

August 19, 2003

Members of the Urbana City Council

RE: Public Hearing – Illinois Power
Company

Attached you will find the report to the Champaign City Council prepared by the City of Champaign staff. It is an excellent summary of the testimony received at the public hearing and the written material submitted, together with an overall background of the problems. Although our staff participated in this effort, I felt there was no need to duplicate what the City of Champaign staff already produced.

Also attached for your consideration is a resolution to direct our staff to file (or join in) an informal request to the Illinois Commerce Commission to take steps to resolve the issues.

Sincerely,

Tod Satterthwaite
Mayor

RESOLUTION NO. 2003-08-020R

A RESOLUTION AUTHORIZING THE CHIEF ADMINISTRATIVE OFFICER TO FILE (OR JOIN IN) AN INFORMAL COMPLAINT WITH THE ILLINOIS COMMERCE COMMISSION CONCERNING ILLINOIS POWER COMPANY'S CUSTOMER SERVICE AND RELIABILITY

WHEREAS, City of Urbana, Illinois staff, in cooperation with the City Council of the City of Champaign, initiated a public hearing process in response to complaints from the business community concerning customer service and reliability issues with provision of electric power by Illinois Power Company; and

WHEREAS, the Cities of Champaign and Urbana held a joint public hearing concerning these issues on June 25, 2003; and

WHEREAS, numerous members of the public, including the residential and industrial development community, the industrial community provided oral and written comment concerning their dissatisfaction with Illinois Power Company's customer service and reliability.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF URBANA, ILLINOIS, as follows:

Section 1. That the Chief Administrative Officer is hereby authorized to file or join in an informal complaint filed by the City of Champaign, Illinois, with the Energy Division of the Illinois Commerce Commission for the purpose of resolving the customer service and reliability issues raised in the joint Champaign/Urbana public hearing of June 25, 2003.

Section 2. That the Chief Administrative Officer is authorized to take such action as necessary to seek improvements in customer service and reliability of electrical power in the Champaign/Urbana community, and shall report such actions to the City Council.

PASSED by the City Council this _____ day of _____,
_____.

AYES:

NAYS:

ABSTAINS:

Phyllis D. Clark, City Clerk

APPROVED by the Mayor this _____ day of _____,
_____.

Tod Satterthwaite, Mayor

REPORT TO CITY COUNCIL

FROM: Steven C. Carter, City Manager

DATE: August 15, 2003

**SUBJECT: ILLINOIS POWER RELIABILITY AND CUSTOMER SERVICE (SS
2003-)**

A. Introduction: The purpose of this Memorandum is to summarize comments submitted to a joint Champaign and Urbana Public Hearing concerning Illinois Power Company and present alternatives for next steps.

B. Recommendation: The Administration recommends that the Cities proceed with filing an informal complaint with the Illinois Commerce Commission concerning Illinois Power's reliability of service and inadequate customer service.

C. Prior Council Action:

- Council Bill No. 2003-039 approved a grant of \$50,000 to provide improved electrical service to Amdocs, Inc. after repeated interruptions in electrical power adversely affected Amdocs' continuing business in the community.

D. Summary:

- **Industry Trends.** Illinois Power used to be a full-service electric company, providing generation of electricity, transmission and distribution to local customers.
- **State Regulation.** Illinois Power, as a private electric utility, is regulated by the Illinois Commerce Commission through the Illinois Public Utility Act, which places a high priority on adequate, efficient, reliable, environmentally safe, and least cost utility services.
- **Energy Deregulation.** Electricity generated at power plants can now be sold on the open market. Illinois Power has sold all of its generating capacity. Transmission of electricity is also in the process of being transferred to regional companies. Distribution of electricity will remain a local matter.
- **Mergers and Acquisitions.** Similar to national trends, Illinois Power has been acquired by a large energy company, Dynegy, headquartered in Texas.
- **Impact on Reliability.** It remains to be seen whether the deregulation of energy has the unanticipated side effect of making local electric power more unreliable, particularly in light of the prevalent use of computer equipment, which requires higher reliability.

- **ICC Regulatory Authority.** The ICC requires reports of outages. Illinois Power's recent reports indicate increasing reliability. Illinois Power's rates are fixed until 2006.
- **Joint Champaign-Urbana Public Hearing.** A public hearing, held June 25, 2003, indicated problems in two areas, one with customer service with difficulties detailed in arranging for the installation of new service or relocation of service, the other with reliability of service.

E. Background:

I. INDUSTRY TRENDS

1. Full Service Electric Companies. At the beginning of the twentieth century, electric power was becoming increasingly necessary and available. In some cities, municipalities built the infrastructure to provide electric power to its residents. Springfield and Rantoul are examples of that model. In other areas, private investor-owned "public utilities" formed to provide this service. These investor-owned companies generally provided all aspects of electric service: generation of power, transmission and distribution. Generation is the creation of electricity at a power plant, transmission is sending that electricity along high power lines throughout the system, and distribution is delivering the stepped-down voltage to local industrial, commercial, and residential customers.

Illinois Power Company was formed approximately 75 years ago, and head quartered in Decatur, Illinois. It now operates in three relatively separate service areas: one centered around Belleville, Illinois; one in north central Illinois centered around Kewanee; and a third with Decatur, Bloomington, Normal, Champaign-Urbana, and Danville. (See Exhibit 1, IP Service Area Map.) Illinois Power had fossil-fueled generating plants, as well as a nuclear power plant at Clinton, Illinois.

2. State Regulation of Electric Utilities. Private electric utilities are regulated by the state through the Illinois Commerce Commission. The Illinois Public Utility Act states:

"the health, welfare, and prosperity of all Illinois citizens requires the provision of adequate, efficient, reliable, environmentally safe, and least cost public utility services at prices which accurately reflect the long-term cost of such services which are equitable to all citizens. It is therefore declared to be a public policy of the state that a public utility shall continue to be regulated effectively and comprehensively." (220 ILCS 5/1-102)

As a regulated utility, the costs incurred by a company for capital expenditures, maintenance of equipment, and costs of delivering power are approved by the Illinois Commerce Commission to be put into a rate base to generate a fixed rate of return.

3. Energy Deregulation: The Separation of Generation of Power from Transmission and from Distribution. Deregulation of energy markets was an initiative at the federal level. The 1978 Public Utility Regulatory Policies Act and the 1992 Energy Policy Act, implemented by the

Federal Energy Regulatory Commission (FERC), aimed at providing competitive free market efficiencies and innovation in power generation. Because generation of electricity can now operate in the unregulated market (as opposed to regulation by state utility commissions), many companies separated the energy generation aspects of their business from transmission and distribution. Recent history of Illinois Power Company illustrates this. It sold all of its generating capacity in 1999. It sold its fossil fuel plants to Illinova, its parent holding company, and also sold off the Clinton Nuclear Power Plant.

The second leg of a full service electric utility is transmission. Transmission involves highvoltage lines, carrying electricity long distances. With the deregulation of the energy generation market, the likelihood that customers will negotiate the purchase of electricity from distant places dramatically increases. This increases the importance of the national transmission grid system. Limitations in the transmission system have been implicated in several major recent outages. For these reasons, FERC has developed a policy to improve the transmission system by encouraging the transfer of transmission lines from local companies to regional transmission companies. Regional transmission companies will be regulated at the federal level by FERC. As a result of this initiative, Illinois Power had proposed to divest itself of its electric transmission assets in a transfer to the Illinois Electric Transmission Company (IETC). This transfer was required to be approved by FERC. FERC scheduled the terms of the proposed transfer for a public hearing. It now appears that the transfer will not take place. However, it is likely that a transfer of transmission will be proposed again. Distribution companies in Illinois will continue to be regulated by the Illinois Commerce Commission.

4. Mergers and Acquisitions. Another aspect of the changes in the energy industry is the merger and acquisition of energy companies. Illinois Power's parent company, Illinova, was acquired by Dynegy, a Texas-based company. Similar changes are taking place with other central Illinois utilities. Central Illinois Power Company (CIPS) was acquired by Ameren in 1997. Ameren also acquired Central Illinois Light Company (CILCO) in 2003. The Ameren service area now surrounds the Champaign-Urbana area provided service by IP (see Exhibit 2 - Ameren service area map). Each change in the organizational structure of IP has been accompanied by layoffs and severances. In addition, IP's acquisition by Dynegy has led to a downgraded financial rating of IP stock due to the financial condition of its parent company, Dynegy.

5. Impact on Reliability. Various experts have noted that these changes in the electrical power industry have had or could have unanticipated impacts on the reliability of electric power. At the same time, reliability is much more critical to many customers. This is due in large part to changes in technology which have created machinery which is extremely sensitive to fluctuations in voltage. Where prior equipment and commercial processes might not have been greatly impacted by short outages, current equipment may be sensitive to fluctuations in voltage in as little as 1/240 of a second. This kind of equipment is anticipated to increase in importance over time. At the same time that reliable power is becoming increasingly important to users, the deregulation of the industry has created situations where maintenance may not be as high a priority as in the prior regulatory structure. Companies focus their attention on the marketing of deregulated generation of energy. Mergers and acquisitions have caused cost-cutting initiatives,

including deferred maintenance in some cases. These issues have been cited by experts in reviewing what may be increasing complaints about reliability of power. (Cited in the Final Report - U.S. Department of Energy's Power Outage Study Team, Issued March, 2000.)

6. ICC Regulatory Authority. The Illinois Public Utility Act, in its initial findings, emphasizes the importance of reliable power. In addition, reliability of transmission and distribution facilities was specifically regulated as part of the Electric Service Customer Choice and Rate Relief Law of 1997. 220 ILCS 5/16-125 sets forth that the Illinois Commerce Commission shall adopt rules and regulations for assessing and assuring reliability of transmission and distribution systems. These regulations require annual reports from the utilities concerning the number and duration of outages and their impacts. However, only outages of one minute or more must be reported. A detailed report of the age, current condition, reliability and performance of the power company's existing transmission distribution facilities and their expenditures for construction and maintenance is required annually. The statute requires more detailed reporting requirements and obligations for utilities serving more than a million customers. Illinois Power is not such a utility. Pursuant to the statute, the Illinois Commerce Commission has issued regulations concerning reliability. These regulations require reporting, but do not specifically set standards of reliability. Illinois Power has filed annual reports concerning its system reliability. The annual report documents increasing reliability, but does indicate some of Illinois Power's worst performing circuits are in the Champaign-Urbana area. The ICC has authority to conduct a management audit or investigation under the Public Utilities Act (220 ILCS 5/8-102).

Another impact of the 1997 Act on electric choice is that IP's rates are fixed until 2006. As part of the complex process of deregulation, residential customers are given an initial rate reduction. IP's rates are fixed until 2006. Consequently, unlike the usual regulatory process, increased costs to maintain higher standards of reliability or customer service cannot be recovered in the rate base.

II. JOINT CHAMPAIGN-URBANA PUBLIC HEARING

As a result of the concerns expressed by community members about the reliability and customer service components of Illinois Power, the Cities of Champaign and Urbana held a joint Public Hearing on June 25, 2003. One theme resonated throughout the evening. Illinois Power used to be a professional, customer-oriented utility company. The last several years, however, have seen a dramatic decrease in customer satisfaction. Those who submitted later written comments, are listed in Exhibit 3A, and a summary of their written comments is attached as Exhibit 3B. The testimony and written submissions are summarized in Exhibit 4. Actual testimony is provided in Exhibit 5. The complaints appeared to fall within two (2) major categories: customer service and reliability of service.

1. Customer Service.

a. Scheduling new services

Timing - lengthy process for approval; IP is slow to respond.

Information/communication problems.

- Can't contact engineers or schedulers.
- Don't know where project is in process.
- EP appears to lose or not process requests for service.
- IP not solving these problems even after lengthy conversation with interested stakeholders.

b. Billing issues

- Estimates not reliable - both meter estimates and estimates of cost to install. - Slow to finalize billing.

c. Scheduling Relocations.

- Appears to be no process at all - information provided in advance, but actual relocation very slow.
- Delay in relocation can cause much expense to contractors.

2. Reliability of Service.

a. Information/Communication.

- Don't know/can't find out when project is scheduled for installation or relocations. - Process for large users to inform of outages is poor.
- Information to large users about planned outages is inadequate

b. Some (less than one minute) outages not tracked but cause much damage, especially for industrial operations.

c. Equipment deficiencies cause major outages - is there a problem with maintenance of equipment?

d. Are not making repairs/replacement (streetlights).

e. Not dealing with other infrastructure owners appropriately (City of Champaign, City of Urbana, Drainage District)

III. PROBLEMS IN OTHER COMMUNITIES. Staff has contacted City officials in other cities in IP's service area. Except for Decatur, other cities have noted a significant decline in customer service - increased time to respond to requests to move utilities, bureaucratic procedures which require the customer to wait, sometimes repeatedly, for IP to show up to make a service change. Danville, particularly, has experienced very significant problems. Exhibit 6 are two articles from The News-Gazette, describing a recent serious safety problem and IP's response.

F. Alternatives:

1. File complaint with the Energy Division of Illinois Commerce Commission. 2.

Discuss issues raised by the hearing with Illinois Power officials. **G. Discussion**

of Alternatives:

Alternative 1. The head of the Energy Division of the Illinois Commerce Commission has expressed a willingness to meet with Illinois Power over any of the problems that have been

raised at the public hearing and use his authority to require Illinois Power to address them. Because of the regulatory authority of the Commerce Commission, this could bring more attention to the City's complaint. A proposed Resolution is attached as Exhibit 7.

a. Advantages

- Still a relatively speedy process, as a formal complaint and hearing processes would not be required.
- Brings to bear the regulatory authority of the Illinois Commerce Commission.

b. Disadvantages

- May not solve all of the problems identified.

Alternative 2 would be to proceed with addressing the issues raised through meetings directly with the Illinois Power officials.

a. Advantages

- Process could be quickly started.
- Wide variety of issues could be discussed.
- Further information could be developed through information provided by Illinois Power, so causes and possible solutions could be better understood.
- Illinois Power has offered to cooperate in discussing issues.

b. Disadvantages

- No legal requirement to implement any possible solutions.

H. Community Input: The public hearing process provided substantial community input on the issue and is summarized in Exhibit 4.

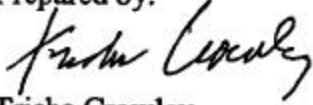
I. Budget Impact: The direct budget impact on the City is relatively minor. (Continued deterioration of electric customer service and reliability would impact the attractiveness of the community development and would have a major impact on City revenues over time).

J. Staffing Impact: Approximately 40 hours of staff time was required for research and organization of the public hearing. Minor staffing impact, although several hours would be

required to institute talks with Illinois Power or bring issues to the attention of the Illinois Commerce Commission.

Exhibits: Illinois Power Service Territory Map (Exhibit 1)
Ameren Service Area Map (Exhibit 2)
Submitters of Written Comments (Exhibit 3A)

Prepared by:



Trisha Crowley

Deputy City Attorney

Summary of Written Comments (Exhibit 3B)
Summary of Testimony at the Public Hearing (Exhibit 4)
Transcript of Public Hearing (Exhibit 5) Articles from
The News-Gazette (Exhibit 6) Proposed Resolution
(Exhibit 7)

EXHIBITS ARE AVAILABLE FROM THE CITY CLERK FOR THE CITY OF URBANA
UPON REQUEST

Illinois Power Company
500 South 27th Street
Decatur, Illinois 62521-2200



ILLINOIS POWER

Part of the DYNegy Performance Team

August 20, 2003

Dear Mayor/Councilmember:

Thank you for the opportunity to provide material for your consideration and follow up discussion at the upcoming Council meeting. We believe that we have made substantial progress in addressing the concerns expressed by the councils and customers at the joint public hearing held on June 25, 2003. We remain committed to fully addressing these concerns, and to continuing implementation of policies and procedures that better support the growth and customer service needs of your constituents.

Our review of the current concerns has identified an opportunity to improve communications with the cities and customers regarding our changes in policies, procedures and the authority of local Illinois Power personnel. As a first step toward improved communication, attached for your consideration is a copy of the IP Management Summary of Corrective Actions Taken to Respond to Service and Reliability Concerns. We want you and your staffs to have all the information available as next step decisions are determined to address constituent concerns regarding Illinois Power.

We are pleased with the constructive approach demonstrated by the cities on this issue. Be assured of our commitment to address our customers' current and emergent needs. We are proud of our role in supporting the development of growth in this region, and we look forward to supporting the cities' future success.

Sincerely,

/s/

Barbara A. Beck
Senior Director

***Illinois Power Company
Champaign-Urbana Service Area***

***Management Summary of
Corrective Actions Taken to Respond to
Service and Reliability Concerns***

August 2003

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Forward

On June 25, 2003, the councils of the cities of Champaign and Urbana held a joint Public Hearing to examine concerns raised about Illinois Power's (IP's) service and reliability. Testimony from numerous individuals identified potential organizational, programmatic, and human performance weaknesses inconsistent with standards expected for customer service and reliability to these customers. As a result, Illinois Power's long-standing reputation as a reliable energy service provider was called into question. In many of the cases cited, some dating back several years, IP's performance fell short of meeting IP's own standards in addition to the customer's expectations.

IP management had recognized some of the performance weaknesses before the public hearing, and actions were already underway to address those weaknesses. However, testimony from many individuals at the hearing makes it clear that these and potentially other actions needed to be completed in a more aggressive manner.

Illinois Power is committed to correcting this situation. To that end, IP management investigated the feedback and is implementing significant corrective actions to address deficiencies.

The hearing was a defining moment for IP's Champaign-Urbana Service Area management and staff. The hearing has, among other things, prompted us to re-examine our approach to customer service and reliability. Significant corrective actions are being taken as a result of the hearing to help us regain our standing as one of the key catalysts for growth in the community. We have learned from our mistakes and, on behalf of the local leadership team, I assure you that we are resolved to improve our performance. With the changes we are putting in place, we believe the Champaign-Urbana community will again have confidence that Illinois Power listens to its customers and works collaboratively to address their needs and concerns.

This document describes the depth and breadth of corrective actions taken by IP to assure we will meet the expectations of our customers in Champaign, Urbana, and surrounding communities.

/s/

Don Waddell
Director of Utility Operations
Central Region Operations for Illinois Power Company

Executive Summary of Findings

Through review of customer concerns, testimony from the public hearing, follow-up discussions thus far with those who presented at the hearing, and our own research, we believe the major concerns include:

- A general decline in IP's customer service to the community,
- Availability, accountability, and responsiveness of local IP management and staff,
- Service policies and practices, primarily related to preparation and scheduling of new installations, resulting in project delays and slow response,
- Communications and the need for more direct, effective, and frequent communications with local IP management and staff, and
- Reliability, especially for high-tech firms and others looking to stay or locate to this community.

Executive Summary of Corrective Actions

The following highlights some of the more significant corrective actions taken or underway to address customer service and reliability concerns in the Champaign-Urbana community:

- Illinois Power will seek input from a Service Advisory Council that can help us jointly address energy service-related issues that slow economic progress in the Champaign-Urbana area. The Honorable Stan Weaver has agreed to chair this independent council, which is expected to be comprised of key contractors, developers, and municipal and business leaders.
- IP has communicated the names, titles, and phone numbers of its local management staff to all the persons who presented comments at the public hearing. These local IP leaders are responsible for and have the authority to correct problems and monitor local performance to ensure that Illinois Power is providing reliable service in the Champaign-Urbana community.
- Two supervisors and one foreman have been added to IP's local leadership team to bring additional focus to work execution and performance. A recent organizational change brings additional corporate oversight to area operations.
- Local management, field engineering representatives, and foremen attended Customer Service training as an element of restoring quality customer service to the community. This training, and management's expectation that Illinois Power employees provide good customer service, will be reinforced on an ongoing basis.
- IP is proceeding with a new program that will permit developers to install the electric and gas infrastructure in their new developments. This is similar to provisions by many cities that allow developers to install water lines, sewer lines, roads and other infrastructure in new subdivisions.
- Agreements have been made to conduct regular coordination meetings with customers, such as the Cities and the University of Illinois, to ensure that IP does a better job at responding to customer needs, local infrastructure projects and changing priorities.

The remainder of this document describes in more detail the corrective actions taken to assure that IP will provide a consistently high level of safe and reliable service to customers in the Champaign and Urbana communities.

Brief Background

IP implemented a major structural change in late 2001 which centralized most of the field direction in Decatur. In addition, several early retirements took effect at the end of 2001. In retrospect, we see that those changes had an adverse effect on customer service throughout our service territory, including our Champaign-Urbana Service Area operations. Field operations were adjusting to the changes for most of 2002 and performance indicators during that period showed a decline in performance. By late 2002 IP recognized the need to return senior management to the field locations.

A new area director who has significant prior experience in improving organizational effectiveness and implementing recovery programs was assigned to work out of the local Champaign-Urbana Service Area office starting in October 2002. After assessing the situation, he began implementing new procedures to turn around the performance of the Champaign-Urbana Service Area's local operations.

The decline in key performance indicators slowed in early 2003 and began to recover. As part of the turn-around plan, two supervisors and one foreman were added to the leadership team by May 2003 to reinforce management oversight.

The area director brought increased operational discipline to the Champaign-Urbana Service Area office and was prepared to implement the next phase of the improvement plan when the cities' plans to conduct a joint Public Hearing were announced.

In mid-June 2003, IP made further changes to its management organization designed to bring even greater senior leadership oversight to field locations.

Since late June, IP's management team has been investigating the issues raised at the Public Hearing and following up on specific customer concerns. New corrective actions have been implemented as the result of these investigations.

Follow-up investigations by IP have identified human errors, and organizational, programmatic, and management weaknesses. Improvements are being implemented in the areas of management oversight, local accountability and responsibility, customer service, and reliability.

Management Oversight

Lessons Learned

Based on the testimony, follow-up meetings, and investigations, IP has learned the following lessons in the area of Management and Oversight:

- The problems are more systemic than initially understood. While leading performance indicators alerted IP to the need for improvement, the full impact of IP's scheduling and customer-contact processes on the developer community and other customers was not well understood.
- IP managers need to be more attuned to the needs of their customers, especially developers and high tech customers in the Champaign-Urbana community.
- IP's operational managers have not been sufficiently visible and accessible to the community.
- IP work processes are not managed or executed to the satisfaction of all customers.

Actions

- Two additional Field Operations Supervisors and an additional Electric Foreman have been added to reinforce the local leadership team and bring more focus on the execution of work.
- IP's Champaign-Urbana Service Area leadership team has established additional management controls to improve performance and bring accountability to its delivery of new service. Upper management provides the Champaign-Urbana Service Area staff with the authority to implement changes as they see fit.
- The names, titles, and phone numbers of the Champaign-Urbana Service Area leadership team have been communicated to all who spoke at the Public Hearing. See Attachment 1.
- In addition to local leadership, recent organizational changes at IP have returned more corporate oversight to area operations. An experienced Senior Director and a Business Director have been assigned responsibilities

for the Champaign-Urbana Service Area and other offices in IP's central operating region. Our new organization, including senior operations leaders in four regions, brings even more focus to our energy delivery business. This new structure will help keep the company more in tune with our field employees and the needs of our customers. We believe this structure will enhance the quality and speed of decision-making, while taking into account unique regional considerations. In addition, we will continue to have personnel, including the senior directors in the regions, interface regularly with stakeholders in the communities we serve.

Accountability and Responsibility

IP is accountable and accepts responsibility for not always meeting customer expectations. We will work hard to correct these problems.

While IP may take issue with some of the specifics contained in the testimony, IP agrees with the general need to improve service and continue to improve reliability.

The local Champaign-Urbana Service Area management team holds itself accountable and is responsible for assuring a performance turnaround.

Lessons Learned

Based on the testimony, follow-up meetings, and investigations, IP has learned the following lessons in the area of Accountability and Responsibility:

- It appears our customers are unaware that IP has a substantial supervisory presence in its local office. These individuals are responsible for resolving customer concerns. IP must do a better job at communicating who is locally accountable and responsible.
- Customers are not satisfied with IP's service, and feel IP does not care. Customers have difficulty finding someone at IP to be accountable.

Action

The names, titles, and phone numbers of each member of IP's local Champaign-Urbana Service Area office have been communicated to each individual who provided testimony at the Public Hearing. If not satisfied with the level of service they need, customers are encouraged to contact the local office for resolution to their problems. See Attachment 1.

Focus on Customer Service

While customer service is a priority for IP, hearing testimony indicates we have not done a good enough job providing the level of service desired, especially to developers, home builders, and other key customers.

Lessons Learned

Based on the testimony, follow-up meetings, and investigations, IP has learned the following lessons in the area of Customer Service:

- IP has not done a good enough job at adhering to its processes. Some customers find some of IP's policies burdensome.
- IP employees have not always been responsive, such as failing to return phone calls. Customers have had difficulty interfacing with IP staff.
- Customers have experienced project delays they find unacceptable. Customers cite examples when projects sit for long periods of time waiting for IP to perform.
- Customers have difficulty learning the schedule for their projects.

Actions

- An independent Service Advisory Council has been established. The Honorable Stan Weaver, former State Senator, will chair this important council. The Council will help resolve issues related to energy services for the Champaign-Urbana community. The concept is to bring contractors, developers, municipal and business leaders, and IP together to jointly address some of the energy service-related problems that slow economic progress in the cities. See Attachment 2.
- Since the Public Hearing, IP developed and delivered training to all its Champaign-area supervisors, field engineering representatives, and foremen on customer service. The primary purpose of the training was to re-focus the efforts of the local office management and staff on meeting customer needs and expectations.
- The local management team is conducting follow-up meetings with customers to discuss and resolve specific customer issues. We have found these

meetings to be helpful in better understanding customer needs and to begin to address long standing customer service problems. Agreements have been made to conduct regular coordination meetings with customers, such as the Cities and the University of Illinois, to ensure that IP does a better job at responding to customer needs, local infrastructure projects and changing priorities.

- Since the hearing, the management and staff of IP's Champaign-Urbana Service Area have found ways to be less rigid in working the processes, and to work more cooperatively with customers in finding solutions to issues. IP expects to be more flexible whenever possible to meet customer needs, while providing equal consideration to all customers as required by our own standards and by law. The management and staff of the Champaign-Urbana Service Area look forward to working with customers to find better ways of working together.
- IP will move forward with a new program negotiated with the Home Builders Association of Illinois to permit developers to install their own gas and electric distribution infrastructure in new commercial developments and subdivisions, much like they do for roads, sewers, and other infrastructure improvements. See Attachment 3.
- The leadership team will place more daily emphasis on work execution and improving the performance of IP's Champaign-Urbana Service Area office.

Focus on Reliability

Along with safety and customer service, IP regards reliability as a top priority. Data indicates the overall reliability of electric delivery in the Champaign-Urbana community as good. Key reliability performance indicators suggest electric reliability is above the average for the IP system state-wide. The City's own consultant at the joint public hearing concluded that IP's reliability was improving. The bases for his conclusion will not be repeated here; but the reader may refer to IP's latest annual reliability report at

<http://www.icc.state.il.us/ec/docs/030605relip2003.pdf>.

Overall reliability can be continuously improved through the use of new technologies, periodic maintenance, and new investment in the system. IP continues to employ these techniques to assure system reliability.

IP recognizes that from time to time specific customers experience electrical problems. When this occurs, IP investigates the situation to identify the cause of the specific problem. IP has power quality experts and investigative tools to assist in identifying the cause of the problems. Indeed, IP has assisted a variety of commercial and industrial customers in the Champaign-Urbana area in locating and correcting problems. Problems located on IP's system are corrected. On occasion, IP can help identify the cause of the problem in the customer's equipment.

Lessons Learned

Based on the testimony, follow-up meetings, and investigations, IP has learned the following lessons in the area of Reliability:

- Customers were unaware that reliability is steadily improving in the Champaign-Urbana area.
- To high-tech customers, even short-lived delivery system disturbances cause problems for their operations.
- IP has not done a good job explaining how electrical systems are designed, and how high tech firms in other regions of the country cope with the intrinsic problems associated with high tech equipment.

Actions

- IP will continue implementing its reliability program to provide for a satisfactory level of reliability for the Champaign-Urbana community, including planning inspection and maintenance, system planning, and investment.
- IP will continue to investigate specific reliability issues raised by customers to locate and correct the cause, or assist customers with identifying problems on the customer's side of the meter.
- IP has surveyed other utilities to determine how the unique needs of the high-tech industry are served. IP will bring the results of this survey to the Service Advisory Council. See Attachment 2.

Commitment

IP understands the need to improve its performance in its Champaign-Urbana Service Area.

We are committed to resolving the common and specific issues raised by our customers.

We are committed to supporting the Service Advisory Council to work collaboratively with Senator Weaver, contractors, developers, municipal leaders, and business leaders to find solutions to issues highlighted at the Public Hearing.

We know that our customers will not judge us on the basis of what we've done or say we're going to do. Our customers – and the City Councils of Urbana and Champaign – will judge us by whether we have improved the quality of our service to this growing community.

Illinois Power will:

- Seek to proactively communicate with the communities
- Operate our assets safely, responsibly and efficiently
- Implement and live by our internal control and ethical compliance processes
- Incorporate key customer service and municipal coordination activities as factors in annual employee performance and salary reviews
- Respect the role of regulation
- Consider it a privilege to serve our customers
- Earn and sustain credibility with stakeholders
- Develop and engage our employees
- Work cooperatively and collaboratively

By implementing the corrective actions summarized in this report, IP believes it will be able to produce the only kind of results that count – *results that can be seen and felt by IP customers and the officials that represent their interests.*

Attachment 1

Local Leadership Team

IP Champaign-Urbana Service Area office
1112 West Anthony Drive
P.O. Box 17070
Urbana, Illinois 61803-7070

E-mail addresses take the form (first name)_(last name)@illinoispower.com.

If reporting trouble, please first call IP's advertised 24-hour 800 numbers. This will provide the fastest response to gas leaks, electric outages and downed lines.

Gas Leaks/No Gas 1-800-755-6000
Wires Down/No Power 1-800-755-7000, etc.
Business Service Center 1-800-363-6805

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Municipal and Community Affairs

Denise Harrison

Regional Manager (municipal & local community affairs)
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Cell: 217-412-5056

Electric

Henry Gay

Field Operations Supervisor – Electric (outages/trouble, maintenance, electric crews)
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Pager: 217-424-0257
Cell: 217-778-0721

Dof Toliver

Field Operations Supervisor – Electric (outages/trouble, maintenance, electric crews)
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Pager: 217-373-1978
Cell: 217-778-0720

Dave Smith

Field Operations Supervisor
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Pager: 217-425-3426
Cell: 217-412-6400

Kent Owens

Construction Supervisor (interface with IP's contractors)
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Pager: 217-462-3479
Cell: 309-532-0691

Gas

Greg Einck

Field Operations Supervisor – Gas (leaks/trouble, maintenance, gas crews)
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Pager: 217-431-4362
Cell: 217-621-6855

Bob Weatherford

Field Operations Supervisor – Gas (leaks/trouble, maintenance, gas crews)
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Pager: 217-462-3732
Cell: 217-412-6383

Substation

Bill Pray

Substation Operations Supervisor (substation trouble, maintenance, switching)
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Pager: 217-462-3267
Cell: 217-412-6496

Engineering & Real Estate

Mark Hiple

Regional Engineering Supervisor (supervises Field Engineering Representatives FERs)
Office: 217-383-7270
Pager: 217-373-6936
Cell: 217-778-0730

Jason Woodard

Assistant Regional Engineering Supervisor
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Pager: 217-373-7057
Cell: 217-778-0723

Dan McCarthy

Real Estate and Claims Specialist (easements, accident claims)
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Pager: 217-424-1953
Cell: 217-778-0719

Office & Meter Reading

Kathy Ekstrom

Regional Manager (meter reading, office, community affairs)
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Attachment 2

Service Advisory Council

Purpose

A Service Advisory Council gives stakeholders an opportunity for input on decisions that affect them and helps to resolve Illinois Power service issues. The Service Advisory Council can identify and prioritize areas of disagreement and work to educate all parties as to the effects of current processes. The Service Advisory Council can serve as a sounding board to listen to solutions presented by the utility and offer alternative suggestions or modifications when the solutions do not fulfill Service Advisory Council expectations.

Membership

Members selected to serve on this Service Advisory Council should have a stake in the outcome, be open minded, and resolution focused. They also listen well, offer alternatives, constructively give feedback, and recognize the solutions should be in the best interests of all stakeholders.

Roles

- ❖ Facilitator -- The role of a facilitator is to help the Service Advisory Council focus on resolution through collaboration. The facilitator's focus is on developing a functioning Service Advisory Council, and not on resolving the issues at hand. They are impartial and will help to establish the scope and ground rules.
- ❖ Chairperson – The chairperson of the Service Advisory Council is responsible for serving as spokesperson for the Service Advisory Council, leading meetings, establishing protocol, and assessing priority of issues to be addressed. The Honorable Stan Weaver, former State Senator, will chair this important council.
- ❖ Representatives from various constituencies – Selection of appropriate individuals from the community. Developers, contractors, municipal and business leaders, and IP are suggested constituencies who should be represented on the council.

Meeting Assistant – Has the responsibility of taking notes, sending out meeting notices, arranging meeting logistics, addressing general meeting questions, maintaining contact information and other miscellaneous necessary administrative duties.

Ad-hoc Membership

Upon consensus of the Service Advisory Council, additional ad-hoc or advisory members may be asked to attend meetings when their presence can serve as an additional resource, or potentially open new opportunities for resolving particular issues.

Meeting Logistics

The Service Advisory Council will initially meet on the Identify day of the week of the each month at the Place of meeting from Time to Time. Meeting frequency, dates, times and location are subject to change, based on Service Advisory Council direction.

Scope

The Service Advisory Council will focus on issues related to the practices and procedures of Illinois Power's engineering and energy delivery operations. Issues that are isolated or individual in nature will not be discussed. Those processes which have jointly been agreed to as having an impact on the community at large are appropriate for Service Advisory Council discussion. Solutions identified need to be applicable throughout Illinois Power service territory and conform to existing rules and regulations set by the Illinois Commerce Commission and other regulating bodies.

Expectations of Service Advisory Council

Service Advisory Council members should have a genuine interest in resolving the issues, and not come with personal agendas. There should be a win-win attitude with a goal of continuous improvement. Indifference to opinions of others, grand standing and lack of an attempt to trust will result in an ineffective Service Advisory Council.

Resources

Possible sources of energy related data and resources include Edison Electric Institute, Electric Power Research Institute, Transmission & Distribution, Energy Central, Illinois Power, and Illinois Commerce Commission.

Budget

Illinois Power will commit \$5,000 for educational materials, miscellaneous meeting expenses and other associated costs during the first six months of the Service Advisory Council. Extraordinary expenses or expenses beyond the initial period will need to be discussed and agreed upon before proceeding.

Attachment 3

Electric and Gas Infrastructure Initiative

Background

At the request of the Illinois Home Builders Association, IP has developed the framework for an initiative to permit developers to install electric and gas distribution infrastructure. This initiative will be piloted first in IP's Champaign-Urbana Service Area and then expanded state-wide. The initiative's guidelines are being finalized and are expected to include:

Illinois Power will:

- Provide complete engineering design to developer
- Provide specifications for required materials to developer and developer vendors
- Provide inspection for materials and installation (Material inspection can be accomplished by providing copies of Purchase Orders to appropriate Regional Engineering Supervisor)
- Take ownership of the electric distribution system upon final inspection (this will require a formal document signed-off by the participating developer and IP)
- Operate and maintain the installed electric distribution system
- Pay all applicable income taxes upon accepting the electric distribution system
- Install all individual services to customers in accordance with IP's normal processes
- Provide a list of acceptable installation contractors to the Home Builder Association of Illinois (IP will use its normal process to evaluate any requests for additions to the list)

Developer will:

- Procure all materials to complete the design as specified by Illinois Power (IP) (provide copies of Purchase Orders to IP's Regional Engineering Supervisor)
- Contract with one of the contractors on the IP approved list to perform the work
- Assure contractor complies with all design requirements
- Have the contractor correct any non-approved deviations from the IP design

- Coordinate energizing new electric facilities with local IP supervision
- Turn over ownership of the electric distribution system with all as-built drawings to IP upon final inspection
- Complete prompt payment to the contractor upon successful completion of the work (upon release of any retention copies of all lien waivers are to be forwarded to IP prior to final sign-off on the transfer of the system to IP)
- Provide a warranty for a period of 1 year on the work
- Transfer all material warranties to IP at time of transfer of system
- Pay prevailing wages as determined by the Illinois Department of Labor pursuant to 830 ILCS 130/9
- Use union contractors
- Make application to IP for individual electric & gas services according to IP's normal processes