

OFFICIAL FILE
ILLINOIS COMMERCE COMMISSION STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

CONSUMERS ILLINOIS WATER COMPANY)
Petition for (1) approval of Water Supply Agreement,)
including special treatment of main extension) Docket 00- 0591
deposits and capital contribution for supply plant;)
and (2) approval of a Large Industrial Service tariff)
sheet.)

VERIFIED PETITION

Consumers Illinois Water Company (“CIWC” or the “Company”) hereby requests that the Illinois Commerce Commission (“Commission”) enter an Order: (1) approving a Water Supply Agreement (“Agreement”) between CIWC and Duke Energy Kankakee, LLC (“Duke”), which, inter alia, establishes rates and charges for water service, provides for a contribution related to an extension of mains which varies from the terms of the Company’s existing Main Extension Deposit Rule and requires a deposit related to supply plant; and; (2) authorizing the filing of a tariff sheet establishing rates consistent with the Agreement.

In support of this Petition, CIWC states as follows:

1. CIWC presently provides water and sewer public utility service to the public in certain areas of Will, Kankakee, Boone, Know, Lee, and Vermilion Counties in the State of Illinois. CIWC is a public utility within the meaning of Section 3-105 of the Act (220 ILCS 5/3-105).

Provisions of the Agreement

2. Subject to approval by the Commission, CIWC and Duke have entered into the Agreement, pursuant to which CIWC will be the exclusive provider of water to an approximately 620 megawatt electric generating facility (the "Project") that Duke plans to construct, equip, and operate in the service area of CIWC's Kankakee Division. A complete copy of the Agreement is attached hereto as Attachment "A."

3. Duke has available to it alternative sources of water supply for the Project.

4. The Project is expected to be fully operational on or after May 1, 2002.

5. The Agreement has an initial term of twenty years. In accordance with the Agreement, Duke has an option to extend the Agreement for two additional five year periods; and the parties may mutually agree to extend the Agreement for additional five year periods.

6. Under the Agreement, CIWC will provide water for the project ("Project Operations Water") at rates of flow required for the Project's operations. The specified rates of flow and the date at which each rate of flow must be provided (each date being subject to modification in accordance with the Agreement) are set forth in section 3(f) of the Agreement.

7. The date upon which CIWC is able to provide water at a rate of flow of 4,000 gallons per minute ("gpm") is referred to in the Agreement as the Substantial Operations Date. The date upon which CIWC is able to provide a rate of flow of 4,200 gpm is called the Operations Commencement Date.

8. On and after the Substantial Operations Date, the Project's maximum daily flow will be 6.0 million gallons per day ("mgd"). Based on current data, CIWC anticipates that the Project will be CIWC's largest water customer.

Rates and Charges

9. Under the Agreement, commencing on the Substantial Operations Date (projected to be March 1, 2002), and continuing until the later of January 1, 2005 or the date that new rates and charges are approved by the Commission, Duke will pay to CIWC a Fixed Customer Charge of \$16,667 per month. In addition, Duke will pay for all water consumed at a rate of \$0.75 per one thousand gallons (with a higher charge being applicable to consumption which exceeds the applicable maximum rate of flow). The Agreement also requires that Duke pay applicable private fire service charges, and charges for add-on taxes, surcharges, franchise and other fees imposed by CIWC, but payable to other entities.

10. Under the rates set forth in the Agreement, Duke will provide revenues consistent with the fully allocated cost of service for the Project, as supported by a cost-of-service study which will be submitted in evidence in the proceeding conducted to review this Petition. The rates set forth in the Agreement are, therefore, just and reasonable and should be approved.

11. Under the rates set forth in the Agreement, the Project will provide substantial revenues to cover fixed costs associated with providing water service, and thereby tend to reduce the cost per unit of water service provided to all customers. All customers will, therefore, benefit from the extension of service to the Project.

12. Prior to the Substantial Operations Date, Duke will pay the rates set forth in CIWC's effective tariffs on file with the Commission.

13. As of the later of January 1, 2005 or the date upon which new rates and charges are approved by the Commission, Duke will pay such rates and charges as the Commission may approve.

14. Because the rates established by the Agreement are subject to change, CIWC proposes to reflect those rates on a tariff sheet substantially in the form of Attachment "B" to this Verified Petition. In the event that a change in rates is proposed by CIWC (to take effect after January 1, 2005), a new tariff sheet would be filed in accordance with Section 9-201 of the Illinois Public Utilities Act ("Act") (220 ILCS 5/9-201).

Contribution for Mains and Supply Plant

15. To receive water service at the rates of flow required by the Agreement, extensive additions to the existing plant of CIWC's Kankakee Division, including new water transmission mains and additions to supply plant, will be required.

16. To serve the Project, CIWC will be required to construct the 20" Ductile Iron water transmission mains identified in Appendix "A" to the Agreement ("Mains") at an estimated cost of \$4,970,000.

17. The additional supply plant needed to provide water in accordance with the Agreement includes a Water Storage Tank (Standpipe), Booster Station and Expansion of the Kankakee Water Treatment Plant. As detailed on Appendix "A" of the Agreement, the cost of these facilities ("Supply Facilities") is estimated to be \$10,755,000.

18. Under the Agreement, Duke will provide a capital contribution in the amount of \$15,725,000 (the "Capital Contribution") to cover the estimated cost of the Mains and Supply Facilities (jointly, the "CIWC Facilities"). The Capital Contribution will be placed in an interest bearing escrow account. CIWC will draw down the account (principal and interest) as needed to pay for the construction of the CIWC Facilities. In the event that the costs of construction exceed the amount of the Capital Contribution, the interest accrued on the account would be used as available to pay for such additional costs. The Agreement does not require that

Duke provide an additional contribution in the event that actual construction costs for the CIWC Facilities exceeds the estimate, or provide for a refund to Duke if construction costs are below the estimate.

19. Section 600.370 of the Commission's Rules and Regulations (83 Ill. Admin. Code §600.370) requires that that a water utility provide all supply (backbone) plant at its cost without requiring a contribution, ". . . except in those unusual cases where extensive plant additions are required before customers can be attached." Where this is the case, Section 600.370, authorizes water utilities to require a contribution, subject to approval of the Commission.

20. The Rules and Regulations of CIWC's Kankakee Division (Ill. C.C. No. 21, ¶ 25) ("Standard Rules") provide for the receipt of contributions when water mains are extended. The provisions of the Agreement related to the capital contribution for mains, however, differ in certain respects from the Standard Rules. Specifically, the Agreement: (i) does not require an additional deposit if the actual construction cost exceeds the estimate or a refund if actual cost is below the estimate; and (ii) the Agreement does not provide for any refund of the capital contribution to the Project or "recapture" related to customer attachments or a further extension of the Mains.

21. In the event that construction cost for the Mains and Supply Plant exceeds the estimate, interest on the escrow account discussed above would be used to the extent available to cover the additional costs. A risk exists, however, that the balance of the escrow account, including interest, could be insufficient to cover a portion of the actual construction, if the actual cost is above the estimate. As a result, CIWC and its customers other than the Project could be required to incur a portion of the costs related to the CIWC Facilities.

22. CIWC believes that the provisions of the Agreement which relate to the Capital Contribution are reasonable and should be approved. As indicated above, Section 600.370 provides that a contribution for supply plant is appropriate when, as is the case here, extensive plant additions are needed to serve a new customer. Furthermore, the required contribution for the Mains is consistent with the intent of the Standard Rules which require that applicants provide funds to cover costs related to main extensions.

23. As noted above, the Agreement does not provide for a refund to Duke in the event that actual construction cost for the Mains and Supply Plant is below the estimated cost or for refund or recapture. The Agreement, however, also does not require Duke to provide additional funds in the event that actual construction costs exceed the estimate.

24. Although customers other than the Project could be required to incur a portion of the cost related to the CIWC Facilities, such a requirement would not be unreasonable. As explained above, other customers will benefit from the extension of service to the Project (as a result of the water operating revenue which the Project will provide). Other customers also will derive significant benefits from installation of the CIWC Facilities. The expansion of the Water Treatment Plant will improve the reliability of the entire Kankakee Division water system, and this will benefit customers systemwide. The Booster Station, Water Storage Tank and related transmission main, which will be installed at the center of the existing system, will enhance the fire flows and pressures for the benefit of all customers and will provide increased reliability during unforeseen interruptions in service. These new facilities also will provide additional flexibility to remove the facilities from service during off-peak periods for ease of maintenance, thereby increasing the reliability of the entire system.

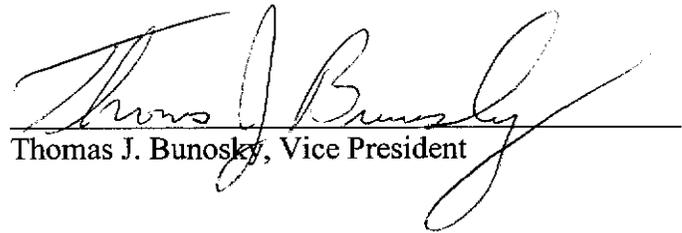
25. The provisions of the Agreement are just and reasonable, and should be approved.

26. Approval of the Agreement (Attachment "A") and tariff sheet (Attachment "B") is in the public interest.

WHEREFORE, Consumers Illinois Water Company requests that the Commission enter an Order: (1) approving the Agreement as filed, including the variance from the provisions of CIWC's Rules, Regulations, and Conditions of Service regarding main extension deposits, and the special contribution for supply plant; (2) approving the tariff sheet that would establish rates for the Large Industrial Class; and (3) granting such other relief as is appropriate and consistent with the Petition.

Respectfully submitted,

CONSUMERS ILLINOIS WATER COMPANY



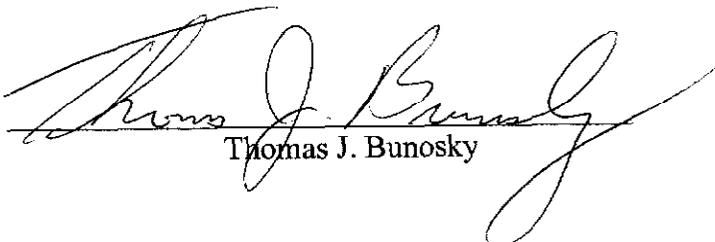
Thomas J. Bunosky, Vice President

Of Counsel:

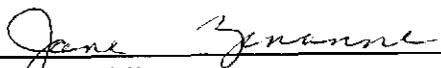
Boyd J. Springer
JONES, DAY, REAVIS & POGUE
77 West Wacker Drive
Suite 3500
Chicago, IL 60601-1692
(312) 782-3939

VERIFICATION

Thomas J. Bunosky, Vice President of Consumers Illinois Water Company, being first duly sworn, states that: (1) he has read the foregoing Verified Petition; (2) he is familiar with the facts stated therein; and (3) the facts stated therein are true and correct to the best of his knowledge.


Thomas J. Bunosky

SUBSCRIBED AND SWORN TO before
me this 1st day of September, 2000.


Notary Public

