 2009 report concluded that:

- With the exception of Ann Arbor franchise agreements, none of the municipalities reviewed had franchise agreements that mandated energy efficiency, renewable portfolio standards, greenhouse gas (GHG) emissions reductions or the decoupling of energy sales from utility revenues.[2]

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[1] Utility Franchise Agreements Summary Report, Research on Municipal Franchise Agreements Gas and Electric Utilities, TechLaw, Inc. December 21, 2009. Available at http://www.epa.gov/r5climatechange/municipalities.html#5

[2] ComEd noted in comments to U.S. EPA that franchise agreements put in place during the early 1990s contained a provision requiring systemwide expenditures of $25,000,000 through 1996 in connection with its least cost planning process. In addition, ComEd agreed during that period to spend another $25,000,000 systemwide on cost justified energy efficiency/Demand Side Management programs.

- Many municipal utility franchise agreements in Illinois require the utility to provide some amount of unbilled energy for municipal facilities. This unbilled energy could create a disincentive to energy conservation at some municipal facilities.

Following the completion of the 2009 report, U.S. EPA Region 5 requested that TechLaw look more closely at Illinois municipalities that currently receive unbilled energy under a franchise agreement and evaluate the opportunities for these municipalities to utilize a revised franchise agreement structure that promotes energy efficiency. U.S. EPA Region 5 also requested that TechLaw examine mechanisms to address municipalities' concerns regarding financial risks and other potential downsides of moving away from unbilled energy service franchise agreements.[3]

This report is the result of the additional work conducted in this area.

[3] EPA Contract No. EP-W-07-074: EPA Task Order No. R05022A

II. Purpose and Approach

The purpose of this report is to assist U.S. EPA Region 5 and interested stakeholders in understanding the impact of municipal utility franchise agreement compensation structure on the ability of Illinois municipalities to implement energy efficiency investments at municipal government facilities. This report discusses:

- Existing Illinois legislative mandates for energy efficiency,
- Current energy efficiency programs available to municipalities within Illinois from state, utility and endowment sources,
- The use of unbilled energy in municipal utility franchise agreements in Illinois, procedures for utility cost-recovery for unbilled energy, and context regarding the amount of unbilled energy provided,
- Current opportunities for Illinois municipalities to receive cash compensation rather than unbilled gas or electric service,
- Potential mechanisms for mitigating financial risks of shifting from unbilled energy to cash compensation, and approaches that municipalities can use to take full advantage of the financial and energy efficiency potential of cash compensation; and,
- Opportunities for using cash compensation under a municipal utility franchise agreement, both to pay for energy and to invest in energy efficiency.

This report finds that unbilled energy represents a significant disincentive to energy efficiency investment at many municipal government facilities in Illinois, and that the amount of unbilled energy involved is significant. It also finds that municipalities have options to shift from unbilled energy to cash compensation under franchise agreements. The report identifies approaches that municipalities could adopt that would help get the maximum value from cash compensation, allowing for improvement in municipal government finances and environmental improvement through investment in energy efficiency. It also identifies policy changes by utilities and state governments that could make cash compensation more appealing to municipalities. It recommends that municipalities, utilities and state government seek to use or promote cash compensation in lieu of unbilled energy in order to maximize energy efficiency opportunities.

Research for this report was conducted through interviews with staff from municipal governments, utilities, state government and energy service companies, supplemented by reviews of franchise agreements and of materials related to Illinois laws affecting franchise agreements, Illinois energy efficiency laws and policies, and municipal government energy efficiency opportunities. Summaries of interviews conducted for this study are presented in Attachment 1.

This report focuses on franchise agreements between municipal governments and ComEd and Nicor Gas, with some discussion of Ameren as well. We did not review Chicago's franchise agreements, which do not utilize unbilled energy.

III. Energy Efficiency in Illinois

Legislation and Mandates for Energy Efficiency

State of Illinois - Beginning with the Illinois Power Agency Act of 2007,[4] as amended in 2010,[5] and continuing through 2009 with the Energy Efficient Building Act,[6] Illinois has mandated energy efficiency measures at electric and gas utilities, as well as in private and public buildings. Relevant provisions of these laws include:

- Requirements for Illinois electric utilities to implement cost-effective energy efficiency measures to achieve annual energy savings of 0.2% of electricity delivered by 2008 and escalating to 2.0% by 2015.
- Requirements for Illinois gas utilities to implement cost-effective energy efficiency measures to achieve annual energy savings of gas usage by 0.2% of gas delivered to retail customers by 2012 and escalating to 1.5% by 2019.
- Requirements for Illinois utilities to contribute a pro-rata share to the Illinois Energy Efficiency Fund (IEEF), a public benefits fund that raises $83 million annually with $75 million going toward low-income assistance. A total of $3 million is dedicated to energy efficiency. Funding is assured through 2015. The IEEF is administered by the Illinois Department of Commerce and Economic Opportunity (DCEO).
- Use of ASHRAE 90.1-2007[7] standards in publicly funded commercial buildings.
- Requirements for all state agencies including use of ENERGY STAR approved equipment when purchasing office equipment.
- Requirements that any construction of state-owned facilities must use the best available energy conservation technologies.

Municipal - A number of the municipal officials that TechLaw interviewed detailed several municipal requirements mandating energy efficiency within municipal facilities. Examples of these mandates include:

- Evanston Green Building Ordinance, which requires Leadership on Energy and Environmental Design (LEED) silver certification for new commercial and municipal buildings over 10,000 square feet (sq. ft.),
- Orland Park's ECOMAP which is an action plan to reduce energy consumption by 0.5% to 1.5% or begin a trend of reducing energy consumption by implementing various initiatives,
- Schaumburg's Comprehensive Green Action Plan supports efforts by utility companies to use more renewable energy and to promote energy efficiency

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[4] Public Act 095-0481, Illinois Power Agency Act, August 28, 2007
[5] Public Act 096-0033, Illinois Power Agency Act – Amended
[6] Public Act 096-0778, Illinois Energy Efficient Building Act, August 2009
[7] ASHRAE-American Society of Heating, Refrigeration, and Air Conditioning Engineers

through use of compact fluorescent lamps (CFLs) and light-emitting diodes (LED) technology,

- Wheaton's "Turn Wheaton Green" Program includes energy efficiency improvements and consumer education through rental of "Kill-a-Watt" devices to residents. This enables them to calculate the amount of power used by household electronic devices; and,
- The Sustainable Decatur Program proposes numerous long-term planning goals, including reducing energy consumption by households and/or commercial/industrial users along with increasing use of renewable energy sources.

Utility, State and Endowment Energy Efficiency Programs

Utility Programs - The electric and gas utility company energy efficiency offerings provide funding primarily for residential and commercial entities. Because the Illinois utilities do not provide any direct energy efficiency programs for municipal entities, we will not summarize their residential/commercial programs within this report. However, ComEd sponsored the Community Challenge Program, which was designed to challenge municipalities in Illinois to implement aggressive energy efficiency measures. ComEd provided no direct funding for the program but the DCEO provided $2 million in incentive money to the participating municipalities. The City of Schaumburg was recently announced as the winner of the Challenge and received a $100,000 cash payment from ComEd for municipal use.

State of Illinois Programs - DCEO administers state programs that promote energy efficiency at municipal government facilities. DCEO's programs relevant to municipal entities include:

- Illinois Energy Efficiency Portfolio Standard Programs – DCEO administers energy efficiency incentive programs for the public sector and low-income residential sector, while the investor-owned utilities administer corresponding programs for the private sector and remaining residential sector. These programs are currently in place for electric efficiency; on June 1, 2011, they will expand to include natural gas efficiency. DCEO's total funding for the current program year (June 1, 2010 through May 31, 2011) is approximately $40 million (all for electricity savings), and municipal governments are eligible for a portion of this funding through DCEO's public sector incentives. Over each of the next three years, DCEO will administer approximately $55 million for electricity savings and $13 million for natural gas savings.
- Energy Efficiency and Conservation Block Grants (EECBG) under the American Recovery and Reinvestment Act (ARRA, or Economic Stimulus Package) – The State of Illinois, through the DCEO Illinois Energy Office, received $21.8 million in EECBG funds from the U.S. Department of Energy (DOE) through ARRA. Of this total, DCEO sub-granted $13.1 million (60%) to Illinois municipalities with populations under 35,000 for eligible projects

including strategic energy planning, residential and commercial building audits, energy retrofits or purchasing hybrid, electric or alternative-fueled cars. DOE directly awarded an additional $90.3 million in EECBG funding to the largest municipalities and counties in Illinois. The interviewed municipalities of Decatur ($700,000), Evanston ($749,000), Oak Park ($200,600), Orland Park ($520,700) and Wheaton ($514,400) received direct funding from this program.

Within the Illinois municipalities interviewed as part of this project, these state programs and associated funding are typically applied to municipal facilities that receive billed energy, and not to those that receive unbilled energy from the utilities.

Endowment Programs - The Illinois Clean Energy Community Foundation (ICECF) was created from a $225 million endowment from ComEd.[8] The ICECF provides funding for indoor lighting programs, green buildings and renewable energy for schools, colleges; museums; health, recreation and child care centers; affordable housing and community and government service buildings - the public and non-profit institutions within each community.

Municipal and Energy Service Company (ESCO) Partnerships

In addition to the state and endowment programs available to municipalities for implementing energy efficiency investments, municipalities also have opportunities to contract with private energy service companies for energy efficiency investment. For this model, typically called Energy Performance Contracting,[9] the ESCO identifies and evaluates the energy saving potential within the municipal facility and then makes recommendations for implementing energy efficiency investments. These investments are then paid for over time by the savings achieved through the investments. Generally, the ESCO will guarantee that savings will meet or exceed the annual debt service requirements for a standard period of time, such as 10 years. The ESCO typically provides:

- Audits to identify and quantify potential energy efficiency improvements
- Energy efficiency plans and specifications
- Project management
- Financing arrangements
- Training of staff and ongoing infrastructure maintenance
- Savings guarantee.

[8] ICECF awarded 3,056 grants since 2001 totaling $161,686,501

[9] The Energy Services Coalition's website describes energy performance contracting www.energyservicescoalition.org

IV. Municipal Utility Franchise Agreements: A Review

Historical Purpose of Municipal Utility Franchise Agreements

Entities providing public services have historically been provided access to public ways. Municipal utility franchise agreements were developed in the early days of the electric and gas utility industry to avoid a situation in which multiple and competing utilities would increase costs, entangle the public ways and reduce the universality of service. Awarding a single entity a franchise agreement encouraged development of these services.[10]

The municipal utility franchise agreement also provides details on the construction and location of utility facilities, facility relocation and removal requirements, restoration requirements, vegetation management authority, supply obligations of electricity and/or gas to the customers in the municipality, administrative details, compensation to the municipality for the use of the rights-of-way, acquisition rights of the municipality, term of the agreement and remedies available to the municipality and utility. In Illinois, municipal utility franchise agreements have typically been for extended periods; 50-year agreements are common, though some are of shorter duration.

Franchise Agreement Compensation and Unbilled Energy Provisions

In some states, utilities provide no compensation to municipalities for use of public property for distribution infrastructure. In other states, utilities provide cash payments to municipalities, sometimes a fixed fee, sometimes calculated as a percentage of sales. Some Illinois municipalities, though not Chicago, have utility franchise agreements that provide unbilled electricity or natural gas for certain municipal government facilities. The majority of the Illinois population outside of Chicago lives in municipalities that have such agreements. Illinois appears to be unusual in this regard; the 2009 study of municipal utility franchise agreements in Region 5 states found no examples of the use of unbilled energy as compensation outside of Illinois.

Unbilled energy provided under Illinois franchise agreements reviewed as part of this study is typically supplied for the lighting, gas heating and various other uses in municipal buildings solely occupied for municipal government purposes and not for purposes of generating revenue. Unbilled electricity is not typically provided for electric heat. Under municipal utility franchise agreements with ComEd and Nicor Gas, facilities such as town halls, police and fire stations, public works facilities and libraries typically receive unbilled energy. Water treatment plants, water pumping stations, ice rinks or municipal convention centers typically do not receive unbilled energy, since they generate revenue. Schools also do not usually receive unbilled

[10] The Iowa Association of Municipal Utilities, Public Power - An Option for Iowa Communities, Bob Haug, Executive Director

energy under the municipal utility franchise agreements, since they are run by semi-independent districts. Some municipal utility franchise agreements also provide electricity for traffic lights and streetlights, while others do not.

ComEd's municipal franchise agreements typically provide unlimited unbilled electricity for designated municipal government facilities. In the past, Ameren's municipal franchise agreements have provided unbilled electricity for municipal streetlights and gas for non-revenue generating municipal buildings. However, Ameren is now offering cash compensation in negotiated franchise agreements. Nicor Gas's franchise agreements provide a specific number of unbilled therms for use at designated municipal facilities.[11] According to Nicor Gas representatives, approximately 40-50% of municipalities that receive free therms do not use their entire allotment; these municipalities do not receive the full potential value of the franchise agreement. Large municipalities tend to use more than their allotted therms; they must pay full price for the additional therms.

Some utilities, such as Ameren, Peoples Gas and several smaller utilities, recover franchise costs through base rates as part of a general rate proceeding. Other utilities, including Nicor Gas, ComEd and North Shore Gas, recover franchise costs through a rider, the amounts of which are updated and adjusted annually. In the case of rider recovery, the cost shows up as a line item franchise cost adjustment on the customer's bill. Regardless of the method, recovery of these costs is subject to Illinois Commerce Commission (ICC) approval.

ComEd passes on the cost of the unbilled electricity provided to municipalities in a "Franchise Cost Addition,"[12] which shows up on customer bills in accordance with Public Utility Act principles and decisions requiring costs to be placed on the cost causer whenever possible. This Addition increases retail customer electricity charges by a "franchise cost percentage." Attachment 2 provides a detailed explanation of the Franchise Fee Recovery mechanisms used by ComEd.

Nicor Gas passes on the costs of unbilled gas provided to municipal government via a flat per-customer charge. Attachment 3 provides a detailed explanation of the

[11] Nicor Gas provides municipal governments with three free therms per person per year for the first 10,000 population and two per person per year for the next 10,000 of population. For the next 80,000 of population (20,000 through 100,000), the municipal government is entitled to one therm per year per person. For the next 20,000 of population, 1.2 therms per person are provided and for the portions of municipal population over 120,000 Nicor Gas allots 1.5 therms per person.

[12] Franchise Cost Adder is applicable to all retail customers, Retail Electric Suppliers and Metering Service Providers taking service from ComEd in any municipality that has (a) an ordinance imposing an infrastructure maintenance fee upon ComEd, or (b) a franchise agreement or contract with ComEd. Rider FSA filed with Illinois Commerce Commission on December 16, 2008.

Franchise Cost Adjustment mechanism used by Nicor Gas. Attachment 4 provides a listing of the actual monthly costs per customer by community.

A significant amount of total electricity use is provided as unbilled energy to Illinois municipalities under municipal franchise agreements. In ComEd service territory alone, more than 5.5 million people live in municipalities whose governments receive unbilled electricity under municipal electric franchise agreements. In 2009, ComEd reported that it provided 475,479 megawatt hours of electricity without charge to municipal governments in Illinois. We estimate that this amount is approximately 0.85% of total electricity delivered in the Illinois municipalities whose governments receive unbilled electricity from ComEd.[13]

Another measure of the impact of franchise agreements is the amount that they add to customer energy bills. Attachment 5 lists the Franchise Cost Percentage for each municipality that takes unbilled energy from ComEd through a municipal electric franchise agreement. The Franchise Cost Percentage is used to calculate the Franchise Cost Addition on customer bills. It represents the value of electricity and other items (such as some meter charges) provided at no cost to the municipal government under the franchise agreement divided by the total electricity billings to retail customers, retail electric suppliers and metering service providers within the municipality. These percentages range from as low as 0% to as much as 22% of the total billings in each municipality, with a population-weighted average of 3.6%. For Nicor Gas, Attachment 4 shows the costs of the franchise agreement are imposed through a monthly charge per customer that ranges from a $0.18 credit (Union Hill) to a $2.35 monthly charge (Kangley).

To put the value of unbilled energy received in the context of municipal budgets, we use the example of Evanston, which finalized a new electric franchise agreement with ComEd in August of 2010. This agreement states that the city government receives

[13] ComEd delivered 475,479 megawatt hours to municipalities without charge in 2009. This amount represents 0.55% of the total electricity supplied to the grid in ComEd service territory, which was 86.8 million megawatt hours (including electricity supplied by independent power producers through ComEd distribution infrastructure). Of the total supply, an estimated 8.5 percent was lost in transmission before it reached customers, leaving an estimated 79.4 million megawatt hours delivered. Of this amount, 23.4 million megawatt hours was delivered in Chicago (which does not receive unbilled electricity), leaving approximately 55.9 million delivered in ComEd service territory in which the municipal government receives unbilled electricity. Thus, unbilled electricity (0.475 million megawatt hours delivered) represents 0.85 percent of the total electricity supplied to all customers within the parts of ComEd service territory where the municipal government receives free electricity. Data on electricity delivered without charge, supplied, and lost in transmission is based on Commonwealth Edison Company, FERC Financial Report FERC Form No. 1, 2009/Q4, p. 301 and p. 401a. Data on electricity delivered in Chicago was provided by Joyce Coffee, Chicago Department of Environment, October 5, 2010.

unbilled electricity valued at approximately $500,000 annually.[14] Under the Nicor Gas franchise agreement and using Nicor Gas's allocation formula and a 2000 population of 74,239, Evanston is entitled to just over 100,000 free therms, valued at roughly $100,000. Therefore, Evanston receives approximately $600,000 worth of unbilled electricity and gas annually under its municipal utility franchise agreements. Evanston's total FY 2009-2010 general fund expenditures (which exclude fleet, parking, water and sewer services) were approximately $86 million, so the value of the unbilled electricity represents approximately 0.7% of Evanston's general fund budget.[15]

Potential Role of the Municipal Utility Franchise Agreement in Energy Efficiency Investment

Within the State of Illinois, current municipal utility franchise agreements that provide unbilled energy to the municipality create a disincentive for municipal governments to invest in energy efficiency at municipal facilities that receive this energy. Based on interviews conducted with municipal government staff, it is clear that municipal governments want to invest in energy efficiency, even at facilities that receive unbilled energy because:

- It is the right thing to do for the environment and the economy,
- It can help reduce fees that are passed on to households and businesses; and
- It provides a good example to the private sector.

However, investing municipal government resources to reduce energy use at facilities that receive unbilled energy represents a net financial loss to the municipal government, necessitating service cuts or tax increases. As a result, while municipalities have made some investments, particularly in low-cost, highly visible equipment such as CFLs, they have been unable to make other investments that otherwise would have made financial sense. In some cases, the provision of unbilled energy has prevented municipalities from applying for grant funds for energy efficiency projects, because even the payment of a small amount of required matching funds would have represented a financial loss to the government.

Municipal government employees state that as a result of unbilled energy, energy efficiency investments are focused in two main areas. First, municipalities invest primarily at those facilities that are billed for energy and where there is a strong economic signal and positive return on investment. Second, those municipalities that use their entire allotment of free therms, and therefore must pay full price for

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[14] The City of Evanston enacted an ordinance on August 9, 2010 and approved the new Franchise Agreement with ComEd, which specifies an annual value of approximately $500,000 for the unbilled electricity to be received by the City under the agreement.

[15] http://www.cityofevanston.org/budget/wp-content/uploads/2010/05/FY10-11Adopted-Budget2.pdf

additional needed therms, make investments aimed primarily at reducing heating costs at their facilities.

The disincentive created by the receipt of unbilled energy could be eliminated if more municipalities accepted cash payments as compensation from the utility. A more complete discussion of this possibility, including the benefits of such an approach to municipalities and potential mechanisms to make cash payments a more appealing option to municipalities, is provided in Section V of this report.

Opportunity to Receive Cash, Instead of Unbilled Energy, Under the Municipal Utility Franchise Agreement

Municipalities have the option under Illinois law to switch from receiving free energy to receiving cash payments in compensation for the use of public property for utility infrastructure. The mechanisms for doing so are different for electricity franchise agreements and gas franchise agreements and may also differ between utilities.

For electricity franchise agreements, Illinois law allows municipalities to collect an Electricity Infrastructure Maintenance Fee (IMF) in lieu of compensation under the electricity franchise agreement.[16] The IMF Law specifies that the fee shall be imposed per kilowatt hour (kwh) of electricity use, with a declining block rate structure for specified categories of kwh usage. The Law specifies maximum rates for each size category of electricity customer. A municipality that elects this option waives its right to receive other compensation from the electric utility for use of the public rights-of-way during the time the IMF is imposed. Municipalities that have a population of 500,000 or less (every Illinois city other than Chicago), and that have an existing electricity franchise agreement in place, must structure the IMF so that it will generate revenue that would not exceed the compensation that would be received under the existing municipal utility franchise agreement. Chicago, and any municipality whose electricity franchise agreement has expired, can charge the maximum rates.

Municipalities can also seek to negotiate cash payments as part of the electricity franchise agreement, which would allow for using compensation mechanisms not available under the IMF Law. Decatur is considering accepting an unbilled electricity cash-out offer from Ameren, which Decatur staff expect will provide less cash compensation than the nominal value of the unbilled electricity currently received for streetlights. However, Decatur anticipates bidding out the electricity for their streetlights and expects to receive a much lower price than the Ameren rate. As a result, they expect to be better off financially with cash compensation than they are with unbilled electricity.

At least one Illinois gas utility provides a standardized cash-out option that municipalities can accept without the need for extensive negotiations. Nicor Gas

[16] Illinois Electricity Infrastructure Maintenance Fee Law (35 ILCS 645/)

offers municipalities a cash option in which the municipality can receive an annual payment equal to the municipality's allotment of free therms times the rolling three-year average cost per therm (straight line average of the preceding three years, recalculated annually), plus an additional payment to cover delivery charges.[17] Nicor Gas provides a one-time conversion opportunity during the term of the gas franchise agreement.

Chicago, Rockton and Hartford are the only Illinois municipalities that have elected to switch from free electricity to cash payments, perhaps indicating the conditions for doing so under the IMF Law are unattractive to most communities.[18] Approximately 100 out of the 480 communities served by Nicor Gas have elected to receive cash rather than unbilled gas. Nicor Gas's cash out option is particularly attractive to municipalities that do not use their entire allotment of unbilled therms, because such municipalities can receive the full value of their allotment in cash, including the value of therms not used.

[17] Personal communication from Margi Schiemann, Senior Manager Community Relations, Nicor Gas, to Ann Anderson, TechLaw, Inc., September 24, 2010.

[18] Information gathered at a project meeting dated September 15, 2010 from project participants reported only three communities currently utilize the IMF for compensation. These communities are Chicago, Rockton and Hartford.

V. Utilizing Municipal Utility Franchise Agreements to Promote Energy Efficiency Investment

Municipalities have significant opportunities to achieve energy savings, utilizing commonly-used energy efficiency investment approaches. As outlined in Section IV, municipalities would be better able to exploit these opportunities if they opted to receive cash payments in lieu of unbilled energy as municipal utility franchise agreement compensation. On the other hand, the fact that municipal governments do not have to pay for energy at certain facilities is beneficial to municipalities in a number of ways, making many municipalities reluctant to switch. This section will discuss approaches that could make a shift away from unbilled energy more attractive to municipalities, as well as mechanisms that municipalities could employ to maximize the energy efficiency and financial benefits of shifting from unbilled energy to cash compensation.

Shifting from Unbilled Energy

Unbilled energy is a disincentive to energy efficiency investment, and shifting to cash payments under the municipal utility franchise agreement opens up possibilities for municipalities to improve their financial positions through energy efficiency investments. However, unbilled energy does have a number of important benefits for municipal governments. If municipal governments are going to agree to give up unbilled energy, the alternative must provide at least equivalent benefits.

The benefits of receiving unbilled energy include:

- Significant financial value. Therefore, a shift away from unbilled energy ought to provide at least equivalent financial value to municipal governments.
- Reduced financial exposure to the risk of increased energy costs. A shift from unbilled energy to cash payments equivalent to the *current* value of the unbilled energy would leave municipalities vulnerable to *future* energy cost increases. Therefore, a shift away from unbilled energy ought to provide protections against energy cost increases. This issue is particularly important because of the long life of many municipal utility franchise agreements. Many ComEd agreements do not expire until 2040 or later.
- Simplicity. For most Illinois municipalities, unbilled energy represents the status quo, and does not require investment of money and staff time to negotiate.[19]

[19] Shifting from unbilled energy would be greatly facilitated by the provision of more appealing "standard options" for cash payments that would not require extensive negotiation.

Viewed in this context, the options currently offered municipalities for shifting away from unbilled electricity have some weaknesses. Looking more closely at the options discussed in Section IV:

- Infrastructure Maintenance Fee Law: This approach allows municipalities to replace their current unbilled electricity with a payment equivalent in value to the unbilled electricity received under the municipal utility franchise agreement (assuming that this amount is less than the amount that could be collected using the maximum fee schedule provided under the law). The IMF Law provides a standard option that for many municipalities could provide initial financial value equivalent to that of the unbilled energy some municipalities receive. However, the IMF Law does not meet the criterion of protecting municipalities against energy cost increases. Potentially, the IMF Law could be interpreted to allow for annual adjustments in fees (below the maximum) to reflect electricity prices, although this interpretation has not been tested. Such an approach would provide some risk protection, although it would not allow fees to increase above the maximums specified in the law; these maximums are fixed, and are not adjusted for inflation.
- Negotiating a revised agreement: A revised municipal utility franchise agreement could provide the flexibility to create a compensation structure that would maximize energy efficiency incentives, provide the municipality with financial value equivalent to the current unbilled energy, and protect against energy cost increases. Such a structure could provide an annual cash payment equal to the number of unbilled kwh provided under the pre-negotiation municipal utility franchise agreement, multiplied by the actual updated cost per kwh of energy for each year that the payment is made. However, it is not clear whether all utilities will offer this option to municipalities, and it could take considerable resources for municipalities to undertake such a negotiation. The costs of this approach can be reduced if municipalities negotiate collectively, as with the Northern Illinois Municipal Natural Gas Consortium.

The cash-out option offered by Nicor Gas is more appealing than the cash-out options available for electricity. Nicor Gas offers a standard cash-out option that meets the criteria of providing initial financial value equivalent to the value of the offered unbilled energy. Moreover, the cash payment is updated annually based on changing energy costs. This option is particularly appealing to municipalities that do not use their entire allotment of unbilled therms. Such municipalities can actually receive cash payments higher than the value of the unbilled gas they were receiving.

Approaches to Maximizing Energy-Efficiency Potential of Municipal Utility Franchise Agreements

If a municipality succeeds in switching to a cash-based municipal utility franchise agreement, it has a number of different approaches it can follow to utilize those cash payments both to pay its annual energy bills and to invest in energy efficiency. Six different approaches have been identified; municipalities can use all or some of these.

These approaches are detailed as follows:

Buy Cheaper Energy

- Illinois is a deregulated market for both electricity and natural gas, where consumers can purchase energy from independent suppliers who offer prices below the standard utility rates. Municipalities that switch to cash compensation can typically find lower prices than the nominal value of the energy received under a franchise agreement, at least for electricity. Lower prices are especially available for electricity used for street lighting, since night-time electricity is less expensive.

Pursue Demand-Side Management as Well as Energy Efficiency

- Shifting to paying cash for energy opens the potential for paying time-differentiated rates for electricity.
- Once a municipality is paying time-differentiated rates, it can benefit financially from shifting use into off hours, i.e. through ice-storage air conditioning, or through measures that are targeted towards reducing electricity expenditures during peak price hours, such as daylighting, solar power, cogeneration, etc.
- Municipalities can receive financial rewards for reducing electricity usage during times of high wholesale electricity prices in response to a request from the serving utility. Illinois utilities offer financial incentives under demand response program such as ComEd's Rider CLR (capacity-based load response) or its Voluntary Load Response (VLR) programs. The CLR program provides market-based compensation for energy that participants do not use and the VLR program requires participants to reduce electricity use when requested, at which time the company will notify the participant what their savings will be. Incentives earned are above and beyond the savings participants will see from reducing their energy use in the first place.

Utilize Grant Opportunities

- By opting to receive cash compensation, municipalities can receive the full financial benefits available from energy efficiency investments that utilize the numerous energy efficiency grant opportunities offered by state government and endowment programs.
- Opportunities include the State of Illinois DCEO programs including the Illinois Public Sector Energy Efficiency Programs, the Energy Efficiency and Conservation Block Grants and the Natural Gas Energy Efficiency Program. In addition, the Illinois Clean Energy Community Foundation is also providing grants for energy efficiency.

- Communities such as Decatur ($700,000), Evanston ($749,000), Oak Park ($200,600), Orland Park ($520,700) and Wheaton ($514,400) have all received significant grants under these programs.

Choose Whether to Utilize an ESCO or Go it Alone

With the cash stream flowing to the municipality under its revised municipal utility franchise agreement and the receipt of monthly energy bills from the utility, the municipality can enter into an Energy Performance Contract with an ESCO. Under this approach, the ESCO will:

- Identify and evaluate all of the energy saving opportunities and then develop a suite of energy efficiency measures that will be paid for by the savings,
- Produce all necessary engineering designs and specifications,
- Actively manage the installations,
- Arrange for financing,
- Provide training of municipal staff; and,
- Guarantee the savings to cover project costs over a specified period of time (for example, 7-10 years).

Because the municipality will, over time, experience reduced energy use and costs, at the end of the contract and financing period, the municipality will begin to see real savings, while producing environmental results right away. Savings to municipal finances could be realized more quickly if some of the financing came from available grant funds.

The upside of this approach is that it does not require the municipality to invest any of its own funds up front, either for researching energy efficiency opportunities or for making equipment purchases or building renovations. It also shifts some of the risk that investments will have a smaller return than expected to the ESCO. The downside is that the municipality must share a portion of the benefits of the energy efficiency investments with the ESCO.

An alternative approach is for the municipality to utilize its own engineering, contracting, construction and financing capability to identify and implement energy efficiency investments. Some of the larger municipalities with these capabilities may find this option attractive.

The upside of the "Go It Alone" approach is that the municipality would not need to share the benefits of its energy efficiency investments with an ESCO. The downside is that it would require the municipality either to raise capital for investments or to find room in its budget to make the initial capital expenditures. The need for initial capital expenditures could be mitigated by utilizing grant funding opportunities, focusing first on investments with a rapid payback, and using the resultant savings to finance future investments.

Set Aside Savings in a Fund Dedicated to Energy Efficiency Investments

Once a municipality has switched to a cash compensation option, there is no guarantee that the savings achieved through cheaper energy purchases; demand-side management and energy efficiency measures will be used to pay for additional energy efficiency measures. Therefore, municipalities may wish to adopt a policy that designates that cash payments received from utilities under a municipal utility franchise agreement can be used only for two purposes:

- Paying energy bills for facilities that previously received unbilled energy; and,
- Investing in energy efficiency or clean energy generation at any municipal facility.

This option is discussed further in section VI. Eventually, as the best opportunities for energy efficiency investment are taken, additional opportunities may become less promising. Moreover, as savings from past investments grow, the amount of funds available for energy efficiency investment should grow. Therefore, it might be useful to have a mechanism for relaxing this policy when appropriate, and allowing cash received to be utilized for other purposes. For instance, the policy could apply only until a designated list of energy efficiency projects was completed, or for as long as there were available energy efficiency projects with an estimated payback period of less than a designated maximum.

Non-Financial Enhancements to Promote Energy Efficiency within Municipal Utility Franchise Agreements

In addition to the ability to switch to a cash compensation option, municipalities also can seek to enhance the level and type of services provided by the utility under the existing or new franchise agreement. These services can include:

- Conducting energy audits of municipal facilities without charge by the utility,
- Training of municipal and community employees on energy efficiency techniques, devices, appliances, etc.,
- Utility offerings (energy efficiency information and programs) to residential, small business and commercial customers; and,
- Providing a copy of the utility's energy efficiency plan required by Subsection 8-104(f) of the Illinois Public Utility Act, 220 ILCS 5/8-104(f) for each year requested by the municipality; and, assistance in applying for the energy efficiency programs offered under Subsection 8-104(f).

VI. Opportunities for Energy Efficiency Investment in Municipal Facilities

By creating a disincentive for energy efficiency investment, unbilled energy can translate into lost financial opportunities for municipal governments. Utilizing a cash-based compensation structure would allow municipalities to take advantage of the significant energy and cost reduction potential of energy efficiency.

As discussed in Section V, there are risks to cash-based compensation structures, but it is important to note that a cash-based compensation structure can be designed in a way that positively affects municipal budgets. In a time where local governments are experiencing increasing fiscal constraints, appropriately designed municipal utility franchise agreements are an opportunity to provide more flexibility for municipal operating budgets.

Municipal utility franchise agreements that provide unbilled energy distort municipal finances by taking energy payments out of operating budgets and putting them in the hands of utilities. Under an unbilled payment structure, the full value of the compensation is in the form of energy. In contrast, franchise compensation that is based on cash payments allows municipalities to achieve financial savings from energy efficiency measures and to apply these savings to energy efficiency investments or to other government purposes. By reducing the percentage of municipal utility franchise agreement revenue that is spent on purchasing energy, municipalities can enhance their financial position.

When paired with energy efficiency investments, significant cost savings from switching to cash payments are feasible. According to the U.S. EPA's Clean Energy for Local Governments Guide, the average office building can reduce energy costs by 10 – 30% just by adopting low-cost energy efficiency measures and operational adjustments. Similarly, energy audits done by the Illinois Smart Energy Design Assistance Center (SEDAC) of more than 30 municipal civic facilities in Illinois estimate that adopting proposed energy efficiency measures would allow the reviewed facilities to achieve an average reduction of 33% in annual energy expenditures, or financial savings of $40,654 per year.

In 2009, SEDAC performed an energy audit for the Village of Skokie, Illinois. The Village has franchise agreements with electric and gas utilities that from May 2008 to April 2009 provided the Village's Village Hall with 1,260,240 kwh and 59,577 therms. At an average avoided cost of $0.10 per kwh and $1.00 per therm, the franchise agreements supplied energy to the Village Hall at an annual value of $183,510.72.[20]

[20] Illinois Smart Energy Design Assistance Center. *Level III Feasibility Report: Energy Evaluation and Recommendations, Skokie Village Hall*. University of Illinois at Urbana-Champaign and Illinois Department of Commerce and Economic Opportunity. November 30, 2009.

If Skokie were to receive cash instead of free energy under the franchise agreement, it would be able to use that cash to pay energy bills and, potentially, invest in energy efficiency. Table 1 provides three scenarios for using cash received under a franchise agreement to pay for energy and energy investment at the Village Hall. In these scenarios, rather than receive 1,260,240 kwh and 59,577 therms of unbilled energy per year, the Village receives cash payments from their electric and gas utilities that are equivalent to the amount of unbilled energy received, adjusted annually for fluctuations in energy prices. Consequently, the alternative compensation structure generates an annual payment of $183,511, adjusted annually to reflect energy price changes. The purpose of this analysis is not to assess the rate of return on energy efficiency investments, an issue already covered in the SEDAC Feasibility Report, but rather to show how a municipal government budget might manage a cash stream that replaces unbilled energy in a way that allows it to pay both for energy and for energy efficiency investment. Therefore, the cost figures are not discounted for time.

Table 1 (Constant Year 1 dollars)			**Energy Expenditures by Municipality**	**Energy Efficiency Investments by Municipality**	**General Fund Improvement**	**Energy Efficiency Investment Fund: End of Year Status**
	Year	**Payment to Municipality**				
Scenario A	1	$183,511	$183,511	$0	$0	NA
	2	$183,511	$183,511	$0	$0	NA
	3	$183,511	$183,511	$0	$0	NA
Scenario B	1	$183,511	$166,869	$13,516	$3,126	NA
	2	$183,511	$145,270	$10,500	$27,741	NA
	3	$183,511	$140,313	$0	$43,918	NA
Scenario C	1	$183,511	$166,869	$13,516	$0	$3,126
	2	$183,511	$145,270	$10,500	$0	$30,867
	3	$183,511	$138,171	$55,000	$0	$21,208
	4	$183,511	$136,028	$0	$0	$68,691
	5	$183,511	$136,028	$0	$0	$116,174
	6	$183,511	$128,025	$155,612	$0	$16,048
	7	$183,511	$120,022	$0	$0	$79,537

In scenario A, the Village makes no energy efficiency investments and spends 100 percent of the cash payment to pay its energy bills. In this scenario, the Village's financial position is unchanged as a result of switching to a cash structure. The annual readjustment for energy costs insulates the Village from additional risk.

In scenario B, the Village decides to make investments in energy efficiency, and it must use the annual cash payment both to pay its energy bills and to fund energy efficiency investments. In this scenario, it selects only those projects that have short-term payback and that can be paid for without harming annual cash flow, selecting from projects recommended by SEDAC and listed in Table 2. Net savings are returned to the Village's general fund at the end of every year. We assume in this analysis that these opportunities can be implemented within six months, so that in the year that the investments are made the Village will receive half of the annual energy savings that the investment will yield in subsequent years. In year 1, the Village implements projects 1, 2 and 3 from Table 2, which collectively have a payback period of less than six months. The Village invests $13,516 and reduces its electricity bills by $16,642 in year 1 and by $33,284 annually thereafter. In year 2, the Village invests in project 4, which has a payback of 1.1 years, but by combining six months of savings from this project with the savings resulting from the year 1 investments, cash flow is still positive. In year 3, the Village considers additional energy efficiency investments, but cannot make any additional investments from Table 2 without harming cash flow. Therefore, under scenario B, the Village implements

Table 2 **SEDAC Recommended Energy Cost Reduction Measure**	**Est. Energy Savings**	**Est. Annual Savings**	**Est. Implementation Cost***	**Simple Payback (yrs)**
Project 1: Programmable Thermostats and Setbacks	34,542 kwh 12,648 therms	$15,976	$6,900	0.4
Project 2: CFLs	92,697 kwh (591) therms	$9,261	$1,602	0.4
Project 3: Upgrade T12 to T8 Fluorescents	63,685 kwh (406) therms	$8,047	$5,014	0.6
Project 4: Air Sealing	22,618 kwh 7,734 therms	$9,914	$10,500	1.1
Project 5: Condensing Boilers	618 kwh 4,225 therms	$4,285	$55,000	9.7
Project 6: Direct Digital Controls and HVAC System Recommissioning	71,720 kwh 9093 therms	$16,006	$155,612	12.8
* Estimated implementation costs take into account existing standard monetary incentives available through Illinois DCEO.				

projects 1-4 and by the third year has improved its general fund budget by $43,198 annually.

In scenario C, the Village creates an Energy Efficiency Investment Fund, utilizing the savings from its energy efficiency investments. As with scenario B, the Village makes only investments that can be paid for without harming annual cash flow. However in scenario C, rather than return savings to the general fund, the Village builds up the Energy Efficiency Investment Fund. Under scenario C, the Village makes the same investments in years 1 and 2 as in scenario B, but by year 3, as the result of accumulated savings in the Energy Efficiency Investment Fund, the Village can invest in project 5. The Village replenishes the Fund in years 4 and 5, and by year 6 can invest in project 6. By year 7 and thereafter, the Village will save $63,489 annually on its energy bills, which it could use either to improve the general fund or to build up its Energy Efficiency Investment Fund for future projects.

Scenario C shows that by utilizing an Energy Efficiency Investment Fund, Skokie could eventually adopt the full suite of SEDAC's recommended measures, including those measures with payback periods of greater than one year. Of course, this might not be the best way to fund these investments; it might be preferable to self-finance the investments in year one, or to get outside financing for these projects.[21] However, the analysis does show that it is feasible for municipalities that receive cash payments rather than free energy under franchise agreements to finance energy efficiency investment and pay energy bills, thereby gaining significant long-term financial improvement with no short-term financial loss.

The three scenarios listed in Table 1 illustrate the impacts that cash-based municipal utility franchise agreements and energy efficiency investment can have on municipal finances. In addition, it is important to recognize the opposite side of the equation; by doing nothing and continuing to utilize unbilled energy based municipal utility franchise agreements, municipalities lose potential savings permanently. In the case of Skokie, by delaying energy efficiency improvements, the Village would forego a low risk investment that has a 30% return on investment, according to SEDAC.

Many municipalities, especially those who have delayed making investments in energy efficiency, may have greater savings than Skokie's example would suggest. Estimated savings for Skokie's Village Hall are around the average savings estimated by SEDAC and U.S. EPA for local government facilities. Skokie's case serves as an example that municipalities can, in many cases, easily achieve significant cost savings and see high returns on their investment. Additional case studies and information resources can be viewed at http://www.epa.gov/statelocalclimate/resources/strategy-guides.html.

[21] Municipalities also have the opportunity to use a local municipal utility tax to fund energy efficiency programs.

VII. Conclusions and Recommendations

Conclusions

This report finds that use of unbilled energy at municipal facilities in Illinois has significant consequences. This arrangement:

- Creates significant disincentives to investment in energy efficiency within the municipal facilities that receive unbilled energy because it eliminates the possibility of positive economic return on investment. Therefore, municipalities typically choose to invest scarce budget resources in facilities that receive billed energy and where there is a positive economic return on energy efficiency investment.
- Leaves significant "cash on the table" for some municipalities that receive unbilled gas. We found that 40-50% of municipalities receiving unbilled gas did not utilize all of the therms available.
- Limits financial risk to municipalities, making many of them reluctant to switch to cash compensation despite the potential benefits of doing so.

Municipalities receiving unbilled energy have an opportunity to convert the unbilled energy into equivalent cash. Receiving cash from the utilities opens up a number of possibilities for investment in energy efficiency within municipal facilities including:

- Harvesting between 10% and 30% energy savings in municipal facilities that invest in energy efficiency,
- Taking control of energy use within municipal facilities,
- Supporting sustainability goals adopted by many communities; and,
- Saving money for the municipality through investment in energy efficiency and, potentially, careful contracting for energy on the energy market.

However, conversion to cash is not without risk to the municipalities. The risk of accelerating commodity costs of energy is real and must be managed. This report identifies some ways that cash compensation could be structured that would reduce the risk to municipalities of shifting away from unbilled energy. It also identifies practices that could help a municipality maximize the benefits of a cash compensation structure if they do make that change.

Recommendations for Municipalities

Municipalities currently receiving unbilled energy under existing municipal utility franchise agreements and who wish to consider switching to a cash compensation approach may want to consider the following recommendations:

- Conduct an energy audit of the facilities currently receiving unbilled energy. The audit will identify the potential energy savings and return on investment and help inform the decision about whether to try to change to a cash compensation system. Consider utilizing the services of SEDAC of the Illinois DCEO.

- If the existing electricity franchise agreement is set to expire, evaluate whether imposing an IMF under the Illinois Electricity Infrastructure Maintenance Fee Law will result in greater compensation than continuation of unbilled electricity under a new franchise agreement. If a significant term is left on the existing franchise agreement, evaluate the benefits of switching to an equivalent amount of compensation under the IMF, and explore whether the IMF could be adjusted annually to reflect increases in energy costs.
- Evaluate the existing option under natural gas franchise agreements for accepting cash in lieu of unbilled therms. Compare the amount of compensation that would be received under the different options, remembering that under Nicor Gas's cash-out option, payments are adjusted annually based on gas prices.
- Consider negotiating with the utility providers for a cash compensation option that both promotes energy efficiency and meets the municipality's financial needs, including the need for protection against energy price increases, or consider negotiating collectively with other municipalities.
- Consider prudent energy efficiency investments at municipal government facilities, regardless of the type of franchise agreement that is in effect.

Recommendations for Utilities and for State Government

While this report has focused on potential municipal government actions related to utility franchise agreements, we believe that electric utilities and Illinois state government have an important role to play in this issue. If municipalities transition to a system that enhances the incentive for energy efficiency investments, it will help meet state mandates for energy efficiency, benefiting utilities and the state government, as well as the municipalities. Ameren has already shifted to offering cash payment rather than free energy, and Nicor Gas already offers a standard cash-out option.

Therefore, we recommend the following for publicly-owned Illinois utilities:

- Offer a standardized cash-out option for municipalities that is adjusted annually based on energy costs, if not currently offered. For utilities that do offer such an option, we recommend publicizing the benefits of this option to municipalities.
- In general, consider approaches that would promote the use of cash compensation rather than unbilled energy in municipal utility franchise agreements.
- Where cash-out options are not available, consider providing cash and/or public recognition of municipalities efforts which have reduced energy use in municipal facilities that receive unbilled energy. Providing recognition and/or

monetary credit for these municipal successes on local customer bills should be considered.

For the State of Illinois, we recommend the following:

- Evaluate existing policies, incentives and legal requirements that may encourage the use of unbilled energy in municipal utility franchise agreement.
- Evaluate the existing IMF Law to determine whether changes in the law or in its interpretation could help promote increased use of the IMF option by municipalities. In particular, consider:
  -allowing fees to increase to reflect changing energy prices,
  -allowing funds received through fee to exceed the value of unbilled energy received under current franchise agreements; and,
  -offering a fee structure that promotes energy efficiency.
- Encourage municipalities to utilize existing opportunities to utilize cash options, where appropriate.

In addition, we are providing as Attachments 6 and 7, examples of what may be included in model municipal utility franchise agreements with the objective to:

- Promote energy efficiency,
- Move away from unbilled energy; and,
- Remain attractive to the community.

Attachments 6 and 7 each present two different alternatives, for electricity and natural gas agreements respectively, for compensating municipalities without providing unbilled energy. The alternatives include:

- A population-based cash option, adjusted annually to reflect changing prices of electricity or gas.
- A cash option based on past electricity or gas use at eligible municipal buildings, which is annually adjusted to reflect changes in electricity or gas prices with a provision for incorporating additional payments for new municipal buildings.

Both of these options would separate the amount of compensation from the amount of electricity or gas currently used, thereby removing the disincentive for energy efficiency investment. Both would be adjusted to reflect energy prices, thereby providing financial protection to municipalities.

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ATTACHMENT 1

SUMMARY OF INTERVIEWS

Attachment 1 – Summary of Interviews

As a means of understanding the variety of views of key stakeholders in the providing of energy and energy efficiency investment within the municipal area, TechLaw and/or U.S. EPA interviewed a number of officials from municipalities, utilities, an energy service company and a consortium currently in the midst of renegotiating gas franchise agreements for a number of municipalities. The results of the interviews have helped shape the direction, conclusions and recommendations of this Project. A summary of key points and issues raised by each of these stakeholders is provided in the following discussion.

Municipal Officials

Telephone interviews were conducted with officials from the following Illinois municipalities: Evanston, Orland Park, Schaumburg, LaGrange Park, Wheaton, Oak Park, Oak Brook Terrace and Decatur. All of these municipalities receive some quantity of unbilled electricity and/or natural gas. A summary of the comments and concerns of these officials is provided as follows:

- Almost all of the officials interviewed expressed a view that receiving cash rather than unbilled energy for municipal facilities would be preferred because there is potential energy investment and savings to be made in their facilities. Cash allows them to be "…budget wise and energy wise". However, some reluctance to shift to cash payments was expressed due to the uncertainties and costs of purchasing energy on the open market and the uncertainties of energy prices in the future. They all recognized that these funds would be derived from utility charges on ratepayers in their communities. In addition, some expressed concerns that funds returned to the municipal General Fund would be out of the officials control and that only a portion, if any, of the cash would go to energy efficiency investment.
- Municipal officials have been unable to justify energy efficiency investment in municipal facilities receiving unbilled energy because of lack of financial return. Receiving unbilled energy is viewed as a significant disincentive to energy efficiency investment in those facilities. A few communities have taken modest steps (replacement of incandescent lights with compact fluorescents) at implementing energy efficiency in municipal facilities that receive unbilled energy.
- Municipal facilities that receive billed energy have been the focus of energy efficiency investment due to the positive financial return of those investments.
- Most of the municipalities have some type of community sustainability program, which encourages residential and commercial energy efficiency investment. The programs typically have set goals for the reduction of greenhouse gas emissions and energy use within those communities.
- Municipal officials are concerned that utilities such as ComEd, Nicor Gas and Ameren will, as they renegotiate expiring municipal utility franchise agreements, offer less compensation than provided in the existing agreements.

Utility Officials

Telephone interviews were conducted with officials of ComEd, Nicor Gas and Ameren to understand their views on the administration of municipal utility franchise agreements, the law governing compensation to municipalities for use of rights-of-way in municipalities and opportunities for municipalities to convert from unbilled energy to cash payments as compensation under the various municipal utility franchise agreements.

Their views are provided as follows:

- Attorneys at ComEd who are familiar with the standard ComEd franchise agreement seemed neutral towards the conversion from unbilled energy to cash for municipalities. They noted that this option was available under the Illinois Infrastructure Maintenance Fee Law.
- ComEd is recovering all of its out of pocket costs in a "pay as you go" mechanism from local rate payers related to the cost of compensating the municipalities under the franchise agreements.
- ComEd cautioned that it was not legally able to collect money to create a fund that could be used by a municipality for energy efficiency investment. The utility would be serving as a bank in this case and it is not authorized to do so. However, municipalities are free to receive cash compensation using the IMF Law and to use the cash for energy efficiency investments.
- Nicor Gas officials stated that while there is no gas industry equivalent to the Illinois Electric Infrastructure Maintenance Fee Law, compensation to communities has traditionally been based on an Illinois Commerce Commission rider. The rider to a rate agreement allows gas companies to provide and recover the costs of unbilled therms of gas for use in non-commercial municipal facilities. Costs are recovered from customers in the community via a Franchise Cost Adjustment. There is wide variation in the share of municipal government gas needs that are provided under the gas franchise agreements. In some cases, all of the municipal government's gas is provided, in other cases, approximately half is. Municipalities can convert, on a one time basis, to equivalent cash payments based on the average number of therms and the price of gas that are provided the municipality during the 3 years prior to converting to cash payments. According to the Nicor Gas officials, of the 480 municipal gas franchise agreements in place, about 100 are "cash towns". Of the remaining 380, 40-50% do not use all of the free therms provided.
- Ameren is in the process of renewing expiring municipal utility franchise agreements and is not offering unbilled energy as compensation. They believe that offering unbilled energy creates an uneven playing field for retail energy sales within Illinois. Compensation offered is based on a straightforward but confidential payment schedule. In addition, Ameren believes that offering

unbilled energy runs counter to their obligation to implement energy efficiency measures as required by the Illinois Power Agency Act of 2007.

Energy Service Companies (ESCOs) Official

We spoke with an official of the Burns & McDonnell Company (B&M) that is an engineering firm based in Kansas City, Missouri and provides energy services to municipalities in Illinois. This official provided the following comments regarding municipal utility franchise agreements and the ability of municipalities to enter into energy performance contracts for the design, financing and installation of energy efficiency investments.

- B&M has performed energy audits and energy efficiency engineering work for several of the municipalities interviewed for this Project. As such, they are familiar with the challenges of energy efficiency investment in those communities.
- They recommend that the municipalities undertake investment grade energy audits of facilities especially if the energy efficiency investments are to be financed by a municipal finance company.
- The concept of a municipality investing in energy efficiency improvements via an energy performance contract with an ESCO and paying for those improvements over time (5-10 years) by the savings provided by the improvements is a common practice. The magnitude of the investments is a function of the potential energy and cost savings from the investments.
- B&M believes that converting unbilled energy by a municipality under its municipal utility franchise agreement to cash is a sound concept and would provide positive economic signals and financing capability for municipals seeking to make their facilities more energy efficient.

Consortium

We interviewed a consortium of municipalities, the Northern Illinois Municipal Natural Gas Franchise Consortium (Consortium). The Consortium represents 66 Illinois municipal governments and is renegotiating on their behalf expiring municipal gas franchise agreements with Nicor Gas. An important concern of the Consortium is municipal free energy/gas. They are exploring ways of converting free energy or cash payments into mechanisms to reduce energy use within municipal facilities. Some of the key issues they are working on include:

- Seeking a revenue neutral or revenue positive outcome for municipalities
- Working with Nicor Gas to provide programs for reduced gas use through energy efficiency investments or more sustainable practices within their member communities.
- Negotiating existing municipal gas franchise agreements for all members regardless of the expiration dates.

- Increasing the compensation for the rights-of-way used by Nicor Gas and receiving compensation comparable to the payments made by electric companies for use of the rights-of-way.
- Negotiating greater flexibility to convert the traditional compensation (free therms) to other forms of compensation with no loss of value.

ATTACHMENT 2

FRANCHISE FEE RECOVERY MECHANISMS USED BY COM ED

RIDER FCA
FRANCHISE COST ADDITIONS

Applicable to All Rates

OVERVIEW.
This rider is applicable to all retail customers, Retail Electric Suppliers (RESs), and Metering Service Providers (MSPs) taking service from the Company in any municipality that has (a) an ordinance imposing an infrastructure maintenance fee upon the Company, or (b) a franchise agreement or contract with the Company.

The purpose of this rider is to recover franchise costs imposed upon the Company by municipalities solely from those retail customers, RESs, and MSPs taking any tariffed service from the Company within the boundaries of each such municipality imposing such costs.

FRANCHISE COST RECOVERY.

Infrastructure Maintenance Fee

For a situation in which a municipality adopts an ordinance imposing an infrastructure maintenance fee upon the Company as compensation for granting the Company the privilege of using such municipality's public rights of way for the delivery of electricity, the Company recovers the cost of such infrastructure maintenance fee by applying the per kilowatt-hour (kWh) additions for such municipality, as provided in the Infrastructure Maintenance Fee Table in this Infrastructure Maintenance Fee subsection, to the kWhs of energy delivered to each retail customer within the corporate limits of such municipality.

INFRASTRUCTURE MAINTENANCE FEE TABLE
PER KILOWATT-HOUR ADDITIONS

Municipality	Cents per kilowatt-hour (¢/kWh)									
	A	B	C	D	E	F	G	H	I	J
Chicago	0.530	0.350	0.310	0.305	0.300	0.280	0.275	0.270	0.265	0.260

Legend

A:	for the first	2,000	kWh delivered in the monthly billing period
B:	for the next	48,000	kWh delivered in the monthly billing period
C:	for the next	50,000	kWh delivered in the monthly billing period
D:	for the next	400,000	kWh delivered in the monthly billing period
E:	for the next	500,000	kWh delivered in the monthly billing period
F:	for the next	2,000,000	kWh delivered in the monthly billing period
G:	for the next	2,000,000	kWh delivered in the monthly billing period
H:	for the next	5,000,000	kWh delivered in the monthly billing period
I:	for the next	10,000,000	kWh delivered in the monthly billing period
J:	for all over	20,000,000	kWh delivered in the monthly billing period

(Continued on Sheet No. 250)

Filed with the Illinois Commerce Commission on December 16, 2008. Issued pursuant to the Illinois Commerce Commission Orders entered July 26, 2006, in Docket No. 05-0597 and August 15, 2007, in Docket No. 07-0432.

Date Effective: January 15, 2009
Issued by A. R. Pramaggiore, Exec. Vice President
Post Office Box 805379
Chicago, Illinois 60680-5379

RIDER FCA
FRANCHISE COST ADDITIONS

(Continued from Sheet No. 249)

FRANCHISE COST RECOVERY (CONTINUED).

Franchise Cost Addition

A municipality-specific Franchise Cost Percentage is computed each year for each municipality that receives electric service or other items provided at no charge by the Company as compensation for granting the Company the privilege of using such municipality's public rights of way for the delivery of electricity. Such percentage is computed in accordance with the following equation:

$$FC\%_m = \frac{Value_m}{Billings_m} \times 100$$

Where:

$FC\%_m$ = Franchise Cost Percentage, in %, applicable to the municipality, m.

$Value_m$ = Value of electric service or other items, in $, provided by the Company without charge to the municipality, m, during the previous calendar year as published in the Company's Form 21 ILCC Annual Report to the Illinois Commerce Commission (ICC).

$Billings_m$ = Billings, in $, computed by the Company in accordance with its tariffs on file with the ICC and applied to retail customers, RESs, and MSPs taking service in the municipality, m, during the previous calendar year, that are associated with customer charges, standard metering service charges, distribution facilities charges, and rentals.

(Continued on Sheet No. 251)

RIDER FCA
FRANCHISE COST ADDITIONS

(Continued from Sheet No. 250)

FRANCHISE COST RECOVERY (CONTINUED).

Franchise Cost Addition (Continued)

The Company recovers the value of each municipality's electric service or other items provided at no charge by increasing the bill of each retail customer, RES, and MSP taking service within the corporate limits of such municipality during each monthly billing period by an amount, the Franchise Cost Addition (FCA), computed in accordance with the following equation:

$$FCA = \frac{FC\%_m}{100} \times (CC + SMSC + DFA + R)$$

Where:

FCA	=	Franchise Cost Addition, in \$, applicable to the retail customer, RES, or MSP, as appropriate, for the monthly billing period.
CC	=	Customer Charge, in \$, applicable to the retail customer for the monthly billing period.
SMSC	=	Standard Metering Service Charge, in \$, applicable to the retail customer for the monthly billing period.
DFA	=	Distribution Facilities Amount, in \$, applicable to the retail customer for the monthly billing period, and equal to the Distribution Facilities Charge applicable to the retail customer for the monthly billing period multiplied by the kilowatts (kWs), kWhs, or number of fixtures applicable to the retail customer for the monthly billing period.
R	=	Rental Amount, in \$, applicable to the retail customer, RES, or MSP, as appropriate, for the monthly billing period, and equal to the sum of rental amounts applied in accordance with the provisions of Rider NS - Nonstandard Services and Facilities (Rider NS) and/or Rider ML - Meter-Related Facilities Lease (Rider ML).

(Continued on Sheet No. 252)

Filed with the Illinois Commerce Commission on December 16, 2008. Issued pursuant to the Illinois Commerce Commission Orders entered July 26, 2006, in Docket No. 05-0597 and August 15, 2007, in Docket No. 07-0432.

Date Effective: January 15, 2009
Issued by A. R. Pramaggiore, Exec. Vice President
Post Office Box 805379
Chicago, Illinois 60680-5379

RIDER FCA
FRANCHISE COST ADDITIONS

(Continued from Sheet No. 251)

FRANCHISE COST RECOVERY (CONTINUED).

Franchise Cost Addition (Continued)

The Franchise Cost Percentages computed each year in accordance with the equation previously provided in this Franchise Cost Addition subsection are listed in an informational filing submitted by the Company to the ICC no later than the first business day on or after May 1 of each year. Such informational filing must be accompanied by work papers documenting that the computations of the Franchise Cost Percentages are made in accordance with the applicable equation provided in this Franchise Cost Addition subsection. The Franchise Cost Percentages filed in such manner are applicable to retail customers, RESs, and MSPs for service provided during the twelve (12) monthly billing periods beginning with the June monthly billing period in the year in which such filing is made and extending through the end of the following May monthly billing period.

MISCELLANEOUS GENERAL PROVISIONS.

The Company's Schedule of Rates, of which this rider is a part, includes General Terms and Conditions and other tariffs. Service hereunder is subject to the General Terms and Conditions and such other tariffs, as applicable.

ATTACHMENT 3

NICOR GAS FRANCHISE COST ADJUSTMENT

Rider 2
Franchise Cost Adjustment

Applicable to All Rates Except 17, 19 and 21

Applicability.
This rider is applicable to customers taking service from the Company within the boundaries of a local governmental unit that has a franchise agreement or similar contract with the Company. The purpose if this rider is to recover the cost of reduced rate service or monetary contribution provided by the Company solely from those customers residing within the boundaries of each local governmental unit receiving such compensation. For the purposes of this rider, a local governmental unit means any county, municipality, township, special district, or unit designated as a unit of local government by law and which exercises limited governmental powers or powers in respect to limited government subjects.

* **Franchise Cost Adjustment.**
Franchise costs include the cost of reduced rate service or other monetary contribution provided to local governmental units under a franchise agreement or other similar agreement with the Company. Such franchise agreements grant the Company the privilege of using the local governmental unit's public right(s)-of-way for the delivery of gas for which the Company in turn compensates such local governmental unit with reduced rate service or other monetary contribution. Each local governmental unit that currently has a franchise agreement and receives reduced rate service or other monetary contribution from Company is shown on the information sheet(s) supplemental to this rider. The franchise costs paid by the Company to those local governmental units receiving reduced rate service or other monetary contribution shall be recovered from those customers taking service from the Company within the boundaries of each such local governmental unit. The applicable Franchise Cost Adjustment, expressed as a monthly fixed dollar amount, shall be added to the customer's bill. The Franchise Cost Adjustment (FCA) for each local governmental unit shall be recomputed annually and shall be determined according to the following formula:

$$FCA = \frac{Value}{Customers} \div 12$$

Where:

FCA = Franchise Cost Adjustment, in $ per customer for the monthly billing period.

Value = Value of reduced rate service or other monetary contribution, expressed in $, provided by the Company to such local governmental unit during the previous calendar year as published in the Company's Form 21 ILCC Annual Report to the Commission.

Customers = The number of customers residing within such local governmental unit as of December 31 of the prior calendar year.

A new Franchise Cost Adjustment shall be effective with the customer's first bill period with an issue date on or after May 1 of each year. The amount of the applicable Franchise Cost Adjustment will be separately designated on each customer's bill as "Franchise Cost" or similar legend. The Company will file an information sheet with the Commission on or before the 20th day of April each year specifying the FCA applicable to each governmental unit to be effective during the subsequent twelve months. Such informational sheets must include work papers documenting that the computations of the Franchise Cost Adjustments are made in accordance with the applicable equation provided in this Franchise Cost Adjustment subsection.

(Continued On Sheet No. 55.52)

ATTACHMENT 4

NICOR GAS RIDER FRANCHISE COST ADJUSTMENT BY MUNICIPALITY

1ST INFORMATION SHEET SUPPLEMENTAL TO SHEET NO. 55.51 OF ILL. C. C. NO. 16, SCHEDULE G
(Superseding Original Information Sheet Effective May 1, 2009)

RIDER 2 FRANCHISE COST ADJUSTMENT
Applicable to All Rates Except 17, 19 and 21

Name of Local Governmental Unit	Franchise Cost Adjustment	Name of Local Governmental Unit	Franchise Cost Adjustment
Gilberts	$0.28	Hull	$0.40
Gilman	($0.12)	Huntley	$0.09
Gladstone	$0.26	Indian Head Park	$0.35
Glen Ellyn	$0.32	Inverness	$0.14
Glendale Heights	$0.32	Iroquois	$0.29
Glenview	$0.29	Island Lake	$0.26
Glenwood	$0.55	Itasca	$0.45
Godley	$0.45	Johnsburg	$0.10
Golf	$0.44	Joliet	$0.23
Goodfield	$0.35	Justice	$0.64
Grand Ridge	$0.39	Kangley	$2.35
Grant Park	$0.37	Kankakee	$0.32
Greenwood	$0.30	Kempton	$0.33
Gridley	$0.39	Kenilworth	$0.42
Gulf Port	($0.02)	Kildeer	$0.59
Hainesville	$0.13	Kinderhook	$0.39
Hamilton	$0.61	Kingston	$0.33
Hampshire	$0.03	Kinsman	($0.11)
Hanover	$0.32	Kirkland	$0.15
Hanover Park	$0.32	LaGrange	$0.43
Harvard	$0.45	LaGrange Park	$0.44
Harvey	$0.37	LaHarpe	$0.18
Harwood Heights	$0.44	Lake Barrington	$0.14
Hawthorn Woods	$0.38	Lake in the Hills	$0.36
Hazel Crest	$0.44	Lake Villa	$0.13
Hebron	$0.28	Lake Zurich	$0.30
Herscher	$0.38	Lakemoor	$0.21
Hickory Hills	$0.42	Lakewood	$0.35
Hillcrest	$0.51	Lanark	$0.25
Hillside	$0.25	Lansing	$0.30
Hinckley	$0.43	Leaf River	$0.41
Hinsdale	$0.39	Lee	$0.38
Hodgkins	$0.38	Leland	$0.37
Hoffman Estates	$0.24	Lemont	$0.40
Holiday Hills	$0.21	Lena	$0.37
Homer Glen	$0.47	Leonore	$0.22
Hometown	$0.57	LeRoy	$0.21
Homewood	$0.40	Lexington	$0.40
Hooppole	$0.32	Liberty	$0.32
Hudson	$0.33		

Filed with the Illinois Commerce Commission on or before April 20, 2010
Issued pursuant to Order of the Illinois Commerce Commission entered March 25, 2009 in Docket No. 08-0363

Effective May 1, 2010
Issued by - Gerald P. O'Connor
Senior Vice President
Post Office Box 190
Aurora, Illinois 60507

1ST INFORMATION SHEET SUPPLEMENTAL TO SHEET NO. 55.51 OF ILL. C. C. NO. 16, SCHEDULE G
(Superseding Original Information Sheet Effective May 1, 2009)

RIDER 2 FRANCHISE COST ADJUSTMENT
Applicable to All Rates Except 17, 19 and 21

Name of Local Governmental Unit	Franchise Cost Adjustment	Name of Local Governmental Unit	Franchise Cost Adjustment
Lily Lake	$0.09	Millbrook	$0.89
Lima	$0.30	Milledgeville	$0.36
Lincolnwood	$0.38	Millington	$0.31
Lisbon	$0.28	Minonk	$0.36
Lisle	$0.19	Minooka	$0.18
Lockport	$0.39	Mokena	$0.17
Loda	$0.44	Momence	$0.29
Lomax	$0.20	Monee	$0.33
Lombard	$0.23	Monroe Center	$0.72
Long Grove	$0.73	Montgomery	$0.45
Long Point	$0.44	Morris	$0.18
Loraine	$0.34	Morrison	$0.37
Loves Park	$0.26	Morton Grove	$0.33
Ludlow	$0.38	Mount Carroll	$0.33
Lyndon	$0.35	Mount Morris	$0.33
Lynwood	$0.30	Mount Prospect	$0.27
Lyons	$0.46	Naperville	$0.20
Machesney Park	$0.41	Naplate	$0.30
Mackinaw	$0.31	Nauvoo	$0.35
Malta	$0.30	Nelson	$0.51
Manhattan	$0.31	New Canton	$0.41
Manteno	$0.35	New Lenox	$0.35
Maple Park	$0.17	New Milford	$0.15
Marengo	$0.16	Newark	$0.33
Markham	$0.41	Niles	$0.29
Marseilles	$0.39	Normal	$0.27
Martinton	$0.32	Norridge	$0.30
Matteson	$0.31	North Aurora	$0.36
Maywood	$0.41	North Barrington	$0.07
Mazon	$0.31	North Riverside	$0.33
McCook	$0.21	Northbrook	$0.23
McCullom Lake	$0.33	Northfield	$0.36
McHenry	$0.28	Northlake	$0.46
Media	($0.04)	Oak Brook	$0.41
Melrose Park	$0.34	Oak Forest	$0.31
Melvin	$0.32	Oak Lawn	$0.21
Mendon	$0.45	Oak Park	$0.09
Mendota	$0.36	Oakbrook Terrace	$0.38
Merrionette Park	$0.46	Oakwood Hills	$0.20
Midlothian	$0.30	Odell	$0.35

1ST INFORMATION SHEET SUPPLEMENTAL TO SHEET NO. 55.51 OF ILL. C. C. NO. 16, SCHEDULE G
(Superseding Original Information Sheet Effective May 1, 2009)

RIDER 2 FRANCHISE COST ADJUSTMENT
Applicable to All Rates Except 17, 19 and 21

Name of Local Governmental Unit	Franchise Cost Adjustment	Name of Local Governmental Unit	Franchise Cost Adjustment
Ohio	$0.33	Rankin	$0.40
Olympia Fields	$0.34	Ransom	$0.19
Onarga	$0.40	Rantoul	$0.48
Oquawka	$0.21	Raritan	$0.32
Orangeville	$0.30	Reddick	$0.30
Oregon	$0.34	Richmond	$0.31
Orland Hills	$0.52	Richton Park	$0.27
Orland Park	$0.18	Ringwood	$0.21
Oswego	$0.22	River Forest	$0.50
Ottawa	$0.16	River Grove	$0.59
Palatine	$0.21	Riverdale	$0.41
Palos Heights	$0.33	Riverside	$0.37
Palos Hills	$0.23	Robbins	$0.92
Palos Park	$0.33	Rochelle	$0.37
Papineau	$0.52	Rock City	$0.43
Park Forest	$0.36	Rock Falls	$0.43
Park Ridge	$0.26	Rockdale	$0.27
Paw Paw	$0.22	Rockford	$0.20
Paxton	$0.34	Rolling Meadows	$0.39
Payson	$0.46	Romeoville	$0.19
Pearl City	$0.34	Roscoe	$0.36
Pecatonica	$0.46	Roselle	$0.32
Peotone	$0.34	Rosemont	$1.08
Phoenix	$0.89	Round Lake	$0.33
Pingree Grove	($0.14)	Round Lake Beach	$0.40
Piper City	$0.38	Round Lake Heights	$0.59
Plainfield	$0.29	Round Lake Park	$0.23
Plainville	$0.21	Sandwich	$0.34
Plano	$0.15	Sauk Village	$0.55
Polo	$0.36	Saunemin	$0.40
Pontiac	$0.40	Saybrook	$0.37
Pontoosuc	$0.49	Schaumburg	$0.22
Poplar Grove	$0.10	Schiller Park	$0.62
Port Barrington	$0.35	Secor	$0.37
Posen	$0.28	Seneca	$0.30
Potomac	$0.50	Shabbona	$0.43
Prairie Grove	$0.61	Shannon	$0.36
Princeton	$0.34	Sheldon	$0.37
Prophetstown	$0.20	Sheridan	$0.43
Prospect Heights	$0.63	Shorewood	$0.33

1ST INFORMATION SHEET SUPPLEMENTAL TO SHEET NO. 55.51 OF ILL. C. C. NO. 16, SCHEDULE G
(Superseding Original Information Sheet Effective May 1, 2009)

RIDER 2 FRANCHISE COST ADJUSTMENT
Applicable to All Rates Except 17, 19 and 21

Name of Local Governmental Unit	Franchise Cost Adjustment	Name of Local Governmental Unit	Franchise Cost Adjustment
Sibley	$0.33	Ursa	$0.41
Skokie	$0.25	Verona	$0.38
Sleepy Hollow	$0.38	Villa Park	$0.33
Somonauk	$0.21	Volo	$0.28
South Barrington	$0.12	Walnut	$0.20
South Chicago Heights	$0.39	Warren	$0.49
South Elgin	$0.44	Warrenville	$0.33
South Holland	$0.34	Warsaw	$0.32
South Wilmington	$0.34	Waterman	$0.27
Spring Grove	$0.49	Watseka	$0.42
St. Anne	$0.15	Wauconda	$0.36
St. Charles	$0.29	Wayne	$0.11
Steger	$0.39	West Brooklyn	$0.92
Sterling	$0.37	West Chicago	$0.45
Steward	$0.23	West Dundee	$0.41
Stickney	$0.46	West Point	$0.22
Stillman Valley	$0.09	Westchester	$0.33
Stockton	$0.35	Western Springs	$0.40
Stone Park	$0.60	Westmont	$0.35
Strawn	$0.31	Wheaton	$0.24
Streamwood	$0.25	Wheeling	$0.30
Streator	$0.31	Willow Springs	$0.35
Stronghurst	$0.05	Willowbrook	$0.45
Sublette	$0.42	Wilmette	$0.33
Sugar Grove	$0.34	Wilmington	$0.33
Summit	$0.49	Winfield	$0.49
Sun River Terrace	$0.61	Winnebago	$0.37
Sycamore	$0.32	Wonder Lake	$0.23
Tampico	$0.35	Wood Dale	$0.35
Thomasboro	$0.40	Woodland	$0.19
Thornton	$0.50	Woodridge	$0.30
Tinley Park	$0.21	Woodstock	$0.31
Tiskilwa	$0.34	Worth	$0.57
Towanda	$0.49	Yorkville	$0.32
Tower Lakes	$0.25		
Trout Valley	$0.58		
Troy Grove	$0.32		
Union	$0.35		
Union Hill	($0.18)		
University Park	$0.38		

ATTACHMENT 5

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FRANCHISE COST PERCENTAGE BY MUNICIPALITY

FRANCHISE COST PERCENTAGES

Supplement to Rider FCA (1)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
ADDISON	3.453%	4.647%
ADELINE	10.271%	11.350%
ALGONQUIN	3.074%	3.051%
ALSIP	1.908%	1.951%
AMBOY	3.361%	3.531%
ANTIOCH	3.736%	3.717%
APPLE RIVER	3.100%	2.660%
ARLINGTON HEIGHTS	7.354%	5.642%
AROMA PARK	4.999%	4.456%
ASHTON	0.890%	1.051%
AURORA	3.822%	4.248%
BANNOCKBURN	1.021%	1.004%
BARRINGTON	4.806%	4.785%
BARRINGTON HILLS	2.256%	2.276%
BARTLETT	2.882%	2.694%
BEACH PARK	1.069%	1.000%
BEDFORD PARK	1.665%	1.744%
BEECHER	1.817%	1.742%
BELLWOOD	4.282%	4.373%
BELVIDERE	2.332%	1.690%
BENSENVILLE	2.661%	2.618%
BENSON	1.465%	1.544%
BERKELEY	2.566%	2.656%
BERWYN	3.854%	3.880%
BIG ROCK	5.276%	1.439%
BLOOMINGDALE	3.555%	4.128%
BLUE ISLAND	4.181%	4.144%
BOLINGBROOK	4.305%	3.570%
BONFIELD	1.043%	0.881%
BOURBONNAIS	2.891%	2.755%
BRACEVILLE	1.937%	2.132%
BRADLEY	2.364%	2.564%
BRAIDWOOD	1.884%	1.597%
BRIDGEVIEW	2.931%	2.951%
BROADVIEW	2.843%	2.830%
BROOKFIELD	3.940%	3.561%
BUCKINGHAM	2.181%	2.367%
BUFFALO GROVE	2.889%	2.912%
BULL VALLEY	2.296%	2.263%
BURBANK	2.181%	2.369%
BURLINGTON	0.000%	0.000%
BURNHAM	4.712%	4.110%
BURR RIDGE	1.619%	1.563%
BYRON	2.374%	2.060%
CABERY	6.214%	2.926%
CALUMET CITY	3.459%	4.024%
CALUMET PARK	3.050%	3.017%
CAMPUS	0.605%	0.000%
CAPRON	0.000%	0.000%
CARBON HILL	6.443%	7.225%

(Continued on Informational Sheet No. 11)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 10)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
CAROL STREAM	1.862%	2.573%
CARPENTERSVILLE	2.780%	2.725%
CARY	2.355%	2.532%
CEDARVILLE	5.127%	5.166%
CHANNAHON	4.210%	3.516%
CHERRY VALLEY	3.310%	3.204%
CHICAGO HEIGHTS	3.918%	3.728%
CHICAGO RIDGE	4.075%	4.163%
CICERO	3.917%	8.738%
CLARENDON HILLS	4.638%	4.402%
COAL CITY	1.387%	1.309%
COLETA	2.724%	3.069%
COMPTON	2.057%	1.913%
CORNELL	4.057%	2.597%
CORTLAND	0.968%	0.962%
COUNTRY CLUB HILLS	4.997%	6.079%
COUNTRYSIDE	3.111%	3.083%
CRESTHILL	1.329%	1.321%
CRESTWOOD	2.512%	2.488%
CRETE	3.209%	3.178%
CRYSTAL LAKE	5.906%	4.397%
DAKOTA	0.444%	0.261%
DANA	3.990%	3.689%
DARIEN	1.832%	1.840%
DAVIS	0.832%	0.524%
DAVIS JUNCTION	4.135%	4.914%
DEER GROVE	2.052%	2.090%
DEER PARK	1.275%	1.157%
DEERFIELD	3.056%	2.891%
DEKALB	2.738%	2.741%
DES PLAINES	3.714%	2.994%
DIAMOND	0.776%	2.111%
DIXMOOR	1.743%	4.347%
DIXON	2.826%	2.912%
DOLTON	2.844%	2.846%
DOWNERS GROVE	3.158%	3.058%
DURAND	1.205%	1.136%
DWIGHT	2.046%	2.069%
EARLVILLE	1.044%	1.002%
EAST BROOKLYN	0.699%	0.710%
EAST DUNDEE	2.204%	2.166%
EAST HAZELCREST	16.998%	11.853%
ELBURN	1.984%	1.863%
ELGIN	3.944%	3.097%
ELK GROVE VIL	2.699%	2.506%
ELMHURST	5.346%	4.701%
ELMWOOD PARK	4.805%	4.656%
ELWOOD	4.354%	3.817%
EMINGTON	3.495%	3.182%
ERIE	0.900%	0.882%

(Continued on Informational Sheet No. 12)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 11)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
ESSEX	4.859%	5.132%
EVANSTON	4.161%	3.332%
EVERGREEN PARK	3.813%	3.731%
FLOSSMOOR	8.824%	8.482%
FORD HEIGHTS	13.706%	12.996%
FOREST PARK	3.202%	2.999%
FORESTVIEW	21.443%	14.242%
FORRESTON	3.168%	3.292%
FOX LAKE	4.510%	4.231%
FOX RIVER GR	1.859%	1.838%
FRANKFORT	1.353%	1.406%
FRANKLIN GROVE	8.238%	5.648%
FRANKLIN PARK	1.489%	1.511%
FREEPORT	3.178%	3.231%
FULTON	1.667%	2.241%
GARDNER	4.829%	4.826%
GENOA	5.242%	5.062%
GERMAN VALLEY	4.839%	5.274%
GILBERTS	1.962%	1.767%
GLEN ELLYN	3.937%	3.972%
GLENCOE	4.759%	4.677%
GLENDALE HEIGHTS	2.677%	2.201%
GLENVIEW	4.860%	4.607%
GLENWOOD	5.001%	4.757%
GODLEY	2.216%	1.818%
GOLF	3.410%	2.932%
GRAND RIDGE	1.330%	1.262%
GRANT PARK	1.984%	1.951%
GRAYSLAKE	2.405%	2.271%
GREEN OAKS	0.368%	0.295%
GREENWOOD	1.551%	0.487%
GURNEE	3.361%	3.310%
HAINESVILLE	1.299%	1.440%
HAMPSHIRE	1.159%	1.151%
HANOVER PARK	3.744%	3.732%
HARMON	4.930%	4.457%
HARVARD	2.565%	2.969%
HARVEY	4.324%	4.473%
HARWOOD HEIGHTS	3.137%	3.222%
HAWTHORN WOODS	2.462%	2.235%
HAZELCREST	3.881%	3.826%
HEBRON	5.744%	6.268%
HERSCHER	3.335%	3.577%
HICKORY HILLS	3.379%	3.192%
HIGHLAND PARK	4.778%	4.526%
HIGHWOOD	4.000%	3.845%
HILLSIDE	3.930%	5.422%
HINCKLEY	1.435%	1.337%
HINSDALE	4.427%	4.127%
HODGKINS	1.807%	1.689%
HOFFMAN ESTATES	3.164%	3.049%

(Continued on Informational Sheet No. 13)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 12)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
HOLIDAY HILLS	1.160%	1.285%
HOMER GLEN	3.279%	2.648%
HOMETOWN	6.932%	6.609%
HOMEWOOD	2.565%	2.261%
HOOPPOLE	4.326%	3.911%
HOPKINS PARK	3.593%	3.552%
HUNTLEY	5.064%	4.264%
INDIAN CREEK	0.000%	0.000%
INDIAN HEAD PARK	3.113%	3.243%
INVERNESS	0.580%	0.642%
IRWIN	0.000%	0.000%
ISLAND LAKE	3.804%	3.764%
ITASCA	2.877%	3.128%
JOHNSBURG	6.156%	5.705%
JOLIET	3.048%	3.017%
JUSTICE	2.083%	1.965%
KANGLEY	7.090%	6.231%
KANKAKEE	1.342%	1.502%
KEMPTON	1.598%	1.409%
KENILWORTH	3.741%	4.624%
KILDEER	2.124%	2.247%
KINGSTON	0.702%	0.663%
KINSMAN	0.000%	0.000%
KIRKLAND	1.762%	1.678%
LA GRANGE	6.393%	6.649%
LA GRANGE PARK	2.308%	2.226%
LAKE BARRINGTON	0.719%	0.747%
LAKE BLUFF	3.957%	4.037%
LAKE FOREST	6.742%	7.083%
LAKE IN THE HILLS	2.478%	2.547%
LAKE VILLA	2.689%	2.308%
LAKE ZURICH	3.686%	3.515%
LAKEMOOR	0.604%	1.216%
LAKEWOOD	1.475%	1.532%
LANARK	1.961%	2.110%
LANSING	2.738%	2.898%
LEAF RIVER	22.602%	18.157%
LEE	1.996%	2.635%
LELAND	1.060%	0.620%
LEMONT	2.148%	2.776%
LENA	0.861%	0.741%
LEONORE	3.039%	3.305%
LIBERTYVILLE	3.074%	2.936%
LIMESTONE	0.024%	0.034%
LILY LAKE	0.000%	0.000%
LINCOLNSHIRE	1.736%	1.729%
LINCOLNWOOD	3.921%	4.007%
LINDENHURST	1.698%	1.557%
LISBON	1.749%	1.634%
LISLE	1.969%	2.798%
LOCKPORT	2.472%	2.529%

(Continued on Informational Sheet No. 14)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 13)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
LOMBARD	3.562%	3.358%
LONG GROVE	0.111%	0.106%
LONG POINT	1.336%	1.536%
LOSTANT	7.130%	7.434%
LOVES PARK	1.498%	1.443%
LYNDON	2.624%	3.058%
LYNWOOD	5.097%	4.512%
LYONS	4.948%	8.016%
MACHESNEY PARK	0.496%	0.687%
MALTA	1.705%	1.689%
MANHATTAN	1.060%	0.956%
MANTENO	2.347%	2.423%
MAPLE PARK	3.335%	3.147%
MARENGO	1.771%	1.762%
MARKHAM	2.567%	3.278%
MATTESON	4.640%	7.411%
MAYWOOD	2.945%	2.997%
MAZON	6.533%	7.109%
MC COOK	3.147%	3.102%
MCCULLOM LAKE	1.771%	1.947%
MCHENRY	1.915%	1.950%
MELROSE PARK	3.516%	3.949%
MENDOTA	2.416%	2.030%
MERRIONETTE PK	10.489%	10.470%
METTAWA	0.046%	0.046%
MIDLOTHIAN	3.374%	3.295%
MILLEDGEVILLE	1.486%	1.534%
MINONK	2.779%	2.274%
MINOOKA	1.062%	0.969%
MOKENA	1.079%	1.106%
MOMENCE	1.767%	1.813%
MONEE	2.576%	2.371%
MONROE CENTER	1.539%	1.461%
MONTGOMERY	2.831%	3.198%
MORRIS	0.721%	1.100%
MORRISON	3.587%	3.506%
MORTON GROVE	6.677%	5.605%
MOUNT PROSPECT	6.187%	5.612%
MT MORRIS	1.234%	5.266%
MUNDELEIN	5.040%	4.331%
NELSON	0.975%	0.991%
NEW LENOX	4.084%	3.885%
NEW MILLFORD	3.461%	2.739%
NILES	5.645%	6.220%
NORA	0.483%	0.496%
NORRIDGE	2.724%	2.637%
NORTH AURORA	3.037%	2.943%
NORTH BARRINGTON	0.591%	0.617%
NORTH CHICAGO	3.480%	3.725%
NORTH RIVERSIDE	10.832%	10.419%

(Continued on Informational Sheet No. 15)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 14)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
NORTHBROOK	4.609%	4.188%
NORTHFIELD	4.032%	3.821%
NORTHLAKE	1.612%	1.424%
OAK FOREST	2.835%	2.721%
OAK LAWN	5.396%	4.507%
OAK PARK	10.718%	6.402%
OAKBROOK	4.377%	3.616%
OAKBROOK TER	0.984%	1.305%
OAKWOOD HILLS	1.689%	1.502%
ODELL	2.325%	2.563%
OHIO	0.226%	0.244%
OLD MILL CREEK	2.149%	2.762%
OLYMPIA FIELDS	5.845%	6.143%
ORANGEVILLE	1.428%	1.072%
OREGON	1.109%	1.132%
ORLAND HILLS	5.974%	5.361%
ORLAND PARK	4.660%	4.578%
OSWEGO	2.634%	3.079%
PALATINE	2.761%	2.670%
PALOS HEIGHTS	4.975%	4.892%
PALOS HILLS	2.035%	2.005%
PALOS PARK	4.756%	4.435%
PARK CITY	0.711%	0.719%
PARK FOREST	5.484%	5.833%
PARK RIDGE	2.844%	4.188%
PAW PAW	4.133%	4.031%
PEARL CITY	1.108%	0.770%
PECATONICA	0.762%	0.860%
PEOTONE	1.346%	1.374%
PHOENIX	7.473%	7.117%
PINGREE GROVE	1.468%	5.139%
PLAINFIELD	5.663%	5.033%
PLANO	1.665%	1.637%
POLO	1.743%	1.359%
PONTIAC	2.644%	2.521%
POPLAR GROVE	1.633%	1.687%
PORT BARRINGTON	1.233%	1.060%
POSEN	7.279%	7.269%
PRAIRIE GROVE	1.300%	1.169%
PROPHETSTOWN	2.665%	1.939%
PROSPECT HEIGHTS	1.577%	1.621%
RANSOM	1.689%	1.470%
REDDICK	1.046%	1.126%
RICHMOND	3.322%	3.628%
RICHTON PARK	3.514%	3.391%
RIDOTT	3.818%	3.685%
RIVER FOREST	5.532%	5.316%
RIVER GROVE	3.460%	3.371%
RIVERDALE	2.727%	2.600%
RIVERSIDE	8.581%	6.059%

(Continued on Informational Sheet No. 16)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 15)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
RIVERWOODS	0.709%	0.693%
ROBBINS	7.999%	6.966%
ROCK CITY	0.816%	0.813%
ROCKDALE	2.524%	2.548%
ROCKFORD	4.410%	3.966%
ROLLING MDWS	4.339%	4.330%
ROMEOVILLE	2.509%	2.595%
ROSCOE	0.834%	0.797%
ROSELLE	4.128%	4.056%
ROSEMONT	3.286%	3.370%
ROUND LAKE	2.750%	2.800%
ROUND LAKE BEACH	3.288%	3.169%
ROUND LAKE HEIGHTS	3.190%	3.415%
ROUND LAKE PARK	2.283%	2.163%
RUTLAND	2.172%	2.208%
SANDWICH	2.072%	1.978%
SAUK VILLAGE	4.008%	6.007%
SAUNEMIN	3.724%	3.106%
SCALES MOUND	1.488%	1.796%
SCHAUMBURG	3.105%	2.619%
SCHILLER PARK	2.833%	3.090%
SENECA	1.649%	1.647%
SHABBONA	3.086%	2.985%
SHANNON	0.931%	0.590%
SHOREWOOD	2.675%	2.064%
SKOKIE	4.501%	4.354%
SLEEPY HOLLOW	1.998%	2.007%
SO CHICAGO HEIGHTS	3.253%	3.180%
SOMONAUK	1.318%	1.319%
SOUTH BARRINGTON	0.416%	0.000%
SOUTH ELGIN	1.779%	2.003%
SOUTH HOLLAND	3.315%	3.294%
SOUTH WILMINGTON	4.249%	4.440%
SPRING GROVE	1.409%	1.649%
ST ANNE	1.744%	1.845%
STEGER	3.553%	3.919%
STERLING	2.093%	2.548%
STEWARD	0.000%	0.000%
STICKNEY	2.964%	2.928%
STILLMAN VALLEY	0.197%	0.194%
STOCKTON	0.898%	0.824%
STONE PARK	7.635%	7.582%
STREAMWOOD	3.816%	3.984%
STREATOR	2.772%	2.894%
SUBLETTE	1.437%	1.032%
SUGAR GROVE	2.271%	2.414%
SUMMIT	3.017%	3.055%
SUN RIVER TERRACE	0.849%	0.826%
SYCAMORE	3.118%	3.256%
SYMERTON	0.000%	0.000%

(Continued on Informational Sheet No. 17)

FRANCHISE COST PERCENTAGES

(Continued from Informational Sheet No. 16)

Municipality	FC% Applicable Beginning with the June 2009 Monthly Billing Period and Extending Through the May 2010 Monthly Billing Period (2)	FC% Applicable Beginning with the June 2010 Monthly Billing Period and Extending Through the May 2011 Monthly Billing Period (2)
TAMPICO	2.209%	2.076%
THIRD LAKE	0.941%	1.105%
THORNTON	3.732%	2.950%
TINLEY PARK	3.213%	3.179%
TOLUCA	0.000%	0.429%
TONICA	3.369%	2.886%
TOWER LAKE	1.211%	1.310%
UNION	0.573%	0.566%
UNION HILL	0.000%	0.000%
UNIVERSITY PARK	1.278%	0.168%
VERNON HILLS	3.946%	4.184%
VERONA	0.582%	0.607%
VILLA PARK	4.684%	4.451%
VIRGIL	0.000%	0.000%
VOLO	1.936%	2.622%
WADSWORTH	1.151%	1.183%
WALNUT	2.232%	2.086%
WARREN	2.773%	3.016%
WARRENVILLE	2.433%	2.742%
WATERMAN	1.918%	1.808%
WAUCONDA	2.827%	2.651%
WAUKEGAN	3.715%	3.310%
WAYNE	0.637%	0.648%
WENONA	6.023%	5.453%
WEST BROOKLYN	3.160%	4.340%
WEST CHICAGO	1.939%	1.869%
WEST DUNDEE	5.779%	5.593%
WESTCHESTER	3.577%	3.515%
WESTERN SPRINGS	8.407%	8.306%
WESTMONT	4.705%	4.920%
WHEATON	6.383%	5.204%
WHEELING	2.419%	3.132%
WILLOW SPRINGS	4.469%	4.139%
WILLOWBROOK	1.116%	1.197%
WILMETTE	6.626%	7.169%
WILMINGTON	2.139%	1.990%
WINFIELD	1.592%	1.578%
WINNEBAGO	2.964%	2.809%
WINSLOW	1.765%	6.589%
WINTHROP HARBOR	5.535%	5.036%
WONDER LAKE	1.250%	1.786%
WOOD DALE	1.421%	1.604%
WOODRIDGE	3.634%	3.622%
WOODSTOCK	4.273%	4.450%
WORTH	3.296%	3.192%
YORKVILLE	4.383%	4.701%
ZION	3.606%	3.343%

NOTES:

(1) These Franchise Cost Percentages informational sheets are supplemental to Sheet No. 250 through Sheet No. 252 in Rider FCA - Franchise Cost Additions (Rider FCA).

(2) For a retail customer located in a municipality listed herein, the FC% shown for such municipality is applied to the sum of the Customer Charge, Standard Metering Service Charge, Distribution Facilities Amount and Rental Amount applicable to the retail customer for each monthly billing period pursuant to Rider FCA.

ATTACHMENT 6

MODEL ELECTRIC FRANCHISE AGREEMENT LANGUAGE WITHOUT UNBILLED ELECTRICITY

Attachment 6 - Model Electric Franchise Agreement Language Changes, without Unbilled Electricity[1]

Section 8.1 Municipal Compensation. The Licensee will during each calendar year throughout the life of the Ordinance **and at the option of the Village (City), cash payments equal to the average retail price per kwh over the previous year multiplied by either a) Village (City)'s kwh allotment, defined as X times the population of the Village (City), or b) the average annual kwh use for lighting and various other uses during 2XXX – 2YYY [the three year period prior to revision/adoption of this agreement, or another three-year period that would be more representative or that precedes any recent energy efficiency upgrades carried out by the municipality] at eligible municipal** buildings, defined as those municipal buildings solely occupied for municipal purposes and not for purposes of revenue (or such part thereof as may from time to time be so occupied) as may be identified as eligible for such electric energy by the parties; and (2) traffic signals **. Under option b, if the Village (City) obtains any new eligible municipal buildings after revision/adoption of this agreement, the Licensee will provide additional cash payments equal to the average retail price per kwh over the previous year multiplied by Z multiplied the number of square feet of space in the new building [where Z equals average kwh/square foot for similar buildings]. Under option b,** the foregoing arrangement shall be effective beginning with readings made after the date hereof of meters measuring electric energy for the above purposes at locations set forth in Exhibit B hereto. Exhibit B shall be amended from time to time during the term of this Ordinance so as to maintain a current list of the locations and traffic signals eligible to receive service under the terms of this section. For the purposes of calculating the amount of electricity used at eligible municipal buildings, electricity used for heating, street lighting, water pumping or other such power purposes shall not be included.

[1] This form of electric franchise agreement was adapted from the standard Commonwealth Edison Company agreement such as was adopted by the Village of Schaumburg (1992)

ATTACHMENT 7

MODEL GAS FRANCHISE AGREEMENTS LANGUAGE WITHOUT UNBILLED GAS

Attachment 7 - Model Gas Franchise Agreement Language, without Unbilled Gas[1]

9.b Grantee agrees, beginning **_____________**, and for the remaining term of the effectiveness of this Ordinance **and at the option of the Municipality to provide compensation equal to the average retail price per therm over the previous year multiplied by either a) the Municipality's therm allotment, defined as X times the population of the Village (City), or b) the average annual therm use for heating during 2XXX – 2YYY [the three year period prior to revision/adoption of this agreement, or another three-year period that would be more representative or that precedes any recent energy efficiency upgrades carried out by the municipality] at** Municipal buildings (so long as they are non-revenue producing, except the Municipal water building and are used exclusively for Municipal purposes)**. Under option b, if the Village (City) obtains any new eligible municipal buildings after revision/adoption of this agreement, the Licensee will provide additional cash payments equal to the average retail price per therm over the previous year multiplied by Z multiplied the number of square feet of space in the new building [where Z equals average kwh/square foot for similar buildings]. Under option b,** the foregoing arrangement shall be effective beginning with readings made after the date hereof of meters measuring gas for the above purposes at locations set forth in Exhibit B hereto. Exhibit B shall be amended from time to time during the term of this Ordinance so as to maintain a current list of the locations eligible to receive service under the terms of this section.

[1] This form of gas franchise agreement was adapted from the standard Ameren/Illinois Power Company agreement as was adopted by the City of Decatur

ATTACHMENT 8

SEPTEMBER 15, 2010 MEETING NOTES

ATTACHMENT 8 - September 15, 2010 Meeting Notes

On September 15, 2010, U.S. EPA invited participants in the Franchise Agreement Study and other stakeholders to a meeting held at U.S. EPA offices in Chicago to review findings from its report regarding the impact on energy efficiency of unbilled (free) energy that Illinois municipalities receive from electric and natural gas utilities under existing municipal franchise agreements. The review was followed by a general discussion of the report and related topics of interest to meeting participants. Comments made during the meeting to clarify the Report were addressed through final revisions to the report. Additional items raised in the meeting are briefly discussed below.

One participant raised the concern that franchise agreements in general are flawed because they compensate municipalities based on the amount of energy used rather than based on the amount of right of way in the municipality. Municipalities need compensation to maintain the rights of way, and this need is not related to energy use. He also suggests it would be more appropriate for the costs to be born by shareholders rather than taxpayers or ratepayers.

A representative from one municipality stated that they would like to see good stewardship acknowledged somehow by utilities. Even if the utility cannot offer a financial reward for energy efficiency investments, they would like to see the investments reflected on utility bills to residents, or otherwise communicated, so the community can see the impact.

A representative from one municipality stated that they would not be likely to make energy efficiency investments without the outside funds from the Energy Efficiency and Conservation Block Grants (EECBG), Illinois Department of Commerce and Economic Opportunity (DCEO) and others to stretch their dollars.

A representative from one municipality stated they do not know what their compensation from utilities is; it is hard to track that information. Additionally, the cash they receive from the utility goes to the general fund and does not get set aside for energy efficiency.

A representative from Com Ed stated there is a benefit to maintaining the status quo in franchise agreements. Having stable franchise agreements is reassuring to investors, helping to reduce capital costs and therefore helping to keep energy costs low.

A representative of DCEO stated they have difficulty in using all of funding set aside for energy efficiency grants for municipalities due to low participation from municipalities that cannot come up with matching funds. All participants agreed that the national economic situation makes it difficult to provide matching funds and that the American Recovery and Reinvestment Act (ARRA) funding helped their communities.