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May 13, 2004

Via Facsimile

Mr. John Koty
Sandman, Inc.
14519 Pinewood Drive
Orland Park, IL 60467
Fax: (708) 460-2157

OFFICIAL FILE

C.C. DOCKET NO. 04-614

Joint Exhibit No. 28

Witness _____

6-17-05 Reporter J.J.

**Re: Natural Gas Service Easement to Provide Gas Service to
Recycling Systems, Inc. at 3152 S. California Ave., Chicago, IL**

Dear Mr. Koty:

I am writing in response to Susan Morakalis' letter to Mr. Ralph Barbakoff dated April 2, 2004 regarding the above-referenced matter and the proposed easement agreement for the same.

Itemized below for your consideration are the revisions proposed by The Peoples Gas Light and Coke Company (Peoples Gas) to the terms of access set forth in the draft easement agreement, a copy of which is attached hereto for your reference.

1. Grantee should be The Peoples Gas Light and Coke Company, not Peoples Energy. (See Recitals – Paragraph 1.)
2. Please confirm that the proper address of the subject property is 3154 S. California. (Other documents including the proposed exhibits have identified it as 3152 S. California.) (See Recitals – Paragraph 2.)
3. ¶ 1.01 – The word “at” should be inserted after the word “Facilities” (line 6).
4. ¶ 1.02 – The following should be added to the end of the paragraph: “provided, however, that the District shall not build or allow its lessees or sublessees to build a permanent structure over the location of the Improvements and Facilities.”
5. ¶ 1.04 should be revised to indicate that Grantee shall have no responsibility to pay any real estate taxes for the Easement Premises.

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6. ¶ 2.02 should be revised to provide as follows:

The construction and installation of the Improvements and Facilities by the Grantee on the Easement Premises shall be performed to the reasonable satisfaction of the Chief Engineer of the District; provided, however, that in no event shall the District shall require use of materials or installation practices that are inconsistent with Grantee's standard practices and guidelines, nor shall the District require construction inconsistent with Grantee's specifications.

7. ¶ 2.04 should be deleted and replaced with the following: In the event that the District sustains any costs related to the construction of sewers, reservoirs or any other surface of underground structures caused by the presence of the Improvements and Facilities, all such costs shall be borne solely by the District, and Grantee's liability shall be limited to the relocation of the Improvements and Facilities by Grantee, if required.

8. ¶ 2.05 should be deleted in its entirety. (This property does not involve a waterway and any costs of relocation or removal required to facilitate the corporate purposes of the District should be borne solely by the District.)

9. ¶ 3.01 – The following should be inserted after the word "granted" in line 3:

"and subject to the restrictions on the use and occupancy of the Easement Premises by the District, its lessees and sublessees set forth herein"

10. ¶ 3.02 – The following should be inserted after the phrase "in consequence of" (line 6): "any negligent or willful acts or omissions of Grantee, its contractors, subcontractors or agents with respect to this Easement Agreement". The following should be stricken: all wording following "in consequence of" (line 6) up to and including the word "agents" (line 9).

11. ¶ 4.04 – This paragraph should be deleted in its entirety and replaced with the following:

"Notwithstanding the provisions of paragraphs 4.01, 4.02 and 4.03 above, in no instance shall Grantee be required to remove any subsurface portion of the Improvements or Facilities from the Easement Premises or bear any costs associated therewith. Upon termination or expiration of this Easement Agreement, Grantee shall solely be responsible for the removal of the above-ground

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portion of the Improvements and Facilities, if any, and the purging of the subsurface gas main. The parties hereby expressly agree that Grantee shall have the right to abandon the subsurface portion of the Improvements and Facilities in place."

12. ¶ 5.01 – This paragraph should be stricken in its entirety and replaced with the following: "If the District incurs any additional expense for additional work which the District would not have had to incur if this Easement had not been executed, then, in that event Grantee's liability shall be limited solely to the relocation by Grantee of the Improvements and Facilities on the District's property and Grantee shall not be responsible for payment to the District of any costs in connection with the same."
13. ¶ 5.02 – After the word "any" in line 5, the following should be inserted: "negligent or willful".
14. ¶ 5.03 – After the word "premises" in the final line (line 7), the following should be inserted: "except to the extent that such loss, cost or expense is caused by the negligent or willful acts or omissions of the District, the District's agents, employees, contractors, subcontractors, lessees or sublessees or anyone else acting through or on behalf of the District, its agents, employees, contractors, subcontractors, lessee or sublessees."
15. ¶ 6.02 should be stricken in its entirety.
16. ¶ 6.03 – Change Grantee's address to:

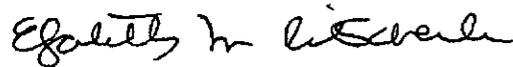
The Peoples Gas Light and Coke Company
130 E. Randolph Dr.
Chicago, IL 60601
Attn: Manager of Engineering
17. ¶ 7.02 – The word "Permit" (line 4) should be replaced with "Easement Agreement."
18. ¶ 7.05 – The referenced Exhibit B has not yet been provided to Peoples Gas for review. A copy must be tendered for review and approved or this paragraph must be stricken.
19. ¶ 8.02 should be stricken in its entirety.
20. Peoples Gas has objected to Article 9. Susan Morakalis has indicated to Peoples Gas that the intent of Article 9 is to set forth objections under existing environmental laws. (See letter dated April 2, 2004.) Accordingly,

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the existing Article 9 should be replaced with the proposed revised Article 9 attached hereto.

Please be advised that Peoples Gas is willing to execute the easement agreement tendered by the District in order to provide gas service to Recycling Systems, Inc., provided that the above charges are incorporated. However, if further negotiations are required regarding the terms of the easement agreement, Peoples will require payment of its attorney's fees in accordance with Peoples Gas' letter dated March 23, 2003.

Sincerely,



Elizabeth Ritscherle

Encl.

cc: S. Morakalis (MWRD) (via fax)
R. Barbakoff (PGL) (via email)

Article Nine

9.01 Grantee will exercise due diligence to comply with Environmental Laws (as defined below) and will take all reasonable steps to prevent a violation of the same. Grantee hereby agrees to indemnify, defend and hold harmless the District and its officers, officials, Commissioners, employees and agents from and against any suits, causes of action, damages, losses, claims, injuries, liens, costs and expenses of any kind, including without limitation court costs, reasonable attorneys' fees, arising out of or related to any violation by Grantee of any Environmental Laws (as defined below) arising from or related to Grantee's activities at the Easement Premises or the release, discharge, emission or disposal of any Hazardous Materials in, at, on or beneath the Easement Premises by Grantee in violation of any applicable Environmental Law.

9.02 As used in this Easement Agreement, the term "Hazardous Materials" means any hazardous or toxic substances, materials or wastes, including, but not limited to solid, semi-solid, liquid or gaseous substances which are toxic, ignitable, corrosive, carcinogenic or otherwise dangerous to human, plant or animal health or well-being and those substances, materials, and wastes listed in the United States Department of Transportation Table (49 CFR 972.101) or by the Environmental Protection Agency as hazardous substances (40 CFR Part 302) and amendments thereto or such substances, materials and wastes regulated under any applicable local, state or federal law including, without limitation, any material, waste or substance which is (a) petroleum, (b) asbestos, (c) polychlorinated biphenyls, (d) designated as "hazardous substances" pursuant to Section 1251 et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317), (v) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903), or (vi) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601) or any other applicable Environmental Law.

9.03 As used in this Easement Grant, "Environmental Laws" means all federal, provincial, state and local environmental laws, rules, regulations, ordinances, judicial or administrative decrees, orders or decisions, authorization or permits, including, but not limited to, the Resources Conservation and Recovery Act, 42 U.S.C. §§6901, et seq., the Clean Air Act, 42 U.S.C. §§7401, et seq., the Federal Water Pollution control Act, 33 U.S.C. §§1251, et seq., the Emergency Planning and Community Right to Know Act, 42 U.S.C. §§ 1101, et seq., the Comprehensive Environmental Response, Compensation, and Liability Act, 42 U.S.C. §§9601, et seq., the Toxic Substances control Act, 15 U.S.C. §§2601, et seq., the Oil Pollution Control Act, 33 U.S.C. §§2701, et seq., or any other comparable local, state or federal statute or ordinance pertaining to the environment or natural resources, including without limitation the preservation of wetlands, and all regulations pertaining thereto.

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312-751-6598

T-307 P.085/023 F-094

STM: 04/02/04

FORM REV. 11/21/03

EASEMENT AGREEMENT
(Annual Increase-Environmental)

THIS AGREEMENT, made and entered into this ___ day of _____, 2004, by and between the METROPOLITAN WATER RECLAMATION DISTRICT OF GREATER CHICAGO, a municipal corporation organized and existing under the laws of the State of Illinois, hereinafter called the "District" and a PEOPLES ENERGY, hereinafter called the "Grantee."

WHEREAS, the Grantee desires a 35-year non-exclusive easement to construct, reconstruct, operate, maintain, repair and remove a 30-foot portion of a natural gas main and/or appurtenances related thereto on the real estate commonly known as 3154 South California Avenue in Chicago, Illinois and legally described and depicted in Exhibit A which is attached hereto and made a part hereof; and

WHEREAS, the District is willing to grant to the Grantee the easement aforesaid, upon the conditions hereinafter set forth;

NOW, THEREFORE, for and in consideration of the representations, covenants, conditions, undertakings, and agreements herein made, the parties hereto agree as follows:

ARTICLE ONE

1.01 The District hereby grants unto the Grantee a non-exclusive easement, right, privilege and authority for 35 years commencing on _____, 2004, and terminating on June 14, 2039, for the sole and exclusive purpose to construct, reconstruct, operate, maintain, repair and remove a 30-foot portion of a natural gas main and/or appurtenance related thereto hereinafter for convenience sometimes called "Improvements and Facilities" the real estate legally described and depicted in Exhibit A which is attached hereto and made a part hereof, hereinafter called the "Easement Premises".

1.02 The District reserves the right of access to and use of the surface of the easement premises.

1.03 The Grantee covenants and agrees in consideration of the grant of said easement to pay to the District an initial annual easement fee in the amount of TEN AND NO/100 DOLLARS (\$10.00) the first annual installment of which is payable contemporaneously with Grantee's execution and delivery hereof. (This fee requires approval of the District's Board of Commissioners).

1.04 In addition to the aforesaid, the Grantee shall also pay, when due, all real estate taxes and assessments that may be levied, charged or imposed upon or

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against the Easement Premises described in Exhibit A and submit to the District evidence of such payment within 30 days thereafter.

ARTICLE TWO

2.01 The construction and installation of the Improvements and Facilities of the Grantee on the Easement Premises shall be in accordance with plans and specifications therefor prepared at Grantee's expense and supplied to the District by the Grantee. No work shall commence until said plans and specifications have been approved in writing by the Chief Engineer of the District.

2.02 The construction and installation of the Improvements and Facilities by the Grantee on the Easement Premises shall be done to the satisfaction of the Chief Engineer of the District.

2.03 Grantee shall construct, install, operate, maintain and remove the "Improvements and Facilities", in a good and workmanlike manner at its sole cost, risk and expense.

2.04 The Grantee shall compensate the District for any additional costs that the District may sustain in any future construction of sewers, reservoirs or any other surface or underground structures caused by the presence of the Improvements and Facilities of the Grantee on the Easement Premises.

2.05 The Grantee shall relocate or remove the Improvements and Facilities existing or constructed upon the Easement Premises at no cost to the District:

- A. In the event that the subject premises are adjacent to any channel, waterway or reservoir, and said channel, waterway or reservoir is to be widened by the District or any other governmental agency; or
- B. In the event that any agency of government, having jurisdiction over said channel, waterway or reservoir requires the relocation or removal of said improvements; or
- C. In the event that said relocation or removal is required for the corporate purposes of the District.

ARTICLE THREE

3.01 The District expressly retains its interest in and rights to the use and occupation of the Easement Premises subject to the easement rights herein granted, and the District may grant further easements, assign, sell or lease the same to other parties subject to the Grantee's right of use and a reasonable means

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Prior to entering upon said premises, and thereafter on the anniversary date of such policies, the Grantee shall furnish to the District certificates of such insurance or other suitable evidence that such insurance coverage has been procured and is maintained in full force and effect. Upon District's written request, Grantee shall provide District with copies of the actual insurance policies within ten (10) days of District's request for same. Such certificates and insurance policies shall clearly identify the premises and shall provide that no change, modification in or cancellation of any insurance shall become effective until the expiration of thirty (30) days after written notice thereof shall have been given by the insurance company to the District. The provisions of this paragraph shall in no wise limit the liability of the Grantee as set forth in the provisions of paragraph 4.02 above, or

3.03 (b) The Grantee prior to entering upon said premises and using the same for the purposes for which this Easement is granted, shall prepare and transmit to the District an acknowledged statement that the Grantee is a self-insurer, and that it undertakes and promises to insure the District, its Commissioners, officers, agents, servants and employees on account of risks and liabilities contemplated by the indemnity provisions of this Easement (Article Four, Paragraph 4.02) above; and that such statement is issued in lieu of policies of insurance or certificates of insurance in which the District, its Commissioners, officers, agents, servants and employees would be a named or additional insured, and that it has funds available to cover those liabilities in the respective amounts therefor, as set forth as follows:

COMPREHENSIVE GENERAL LIABILITY
Combined Single Limit Bodily Injury Liability
Property Damage Liability (Including Liability for Environmental Contamination of
Adjacent Properties)
 _____ in the amount of not less than \$4,000,000.00
 per Occurrence

and

ALL RISK PROPERTY INSURANCE
(Including Coverage for Environmental Contamination
of Easement Premises)
 in the amount of not less than \$4,000,000.00
 per Occurrence.

This statement shall be signed by such officer or agent of the Grantee having sufficient knowledge of the fiscal structure and financial status of the Grantee, to make such a statement on behalf of the Grantee and undertake to assume the financial risk on behalf of the Grantee and will be subject to the approval of the District.

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oration or remediation. This provision shall survive the termination/exploration of this Lease.

6.03 Any notice herein provided to be given shall be deemed properly served if delivered in writing personally or mailed by registered or certified mail, postage prepaid, return receipt requested to the District in care of the General Superintendent, 100 East Erie Street, Chicago, Illinois 60611, or to the Grantee in care of:

PEOPLES ENERGY
130 E. Randolph Drive
Chicago, Illinois 60601

or to such other persons or addresses as either party may from time to time designate.

ARTICLE SEVEN

7.01 The Grantee, prior to entering upon said premises and using the same for the purposes for which this Easement is granted, shall, at Grantee's sole cost and expense, obtain all permits, consents and licenses which may be required under any and all statutes, laws, ordinances and regulations of the District, the United States of America, the State of Illinois, the county, or the city, village, town or municipality in which the subject property is located, and furnish to the District suitable evidence thereof.

7.02 The Grantee covenants and agrees that it shall strictly comply with any and all statutes, laws, ordinances and regulations of the District, the United States of America, the State of Illinois, the county and the city, village, town or municipality in which the subject property is located, which in any manner affect this Permit, any work done hereunder or control or limit in any way the actions of Grantee, its agents, servants and employees, or of any contractor or subcontractor of Grantee, or their employees.

7.03 The Grantee agrees to protect all existing District facilities within the Easement Premises, including, but not limited to, intercepting sewars, sludge lines, utility lines, dropshafts, connecting structures, siphons and manholes.

7.04 No blockage or restriction of flow in the water will be tolerated at any time. No construction or improvements of any kind can project into the waterway during construction or after permanent repairs are completed.

7.05 Grantee agrees to abide by and implement the District's Waterway Strategy Resolution as adopted by the District's Board of Commissioners, and attached hereto as Exhibit B and made a part hereof.

ARTICLE EIGHT

8.01 The Grantee shall not voluntarily or by operation of law assign, or otherwise transfer or encumber all or any part of Grantees' interest in this Easement or in the Premises to any other governmental agency, individual, partnership, joint venture, corporation, land trust or other entity without prior written consent of the District.

8.02 A change in the control of the Grantee shall constitute an assignment requiring the District's consent. The transfer on a cumulative basis of the twenty-five percent (25%) or more of the cumulative voting control of Grantee shall constitute a change in control for this purpose.

8.03 Grantee shall notify the District in writing not less than sixty (60) days prior to any proposed assignment or transfer of interest in this easement. Grantee shall identify the name and address of the proposed assignee/transferee and deliver to the District original or certified copies of the proposed assignment, a recital of assignee's personal and financial ability to comply with all the terms and conditions of the Easement Agreement and any other information or documentation requested by the District. The District shall not unreasonably withhold the consent to assignment or transfer.

8.04 Any attempted assignment or transfer of any type not in compliance with these sections shall be void and without force and effect.

ARTICLE NINE

GENERAL ENVIRONMENTAL PROVISIONS

9.01 DEFINITIONS

A. "Environmental Laws" shall mean all present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations and similar items, of all government agencies, departments, commissions, boards, bureaus, or instrumentalities of the United States, state and political subdivisions thereof and all applicable judicial, administrative, and regulatory decrees, judgments, orders, notices or demands relating to industrial hygiene, and the protection of human health or safety from exposure to Hazardous Materials, or the protection of the environment in any respect, including without limitation:

- (1) all requirements, including, without limitation, those pertaining to notification, warning, reporting, licensing, permitting, investigation, and remediation of the presence, creation, manufacture, processing, use, management, distribution, transportation, treatment, storage, disposal, handling, or release of Hazardous Materials;**

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T-307 P.014/023 F-094

- (3) any substance (whether solid, liquid or gaseous in nature) which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous or dangerous;
- (4) any substance (whether solid, liquid or gaseous in nature) the presence of which could cause or threaten to cause a nuisance upon the area subject to easement or to adjacent properties or pose or threaten to pose a hazardous threat to the health or safety of persons on or about such properties;
- (5) any substance (whether solid, liquid or gaseous in nature) the presence of which on adjacent properties could constitute trespass by or against Grantee or District;
- (6) any materials, waste, chemicals and substances, whether solid, liquid or gaseous in nature, now or hereafter defined, listed, characterized or referred to in any Environmental Laws as "hazardous substances," "hazardous waste," "infectious waste," "medical waste," "extremely hazardous waste," "hazardous materials," "toxic chemicals," "toxic substances," "toxic waste," "toxic materials," "contaminants," "pollutants," "carcinogens," "reproductive toxicants," or any variant or similar designations;
- (7) any other substance (whether solid, liquid or gaseous in nature) which is now or hereafter regulated or controlled under any Environmental Laws (without regard to the action levels, concentrations or quantity thresholds specified herein); or
- (8) any result of the mixing or addition of any of the substances described in this Subsection B with or to other materials.

C. "Phase I Environmental Assessment" shall mean:

- (1) an assessment of the Easement Premises and a reasonable area of the adjacent premises owned by the District performed by an independent and duly qualified, licensed engineer with experience and expertise in conducting environmental assessments of real estate, bedrock and

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groundwater of the type found on the Easement Premises and said assessment shall include, but not necessarily be limited to a historical review of the use (abuse) of the Easement Premises, a review of the utilization and maintenance of hazardous materials on the Easement Premises review of the Easement Premises' permit and enforcement history (by review of regulatory agency records), a site reconnaissance and physical survey, inspection of Easement Premises, site interviews and site history evaluations, basic engineering analyses of the risks to human health and the environment of any areas of identified concerns, and preparation of a written report which discusses history, site land use, apparent regulatory compliance or lack thereof and which includes historical summary, proximity to and location of USTs, LUSTs, TSDFs, CERCLA site flood plain, maps, photograph log references, conclusions and recommendations.

D. "Phase II Environmental Assessment" shall mean:

- (1) an assessment of the Easement Premises and a reasonable area of the adjacent property owned by the District performed by an independent and duly qualified, licensed engineer with experience and expertise in conducting environmental assessments of real estate, bedrock and groundwater of the type found on the Easement Premises and said assessment shall include, but not necessarily be limited to, extensive sampling of soils, groundwaters and structures, followed by laboratory analysis of these samples and interpretation of the results, and preparation of a written report with boring logs, photograph logs, maps, investigative procedures, results, conclusions and recommendations.

9.02 MANUFACTURE, USE, STORAGE, TRANSFER OR DISTRIBUTION OF HAZARDOUS MATERIALS UPON OR WITHIN THE EASEMENT

Grantee, for itself, its heirs, executors, administrators, and successors covenants that to the extent that any Hazardous Materials are manufactured, brought upon, placed, stored, transferred, conveyed or distributed upon or within the Easement Premises, by Grantee or its subtenant or assigns, or any of its agents, servants, employees, contractors or subcontractors, same shall be done in strict compliance with all Environmental Laws.

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Construction or installation of new or reconstruction of any underground interconnecting conveyance facilities for any material or substance is not permitted without the advance written consent of the Chief Engineer of the District.

9.03 USE OF PREMISES (RESTRICTIONS - ENVIRONMENTAL)

Grantee shall use the Easement Premises only for purposes expressly authorized by Article 1.01 of this Easement Agreement. Grantee will not do or permit any act that may impair the value of the Easement Premises or any part thereof or that could materially increase the dangers, or pose an unreasonable risk of harm, to the health or safety of persons to third parties (on or off the Easement Premises) arising from activities thereon, or that could cause or threaten to cause a public or private nuisance on the Easement Premises or use Easement Premises in any manner (i) which could cause the Easement Premises to become a hazardous waste treatment, storage, or disposal facility within the meaning of, or otherwise bring the Easement Premises within the ambit of, the Resource Conservation and Recovery Act of 1976, Section 6901 et seq. of Title 42 of the United States Code, or any similar state law or local ordinance, (ii) so as to cause a release or threat of release of Hazardous Materials from the Easement Premises within the meaning of, or otherwise bring the Easement Premises within the ambit of, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, Section 9601 et seq. of Title 42 of the United States Code, or any similar state law or local ordinance or any other Environmental Law or (iii) so as to cause a discharge of pollutants or effluents into any water source or system, or the discharge into the air of any any emissions, which would require a permit under the Federal Water Pollution Control Act, Section 1251 of Title 33 of the United States Code, or the Clean Air Act, Section 741 of Title 42 of the United States Code, or any similar state law or local ordinance.

9.04 CONDITION OF PROPERTY (ENVIRONMENTAL)

- A. In the event Grantee has used the Easement Premises under a prior easement agreement, Grantee warrants and represents that as a result of the easement grant, the Easement Premises and improvements thereon, including all personal property, have not been exposed to contamination by any Hazardous Materials, that there has not been thereon a release, discharge, or emission, of any Hazardous Materials during its occupancy of the premises as defined by any Environmental Laws, and that the Easement Premises does not contain, or is not affected by underground storage tanks, landfills, land disposal sites, or dumps.
- B. In the event of a release, emission, discharge, or disposal of Hazardous Materials (n, on, under, or about the Easement Premises or the improvements thereon, Grantee will take all

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appropriate response action, including any removal and remedial action after the execution date of this Easement Agreement.

9.05 INDEMNIFICATION (ENVIRONMENTAL)

- A. In consideration of the execution and delivery of this Easement Agreement, the Grantee indemnifies, exonerates, and holds the District and its officers, officials, Commissioners, employees, and agents ("Indemnified Parties") free and harmless from and against any and all actions, causes of action, suits, losses, costs, liabilities and damages and expenses incurred in connection with any of these (irrespective of whether any such Indemnified Party is a party to the action for which indemnification is here sought), including reasonable attorney's fees, costs and disbursements, incurred by the Indemnified Parties as a result of or arising out of or relating to (i) the imposition of any governmental lien for the recovery of environmental cleanup costs expended by reason of Grantee's activities, or (ii) any investigation, litigation, or proceeding related to any environmental response, audit, compliance, or other matter relating to the protection of the environment, or (iii) the release or threatened release by Grantee, its subsidiaries, or its parent company, of any Hazardous Materials, or the presence of Hazardous Materials on or under the Easement Premises, or any property to which the Grantee, its parent company or any of its subsidiaries has sent Hazardous Materials, (including any losses, liabilities, damages, injuries, costs, expenses, or claims asserted or arising under any Environmental Law), if caused by or within the control of the Grantee, its parent company or its subsidiaries, provided that, to the extent District is strictly liable under any Environmental Laws, Grantee's obligation to District under this indemnity shall be without regard to fault on the part of the Grantee with respect to the violation of law which results in liability to District. Grantee shall not indemnify the District for the District's own negligence or the negligence of the District's employees, agents and contractors.

9.06 ENVIRONMENTAL COVENANTS

Grantee agrees to and covenants as follows:

- A. Grantee covenants and agrees that, throughout the term of the Easement Agreement, all Hazardous materials which may be used upon the Easement Premises shall be used or stored thereon only in a safe, approved manner, in accordance with all generally accepted industrial standards and all Environmental Laws.

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- B. Grantee has been issued and is in compliance with all permits, certificates, approvals, licenses, and other authorizations relating to environmental matters and necessary for its business, if any.
- C. Grantee, to the best of its knowledge, is not a potentially responsible party with respect to any other facility receiving waste of the Grantee (whether or not from the Easement Premises) under CERCLA or under any statute providing for financial responsibility of private parties for cleanup or other actions with respect to the release or threatened release of any Hazardous Materials.
- D. Grantee will take all reasonable steps to prevent a violation of any Environmental Laws. There will be no spill, discharge, leaks, emission, injection, escape, dumping, or release of any toxic or Hazardous Materials by any persons on the area to be used and under the Easement Agreement.
- E. Grantee will not allow the installation of asbestos on the area described in Exhibit A or any item, article, container or electrical equipment, including but not limited to transformers, capacitors, circuit breakers, reclosers, voltage regulators, switches, electro-magnets and cable, containing PCBs.
- F. The aforesaid representations and warranties shall survive the expiration or termination of the Easement Agreement.

9.07 COVENANTS (ENVIRONMENTAL)

Grantee shall cause its parent company and each of its respective subsidiaries, contractors, subcontractors, employees and agents to:

- A. (1) Use and operate all of the Easement Premises in compliance with all applicable Environmental Laws, keep all material permits, approvals, certificates, and licenses in effect and remain in material compliance with them;
- (2) undertake reasonable and cost-effective measures to minimize any immediate environmental impact of any spill or leak of any Hazardous Materials;
- B. Notify District by telephone within two hours of the release of Hazardous Materials, including the extent to which the identity of the Hazardous Materials is known, the quantity thereof and the cause(s) of the release, and provide District within 72 hours of the event, with copies of all written notices by Grantee, its

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parent and its subsidiaries that are reported to government regulators or received from the government regulators.

- C. Provide such information that District may reasonably request from time to time to determine compliance by the Grantee with this Article.
- D. Grantee covenants and agrees to cooperate with District in any inspection, assessment, monitoring or remediation instituted by District during the Easement Agreement.

9.08 COMPLIANCE (ENVIRONMENTAL)

The Grantee will cause its parent company and each of its subsidiaries, if any, to exercise due diligence to comply with all applicable treaties, laws, rules, regulations, and orders of any government authority.

- A. In the event of a spill, leak or release of hazardous waste carried by Grantee, its employees or its agents Grantee shall conduct a Phase I Environmental Assessment, at its own expense, with respect to the Easement Premises and a reasonable area of the adjacent property owned by the District and submit the written report to the District within 90 days after the spill, leak or discharge. After review of each Phase I Environmental Assessment, District, at its sole discretion, may require Grantee, at Grantee's expense, to obtain a Phase II Environmental Assessment with respect to the premises used under the Easement Agreement. The written report of the Phase II Environmental Assessment shall be submitted to District within 120 days of District's request for same. If the Phase II Assessment discloses the presence of any Hazardous Materials contamination on the Easement Premises or adjacent premises, Grantee shall take immediate action to remediate the contamination and to restore the Easement Premises described in Exhibit A and adjacent premises owned by the District to a clean and sanitary condition and to the extent required by any and all Environmental Laws.
- B. Capacitors, transformers, or other environmentally sensitive installations or improvements shall be removed by Grantee prior to the end of the Easement Agreement unless directed to the contrary in writing by the District.
- C. If any Environmental Assessment reveals, or District otherwise becomes aware of, the existence of any violation of any Environmental Laws that either Grantee is unwilling to remediate or that District is unwilling to accept, District shall have the right

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and option to terminate this Agreement and to declare it null and void.

- D. In the event Grantee should receive a Notice of Environmental Problem, Grantee shall promptly provide a copy to the District, and in no event later than seventy-two (72) hours from Grantee's and any tenant's receipt or submission thereof. "Notice of Environmental Problem" shall mean any notice, letter, citation, order, warning, complaint, inquiry, claim, or demand that: (i) the Grantee has violated, or is about to violate, any Environmental Laws; (ii) there has been a release, or there is a threat of release, of Hazardous Materials, on the Easement Premises, or any improvements thereon; (iii) the Grantee will be liable, in whole or in part, for the costs of cleaning up, remediating, removing, or responding to a release of Hazardous Materials; (iv) any part of the Easement Premises or any improvements thereon is subject to a lien in favor of any governmental entity for any liability, costs, or damages, under any Environmental Laws, arising from or costs incurred by such governmental entity in response to a release of Hazardous Material, Grantee shall promptly provide a copy to the District, and in no event later than seventy-two (72) hours from Grantee's and any tenant's receipt or submission thereof.
- E. Not less than one (1) year prior to the expiration of the Easement, Grantee shall have caused to be prepared and submitted to the District a written report of a site assessment in scope, form and substance, and prepared by an independent, competent and qualified professional and engineer, registered in the State of Illinois, satisfactory to the District, and dated not more than eighteen (18) months prior to the expiration of the Easement, showing that:
- (1) the Grantee has not caused the Easement Premises and any improvements thereon to materially deviate from any requirements of the Environmental Laws, including any licenses, permits or certificates required thereunder;
 - (2) the Grantee has not caused the Easement Premises and any improvements thereon to contain: (i) asbestos in any form; (ii) urea formaldehyde; (iii) items, articles, containers, or equipment which contain fluid containing polychlorinated biphenyls (PCBs); or (iv) underground storage tanks which do not comply with Environmental Laws;

9.09 INSPECTION AND RIGHT OF INSPECTION (ENVIRONMENTAL)

- A. In the event Grantee gives notice pursuant to the provisions of Notice of Environmental Problem, within ninety (90) days Grantee shall submit to District a written report of a site assessment and environmental audit, in scope, form and substance, and prepared by an Independent, competent and qualified, professional, registered engineer, satisfactory to the District, showing that the engineer made all appropriate inquiry consistent with good commercial and customary practice, such that consistent with generally accepted engineering practice and procedure, no evidence or indication came to light which would suggest there was a release of substances on the Site or Property which could necessitate an environmental response action, and which demonstrates that the Site and Property complies with, and does not deviate from all applicable environmental statutes, laws, ordinances, rules, and regulations, including licenses, permits, or certificates required thereunder, and that the Grantee is in compliance with, and has not deviated from, the representations and warranties previously set forth.
- B. District hereby expressly reserves to itself, its agents, attorneys, employees, consultants, and contractors, an irrevocable license and authorization to enter upon and inspect the Easement Premises and improvements thereon, and perform such tests, including without limitation, subsurface testing, soils, and groundwater testing, and other tests which may physically invade the Easement Premises or improvements thereon, as the District, in its sole discretion, determines is necessary to protect its interests.