



94TH GENERAL ASSEMBLY

State of Illinois

2005 and 2006

HB5776

Introduced 03/30/06, by Rep. Thomas Holbrook

SYNOPSIS AS INTRODUCED:

220 ILCS 5/9-201	from Ch. 111 2/3, par. 9-201
220 ILCS 5/Art. XX heading new	
220 ILCS 5/20-101 new	
220 ILCS 5/20-105 new	
220 ILCS 5/20-110 new	
220 ILCS 5/20-115 new	
220 ILCS 5/20-120 new	
220 ILCS 5/20-125 new	
220 ILCS 5/20-127 new	
220 ILCS 5/20-130 new	
220 ILCS 5/20-135 new	
220 ILCS 5/20-140 new	
220 ILCS 5/20-145 new	
220 ILCS 5/20-150 new	
220 ILCS 5/20-155 new	
220 ILCS 5/20-160 new	
220 ILCS 5/20-165 new	
220 ILCS 5/20-170 new	
220 ILCS 5/20-175 new	
220 ILCS 5/20-180 new	
810 ILCS 5/9-102	from Ch. 26, par. 9-102
810 ILCS 5/9-108	from Ch. 26, par. 9-108
810 ILCS 5/9-301	from Ch. 26, par. 9-301
810 ILCS 5/9-515	

Amends the Public Utilities Act. Provides that an electric utility that served fewer than 1,000,000 retail customers on December 31, 2005 may propose a deferral on its books of account for later recovery in rates on any portion of its costs of purchasing electric power and energy incurred to serve residential customers during a specific period. Allows the Illinois Commerce Commission to authorize the issuance of rate mitigation bonds, secured through an irrevocable financing order imposing a non-bypassable bond charge, by such an electric utility or other financing entity designated by the electric utility. Provides conditions on the issuance of rate mitigation bonds. Adds provisions concerning financing orders, the State pledge to holders of rate mitigation bonds, proceeds of rate mitigation bonds, residential customers assessed for bond charges, recourse against an issuer, maintaining records of bond charges, security, transfers of bondable property, successors to electric utilities, subsequent ratemaking, and severability. Makes other changes. Amends the Uniform Commercial Code. Makes changes concerning bondable property in provisions concerning definitions, sufficiency of a description, perfection and priority of security interests, and duration and effectiveness of financing statements. Effective immediately.

LRB094 19968 AMC 57364 b

FISCAL NOTE ACT
MAY APPLY

HOUSING
AFFORDABILITY
IMPACT NOTE ACT
MAY APPLY

1 AN ACT concerning regulation.

2 **Be it enacted by the People of the State of Illinois,**
3 **represented in the General Assembly:**

4 Section 5. The Public Utilities Act is amended by changing
5 Section 9-201 and by adding Article XX as follows:

6 (220 ILCS 5/9-201) (from Ch. 111 2/3, par. 9-201)

7 Sec. 9-201. (a) Unless the Commission otherwise orders, and
8 except as otherwise provided in this Section, no change shall
9 be made by any public utility in any rate or other charge or
10 classification, or in any rule, regulation, practice or
11 contract relating to or affecting any rate or other charge,
12 classification or service, or in any privilege or facility,
13 except after 45 days' notice to the Commission and to the
14 public as herein provided. Such notice shall be given by filing
15 with the Commission and keeping open for public inspection new
16 schedules or supplements stating plainly the change or changes
17 to be made in the schedule or schedules then in force, and the
18 time when the change or changes will go into effect, and by
19 publication in a newspaper of general circulation or such other
20 notice to persons affected by such change as may be prescribed
21 by rule of the Commission. The Commission, for good cause
22 shown, may allow changes without requiring the 45 days' notice
23 herein provided for, by an order specifying the changes so to
24 be made and the time when they shall take effect and the manner
25 in which they shall be filed and published.

26 When any change is proposed in any rate or other charge, or
27 classification, or in any rule, regulation, practice, or
28 contract relating to or affecting any rate or other charge,
29 classification or service, or in any privilege or facility,
30 such proposed change shall be plainly indicated on the new
31 schedule filed with the Commission, by some character to be
32 designated by the Commission, immediately preceding or

1 following the item.

2 When any public utility providing water or sewer service
3 proposes any change in any rate or other charge, or
4 classification, or in any rule, regulation, practice, or
5 contract relating to or affecting any rate or other charge,
6 classification or service, or in any privilege or facility,
7 such utility shall, in addition to the other notice
8 requirements of this Act, provide notice of such change to all
9 customers potentially affected by including a notice and
10 description of such change, and of Commission procedures for
11 intervention, in the first bill sent to each such customer
12 after the filing of the proposed change.

13 (b) Whenever there shall be filed with the Commission any
14 schedule stating an individual or joint rate or other charge,
15 classification, contract, practice, rule or regulation, the
16 Commission shall have power, and it is hereby given authority,
17 either upon complaint or upon its own initiative without
18 complaint, at once, and if it so orders, without answer or
19 other formal pleadings by the interested public utility or
20 utilities, but upon reasonable notice, to enter upon a hearing
21 concerning the propriety of such rate or other charge,
22 classification, contract, practice, rule or regulation, and
23 pending the hearing and decision thereon, such rate or other
24 charge, classification, contract, practice, rule or regulation
25 shall not go into effect. The period of suspension of such rate
26 or other charge, classification, contract, practice, rule or
27 regulation shall not extend more than 105 days beyond the time
28 when such rate or other charge, classification, contract,
29 practice, rule or regulation would otherwise go into effect
30 unless the Commission, in its discretion, extends the period of
31 suspension for a further period not exceeding 6 months.

32 All rates or other charges, classifications, contracts,
33 practices, rules or regulations not so suspended shall, on the
34 expiration of 45 days from the time of filing the same with the
35 Commission, or of such lesser time as the Commission may grant,
36 go into effect and be the established and effective rates or

1 other charges, classifications, contracts, practices, rules
2 and regulations, subject to the power of the Commission, after
3 a hearing had on its own motion or upon complaint, as herein
4 provided, to alter or modify the same.

5 Within 30 days after such changes have been authorized by
6 the Commission, copies of the new or revised schedules shall be
7 posted or filed in accordance with the terms of Section 9-103
8 of this Act, in such a manner that all changes shall be plainly
9 indicated.

10 (c) If the Commission enters upon a hearing concerning the
11 propriety of any proposed rate or other charge, classification,
12 contract, practice, rule or regulation, the Commission shall
13 establish the rates or other charges, classifications,
14 contracts, practices, rules or regulations proposed, in whole
15 or in part, or others in lieu thereof, which it shall find to
16 be just and reasonable. In such hearing, the burden of proof to
17 establish the justness and reasonableness of the proposed rates
18 or other charges, classifications, contracts, practices, rules
19 or regulations, in whole and in part, shall be upon the
20 utility. No rate or other charge, classification, contract,
21 practice, rule or regulation shall be found just and reasonable
22 unless it is consistent with Sections of this Article.

23 (d) An electric utility that served fewer than 1,000,000
24 retail customers on December 31, 2005 may propose a deferral on
25 its books of account for later recovery in rates of any portion
26 of its costs of purchasing electric power and energy incurred
27 to serve residential customers during the period of January 2,
28 2007 through December 31, 2008. The Commission shall allow the
29 deferral, after hearing, if and to the extent that the electric
30 utility can demonstrate that the estimated amount of the
31 deferral will not have significant adverse consequences for the
32 electric utility or its customers. An electric utility seeking
33 to defer costs under this subsection (d) shall file its
34 proposal with the Commission no later than October 2, 2006, and
35 the Commission shall issue its order regarding the proposal no
36 later than 60 days after the filing of the petition. The

1 electric utility shall recover the costs deferred under this
2 subsection (d), and associated carrying costs, through the
3 issuance of rate mitigation bonds pursuant to Article 20 of
4 this Act.

5 The unrecovered balance of amounts deferred under this
6 subsection (d) shall accrue carrying costs from the date of
7 accrual through the issuance date defined in Section 20-105 of
8 this Act at the weighted average cost of capital approved for
9 the electric utility in the electric utility's most recent
10 electric rate proceeding.

11 In connection with the issuance of rate mitigation bonds,
12 the electric utility shall recover a bond charge, as defined in
13 Section 20-105 of this Act, pursuant to a non-bypassable
14 surcharge applied to residential electric delivery service
15 customers beginning on the issuance date of the bonds. The
16 Commission shall periodically review and adjust the level of
17 the bond charge pursuant to subsection (b) of Section 20-115 of
18 this Act. To the extent that rate mitigation bonds covering all
19 deferred powered supply costs, as defined in Section 20-105 of
20 this Act, through December 31, 2008, have not been issued by
21 June 30, 2009, the electric utility shall be permitted to
22 recover the deferred power supply costs and associated carrying
23 costs ratably in the period July 1, 2009 through December 31,
24 2009, through a non-bypassable surcharge applied to
25 residential electric delivery service customers.

26 Notwithstanding any other provision of this subsection (d)
27 or this Act, in the event the credit rating for senior secured
28 debt of an electric utility subject to this subsection (d) is
29 downgraded (lowered by one credit rating category (e.g., from
30 Baa1 to Baa2) compared to the credit ratings in effect as of
31 December 31, 2005) by Moody's Investors Service, Inc., or its
32 successor or successors, after December 31, 2005, but before
33 January 2, 2007, no amounts may be deferred by the electric
34 utility, and rates reflecting the full residential revenue
35 requirement, including all power supply costs, shall go into
36 effect on January 2, 2007. In the event that a downgrade occurs

1 after January 1, 2007, but before the issuance date, rates
2 reflecting the full residential bundled revenue requirement,
3 including all power supply costs, shall go into effect on a
4 date 45 days after the downgrade, the electric utility shall
5 cease deferring electric power supply costs, and the utility
6 will be permitted to recover ratably all deferred power supply
7 costs, including carrying costs, through a non-bypassable
8 surcharge applied to residential electric delivery service
9 customers in the 12 month period commencing 45 days after the
10 downgrade.

11 This subsection (d) shall not apply to electric service
12 rates for classes other than the residential class.

13 The Commission may approve procurement of power supply
14 through a competitive bidding mechanism, such as an auction or
15 a request for proposals. Nothing in this subsection (d) shall
16 preclude the Commission from authorizing recovery of all or
17 part of power supply costs through a rider mechanism.

18 Nothing in this subsection (d) shall be interpreted to
19 preclude the Commission from approving seasonal differences in
20 rates, declining block charges, or any other appropriate rate
21 design, subject to the intent stated in this subsection (d).

22 (Source: P.A. 84-617.)

23 (220 ILCS 5/Art. XX heading new)

24 ARTICLE XX. RATE MITIGATION

25 (220 ILCS 5/20-101 new)

26 Sec. 20-101. Short title. This Article may be cited as the
27 Rate Mitigation Law of 2006.

28 (220 ILCS 5/20-105 new)

29 Sec. 20-105. Definitions. As used in this Article:

30 "Assignee" means a person to whom an electric utility or
31 another assignee assigns, sells, or transfers, other than as
32 security, all or a portion of its right to or interest in
33 bondable property. Except as specifically provided in this

1 Article, an assignee shall not be subject to the provisions of
2 this Act and any rules promulgated under this Act.

3 "Bond charge" means a charge, expressed as an amount per
4 kilowatt hour, that is imposed on residential customers,
5 pursuant to subsection (d) of Section 9-201 and Section 20-130
6 of this Act, to implement a financing order, as modified at any
7 time pursuant to the provisions of this Article.

8 "Bondable property" means property consisting of the
9 irrevocable right to impose, charge, collect, and receive, and
10 be paid from collections of, bond charges, in the amount
11 necessary to provide for the full recovery of all qualified
12 bondable costs as set forth in the related financing order, all
13 rights of the related electric utility under the financing
14 order, including, without limitation, all rights to obtain
15 periodic adjustments of the related bond charges pursuant to
16 subsection (b) of Section 20-115 and all revenues, collections,
17 payments, money, and proceeds arising under, or with respect
18 to, all of the foregoing.

19 "Carrying costs" means the accrued carrying costs at the
20 weighted average cost of capital approved for the electric
21 utility determined in the electric utility's most recent
22 electric rate proceeding.

23 "Commission" means the Illinois Commerce Commission or any
24 successor agency.

25 "Customer" means any person that is an end user taking
26 electric delivery service and that is connected to any part of
27 the transmission and distribution system within an electric
28 utility's service territory within this State.

29 "Deferred power supply costs" means the power supply costs
30 incurred by an electric utility through any power procurement
31 process approved by the Federal Energy Regulatory Commission
32 and carried as a deferred or regulatory asset on its books by
33 order of the Commission, pursuant to subsection (d) of Section
34 9-201 of this Act.

35 "Electric utility" means an electric utility that served
36 fewer than 1,000,000 retail customers on December 31, 2005.

1 "Financing entity" means an electric utility, a special
2 purpose entity, or any other assignee of bondable property that
3 issues rate mitigation bonds. Except as specifically provided
4 in this Act, a financing entity that is not an electric utility
5 shall not be subject to the provisions of this Act and any
6 rules adopted under this Act.

7 "Financing order" means one or more irrevocable written
8 orders issued by the Commission pursuant to this Article that
9 determines the amount or method of calculating the amount of
10 qualified bondable costs and the initial amount or method of
11 calculating the initial amount of bond charges authorized to be
12 imposed to recover qualified bondable costs, including the
13 costs to be financed from the proceeds of the rate mitigation
14 bonds, as well as on-going costs associated with servicing and
15 credit enhancing the rate mitigation bonds, and provides the
16 electric utility specific authority to issue or cause to be
17 issued, directly or indirectly, rate mitigation bonds through a
18 financing entity and related matters, as provided in this
19 Article. The order shall become effective immediately upon the
20 written consent of the electric utility related to the order,
21 as provided in this Article.

22 "Issuance date" means the date on which any rate mitigation
23 bonds are issued and sold.

24 "Pledgee" means any entity to which bondable property is
25 pledged or in favor of which a security interest or other lien
26 in bondable property is created to secure the payment of rate
27 mitigation bonds and related costs and expenses, such as costs
28 of collection and enforcement.

29 "Qualified bondable costs" means any qualified regulatory
30 assets of an electric utility, together with:

31 (1) the cost of retiring existing debt or equity
32 capital of the electric utility, including accrued
33 interest, premium, and other fees, costs, and charges
34 relating thereto, with the proceeds of the financing of
35 bondable property;

36 (2) if requested by an electric utility in its

1 application for a financing order, federal, State, and
2 local tax liabilities associated with the recovery of
3 qualified regulatory assets and qualified bondable costs;
4 and

5 (3) the costs incurred to issue, service, or refinance
6 rate mitigation bonds, including interest, acquisition, or
7 redemption premium, and other financing costs, whether
8 paid upon issuance or over the life of the rate mitigation
9 bonds, including, but not limited to, legal, accounting,
10 rating agency, trustee, and underwriting fees, credit
11 enhancements, service charges, overcollateralization,
12 interest rate cap, swap or collar, yield maintenance,
13 maturity guarantee, or other hedging agreements, equity
14 investments, operating costs, and other related fees,
15 costs and charges, or to assign, sell, or otherwise
16 transfer bondable property.

17 "Qualified regulatory assets" means deferred power supply
18 costs, together with the carrying costs thereon.

19 "Rate mitigation bonds" means bonds, notes, certificates
20 of participation or beneficial interest, or other evidences of
21 indebtedness or ownership issued pursuant to an indenture,
22 contract, or other agreement of an electric utility or a
23 financing entity, the proceeds of which are used, directly or
24 in-directly, to recover, finance, or refinance qualified
25 bondable costs and which are, directly or indirectly, secured
26 by or payable from bondable property. References in this
27 Article to principal, interest, and acquisition or redemption
28 premium with respect to rate mitigation bonds that are issued
29 in the form of certificates of participation or beneficial
30 interest or other evidences of ownership shall refer to the
31 comparable payments on such securities.

32 "Residential customer" means any customer who takes
33 residential electric delivery service from the electric
34 utility.

35 "Transmission and distribution system" means, with respect
36 to an electric utility, any facility or equipment that is used

1 for the transmission, distribution, or delivery of electricity
2 to the customers of the electric utility, including, but not
3 limited to, the land, structures, meters, lines, switches, and
4 all other appurtenances thereof and thereto, owned or
5 controlled by the electric utility within this State.

6 (220 ILCS 5/20-110 new)

7 Sec. 20-110. Authorization for issuance of rate mitigation
8 bonds.

9 (a) For purposes of recovering all qualified bondable
10 costs, the Commission shall authorize the issuance of rate
11 mitigation bonds by an electric utility or other financing
12 entity designated by the electric utility. Rate mitigation
13 bonds shall be secured through an irrevocable financing order
14 imposing a non-bypassable bond charge, as provided in Section
15 20-130, and shall provide for collection of the bond charge by
16 the electric utility, an assignee, a financing entity, or a
17 pledgee of bondable property. The net proceeds of the rate
18 mitigation bonds shall be used by or on behalf of the electric
19 utility for the purposes of recovering qualified bondable costs
20 through the refinancing or retirement of electric utility debt
21 or equity, or both. Notwithstanding any other provision of law
22 to the contrary, except for adjustments authorized under
23 subsection (b) of Section 20-115, bond charges permitted by a
24 financing order shall not be offset, reduced, adjusted, or
25 otherwise diminished either directly or indirectly.

26 (b) For the purposes of recovering qualified bondable
27 costs, including qualified regulatory assets of an electric
28 utility, the issuance of rate mitigation bonds for an electric
29 utility shall be authorized by the Commission if:

30 (1) the issuance of the rate mitigation bonds and the
31 imposition of the bond charge authorized by the financing
32 order are reasonably expected to (i) result in lower
33 overall net present value costs, as compared with recovery
34 of qualified regulatory assets over the 12-month period
35 commencing on the anticipated issuance date of the rate

1 mitigation bonds, at the electric utility's weighted
2 average cost of capital, or (ii) avoid or mitigate annual
3 rate impacts to residential customers as compared with
4 recovery of qualified regulatory assets over the 12-month
5 period commencing on the anticipated issuance date of the
6 rate mitigation bonds, at the electric utility's weighted
7 average cost of capital; and

8 (2) the structuring of the transaction for the sale of
9 the rate mitigation bonds proposed by the electric utility
10 is reasonably expected to result in bond charges payable by
11 the electric utility's residential customers that are
12 consistent with market conditions and the terms of the
13 financing order, as confirmed in a written statement
14 provided by the principal underwriters of the rate
15 mitigation bonds.

16 (c) Subject to the other requirements of this Article, the
17 Commission shall authorize the issuance of rate mitigation
18 bonds in a principal amount to include the full amount of the
19 electric utility's qualified bondable costs.

20 (d) The financing order shall authorize the issuance of
21 rate mitigation bonds with scheduled amortization upon
22 issuance of up to 10 years, as determined by the electric
23 utility pursuant to item (2) of subsection (a) of Section
24 20-115, with a legal final maturity up to 2 years after the end
25 of the scheduled amortization period.

26 (e) Rate mitigation bonds may be issued in one or more
27 series, in one or more offerings, and each such series may
28 consist of one or more classes of rate mitigation bonds.

29 (f) The Commission shall impose no conditions in its
30 financing order other than those authorized in this Article.

31 (g) The Commission's findings under this Section shall be
32 final and uncontestable as of the date of issuance of the
33 financing order.

34 (220 ILCS 5/20-115 new)

35 Sec. 20-115. Financing orders.

1 (a) A financing order issued by the Commission pursuant to
2 this Article shall:

3 (1) authorize the electric utility or other financing
4 entity designated by the electric utility to issue rate
5 mitigation bonds to finance the qualified bondable costs
6 and to pledge or assign, sell, or otherwise transfer the
7 related bondable property without further order of the
8 Commission;

9 (2) afford the electric utility substantial
10 flexibility in establishing the terms and conditions of any
11 rate mitigation bonds and authorize the electric utility,
12 prior to the closing of the issuance and sale of the
13 related rate mitigation bonds, to fix the amount of the
14 initial bond charge to be imposed upon, charged to, and
15 collected and received from the residential customers of
16 the electric utility in an amount not less than the amount
17 necessary to fully recover qualified bondable costs,
18 reflecting the actual rate of interest thereon and all
19 other actual qualified bondable costs, including any
20 required overcollateralization, associated with the
21 issuance of such rate mitigation bonds; and

22 (3) require the electric utility to file a notice with
23 the Commission, not later than 5 business days after the
24 issuance date of the rate mitigation bonds, of the terms
25 and conditions of any rate mitigation bonds secured by or
26 payable from the bond charges, including information as to
27 the servicing fees, if any, imposed with respect to the
28 collection of the bond charges and the schedule for
29 payments of principal and interest on the rate mitigation
30 bonds. Notwithstanding any other provision of law, (i) the
31 Commission shall not have authority to disapprove the terms
32 and conditions of the rate mitigation bonds as set forth in
33 the notice, which terms and conditions shall not be subject
34 to change or modification, and (ii) the notice to the
35 Commission required to be given by the electric utility
36 under this item (3) and the issuance and sale of rate

1 mitigation bonds shall not be subject to the provisions of
2 any law regulating the sale of property or assets or the
3 issuance of securities by an electric utility and shall not
4 affect the rights of bondholders.

5 (b) Each financing order shall provide for mandatory
6 periodic adjustments of the bond charges that are the subject
7 of the financing order, upon filing by the affected electric
8 utility, an assignee, a financing entity, or pledgee, to
9 conform the bond charges to the schedule of payments of
10 principal and interest on the rate mitigation bonds provided to
11 the Commission by the electric utility pursuant to item (3) of
12 subsection (a) of this Section. The adjustments shall initially
13 be made at least annually and at least semi-annually during the
14 2 years prior to the end of the scheduled amortization period,
15 but may be made more frequently as provided for in a financing
16 order. Each adjustment shall be formula-based, shall be in the
17 amount required to ensure receipt of revenues sufficient to
18 provide for the full recovery of qualified bondable costs,
19 including, without limitation, the timely payment of principal
20 of and interest and acquisition or redemption premium on rate
21 mitigation bonds issued to finance qualified bondable costs,
22 which shall be recovered over the term of the rate mitigation
23 bonds and in accordance with the schedule of payments of
24 principal and interest on the rate mitigation bonds provided to
25 the Commission by the electric utility pursuant to item (3) of
26 subsection (a) of this Section. Each adjustment shall become
27 effective on the date it is requested to be effective by the
28 electric utility, provided that date is no less than 45 days
29 after the filing of the request for adjustment with the
30 Commission. Each request for an adjustment shall become
31 effective as filed absent a determination by the Commission of
32 manifest error. The Commission shall make a determination as to
33 manifest error with respect to the request within 30 days after
34 its filing and, if the Commission makes a determination of
35 manifest error, the Commission shall resolve the error in a
36 timely manner so that the appropriate adjustment will become

1 effective on the date it was requested to be effective.
2 Periodic adjustments shall not in any way affect the validity
3 or irrevocability of the financing order or any sale,
4 assignment, or other transfer of or any pledge or security
5 interest granted with respect to the related bondable property
6 and shall not affect rights of bondholders. For purposes of
7 this subsection (b), "manifest error" means an arithmetic error
8 evident on the face of the filing.

9 (c) A financing order and the authority to impose, charge,
10 collect, and receive the bond charges authorized thereby shall
11 remain in effect until the related qualified bondable costs,
12 including, without limitation, the principal of, and accrued
13 interest and acquisition or redemption premium on any rate
14 mitigation bonds issued to finance such qualified bondable
15 costs, have been paid in full and all other obligations and
16 undertakings with respect thereto have been fully satisfied.
17 Until the qualified bondable costs, including, without
18 limitation, the principal of and accrued interest and
19 acquisition or redemption premium on any rate mitigation bonds
20 issued to finance such qualified bondable costs, have been paid
21 in full and all other obligations and undertakings with respect
22 thereto have been fully satisfied, the electric utility shall
23 be obligated to provide electricity through its transmission
24 and distribution system to its customers and shall have the
25 right to impose, charge, collect, and receive the bond charges
26 arising therefrom from its residential customers, which rights
27 and obligations may be assignable solely within the discretion
28 of the electric utility.

29 (d) Each financing order shall provide that any bond
30 charges held by the assignee or trustee of the related rate
31 mitigation bonds after the related qualified bondable costs,
32 including, without limitation, the principal of and accrued
33 interest and acquisition or redemption premium on any rate
34 mitigation bonds issued to finance such qualified bondable
35 costs, have been paid in full and all other obligations and
36 undertakings with respect thereto have been fully satisfied

1 shall be applied as a credit to reduce charges to residential
2 customers of the electric utility, except that all qualified
3 bondable costs as quantified in the financing orders with
4 respect to the electric utility shall be aggregated for
5 purposes of determining whether or not the total bond charges
6 held exceed the total qualified bondable costs attributable to
7 such electric utility and provided, further, that the electric
8 utility need not make the credit if the credit will result in a
9 recharacterization of the tax, accounting, and other intended
10 characteristics of the rate mitigation bonds, including, but
11 not limited to, a re-characterization of the following intended
12 characteristics:

13 (1) the recognition of rate mitigation bonds as debt on
14 the balance sheet of the electric utility for financial
15 accounting purposes;

16 (2) treatment of the rate mitigation bonds as debt of
17 the electric utility or its affiliates for federal income
18 tax purposes; and

19 (3) treatment of the transfer of bondable property by
20 the electric utility as a true sale for bankruptcy
21 purposes.

22 (e) An electric utility may commingle the revenues received
23 from amounts charged, collected, and received under bond
24 charges for qualified bondable costs approved in any one or
25 more financing orders with other funds of the electric utility,
26 which shall in no way affect the validity or irrevocability of
27 any financing order issued in connection therewith or any sale,
28 assignment, or other transfer of or any pledge or security
29 interest granted with respect to the bondable property created
30 thereby.

31 (f) Except as provided otherwise in this Article, all
32 proceedings in connection with the determination of qualified
33 bondable costs, bond charges, and financing orders shall be
34 exempt from the provisions of this Act and any rules adopted
35 under this Act.

36 (g) In any proceeding conducted by the Commission under

1 this Article, intervention shall be limited to those parties
2 that are statutory consumer protection agencies, as defined in
3 subsection (d) of Section 9-102.1.

4 (220 ILCS 5/20-120 new)

5 Sec. 20-120. Financing orders become irrevocable upon
6 issuance.

7 (a) Notwithstanding any other provision of law, each
8 financing order and the bond charges authorized therein shall
9 become irrevocable upon the issuance of the order and its
10 becoming effective pursuant to Section 20-135. The financing
11 order, the bond charges, and the bondable property shall
12 constitute a vested, presently existing property right only
13 upon the transfer to an assignee and receipt of consideration
14 for such bondable property and shall be only a contract or
15 contract rights until they are first transferred to an assignee
16 and pledged in connection with the issuance of rate mitigation
17 bonds. Following the transfer and receipt of consideration, the
18 property right in bondable property shall be vested ab initio
19 in such assignee.

20 (b) Neither the Commission nor any other governmental
21 entity shall have the authority, directly or indirectly,
22 legally or equitably, to rescind, alter, repeal, modify, or
23 amend a financing order, to revalue, re-evaluate, or revise the
24 amount of qualified bondable costs, to determine that the bond
25 charges or the revenues required to recover qualified bondable
26 costs are unjust or unreasonable, or in any way to reduce or
27 impair the value of bondable property, nor shall the amount of
28 revenues arising with respect thereto be subject to reduction,
29 impairment, postponement, or termination, provided, however,
30 that nothing in this Section precludes adjustments of the bond
31 charges in accordance with the provisions of subsection (b) of
32 Section 20-115.

33 (220 ILCS 5/20-125 new)

34 Sec. 20-125. State pledge to holders of rate mitigation

1 bonds; orders not pledge of State's credit; guarantee
2 adjustments.

3 (a) The State of Illinois does hereby pledge and agree with
4 the holders of any rate mitigation bonds issued under the
5 authority of this Article, with the pledgee, owner, or assignee
6 of bondable property, with any financing entity that has issued
7 rate mitigation bonds with respect to which a financing order
8 has been issued, and with any person who may enter into
9 agreements with an electric utility or an assignee or pledgee
10 thereof or a financing entity pursuant to this Article, that
11 the State will not limit, alter, or impair any bondable
12 property or other rights vested in an electric utility or an
13 assignee or pledgee thereof or a financing entity or vested in
14 the holders of any rate mitigation bonds pursuant to a
15 financing order until the rate mitigation bonds, together with
16 the interest and acquisition or redemption premium, if any,
17 thereon, are fully paid and discharged or until the agreements
18 are fully performed on the part of the electric utility, any
19 assignee or pledgee thereof, or the financing entity, or in any
20 way limit, alter, impair, or reduce the value or amount of the
21 bondable property approved by a financing order or of the bond
22 charges authorized therein, provided, however, that nothing in
23 this Section precludes the adjustment of the bond charges in
24 accordance with subsection (b) of Section 20-115. Any financing
25 entity is authorized to include this covenant and undertaking
26 of the State of Illinois in any documentation with respect to
27 the rate mitigation bonds issued by the financing entity.

28 (b) Neither the rate mitigation bonds nor the related
29 financing order issued under this Article shall constitute a
30 debt or liability of the State or of any political subdivision
31 of the State, nor shall they constitute a pledge of the full
32 faith and credit of the State or any of its political
33 subdivisions. The issuance of rate mitigation bonds under this
34 Article shall not directly, indirectly, or contingently
35 obligate the State or any political subdivision of the State to
36 levy or pledge any form of taxation therefor or to make an

1 appropriation for their payment, and any rate mitigation bonds
2 shall be payable solely from the bondable property and other
3 proceeds or property as may be pledged therefor.

4 (c) The State, acting through the Commission or otherwise,
5 guarantees that the periodic adjustments of the bond charge
6 provided for in a financing order shall be implemented in
7 accordance with the terms of the financing order and the
8 provisions of subsection (b) of Section 20-115.

9 (220 ILCS 5/20-127 new)

10 Sec. 20-127. Proceeds of rate mitigation bonds. All
11 proceeds received from the issuance of rate mitigation bonds
12 shall not be considered income or revenue to the electric
13 utility for any Illinois tax purposes.

14 (220 ILCS 5/20-130 new)

15 Sec. 20-130. Residential customers assessed for bond
16 charges. The bond charges established pursuant to financing
17 orders shall be assessed against all residential customers of
18 the electric utility. Bond charges shall be established in
19 accordance with Sections 20-110 and 20-115 and shall apply
20 equally to each such residential customer of the electric
21 utility based on the amount of electricity delivered to the
22 residential customer through the transmission and distribution
23 system of the electric utility or any successor.

24 (220 ILCS 5/20-135 new)

25 Sec. 20-135. Effectiveness of financing order. Each
26 financing order shall be effective only in accordance with the
27 terms of that financing order and upon the written consent of
28 the petitioning electric utility to all of those terms.

29 (220 ILCS 5/20-140 new)

30 Sec. 20-140. Recourse against issuer only. Rate mitigation
31 bonds shall be recourse only to the credit and assets of the
32 issuer of the rate mitigation bonds.

1 (220 ILCS 5/20-145 new)

2 Sec. 20-145. Electric utility to maintain records of bond
3 charges. An electric utility shall maintain or cause to be
4 maintained records of bond charges that have been assessed and
5 collected by the electric utility for each financing order
6 applicable to the electric utility. The electric utility
7 records and any records of a financing entity shall be made
8 available by the electric utility for inspection and
9 examination within a reasonable time upon demand therefor by
10 the Commission or the related financing entity.

11 (220 ILCS 5/20-150 new)

12 Sec. 20-150. Security.

13 (a) An electric utility or its assignee may sell, assign,
14 or otherwise transfer all or portions of its interest in
15 bondable property to assignees or financing entities in
16 connection with the issuance of rate mitigation bonds. In
17 addition, an electric utility, an assignee, or a financing
18 entity may pledge, grant a security interest in, or encumber
19 bondable property as collateral for rate mitigation bonds.

20 (b) Upon the transfer to an assignee and receipt of
21 consideration therefor, bondable property shall constitute
22 presently existing property for all purposes, including for
23 contracts securing rate mitigation bonds, whether or not the
24 revenues and proceeds arising with respect thereto have accrued
25 and notwithstanding the fact that the value of the property
26 right may depend upon consumers using electricity or, in those
27 instances where consumers are customers of a particular
28 electric utility, the electric utility performing certain
29 services. The validity of any sale, assignment, or other
30 transfer of bondable property shall not be defeated or
31 adversely affected by the commingling by the electric utility
32 of revenues received from amounts charged, collected, and
33 received as bond charges with other funds of the electric
34 utility. Any description of the bondable property in a security

1 agreement or financing statement filed with respect to the
2 transfer of bondable property in accordance with Section 9-501
3 of the Uniform Commercial Code shall be sufficient if it refers
4 to the financing order establishing the bondable property.

5 (c) A perfected security interest in bondable property is a
6 continuously perfected security interest in all revenues and
7 proceeds arising with respect thereto, whether or not the
8 revenues and proceeds shall have accrued. The validity and
9 relative priority of a pledge of or security interest in
10 bondable property shall not be defeated or adversely affected
11 by the commingling by the electric utility of revenues received
12 from amounts charged, collected, and received as bond charges
13 with other funds of the electric utility. Any description of
14 the bondable property in a security agreement or financing
15 statement filed with respect to the granting of a security
16 interest in bondable property in accordance with Section 9-501
17 of the Uniform Commercial Code shall be sufficient if it refers
18 to the financing order establishing the bondable property, as
19 provided by subsection (f) of Section 9-108 of the Uniform
20 Commercial Code.

21 (d) In the event of default by the electric utility or its
22 assignee in payment of revenues arising with respect to the
23 bondable property and upon the application by the pledgees or
24 transferees of the bondable property, the Commission or any
25 court of competent jurisdiction shall order the sequestration
26 and payment to the pledgees or transferees of revenues arising
27 with respect to the bondable property. The application shall
28 not limit any other remedies available to the pledgees or
29 transferees by reason of the default. The order shall remain in
30 full force and effect, notwithstanding any bankruptcy,
31 reorganization, or other insolvency proceedings with respect
32 to the debtor, pledgor, or transferor of the bondable property.
33 Any amounts in excess of amounts necessary to satisfy
34 obligations then outstanding on or related to rate mitigation
35 bonds shall be applied in the manner set forth in subsection
36 (d) of Section 20-115.

1 (e) To the extent that any interest in bondable property is
2 sold or assigned, or is pledged as collateral, the electric
3 utility shall be authorized to enter into a contract with the
4 pledgee, the assignee, or the financing entity providing that
5 the electric utility: (i) shall continue to operate its
6 transmission and distribution system to provide service to its
7 customers, (ii) shall impose, charge, collect, and receive bond
8 charges in respect of the bondable property for the benefit and
9 account of the pledgee, the assignee, or the financing entity,
10 and (iii) shall account for and remit those amounts to and for
11 the account of the pledgee, the assignee, or the financing
12 entity. In the event of a default by the electric utility in
13 respect of charging, collecting, and receiving revenues
14 derived from bond charges and upon the application by the
15 pledgee, the assignee, or the financing entity, the Commission
16 or any court of competent jurisdiction shall, by order,
17 designate a trustee or other entity to act in the place of the
18 electric utility to impose, meter, charge, collect, and receive
19 bond charges in respect of the bondable property for the
20 benefit and account of the pledgee, the assignee, or the
21 financing entity. The Commission may, at its discretion,
22 establish criteria reasonably acceptable to the pledgee for the
23 selection of any entity that may become a servicer of bondable
24 property upon the default or other adverse material change in
25 the financial condition of the electric utility. The Commission
26 may also, at its discretion, establish financial or other
27 criteria reasonably acceptable to the pledgee that must be met
28 by any other entity, including an alternative retail electric
29 supplier, that is or may be authorized to collect bond charges
30 on behalf of the electric utility or any assignee or financing
31 entity.

32 (f) An agreement by an assignor of bondable property not to
33 assert any defense, claim, or set-off against an assignee of
34 the bondable property shall be enforceable against the assignor
35 by the assignee and by any successor or subsequent assignee
36 thereof.

1 (220 ILCS 5/20-155 new)

2 Sec. 20-155. Transfer of bondable property.

3 (a) If an agreement by an electric utility or its assignee
4 to transfer bondable property expressly states that the
5 transfer is a sale or other absolute transfer, then,
6 notwithstanding any other provisions of law:

7 (1) the transfer shall constitute a sale by the
8 electric utility or its assignee of all right, title, and
9 interest of the electric utility or its assignee, as
10 applicable, in and to the bondable property;

11 (2) the transfer shall constitute a sale or other
12 absolute transfer of, and not a borrowing secured by, the
13 bondable property;

14 (3) upon execution and delivery of the agreement, the
15 electric utility or its assignee shall have no right,
16 title, or interest in or to the bondable property, except
17 to the extent of any retained equity permitted by the
18 provisions of this Article; and

19 (4) the characterization of a transfer as a sale or
20 other absolute transfer shall not be affected or impaired
21 in any manner by, without limitation: (i) the assignor's
22 retention, or acquisition as part of the assignment
23 transaction or otherwise, of a pari passu equity interest
24 in bondable property or the fact that only a portion of the
25 bondable property is otherwise transferred; (ii) the
26 assignor's retention, or acquisition as part of the
27 assignment transaction or otherwise, of a subordinate
28 equity interest or other provision of credit enhancement on
29 terms substantially commensurate with market practices;
30 (iii) the fact that the electric utility acts as the
31 collector or servicer of bond charges; (iv) the assignor's
32 retention of bare legal title to bondable property for the
33 purpose of servicing or supervising the servicing of such
34 property and collections with respect thereto; (v) the
35 treatment of the electric utility as the "issuer" of any

1 rate mitigation bonds for purposes of the United States
2 securities laws; or (vi) the treatment of such transfer as
3 a financing for federal, State, or local tax purposes or
4 financial accounting purposes.

5 (b) The transfer shall be perfected against any third party
6 if:

7 (1) the Commission has issued a financing order with
8 respect to the bondable property;

9 (2) the agreement has been executed and delivered by
10 the electric utility or its assignee; and

11 (3) a financing statement has been filed with respect
12 to the transfer of the bondable property in accordance with
13 Article 9 of the Uniform Commercial Code.

14 (220 ILCS 5/20-160 new)

15 Sec. 20-160. Successor to electric utility. Any successor
16 to an electric utility, whether pursuant to any bankruptcy,
17 reorganization, or other insolvency proceedings or pursuant to
18 any merger, consolidation, or sale or transfer of assets of the
19 electric utility, by operation of law, as a result of electric
20 power industry restructuring, or otherwise, shall perform and
21 satisfy all obligations and be entitled to the same rights of
22 its predecessor electric utility under this Article or the
23 financing order or any contract entered into pursuant to this
24 Article in the same manner and to the same extent as the
25 predecessor electric utility, including, but not limited to,
26 charging, collecting, receiving, and paying to the person
27 entitled thereto the revenues in respect of the bond charges
28 relating to the bondable property. Bondable property and any
29 payments in respect of bondable property, including, without
30 limitation, bond charges, shall not be subject to any setoffs,
31 counterclaims, surcharges, or defenses by the electric
32 utility, any customer, or any other person, in connection with
33 the bankruptcy, insolvency, or default of the electric utility
34 or otherwise.

1 (220 ILCS 5/20-165 new)

2 Sec. 20-165. Application for financing order; estimation
3 of qualified regulatory assets; treatment of over-estimate or
4 under-estimate.

5 (a) The electric utility may file an application for a
6 financing order at any time after December 31, 2007 and prior
7 to December 31, 2008. In any such application, the electric
8 utility shall provide the total qualified regulatory assets
9 accrued through December 31, 2007.

10 (b) Whether or not the electric utility has filed an
11 application pursuant to subsection (a) of this Section, the
12 electric utility shall file an application for a financing
13 order no later than January 31, 2009. In such application, the
14 electric utility shall provide the total qualified regulatory
15 assets accrued through December 31, 2008 to the extent not
16 included in an application filed pursuant to subsection (a) and
17 in rate mitigation bonds issued and sold pursuant to such prior
18 application.

19 (c) To the extent that the actual amount of qualified
20 bondable costs, as determined after the issuance of the rate
21 mitigation bonds, exceeds the principal amount of the rate
22 mitigation bonds issued and sold, the electric utility shall be
23 entitled to recover the difference in a subsequent proceeding.
24 To the extent that the actual amount of qualified bondable
25 costs, as determined after the issuance of the rate mitigation
26 bonds, is less than the principal amount of the rate mitigation
27 bonds issued and sold, the electric utility must apply the
28 difference in a subsequent proceeding as a credit to reduce
29 charges to residential customers.

30 (220 ILCS 5/20-170 new)

31 Sec. 20-170. Expedited procedure for processing petitions
32 for and judicial review of financing orders. In order to
33 maximize the rate savings to residential customers of the
34 electric utility, which may be time-sensitive because
35 financial market conditions may affect the feasibility and

1 terms of rate mitigation bonds, the following procedures shall
2 apply to the processing of petitions and judicial review of the
3 resulting financing orders:

4 (1) Notwithstanding any other provision of law, the
5 Commission shall render a written financing order
6 approving a petition seeking a financing order that meets
7 the requirements of this Article not later than 35 days
8 after the date the petition is filed.

9 (2) Upon the issuance of a financing order, the
10 Commission shall forthwith cause a certified copy of the
11 order to be served upon each party entitled to a copy of
12 the order. The electric utility shall, within 10 days after
13 service upon it, file with the Commission its written
14 consent to the order or its objections to the order.

15 (3) Any party to the proceedings resulting in a
16 financing order who claims to be aggrieved by the order,
17 including but not limited to, any electric utility that has
18 withheld its consent and objected to the order or any
19 financing entity interested in the order, may seek judicial
20 review of the order before the Illinois Supreme Court in
21 accordance with the applicable Illinois Supreme Court
22 rules and the provisions of this Article. Review on appeal
23 shall be based solely on the record before the Commission
24 and briefs to the court and, at the court's discretion,
25 oral argument and shall be the exclusive remedy for the
26 parties involved in a proceeding resulting in a financing
27 order. No petition for rehearing to the Commission shall be
28 made or entertained. The Supreme Court shall proceed to
29 expeditiously hear and determine the action and shall give
30 the action precedence over other matters not accorded
31 similar precedence by law.

32 (220 ILCS 5/20-175 new)

33 Sec. 20-175. Subsequent ratemaking. The consideration or
34 approval by the Commission of a petition by any electric
35 utility under this Article, including the periodic adjustment

1 provided in subsection (b) of Section 20-115, shall be wholly
2 separate from and shall not be used in the Commission's
3 consideration of any other ratemaking or other proceeding
4 involving the electric utility, except as otherwise provided in
5 this Article. Without limiting the generality of the foregoing,
6 in all ratemaking proceedings following the issuance of rate
7 mitigation bonds, for ratemaking purposes the qualified
8 bondable costs recovered through the issuance of the rate
9 mitigation bonds shall be excluded from rate base and the rate
10 mitigation bonds shall be excluded from the electric utility's
11 capitalization and weighted average cost of the capital
12 calculation and shall not otherwise be taken into account for
13 any purpose.

14 (220 ILCS 5/20-180 new)

15 Sec. 20-180. Severability. Effective on the date that rate
16 mitigation bonds are first issued under this Article, if any
17 provision of this Article is held to be invalid or is
18 invalidated, superseded, replaced, repealed, or expires for
19 any reason, that occurrence shall not affect the validity of
20 any action taken under this Article by an electric utility, an
21 assignee, or a financing entity. Any such action shall remain
22 in full force and effect with respect to all rate mitigation
23 bonds issued or authorized in a financing order to be issued
24 under this Article prior to the date that the provision is held
25 to be invalid or is invalidated, superseded, replaced, or
26 repealed, or that expires for any reason.

27 Section 10. The Uniform Commercial Code is amended by
28 changing Sections 9-102, 9-108, 9-301, and 9-515 as follows:

29 (810 ILCS 5/9-102) (from Ch. 26, par. 9-102)

30 Sec. 9-102. Definitions and index of definitions.

31 (a) Article 9 definitions. In this Article:

32 (1) "Accession" means goods that are physically united with
33 other goods in such a manner that the identity of the original

1 goods is not lost.

2 (2) "Account", except as used in "account for", means a
3 right to payment of a monetary obligation, whether or not
4 earned by performance, (i) for property that has been or is to
5 be sold, leased, licensed, assigned, or otherwise disposed of,
6 (ii) for services rendered or to be rendered, (iii) for a
7 policy of insurance issued or to be issued, (iv) for a
8 secondary obligation incurred or to be incurred, (v) for energy
9 provided or to be provided, (vi) for the use or hire of a
10 vessel under a charter or other contract, (vii) arising out of
11 the use of a credit or charge card or information contained on
12 or for use with the card, or (viii) as winnings in a lottery or
13 other game of chance operated or sponsored by a State,
14 governmental unit of a State, or person licensed or authorized
15 to operate the game by a State or governmental unit of a State.
16 The term includes health-care-insurance receivables. The term
17 does not include (i) rights to payment evidenced by chattel
18 paper or an instrument, (ii) commercial tort claims, (iii)
19 deposit accounts, (iv) investment property, (v)
20 letter-of-credit rights or letters of credit, or (vi) rights to
21 payment for money or funds advanced or sold, other than rights
22 arising out of the use of a credit or charge card or
23 information contained on or for use with the card.

24 (3) "Account debtor" means a person obligated on an
25 account, chattel paper, or general intangible. The term does
26 not include persons obligated to pay a negotiable instrument,
27 even if the instrument constitutes part of chattel paper.

28 (4) "Accounting", except as used in "accounting for", means
29 a record:

30 (A) authenticated by a secured party;

31 (B) indicating the aggregate unpaid secured
32 obligations as of a date not more than 35 days earlier or
33 35 days later than the date of the record; and

34 (C) identifying the components of the obligations in
35 reasonable detail.

36 (5) "Agricultural lien" means an interest, other than a

1 security interest, in farm products:

2 (A) which secures payment or performance of an
3 obligation for goods or services furnished in connection
4 with a debtor's farming operation;

5 (B) which is created by statute in favor of a person
6 that in the ordinary course of its business furnished goods
7 or services to a debtor in connection with a debtor's
8 farming operation; and

9 (C) whose effectiveness does not depend on the person's
10 possession of the personal property.

11 (6) "As-extracted collateral" means:

12 (A) oil, gas, or other minerals that are subject to a
13 security interest that:

14 (i) is created by a debtor having an interest in
15 the minerals before extraction; and

16 (ii) attaches to the minerals as extracted; or

17 (B) accounts arising out of the sale at the wellhead or
18 minehead of oil, gas, or other minerals in which the debtor
19 had an interest before extraction.

20 (7) "Authenticate" means:

21 (A) to sign; or

22 (B) to execute or otherwise adopt a symbol, or encrypt
23 or similarly process a record in whole or in part, with the
24 present intent of the authenticating person to identify the
25 person and adopt or accept a record.

26 (8) "Bank" means an organization that is engaged in the
27 business of banking. The term includes savings banks, savings
28 and loan associations, credit unions, and trust companies.

29 (8.5) "Bondable property" has the meaning set forth in
30 Section 20-105 of the Public Utilities Act.

31 (9) "Cash proceeds" means proceeds that are money, checks,
32 deposit accounts, or the like.

33 (10) "Certificate of title" means a certificate of title
34 with respect to which a statute provides for the security
35 interest in question to be indicated on the certificate as a
36 condition or result of the security interest's obtaining

1 priority over the rights of a lien creditor with respect to the
2 collateral.

3 (11) "Chattel paper" means a record or records that
4 evidence both a monetary obligation and a security interest in
5 specific goods, a security interest in specific goods and
6 software used in the goods, a security interest in specific
7 goods and license of software used in the goods, a lease of
8 specific goods, or a lease of specified goods and a license of
9 software used in the goods. In this paragraph, "monetary
10 obligation" means a monetary obligation secured by the goods or
11 owed under a lease of the goods and includes a monetary
12 obligation with respect to software used in the goods. The term
13 does not include (i) charters or other contracts involving the
14 use or hire of a vessel or (ii) records that evidence a right
15 to payment arising out of the use of a credit or charge card or
16 information contained on or for use with the card. If a
17 transaction is evidenced by records that include an instrument
18 or series of instruments, the group of records taken together
19 constitutes chattel paper.

20 (12) "Collateral" means the property subject to a security
21 interest or agricultural lien. The term includes:

22 (A) proceeds to which a security interest attaches;

23 (B) accounts, chattel paper, payment intangibles, and
24 promissory notes that have been sold; and

25 (C) goods that are the subject of a consignment.

26 (13) "Commercial tort claim" means a claim arising in tort
27 with respect to which:

28 (A) the claimant is an organization; or

29 (B) the claimant is an individual and the claim:

30 (i) arose in the course of the claimant's business
31 or profession; and

32 (ii) does not include damages arising out of
33 personal injury to or the death of an individual.

34 (14) "Commodity account" means an account maintained by a
35 commodity intermediary in which a commodity contract is carried
36 for a commodity customer.

1 (15) "Commodity contract" means a commodity futures
2 contract, an option on a commodity futures contract, a
3 commodity option, or another contract if the contract or option
4 is:

5 (A) traded on or subject to the rules of a board of
6 trade that has been designated as a contract market for
7 such a contract pursuant to federal commodities laws; or

8 (B) traded on a foreign commodity board of trade,
9 exchange, or market, and is carried on the books of a
10 commodity intermediary for a commodity customer.

11 (16) "Commodity customer" means a person for which a
12 commodity intermediary carries a commodity contract on its
13 books.

14 (17) "Commodity intermediary" means a person that:

15 (A) is registered as a futures commission merchant
16 under federal commodities law; or

17 (B) in the ordinary course of its business provides
18 clearance or settlement services for a board of trade that
19 has been designated as a contract market pursuant to
20 federal commodities law.

21 (18) "Communicate" means:

22 (A) to send a written or other tangible record;

23 (B) to transmit a record by any means agreed upon by
24 the persons sending and receiving the record; or

25 (C) in the case of transmission of a record to or by a
26 filing office, to transmit a record by any means prescribed
27 by filing-office rule.

28 (19) "Consignee" means a merchant to which goods are
29 delivered in a consignment.

30 (20) "Consignment" means a transaction, regardless of its
31 form, in which a person delivers goods to a merchant for the
32 purpose of sale and:

33 (A) the merchant:

34 (i) deals in goods of that kind under a name other
35 than the name of the person making delivery;

36 (ii) is not an auctioneer; and

1 (iii) is not generally known by its creditors to be
2 substantially engaged in selling the goods of others;

3 (B) with respect to each delivery, the aggregate value
4 of the goods is \$1,000 or more at the time of delivery;

5 (C) the goods are not consumer goods immediately before
6 delivery; and

7 (D) the transaction does not create a security interest
8 that secures an obligation.

9 (21) "Consignor" means a person that delivers goods to a
10 consignee in a consignment.

11 (22) "Consumer debtor" means a debtor in a consumer
12 transaction.

13 (23) "Consumer goods" means goods that are used or bought
14 for use primarily for personal, family, or household purposes.

15 (24) "Consumer-goods transaction" means a consumer
16 transaction in which:

17 (A) an individual incurs an obligation primarily for
18 personal, family, or household purposes; and

19 (B) a security interest in consumer goods secures the
20 obligation.

21 (25) "Consumer obligor" means an obligor who is an
22 individual and who incurred the obligation as part of a
23 transaction entered into primarily for personal, family, or
24 household purposes.

25 (26) "Consumer transaction" means a transaction in which
26 (i) an individual incurs an obligation primarily for personal,
27 family, or household purposes, (ii) a security interest secures
28 the obligation, and (iii) the collateral is held or acquired
29 primarily for personal, family, or household purposes. The term
30 includes consumer-goods transactions.

31 (27) "Continuation statement" means an amendment of a
32 financing statement which:

33 (A) identifies, by its file number, the initial
34 financing statement to which it relates; and

35 (B) indicates that it is a continuation statement for,
36 or that it is filed to continue the effectiveness of, the

1 identified financing statement.

2 (28) "Debtor" means:

3 (A) a person having an interest, other than a security
4 interest or other lien, in the collateral, whether or not
5 the person is an obligor;

6 (B) a seller of accounts, chattel paper, payment
7 intangibles, or promissory notes; or

8 (C) a consignee.

9 (29) "Deposit account" means a demand, time, savings,
10 passbook, nonnegotiable certificates of deposit,
11 uncertificated certificates of deposit, nontransferrable
12 certificates of deposit, or similar account maintained with a
13 bank. The term does not include investment property or accounts
14 evidenced by an instrument.

15 (30) "Document" means a document of title or a receipt of
16 the type described in Section 7-201(2).

17 (31) "Electronic chattel paper" means chattel paper
18 evidenced by a record or records consisting of information
19 stored in an electronic medium.

20 (32) "Encumbrance" means a right, other than an ownership
21 interest, in real property. The term includes mortgages and
22 other liens on real property.

23 (33) "Equipment" means goods other than inventory, farm
24 products, or consumer goods.

25 (34) "Farm products" means goods, other than standing
26 timber, with respect to which the debtor is engaged in a
27 farming operation and which are:

28 (A) crops grown, growing, or to be grown, including:

29 (i) crops produced on trees, vines, and bushes; and

30 (ii) aquatic goods produced in aquacultural
31 operations;

32 (B) livestock, born or unborn, including aquatic goods
33 produced in aquacultural operations;

34 (C) supplies used or produced in a farming operation;

35 or

36 (D) products of crops or livestock in their

1 unmanufactured states.

2 (35) "Farming operation" means raising, cultivating,
3 propagating, fattening, grazing, or any other farming,
4 livestock, or aquacultural operation.

5 (36) "File number" means the number assigned to an initial
6 financing statement pursuant to Section 9-519(a).

7 (37) "Filing office" means an office designated in Section
8 9-501 as the place to file a financing statement.

9 (38) "Filing-office rule" means a rule adopted pursuant to
10 Section 9-526.

11 (39) "Financing statement" means a record or records
12 composed of an initial financing statement and any filed record
13 relating to the initial financing statement.

14 (40) "Fixture filing" means the filing of a financing
15 statement covering goods that are or are to become fixtures and
16 satisfying Section 9-502(a) and (b). The term includes the
17 filing of a financing statement covering goods of a
18 transmitting utility which are or are to become fixtures.

19 (41) "Fixtures" means goods that have become so related to
20 particular real property that an interest in them arises under
21 real property law.

22 (42) "General intangible" means any personal property,
23 including things in action, other than accounts, chattel paper,
24 commercial tort claims, deposit accounts, documents, goods,
25 instruments, investment property, letter-of-credit rights,
26 letters of credit, money, and oil, gas, or other minerals
27 before extraction. The term includes payment intangibles and
28 software.

29 (43) "Good faith" means honesty in fact and the observance
30 of reasonable commercial standards of fair dealing.

31 (44) "Goods" means all things that are movable when a
32 security interest attaches. The term includes (i) fixtures,
33 (ii) standing timber that is to be cut and removed under a
34 conveyance or contract for sale, (iii) the unborn young of
35 animals, (iv) crops grown, growing, or to be grown, even if the
36 crops are produced on trees, vines, or bushes, and (v)

1 manufactured homes. The term also includes a computer program
2 embedded in goods and any supporting information provided in
3 connection with a transaction relating to the program if (i)
4 the program is associated with the goods in such a manner that
5 it customarily is considered part of the goods, or (ii) by
6 becoming the owner of the goods, a person acquires a right to
7 use the program in connection with the goods. The term does not
8 include a computer program embedded in goods that consist
9 solely of the medium in which the program is embedded. The term
10 also does not include accounts, chattel paper, commercial tort
11 claims, deposit accounts, documents, general intangibles,
12 instruments, investment property, letter-of-credit rights,
13 letters of credit, money, or oil, gas, or other minerals before
14 extraction.

15 (45) "Governmental unit" means a subdivision, agency,
16 department, county, parish, municipality, or other unit of the
17 government of the United States, a State, or a foreign country.
18 The term includes an organization having a separate corporate
19 existence if the organization is eligible to issue debt on
20 which interest is exempt from income taxation under the laws of
21 the United States.

22 (46) "Health-care-insurance receivable" means an interest
23 in or claim under a policy of insurance which is a right to
24 payment of a monetary obligation for health-care goods or
25 services provided.

26 (47) "Instrument" means a negotiable instrument or any
27 other writing that evidences a right to the payment of a
28 monetary obligation, is not itself a security agreement or
29 lease, and is of a type that in ordinary course of business is
30 transferred by delivery with any necessary indorsement or
31 assignment. The term does not include (i) investment property,
32 (ii) letters of credit, (iii) nonnegotiable certificates of
33 deposit, (iv) uncertificated certificates of deposit, (v)
34 nontransferrable certificates of deposit, or (vi) writings
35 that evidence a right to payment arising out of the use of a
36 credit or charge card or information contained on or for use

1 with the card.

2 (48) "Inventory" means goods, other than farm products,
3 which:

4 (A) are leased by a person as lessor;

5 (B) are held by a person for sale or lease or to be
6 furnished under a contract of service;

7 (C) are furnished by a person under a contract of
8 service; or

9 (D) consist of raw materials, work in process, or
10 materials used or consumed in a business.

11 (49) "Investment property" means a security, whether
12 certificated or uncertificated, security entitlement,
13 securities account, commodity contract, or commodity account.

14 (50) "Jurisdiction of organization", with respect to a
15 registered organization, means the jurisdiction under whose
16 law the organization is organized.

17 (51) "Letter-of-credit right" means a right to payment or
18 performance under a letter of credit, whether or not the
19 beneficiary has demanded or is at the time entitled to demand
20 payment or performance. The term does not include the right of
21 a beneficiary to demand payment or performance under a letter
22 of credit.

23 (52) "Lien creditor" means:

24 (A) a creditor that has acquired a lien on the property
25 involved by attachment, levy, or the like;

26 (B) an assignee for benefit of creditors from the time
27 of assignment;

28 (C) a trustee in bankruptcy from the date of the filing
29 of the petition; or

30 (D) a receiver in equity from the time of appointment.

31 (53) "Manufactured home" means a structure, transportable
32 in one or more sections, which, in the traveling mode, is eight
33 body feet or more in width or 40 body feet or more in length,
34 or, when erected on site, is 320 or more square feet, and which
35 is built on a permanent chassis and designed to be used as a
36 dwelling with or without a permanent foundation when connected

1 to the required utilities, and includes the plumbing, heating,
2 air-conditioning, and electrical systems contained therein.
3 The term includes any structure that meets all of the
4 requirements of this paragraph except the size requirements and
5 with respect to which the manufacturer voluntarily files a
6 certification required by the United States Secretary of
7 Housing and Urban Development and complies with the standards
8 established under Title 42 of the United States Code.

9 (54) "Manufactured-home transaction" means a secured
10 transaction:

11 (A) that creates a purchase-money security interest in
12 a manufactured home, other than a manufactured home held as
13 inventory; or

14 (B) in which a manufactured home, other than a
15 manufactured home held as inventory, is the primary
16 collateral.

17 (55) "Mortgage" means a consensual interest in real
18 property, including fixtures, which secures payment or
19 performance of an obligation.

20 (56) "New debtor" means a person that becomes bound as
21 debtor under Section 9-203(d) by a security agreement
22 previously entered into by another person.

23 (57) "New value" means (i) money, (ii) money's worth in
24 property, services, or new credit, or (iii) release by a
25 transferee of an interest in property previously transferred to
26 the transferee. The term does not include an obligation
27 substituted for another obligation.

28 (58) "Noncash proceeds" means proceeds other than cash
29 proceeds.

30 (59) "Obligor" means a person that, with respect to an
31 obligation secured by a security interest in or an agricultural
32 lien on the collateral, (i) owes payment or other performance
33 of the obligation, (ii) has provided property other than the
34 collateral to secure payment or other performance of the
35 obligation, or (iii) is otherwise accountable in whole or in
36 part for payment or other performance of the obligation. The

1 term does not include issuers or nominated persons under a
2 letter of credit.

3 (60) "Original debtor", except as used in Section 9-310(c),
4 means a person that, as debtor, entered into a security
5 agreement to which a new debtor has become bound under Section
6 9-203(d).

7 (61) "Payment intangible" means a general intangible under
8 which the account debtor's principal obligation is a monetary
9 obligation.

10 (62) "Person related to", with respect to an individual,
11 means:

12 (A) the spouse of the individual;

13 (B) a brother, brother-in-law, sister, or
14 sister-in-law of the individual;

15 (C) an ancestor or lineal descendant of the individual
16 or the individual's spouse; or

17 (D) any other relative, by blood or marriage, of the
18 individual or the individual's spouse who shares the same
19 home with the individual.

20 (63) "Person related to", with respect to an organization,
21 means:

22 (A) a person directly or indirectly controlling,
23 controlled by, or under common control with the
24 organization;

25 (B) an officer or director of, or a person performing
26 similar functions with respect to, the organization;

27 (C) an officer or director of, or a person performing
28 similar functions with respect to, a person described in
29 subparagraph (A);

30 (D) the spouse of an individual described in
31 subparagraph (A), (B), or (C); or

32 (E) an individual who is related by blood or marriage
33 to an individual described in subparagraph (A), (B), (C),
34 or (D) and shares the same home with the individual.

35 (64) "Proceeds", except as used in Section 9-609(b), means
36 the following property:

1 (A) whatever is acquired upon the sale, lease, license,
2 exchange, or other disposition of collateral;

3 (B) whatever is collected on, or distributed on account
4 of, collateral;

5 (C) rights arising out of collateral;

6 (D) to the extent of the value of collateral, claims
7 arising out of the loss, nonconformity, or interference
8 with the use of, defects or infringement of rights in, or
9 damage to, the collateral; or

10 (E) to the extent of the value of collateral and to the
11 extent payable to the debtor or the secured party,
12 insurance payable by reason of the loss or nonconformity
13 of, defects or infringement of rights in, or damage to, the
14 collateral.

15 (65) "Promissory note" means an instrument that evidences a
16 promise to pay a monetary obligation, does not evidence an
17 order to pay, and does not contain an acknowledgment by a bank
18 that the bank has received for deposit a sum of money or funds.

19 (66) "Proposal" means a record authenticated by a secured
20 party which includes the terms on which the secured party is
21 willing to accept collateral in full or partial satisfaction of
22 the obligation it secures pursuant to Sections 9-620, 9-621,
23 and 9-622.

24 (67) "Public-finance transaction" means a secured
25 transaction in connection with which:

26 (A) debt securities are issued;

27 (B) all or a portion of the securities issued have an
28 initial stated maturity of at least 20 years; and

29 (C) the debtor, obligor, secured party, account debtor
30 or other person obligated on collateral, assignor or
31 assignee of a secured obligation, or assignor or assignee
32 of a security interest is a State or a governmental unit of
33 a State.

34 (68) "Pursuant to commitment", with respect to an advance
35 made or other value given by a secured party, means pursuant to
36 the secured party's obligation, whether or not a subsequent

1 event of default or other event not within the secured party's
2 control has relieved or may relieve the secured party from its
3 obligation.

4 (69) "Record", except as used in "for record", "of record",
5 "record or legal title", and "record owner", means information
6 that is inscribed on a tangible medium or which is stored in an
7 electronic or other medium and is retrievable in perceivable
8 form.

9 (70) "Registered organization" means an organization
10 organized solely under the law of a single State or the United
11 States and as to which the State or the United States must
12 maintain a public record showing the organization to have been
13 organized.

14 (71) "Secondary obligor" means an obligor to the extent
15 that:

16 (A) the obligor's obligation is secondary; or

17 (B) the obligor has a right of recourse with respect to
18 an obligation secured by collateral against the debtor,
19 another obligor, or property of either.

20 (72) "Secured party" means:

21 (A) a person in whose favor a security interest is
22 created or provided for under a security agreement, whether
23 or not any obligation to be secured is outstanding;

24 (B) a person that holds an agricultural lien;

25 (C) a consignor;

26 (D) a person to which accounts, chattel paper, payment
27 intangibles, or promissory notes have been sold;

28 (E) a trustee, indenture trustee, agent, collateral
29 agent, or other representative in whose favor a security
30 interest or agricultural lien is created or provided for;
31 or

32 (F) a person that holds a security interest arising
33 under Section 2-401, 2-505, 2-711(3), 2A-508(5), 4-210, or
34 5-118.

35 (73) "Security agreement" means an agreement that creates
36 or provides for a security interest.

1 (74) "Send", in connection with a record or notification,
2 means:

3 (A) to deposit in the mail, deliver for transmission,
4 or transmit by any other usual means of communication, with
5 postage or cost of transmission provided for, addressed to
6 any address reasonable under the circumstances; or

7 (B) to cause the record or notification to be received
8 within the time that it would have been received if
9 properly sent under subparagraph (A).

10 (75) "Software" means a computer program and any supporting
11 information provided in connection with a transaction relating
12 to the program. The term does not include a computer program
13 that is included in the definition of goods.

14 (76) "State" means a State of the United States, the
15 District of Columbia, Puerto Rico, the United States Virgin
16 Islands, or any territory or insular possession subject to the
17 jurisdiction of the United States.

18 (77) "Supporting obligation" means a letter-of-credit
19 right or secondary obligation that supports the payment or
20 performance of an account, chattel paper, a document, a general
21 intangible, an instrument, or investment property.

22 (78) "Tangible chattel paper" means chattel paper
23 evidenced by a record or records consisting of information that
24 is inscribed on a tangible medium.

25 (79) "Termination statement" means an amendment of a
26 financing statement which:

27 (A) identifies, by its file number, the initial
28 financing statement to which it relates; and

29 (B) indicates either that it is a termination statement
30 or that the identified financing statement is no longer
31 effective.

32 (80) "Transmitting utility" means a person primarily
33 engaged in the business of:

34 (A) operating a railroad, subway, street railway, or
35 trolley bus;

36 (B) transmitting communications electrically,

1 electromagnetically, or by light;

2 (C) transmitting goods by pipeline or sewer; or

3 (D) transmitting or producing and transmitting
4 electricity, steam, gas, or water.

5 (b) Definitions in other Articles. The following
6 definitions in other Articles apply to this Article:

7 "Applicant". Section 5-102.

8 "Beneficiary". Section 5-102.

9 "Broker". Section 8-102.

10 "Certificated security". Section 8-102.

11 "Check". Section 3-104.

12 "Clearing corporation". Section 8-102.

13 "Contract for sale". Section 2-106.

14 "Customer". Section 4-104.

15 "Entitlement holder". Section 8-102.

16 "Financial asset". Section 8-102.

17 "Holder in due course". Section 3-302.

18 "Issuer" (with respect to a letter of credit or
19 letter-of-credit right). Section 5-102.

20 "Issuer" (with respect to a security). Section 8-201.

21 "Lease". Section 2A-103.

22 "Lease agreement". Section 2A-103.

23 "Lease contract". Section 2A-103.

24 "Leasehold interest". Section 2A-103.

25 "Lessee". Section 2A-103.

26 "Lessee in ordinary course of business". Section 2A-103.

27 "Lessor". Section 2A-103.

28 "Lessor's residual interest". Section 2A-103.

29 "Letter of credit". Section 5-102.

30 "Merchant". Section 2-104.

31 "Negotiable instrument". Section 3-104.

32 "Nominated person". Section 5-102.

33 >Note". Section 3-104.

34 "Proceeds of a letter of credit". Section 5-114.

35 "Prove". Section 3-103.

36 "Sale". Section 2-106.

1 "Securities account". Section 8-501.

2 "Securities intermediary". Section 8-102.

3 "Security". Section 8-102.

4 "Security certificate". Section 8-102.

5 "Security entitlement". Section 8-102.

6 "Uncertificated security". Section 8-102.

7 (c) Article 1 definitions and principles. Article 1
8 contains general definitions and principles of construction
9 and interpretation applicable throughout this Article.

10 (Source: P.A. 91-893, eff. 7-1-01; 92-819, eff. 8-21-02.)

11 (810 ILCS 5/9-108) (from Ch. 26, par. 9-108)

12 Sec. 9-108. Sufficiency of description.

13 (a) Sufficiency of description. Except as otherwise
14 provided in subsections (c), (d), and (e), a description of
15 personal or real property is sufficient, whether or not it is
16 specific, if it reasonably identifies what is described.

17 (b) Examples of reasonable identification. Except as
18 otherwise provided in subsection (d), a description of
19 collateral reasonably identifies the collateral if it
20 identifies the collateral by:

21 (1) specific listing;

22 (2) category;

23 (3) except as otherwise provided in subsection (e), a
24 type of collateral defined in the Uniform Commercial Code;

25 (4) quantity;

26 (5) computational or allocational formula or
27 procedure; or

28 (6) except as otherwise provided in subsection (c), any
29 other method, if the identity of the collateral is
30 objectively determinable.

31 (c) Supergeneric description not sufficient. A description
32 of collateral as "all the debtor's assets" or "all the debtor's
33 personal property" or using words of similar import does not
34 reasonably identify the collateral.

35 (d) Investment property. Except as otherwise provided in

1 subsection (e), a description of a security entitlement,
2 securities account, or commodity account is sufficient if it
3 describes:

4 (1) the collateral by those terms or as investment
5 property; or

6 (2) the underlying financial asset or commodity
7 contract.

8 (e) When description by type insufficient. A description
9 only by type of collateral defined in the Uniform Commercial
10 Code is an insufficient description of:

11 (1) a commercial tort claim; or

12 (2) in a consumer transaction, consumer goods, a
13 security entitlement, a securities account, or a commodity
14 account.

15 (f) A description of bondable property is sufficient if it
16 refers to the financing order establishing the bondable
17 property, as defined in Section 20-105 of the Public Utilities
18 Act.

19 (Source: P.A. 91-893, eff. 7-1-01.)

20 (810 ILCS 5/9-301) (from Ch. 26, par. 9-301)

21 Sec. 9-301. Law governing perfection and priority of
22 security interests. Except as otherwise provided in Sections
23 9-303 through 9-306.1, the following rules determine the law
24 governing perfection, the effect of perfection or
25 nonperfection, and the priority of a security interest in
26 collateral:

27 (1) Except as otherwise provided in this Section, while
28 a debtor is located in a jurisdiction, the local law of
29 that jurisdiction governs perfection, the effect of
30 perfection or nonperfection, and the priority of a security
31 interest in collateral.

32 (2) While collateral is located in a jurisdiction, the
33 local law of that jurisdiction governs perfection, the
34 effect of perfection or nonperfection, and the priority of
35 a possessory security interest in that collateral.

1 (3) Except as otherwise provided in paragraph (4),
2 while negotiable documents, goods, instruments, money, or
3 tangible chattel paper is located in a jurisdiction, the
4 local law of that jurisdiction governs:

5 (A) perfection of a security interest in the goods
6 by filing a fixture filing;

7 (B) perfection of a security interest in timber to
8 be cut; and

9 (C) the effect of perfection or nonperfection and
10 the priority of a nonpossessory security interest in
11 the collateral.

12 (4) The local law of the jurisdiction in which the
13 wellhead or minehead is located governs perfection, the
14 effect of perfection or nonperfection, and the priority of
15 a security interest in as-extracted collateral.

16 (5) Notwithstanding item (1), the local laws of this
17 State shall govern the perfection, the effect of perfection
18 or nonperfection, and the priority of a security interest
19 in bondable property, as defined in Section 20-105 of the
20 Public Utilities Act.

21 (Source: P.A. 91-893, eff. 7-1-01; 92-234, eff. 1-1-02.)

22 (810 ILCS 5/9-515)

23 Sec. 9-515. Duration and effectiveness of financing
24 statement; effect of lapsed financing statement.

25 (a) Five-year effectiveness. Except as otherwise provided
26 in subsections (b), (e), (f), and (g), a filed financing
27 statement is effective for a period of five years after the
28 date of filing.

29 (b) Public-finance or manufactured-home transaction.
30 Except as otherwise provided in subsections (e), (f), and (g),
31 an initial financing statement filed in connection with a
32 public-finance transaction or manufactured-home transaction is
33 effective for a period of 30 years after the date of filing if
34 it indicates that it is filed in connection with a
35 public-finance transaction or manufactured-home transaction.

1 (c) Lapse and continuation of financing statement. The
2 effectiveness of a filed financing statement lapses on the
3 expiration of the period of its effectiveness unless before the
4 lapse a continuation statement is filed pursuant to subsection
5 (d). Upon lapse, a financing statement ceases to be effective
6 and any security interest or agricultural lien that was
7 perfected by the financing statement becomes unperfected,
8 unless the security interest is perfected otherwise. If the
9 security interest or agricultural lien becomes unperfected
10 upon lapse, it is deemed never to have been perfected as
11 against a purchaser of the collateral for value.

12 (d) When continuation statement may be filed. A
13 continuation statement may be filed only within six months
14 before the expiration of the five-year period specified in
15 subsection (a) or the 30-year period specified in subsection
16 (b), whichever is applicable.

17 (e) Effect of filing continuation statement. Except as
18 otherwise provided in Section 9-510, upon timely filing of a
19 continuation statement, the effectiveness of the initial
20 financing statement continues for a period of five years
21 commencing on the day on which the financing statement would
22 have become ineffective in the absence of the filing. Upon the
23 expiration of the five-year period, the financing statement
24 lapses in the same manner as provided in subsection (c),
25 unless, before the lapse, another continuation statement is
26 filed pursuant to subsection (d). Succeeding continuation
27 statements may be filed in the same manner to continue the
28 effectiveness of the initial financing statement.

29 (f) Transmitting utility financing statement. If a debtor
30 is a transmitting utility and a filed financing statement so
31 indicates, the financing statement is effective until a
32 termination statement is filed.

33 (g) Record of mortgage as financing statement. A record of
34 a mortgage that is effective as a financing statement filed as
35 a fixture filing under Section 9-502(c) remains effective as a
36 financing statement filed as a fixture filing until the

1 mortgage is released or satisfied of record or its
2 effectiveness otherwise terminates as to the real property.

3 (h) Bondable property. If a filed financing statement
4 relates to a security interest in bondable property and the
5 financing statement so states, it is effective until a
6 termination statement is filed.

7 (i) Without in any way detracting from the characterization
8 of bondable property as a contract or contract right under
9 Section 20-120 of the Public Utilities Act, for purposes of
10 this Article 9 of the Uniform Commercial Code, bondable
11 property, as defined in item (8.5) of subsection (a) of Section
12 9-102, shall constitute a general intangible. For purposes of
13 this Article, bondable property shall be in existence whether
14 or not the revenues or proceeds in respect thereof have
15 accrued, in accordance with Section 20-150 of the Public
16 Utilities Act. The validity, perfection, or priority of any
17 security interest in bondable property shall not be defeated or
18 adversely affected by changes to the financing order or to the
19 bond charges payable by any residential customer. Any
20 description of bondable property in a security agreement or
21 other agreement or a financing statement shall be sufficient if
22 it refers to the financing order establishing the bondable
23 property.

24 (j) In addition to the other rights and remedies provided
25 or authorized by the Public Utilities Act and by this Article,
26 when a debtor is in default under a security agreement and the
27 collateral is bondable property, then, upon application by the
28 pledgee, the Illinois Commerce Commission or any court of
29 competent jurisdiction shall order the sequestration and
30 payment to the pledgee of all collections and other proceeds of
31 such bondable property up to the value of the property. In the
32 event of any conflicts, priority among pledgees or transferees
33 shall be determined under this Article. The pledgee shall
34 account to the debtor for any surplus and, unless otherwise
35 agreed, the debtor shall be liable for any deficiency.

36 (Source: P.A. 91-893, eff. 7-1-01.)

1 Section 99. Effective date. This Act takes effect upon
2 becoming law.