

**ILLINOIS POWER COMPANY**  
Electric Service Schedule Ill. C. C. No. \_\_\_

Ill. C.C. No. \_\_\_  
Original Sheet No. \_\_\_

## HAZARDOUS MATERIALS ADJUSTMENT CLAUSE ("HMAC") RIDER

### PURPOSE OF RIDER

The Hazardous Materials Adjustment Clause (HMAC) shall operate to recover allowable HMAC Costs (as defined herein) of the Company.

### APPLICABLE RATE CLASSES

This rider is applicable to all customers receiving electric service from the Company and will be applied to all kWh delivered. The "Applicable Rate Classes" shall be: (1) Residential, (2) Commercial/Municipal, and (3) Industrial.

### HAZARDOUS MATERIALS ADJUSTMENT FORMULA

As of the date of closing of Ameren Corporation's purchase of the Company, Ameren Corporation shall create a trust fund to reflect shareholders' contribution to asbestos costs ("HMAC Cost Fund"), with an initial balance of \$20 million, to fund the portion of the Company's HMAC Costs that the Company agreed to bear in Docket No. 04-0294. In each year subsequent to 2006 and until such time as the HMAC Cost Fund terminates, the HMAC Cost Fund shall be reduced by the amount by which cash expenditures for prudently incurred HMAC Costs exceed the BASE amount. The HMAC Cost Fund shall be invested in short-term investment funds and all earnings thereon, net of expenses of the trust fund, shall be added to the HMAC Cost Fund balance. When the balance of the HMAC Cost Fund has reached zero, the HMAC Cost Fund shall terminate and an HMAC shall be applied. At such time as it is determined that the Company faces no further asbestos liability, the remaining balance of the HMAC Cost Fund will be credited to ratepayers in the next ensuing base rate proceeding.

The HMAC shall be calculated for each Applicable Rate Class using the following formulas:

$$AC = \text{SUM} - \text{BASE} + \text{ARA}$$

$$ACC = AC \times (\text{CBR}/\text{EBR})$$

$$\text{FACT} = ACC / \text{Applicable Rate Class annual forecasted kWh}$$

Where:

AC = Annual Cost is the amount of HMAC Costs to be recovered during an Annual Recovery Period. Annual Cost is subject to the condition that the Annual Cost shall not exceed 3 % of the Company's retail revenue for sales to customers as reported in the Form 21 for 2002. The Annual Cost cannot be a negative value.

HMAC Costs shall include: (i) all cash expenditures for costs and expenses, settlements, judgments and awards paid, charged, owed, or in any way accounted for, due or owing as a result of any liability, adjudication, claim, compromise, settlement or judgment, for personal injury, wrongful death, bodily harm, or personal or property damage of every kind and nature arising from asbestos, materials containing asbestos and asbestos related activities, filed or claimed by or on behalf of any person, entity, or otherwise against the Company, its employees, officers or agents, or any predecessor to the Company or in connection with assets or facilities of the Company previously sold, transferred or otherwise disposed of; and (ii) all cash expenditures for costs and expenses of defense against claims arising from asbestos, materials containing asbestos and asbestos related activities, or of litigation or other legal activities related to the activities listed above, including, but not limited to, litigation or legal activities associated with efforts to recover costs associated with any such activities from insurers or other responsible parties. Provided, however, no HMAC Costs shall be recoverable under this Rider if, with respect to such costs: 1) the events giving rise to the incurrence of such costs resulted from the Company's failure to exercise ordinary care to ensure compliance with the Permissible Exposure Limits ("PEL") required by 29 C.F.R. § 1910.1001(c), or by PELs contained in Occupational Safety and Health Administration ("OSHA") standards in effect prior to Section 1910.1001(c) that regulated asbestos exposure in general industry worksites (those predecessor standards being located at 29 C.F.R. §§ 1910.93a(a), 1910.93a(b)(1), and Table G-3; 29 C.F.R. § 1910.1001(b)(2)); and 2) the noncompliance with the PEL resulted in a citation issued by OSHA pursuant to 29 U.S.C. § 658; and, provided further, that HMAC Costs shall be limited to such costs that (1) arise from or relate to the Company's ownership or operation of facilities at the Company prior to October 1, 1999, and (2) that the Company becomes legally obligated to pay after December 31, 2006. HMAC Costs will be credited to reflect proceeds received from insurance carriers or other entities which represent reimbursement of HMAC Costs. HMAC Costs shall not include the salaries or expenses of Company employees or Company affiliate employees, nor any benefits related thereto (except to the extent such salaries or expenses, or benefits, are included under (i) above), nor shall HMAC Costs include any removal or remediation costs or expenses, nor shall HMAC Costs include costs or expenses related to asbestos training, legal seminar and conferences and related traveling, and nor shall HMAC Costs include any punitive damage award against the Company.

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\_\_\_\_\_ Decatur, IL 6\_\_\_\_\_

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- SUM = The sum of the annual forecasted balance of HMAC Costs for the Annual Recovery Period and the net unrecovered HMAC Costs that have not been previously reflected in the HMAC. The net unrecovered HMAC Costs shall include any prior period costs resulting from the application of the 3% cap as defined under AC, including carrying costs as determined by the Commission.
- BASE = The amount of HMAC Costs reflected in the test year in the most recent electric rate case Commission Order.
- ARA = The Annual Reconciliation Amount is a dollar adjustment necessary to reflect the: i) difference between projected HMAC Costs for an Annual Recovery Period and the level of HMAC Costs which actually occurred during the Annual Recovery Period, subject to the cost recovery exclusions of the HMAC; ii) difference between projected electric revenues associated with this rider for an Annual Recovery Period and the level of electric revenues associated with this rider which actually were received during the Annual Recovery Period; and/or iii) results of an Annual Review conducted by the Commission in accordance with the provisions of this rider.
- ACC = Annual Class Cost (ACC) is the projected annual amount of HMAC Costs to be recovered from an Applicable Rate Class during the Annual Recovery Period. The ACC for each Applicable Rate Class is the product of: i) AC and; ii) a ratio, the numerator of which is the CBR, and the denominator of which is EBR.
- CBR = Class Base Revenue represents the annual base rate revenue, excluding power supply revenue, for an Applicable Rate Class which is forecasted to be received during the Annual Recovery Period.
- EBR = Electric Base Revenue represents the total annual base rate revenue, excluding power supply revenue, for all Applicable Rate Classes which is forecasted to be received during the Annual Recovery Period.
- FACT = An HMAC Factor shall be calculated for each Applicable Rate Class to recover the respective estimated Annual Class Cost associated with each such Applicable Rate Class. The HMAC Factor shall be calculated by dividing: (i) ACC for each Applicable Rate Class by ii) the annual kilowatt hours of electric energy forecasted to be delivered and billed, during the Annual Recovery Period, to all Customers in the Applicable Rate Class.

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**TERMS AND CONDITIONS**

The amount of any HMAC Factor shall be shown on an Information Sheet supplemental to this Rider and filed with the Commission not later than the 20th day of December immediately preceding the January of the Annual Recovery Period in which the HMAC Factor is to become effective. The standard Annual Recovery Period shall be a calendar year. The Information Sheet shall be accompanied by backup data showing the calculation of each HMAC Factor. Unless otherwise ordered by the Commission, each HMAC Factor shown on an Information Sheet filed in accordance with this paragraph shall become effective as indicated in the Information Sheet and shall remain in effect for all kWh delivered and billed during the effective Annual Recovery Period. If the Company shall determine during the calendar year Annual Recovery Period that it is appropriate to revise the HMAC Factors in an effort to better match Annual Cost with expected revenues recovered under this rider or to implement an ordered ARA factor, the Company may file revised HMAC Factors on a revised Information Sheet not later than the 20th day of the billing month immediately preceding the billing month in which the revised HMAC Factor is to become effective. In the event significant increases in HMAC occur in mid-year or later, the Company may choose to not attempt to recover said increases entirely in the Annual Recovery Period, instead carrying over portions into the next Annual Recovery Period through the ARA factor.

The Annual Cost amount is subject to the condition that it not exceed 3 % of the Company's retail revenue for sales to customers as reported in the Form 21 for 2002. In the event the Annual Cost factor exceeds such 3% cap, the excess amount, plus carrying costs established by the Commission shall be included in calculation of the HMAC for the next Annual Recovery Period.

The Company will file an Annual Report with the Commission for each Annual Recovery Period, no later than 60 days following the end of the Annual Recovery Period. The Annual Report will provide a reconciliation between the Proportional Costs to be recovered through the HMAC Factor and the actual HMAC revenue for the immediately preceding Annual Recovery Period as well as provide a summary of the Company's Hazardous Materials Activities. The total amount of any over or under recovery of HMAC Costs for the immediately preceding Annual Recovery Period will be included in the ARA component of Annual Costs and thereby be reflected in the HMAC Factor for the succeeding Annual Recovery Period.

In conjunction with the filing of its Annual Report, the Company shall file with the Commission a statement, which shall be certified by the Company's independent public accountants and verified by an Officer of the Company, certifying the accuracy of the information provided in the Annual Report.

Upon review of the Annual Report filed by the Company, the Commission may, by order, require a hearing (Annual Review) to receive evidence regarding HMAC Costs collected in the preceding Annual Recovery Period and any aspect of the Company's Hazardous Materials Activities associated therewith, including a prudence review of HMAC Costs that have not been

previously reviewed. Included in such review, the Company will provide testimony regarding the prudence of the Company's asbestos related costs included in the filing in accordance with: (1) reasonable and appropriate business and legal standards; (2) the requirements of other relevant state and/or federal authorities; and (3) the minimization of costs to ratepayers. If within 10 months after the filing of any Annual Report filed under this Rider, the Commission has not ordered a hearing to review this filing, the Company may at any time thereafter file a petition with the Commission to initiate a hearing to reconcile the amounts collected under this Rider with the costs prudently incurred by the Company for HMAC Costs. If the Commission finds, after hearing, that any amounts were incorrectly included in the HMAC Factor during an Annual Recovery Period, the Commission may by order require that the ARA component of the HMAC Factor be appropriately adjusted.

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