

CONDITIONS OF APPROVAL

1. The common dividend restriction the Commission imposed on Illinois Power Company ("IP") in Docket No. 02-0561 will be terminated after the closing of the proposed reorganization if and at such time as IP achieves an investment grade credit rating from at least one nationally recognized credit rating agency, subject to the conditions and agreements indicated in Conditions 2, 3, and 4 below.

2. Until IP achieves an investment grade credit rating from both Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"), IP will not pay common dividends unless (i) Ameren Corporation ("Ameren") maintains at least a BBB corporate credit rating from S&P and a Baa3 corporate credit rating from Moody's or (ii) the Commission issues an order authorizing IP to resume declaring and paying common dividends. Ameren will provide the Manager of Finance evidence of its investment grade credit rating and the amount of the common dividend within five business days of IP's declaration of a common dividend.

3. In the event IP has not redeemed all of the 11.5% first mortgage bonds by December 31, 2006, IP may not thereafter declare or pay common dividends until such time as the Commission issues an order authorizing IP to resume declaring and paying common dividends.

4. Until such time as all of IP's 11.5% first mortgage bonds are redeemed, the upper limit of total common dividends IP can pay to Ameren during any given calendar year will be determined as follows: for 2005, \$80 million; for 2006, \$160 million less cumulative common dividends paid to Ameren since the consummation of Ameren's acquisition of IP.

5. For ratemaking purposes, the cost of any long-term debt issued by IP after acquisition by Ameren and before IP returns to investment grade level (as rated by Moody's and S&P) would be imputed at the cost of utility bonds rated in the triple-B category (i.e. Baa/BBB) with similar terms to maturity.

6. For gas and electric ratemaking purposes, IP's 11.5% first mortgage bonds will be imputed to the cost of utility bonds rated in the triple-B category (i.e. Baa/BBB) with eight-year terms to maturity. This includes the current IP gas rate case, Docket No. 04-0476, if the proposed transaction in Docket No. 04-0294 is consummated before Docket No. 04-0476 is concluded.

7. Until IP achieves investment grade credit ratings from both S&P and Moody's, (i) IP's lending into the Ameren utility money pool shall not exceed the lesser of \$100 million or 90% of cash on hand, and (ii) all affiliates borrowing money through the money pool from IP must meet the requirements of a non-utility borrower under Section 340.40 of the Administrative Code. (i.e., each affiliate must satisfy one of the requirements set forth at 340.40(b)(1)-(b)(5)). Once IP receives investment grade ratings from both S&P and Moody's, these restrictions will no longer apply and, for purposes of its participation in Ameren's utility money pool, IP will only be subject to the

terms, conditions and other provisions of 83 Ill. Adm. Code Part 340 and Ameren's Utility Money Pool Agreement.

8. IP will not file any proposed increase in gas base rates to be effective prior to January 1, 2007, beyond the proceeding currently in progress in Docket No. 04-0476.

9. All contracts, agreements, tariffs or arrangements, including any amendments thereto, of any kind between IP and any Affiliated Interest, as that term is defined in the Public Utilities Act, that are required to be filed with and/or approved by the Securities and Exchange Commission ("SEC"), pursuant to the Public Utility Holding Company Act, as hereinafter amended, and/or the Federal Energy Regulatory Commission ("FERC"), pursuant to the Federal Power Act, as hereinafter amended, or the Natural Gas Act, as hereinafter amended, shall be conditioned upon the following without modification or alteration: Neither IP nor any Affiliated Interest will seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the maintenance of any action in any forum, a decision or order of the ICC that pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, costs or allocation incurred or accrued by IP in or as a result of a contract, tariff, agreement, arrangement or transaction with any Affiliated Interest on the basis that such expense, charge, cost or allocation has itself been filed with, accepted for filing, made effective or approved by the SEC and/or FERC or was incurred pursuant to a contract, tariff, arrangement, agreement or allocation method which was filed with, accepted for filing, made effective or approved by the SEC and/or FERC. Nothing in this Condition 9 is intended to alter, change or modify the same condition imposed on AmerenCIPS and AmerenUE by the Commission in the proceeding regarding their merger and reorganization (Docket No. 95-0551).

10. IP will file with the ICC all contracts, tariffs, agreements, arrangements or transactions between IP and any Affiliated Interest(s) that require approval under Section 7-101 of the PUA, irrespective of whether such contracts, tariffs, agreements, arrangements or transactions have been filed with, accepted for filing, made effective or approved by or otherwise subject to the jurisdiction of the SEC and/or FERC. Neither IP nor any Affiliated Interest will seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission under Section 7-101 of the PUA, as hereinafter amended, which pertains to a contract, tariff, agreement, arrangement or transaction has been filed with, accepted for filing, made effective or approved, or is otherwise subject to the jurisdiction of the SEC and/or FERC. Nothing in this Condition 10 is intended to alter, change or modify the same condition imposed on AmerenCIPS and AmerenUE by the Commission in the proceeding regarding their merger and reorganization (Docket No. 95-0551).

11. Except to the extent reflected in the regulatory asset approved in this Order, IP will not seek recovery in rate proceedings of: (i) the stock issuance costs associated with the equity issued by Ameren to acquire IP; (ii) the severance and relocation costs associated with integration of IP into Ameren; (iii) the implementation costs associated with integration of IP into Ameren; (iv) any acquisition adjustment

associated with the acquisition of IP by Ameren; and (v) any debt redemption costs associated with the recapitalization of IP described in Applicants' Ex. 24.1.

12. IP will file a tariff as reflected in Appendix B to this Order to be effective January 2, 2007 through a compliance filing in Docket No. 04-0294.

13. IP shall reverse the effects of push-down accounting for ratemaking purposes, and shall not reflect push-down adjustments for debt or preferred stock in its annual reports to the Commission. IP will reflect in Account 114, plant acquisition adjustments, the impacts of all push down accounting, for all Illinois regulatory purposes.

14. Ameren will file with the Chief Clerk the final accounting entries and explanations for the transaction, showing the actual dollar values of all involved accounts, within 60 days after the date on which the reorganization is consummated. At the time of this filing, Ameren will provide a copy to the Manager of the ICC's Accounting Department.

15. IP will file with the Chief Clerk the final accounting entries for the elimination of the Intercompany Note, showing the actual dollar amounts for all entries, within 60 days after the closing date. At the time of this filing, IP will provide a copy to the Manager of the ICC's Accounting Department.

16. IP shall be liable for, and upon proper invoice from the ICC, shall promptly reimburse the ICC for, the reasonable costs and expenses associated with the audit or inspection of any books, accounts, papers, records and memoranda kept outside the State, all as required under Section 5-106 of the PUA.

17. Ameren shall increase, via transmission projects or upgrades, competitive access into the AmerenCIPS delivery market by 300 MW and into the AmerenIP delivery market by 200 MW. The transmission projects or upgrades proposed and completed will be specific to addressing this mitigation commitment and will be specifically designed to address the need to increase simultaneous import capability into AmerenCIPS and AmerenIP delivery markets by 300 MW and 200 MW, respectively. Until such time as transmission projects or upgrades, specific to this mitigation commitment, have increased competitive access into the AmerenCIPS delivery market by 300 MW, Ameren will continue its power sales offer to unaffiliated entities from the 125 MW share of Joppa that Ameren is acquiring from Dynegy, Inc. Ameren further commits that: (1) it will meet with the ICC Energy Division Staff no later than June 30, 2005, to discuss the transmission projects or upgrades that would satisfy these commitments to increase competitive access; (2) it will use best efforts to work with the ICC Energy Division Staff to reach an agreement by December 16, 2005 on the projects which will best serve the interest of increasing competitive access, provided that if Ameren and Staff are unable to reach an agreement, the matter shall be brought to the Commission's attention via a Staff report; and (3) to the extent required by law, within 6 months of reaching an agreement with Staff, Ameren (through its public utility

subsidiaries) will file petitions for certificates of convenience and necessity with the Commission seeking authority to engage in the projects.

18. Within 180 days of closing, IP shall make such filings with the ICC as may be necessary to conform the non-rate provisions of its delivery service tariffs and business procedures to those of the AmerenCIPS, AmerenCILCO, and AmerenUE; Nothing herein shall require IP to propose, or prohibit IP from proposing, any modification to its Rider PPO - Purchase Power Option Service, Rider TC - Transition Charge, Rider MVI or Rider MVII - both Market Value Indexes, Rider PRS - Partial Requirement Service or Rider ISS - Interim Supply Service or the rates and charges contained in SC 110 - Delivery Services; provided, however, that IP may not propose any increase in electric delivery service rates that would be effective prior to January 1, 2007.

19. Ameren will cause IP to make between \$275 million and \$325 million of capital expenditures during Ameren's first two years of ownership of IP.

20. With respect to the synergies ("Associated Savings Amounts") described in Attachment B to Applicants' Ex. 47.0, beginning in the second quarter of 2005, IP will provide quarterly updates to the Commission (via a filing on e-Docket under Docket No. 04-0294), Citizens Utility Board ("CUB") and the People of the State of Illinois ("People") of its progress towards reaching the merger synergy milestones. Meetings will be scheduled at mutually convenient times and places. Updates on the work effort towards each project will be provided.

21. In its next electric rate case and next gas rate case, IP will file as a component of its initial filing a report (verified by a witness in the case) detailing the milestones achieved, as well as other identified savings. The verified report shall provide information current as of the time of the rate filing.

22. In IP's next electric rate case and next gas rate case, for all Associated Savings Amounts not reflected in the proposed test year, the Commission may reduce O&M expenses by the jurisdictional (i.e., electric vs. gas) portion of any Associated Savings Amount ("Jurisdictional O&M Reduction") for any milestone that IP has not achieved or cannot demonstrate that it is reasonably certain to achieve by the time the rates approved in that case go into effect, unless and to the extent that IP can demonstrate : (i) greater savings than estimated from other milestones on the Savings Schedule ("Greater Savings"); (ii) other O&M savings not reflected on the Savings Schedule ("Other Savings"); or (iii) that, in light of facts or circumstances then known, achieving the milestone is imprudent or would materially and adversely affect customer service or system reliability; provided, however, that normal utility operating and maintenance practices may not be deemed to materially and adversely affect customer service or system reliability. The burden of proving that (i) IP has achieved or is reasonably certain of achieving a milestone, (ii) the amount of Greater Savings and Other Savings, and (iii) the imprudence or adverse effect of a milestone, shall be on IP. Thus, to the extent that IP meets its burden to show that a milestone is imprudent or would materially and adversely affect customer service or system reliability, or that there

are Greater Savings or Other Savings, the Commission may offset the amount of a Jurisdictional O&M Reduction, if any, that otherwise would be appropriate.

23. In IP's next electric rate case and gas rate case, IP will allocate Associated Savings Amounts on a basis consistent with the underlying O&M expenses to which they relate.

24. IP will propose a residential real time pricing ("RTP") tariff effective after 1/1/07 on the following terms:

- A. RTP generation service tariff will be optional.
- B. The Delivery Services tariff applicable to RTP residential customers will be IP's standard Delivery Service tariff available to all residential consumers taking generation services from IP or from an alternative electric supplier.
- C. Customers taking the optional RTP tariff can switch to RES supplied service at any time, subject to standard DASR rules.
- D. The Hourly Energy Prices developed by IP will be applicable to all hourly energy consumed by the customer during the monthly billing period.
- E. There will be a monthly Customer Charge that will also reflect the cost of the special metering installed to monitor hourly usage and price accordingly.

25. IP will work cooperatively with neighborhood/community groups seeking to provide educational support for the residential RTP.

26. IP shall cooperate in good faith with the People to design a residential RTP tariff that: (i) includes reasonable, appropriate and economic protections against unfavorable RTP outcomes, provided that the cost of any such protections shall be reflected in charges under the residential RTP tariff; (ii) establishes a reasonable means of recovering firm capacity charges, if any, and setting hourly energy prices; (iii) establishes reasonable rules on switching to and from standard generation service by residential RTP customers; and (iv) establishes practical and timely procedures to inform participating customers of the actual hourly prices to be charged under this RTP tariff.

27. Ameren will provide quarterly progress reports to the Commission (via a compliance filing in Docket No. 04-0294) and the Director of the Energy Division regarding its IP integration efforts. Ameren will also hold periodic meetings with Energy Division Staff, the People and CUB to review the progress Ameren is making with regard to the integration of systems, work processes, and initiatives. Information relevant to these endeavors will be supplied at these meetings. Within 180 days of the

transaction close, Ameren will provide a final report to the Commission and the Director of the Energy Division regarding its integration efforts.

28. Ameren will incorporate its relay testing and calibration standards into IP as soon as practicable following integration. Ameren will provide a copy of the Ameren relay testing standards to the Director of the Energy Division.

29. Ameren will complete the testing and calibration of all electromechanical relays at AmerenCILCO by the end of 2004.

30. Ameren will begin installing excess flow valves for new and replacement residential services for its operating utilities within six (6) months of closing.

31. Ameren will incorporate the AmerenCILCO electrical system model into the overall Ameren model regarding relay testing and calibration schedules (for coordination purposes) by the end of 2004, and the IP system will be incorporated into the model by the end of 2005.

32. Ameren will expedite the tap fusing program in the Illinois properties of AmerenUE and complete the analysis and implementation of necessary tap fuses by the end of 2007.

33. Ameren will include IP in the tap fusing program following integration.

34. Ameren agrees to a 4-year trimming cycle for IP and further agrees to incorporate Ameren's "cycle-buster" mid-cycle trim program to address problem areas between scheduled trimmings following integration.

35. Ameren will conduct a review of the IP gas system after closing. The review will also include the gas storage assets and will identify any capital expenditures necessary to ensure that the storage fields continue to be maintained and operated in a safe and reliable manner. The review will proceed in an expeditious fashion and the resultant information will be provided to the Director of the Energy Division.

36. Ameren will perform a study that identifies the possible points of interconnection between all of the Ameren gas utilities, including IP. The gas systems interconnection study should proceed on an expedited basis after closing. The scope of the integration study shall be defined jointly by the Staff and Ameren upon closing of the transaction. Once the final scope is defined, the study should be completed within eighteen (18) months. Ameren will provide a copy of the completed study to the Commission and the Director of the Energy Division.

37. Ameren shall maintain adequate employee levels, including supervision, throughout its gas operations. Ameren will provide the Director of the Energy Division with formal organizational charts once this information is compiled.

38. Ameren will continue to study the balance between in-house and vendor testing and repair of meters, and make any adjustments to this balance that are

appropriate. All results from these analyses will be shared with the Director of the Energy Division.

39. Ameren will integrate the O&M plans as well as the gas standards, training, and qualification programs, pipeline integrity management and other fundamental gas operations practices of AmerenCIPS, AmerenCILCO and IP as rapidly as possible. Ameren shall provide the ICC Energy Division Director, the People, and CUB quarterly updates on its efforts in these areas.

40. Ameren shall consolidate the quality assurance personnel programs of Ameren and IP as part of the overall objective of moving to common practices, and in so doing will consider the best practices of each.

41. After closing, IP will increase its total contribution to United Way, civic, charitable, and social service organizations in IP's service territory to at least \$1.5 million annually.

42. Ameren will commit additional resources to support and enhance economic development aimed at attracting new jobs in the IP service territory;

43. Ameren will maintain IP's headquarters in Decatur, Illinois for not less than five years following closing;

44. IP workforce reductions resulting from the acquisition will not exceed 25 employees for a period of four years following the closing, except to the extent additional reductions occur through attrition or voluntary separation programs;

45. IP will honor all existing labor agreements; and

46. IP employees, retirees and retirees' surviving dependents will remain in their current IP benefit plans or be moved into appropriate Ameren plans.

47. IP shall provide quarterly reporting to the Commission as a compliance filing of Docket No. 04-0294 45 days following the end of each calendar quarter until the first Annual Report is filed under the HMAC Rider to report the following:

- 1) A description of any HMAC activity that has taken place during the quarter;
- 2) A description of the costs and expenses incurred during the quarter;
- 3) The amount of costs and expenses incurred during the quarter and the total-to-date for the year;
- 4) The account to which the cost or expense was recorded;

- 5) The amount of any settlements, judgments and awards that were 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;
- 6) The total of 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 legal activities associated with efforts to recover costs associated with any such activities from insurers or other responsible parties;
- 7) The amount of costs and expenses recorded during the quarter that would be recoverable HMAC costs if the HMAC Rider were effective; and
- 8) A reporting of activity in the HMAC Cost Fund indicating
 - a) Beginning balance for the quarter;
 - b) Interest amount added for the quarter;
 - c) Rate of interest received on balance;
 - d) Amount and description of any other additions to the Fund balance during the quarter; and
 - e) Amount and description of any deductions to the Fund balance during the quarter.

48. Regarding the regulatory asset, IP shall submit an annual report to the Commission and provide a copy to the Manager of Accounting by March 15th of the year succeeding each of the years 2004-2006 that would set forth:

- a) A cost summary of the actual costs incurred to date, and
- b) A listing of each cost incurred in the calendar year that would include a description of the cost, the amount, and a reference to a supporting document

Furthermore, IP shall support the requested regulatory asset during the anticipated proceeding to set rates for the post-2006 period by providing for the record the following:

- a) A cost summary of the actual costs incurred, and
- b) A listing of the actual costs incurred that would include a description of each cost, the amount, and a reference to a supporting document; and making the supporting documentation available for review by the parties in the proceeding.