

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

ILLINOIS POWER COMPANY,)
d/b/a AmerenIP, and)
AMEREN ILLINOIS TRANSMISSION COMPANY)
)
Petition for (i) a Certificate of Public Convenience and)
Necessity, pursuant to Section 8-406(a) of the Public)
Utilities Act; (ii) a Certificate of Public Convenience) Docket No. 06-0179
and Necessity, pursuant to Section 8-406 of the Public)
Utilities Act, authorizing construction, operation and)
maintenance of new 345,000 volt electric lines in)
Monroe, Randolph, St. Clair, and Washington Counties,)
Illinois; (iii) an order pursuant to Section 8-503 of the)
Public Utilities Act approving construction of new)
transmission facilities; (iv) approval of an Agreement)
between affiliated interests; and (v) other relief as may)
be necessary.

AMENDED PETITION

Illinois Power Company, d/b/a AmerenIP ("AmerenIP") and Ameren Illinois Transmission Company ("Ameren Transco") (jointly, "Petitioners"), hereby seek (i) issuance by the Illinois Commerce Commission ("Commission") of a Certificate of Public Convenience and Necessity ("Certificate") pursuant to § 8-406 of the Public Utilities Act ("Act"), 220 ILCS 5/8-406, authorizing AmerenIP and Ameren Transco to construct, operate, and maintain new 345 kilovolt ("kV") electric lines in Monroe, Randolph, St. Clair, and Washington Counties, Illinois (the "Project"); (ii) issuance by the Commission of a Certificate pursuant to Section 8-406(a) of the Act authorizing Ameren Transco to operate as a public utility; (iii) an order approving the Project pursuant to Section 8-503 of the Act; and (iv) approval, pursuant to Sections 7-101 and 7-102 of the Act, 220 ILCS 5/7-101 & 5/7-102, of a Joint Ownership Agreement ("JOA") between AmerenIP and Ameren Transco; and (v) such other relief as may be necessary.

In support of their Amended Petition, Petitioners states as follows:

I. Introduction

1. AmerenIP is a public utility within the meaning of § 3-105 of the Act, 220 ILCS 5/3-105, is an electric utility within the meaning of § 16-102 of the Act, 220 ILCS 5/16-102, and is engaged in the business of supplying electric power and energy throughout its certificated service territory within the State of Illinois. AmerenIP is a wholly-owned subsidiary of Ameren Corporation.

2. Ameren Transco is a newly-formed Illinois corporation that will fund, construct and operate the Project in conjunction with AmerenIP. Ameren Transco is a wholly-owned subsidiary of Ameren Corporation. As discussed in Section II, *infra*, Ameren Transco seeks a Certificate to operate as a public utility under the Act.

3. AmerenIP has been notified by Prairie State Generating Company, LLC ("Prairie State"), an independent power producer, that it is developing an electric generating facility near Lively Grove, located along the western edge of Washington County, Illinois ("Prairie State Facility"). Pursuant to Federal Energy Regulatory Commission ("FERC") Order No. 2003, and other tariff requirements, AmerenIP is required to provide nondiscriminatory, standardized generator interconnection service to any generator that requests to connect, and therefore AmerenIP is obligated to supply generator interconnection service to the Prairie State Facility. In order to accommodate the Prairie State Facility, Petitioners propose to construct the Project.

4. The Project will consist of three new 345 kV transmission lines and related facilities. The first line will be approximately one mile in length from the Prairie State Facility south to AmerenIP's existing Baldwin-Mt. Vernon 345 kV line (the "Prairie South Line"). The second line will be approximately 7.2 miles in length from the Prairie State Facility west to AmerenIP's existing Baldwin-Stallings 345 kV line (the "Prairie West Line"). These two combined lines will be double circuited, so that the existing AmerenIP lines will be routed in and

out of the new switchyard ("Prairie State Switchyard") at the Prairie State Facility. The third line will be approximately 27.1 miles in length from AmerenIP's Baldwin switchyard, near Baldwin, Illinois, to AmerenUE's Rush Island Power Station, located on the west bank of the Mississippi River directly across from Fults, Illinois (the "Baldwin-Rush Line"). The proposed transmission lines will be located primarily in AmerenIP's service area near Sparta, Illinois and their general location is shown in AmerenIP Exhibit 5.1 (the three lines are collectively referred to as the "Transmission Lines").

II. Request for Certificate to Become a Public Utility and Related Approvals

5. Ameren Transco requests certification as a public utility to meet the public convenience and necessity, pursuant to Section 8-406(a) of the Act. As described below, upon completion of the Project, Ameren Transco will own, control, operate and manage, within this State, for public use, facilities used for the transmission of electricity: *i.e.*, its share of the Project. Ameren Transco will meet the definition of a public utility under Section 3-105 of the Act. Ameren Transco will not be an "electric utility," as defined in Article XVI of the Act, because Ameren Transco will not have a service territory in which it furnishes or sells electricity at retail or in which it provides retail distribution service.

6. Ameren Transco, as a public utility, will be transmitting electricity for use by the public at rates, terms, and conditions subject to regulation by the FERC.

7. To the extent deemed appropriate, Ameren Transco will become part of the Midwest Independent System Operator ("Midwest ISO").

8. Although Ameren Transco seeks certification as a public utility pursuant to Section 8-406 of the Act, Ameren Transco does not ask the ICC to establish an exclusive service territory. Ameren Transco will serve all eligible customers, regardless of location, on a nondiscriminatory basis according to applicable regulations.

9. Although many aspects of Ameren Transco's operations are within FERC's jurisdiction, other operations are subject to state supervision. 16 U.S.C. § 824(a). Because Ameren Transco will be an Illinois public utility, the Commission will have access to the books and records of Ameren Transco, and Ameren Transco will be subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities, including applicable Commission rules and regulations.

10. Ameren Transco is fit, willing and able to provide transmission service for public use, and to operate and maintain the Project. Under the terms of the JOA, AmerenIP and Ameren Transco will have responsibility for the construction and day-to-day operation of the Project.

11. Ameren Transco will be capitalized through contributions and advances from Prairie State, which will be sufficient to finance Ameren Transco's share of the Project.

III. Request for § 8-406(b) Certificate to Construct, Operate and Maintain the Project

A. Need for the Project

12. The new coal-fired Prairie State Facility is expected to generate approximately 1650 megawatts of power. The proposed Project is necessary for Petitioners to provide adequate, reliable, and efficient service to consumers as part of the network upgrades required to enable the interconnection customer, Prairie State, to reliably deliver capacity and energy to the bulk electric system at the least cost. Pursuant to FERC Order No. 2003, and other tariff requirements, AmerenIP is obligated to provide nondiscriminatory, standardized generator interconnection service to the Prairie State Facility or any generator that requests to connect to the AmerenIP transmission system. Moreover, the proposed upgrades associated with the request to connect the Prairie State Facility to the AmerenIP transmission system represents the optimal set of transmission upgrades necessary to meet the NERC Reliability Standards and the

Ameren Transmission Planning Criteria and Guidelines filed with FERC. The Project will therefore allow the Prairie State Facility to connect to the transmission grid in a safe and reliable manner and will provide for reliable delivery of the plant's output into the bulk electric system. The Prairie State Facility is expected to be ready to make its initial connection to the transmission system grid in October, 2008.

13. In July 2001, Peabody Energy (the parent company of Prairie State) submitted a request to Illinois Power Company ("Illinois Power") to perform a facility study for connecting up to 1,500 MW of coal fired generation to the Illinois Power transmission system. The facility study assumed a plan in which Peabody Energy sought to connect the Prairie State Plant to Illinois Power's Baldwin switchyard via two 15-mile radial 345 kV lines. The studies identified various network upgrades to accommodate the Prairie State Plant including the Baldwin-Rush Line, along with the need for some terminal equipment upgrades at the Baldwin switchyard.

14. AmerenIP has considered a number of alternatives to the construction of the Project. The Transmission Lines were proposed as a result of a joint study performed by Illinois Power and Ameren Services Company ("Ameren Services") (the "Joint Study"), prior to Ameren Corporation's acquisition of what is now called AmerenIP. The Joint Study was performed to assess the network upgrades needed to connect the Prairie State Facility to the AmerenIP transmission system and considered six alternative configurations. The conclusion of the study was that the configuration which includes the proposed Transmission Lines would accept the Prairie State Facility's power output, provide the necessary transmission system reliability, and be the least cost alternative among the six alternatives considered. (Note that the Baldwin-Rush Line is the same as was proposed in the 2001 Illinois Power study.)

15. The Joint Study considered six options. Plans 1 through 5 were based upon a configuration whereby two new 15-mile 345 kV lines would directly connect the Prairie State Switchyard to the Baldwin switchyard. Plans 1 through 5 also included additional 345 kV lines ranging from 21 miles to 50 miles in length from the Baldwin switchyard to the Rush Island switchyard, Dupo Ferry, Stallings, Cahokia, or the Mt. Vernon substation. Plan 6 modified the connection of the Prairie State Switchyard to the Baldwin switchyard by routing two existing 345 kV lines in the area, the Baldwin-Stallings and Baldwin-Mt. Vernon lines, into and out of the proposed Prairie State Switchyard. All six plans were first evaluated by performing power flow and limited stability analyses. The configuration in Plan 6 was judged to be superior for the Prairie State Facility outlet as it provided four outlet lines, versus the two outlet lines assumed in Plans 1 through 5. In addition, the total length of the outlet lines was shorter in Plan 6. As the result, Plan 6, in conjunction with a Baldwin-Rush Island 345 kV line, was selected as the best option in terms of system performance and labeled as modified Plan 6 or Plan 6M. Cost estimates were also developed for all six plans along with required upgrades. Based on these cost estimates, Plans 2, 3, 4, and 5 were eliminated from further consideration due to high cost. The estimated cost for the remaining plans, including cost estimates for the Prairie State switchyard, was about \$74.3 million for Plan 1, versus \$72.9 million for Plan 6M. Based on a comparison of the total cost of the two plans and considering the robustness offered by Plan 6M, the Joint Study recommended Plan 6M in a report prepared by AmerenIP and submitted to Midwest ISO in March, 2005. A copy of the report is included as AmerenIP Exhibit 1.4.

16. An additional study of the proposed Project was performed in 2005 by Ameren Services as a consultant to Midwest ISO for the Midwest ISO-queued project labeled "G495" (see AmerenIP Exhibit 1.14). The G495 study was performed in response to a request by

Peabody Energy to increase the Prairie State Facility output by 150 MW from the original request of 1500 MW, to a total net output of 1650 MW. Plan 6M was selected for this study to verify whether or not it would work for the higher capacity. Ameren Services completed the studies and concluded that the increased capacity of the Prairie State project would not require any additional transmission upgrades (although the stability study identified necessary changes in breaker failure relay timings at the Baldwin switchyard).

17. AmerenIP analyzed alternative routes for the Prairie West Line and the Baldwin-Rush Line, as shown on AmerenIP Exhibits 3.2 and 6.1, respectively. The primary routes were selected because they resulted in the best combination of low impacts to private property and environmentally sensitive areas and for cost efficiency considerations. No alternate routes were considered for the Prairie South Line because the primary route impacts only one landowner, Prairie State.

18. As part of the system upgrades called for by these analyses, Petitioners now seek a Certificate allowing them to construct, operate and maintain the Project. As described above, the Certificate would allow Petitioners to construct the approximate 1-mile Prairie South Line, the 7.2-mile Prairie West Line, and the 27.1-mile Baldwin-Rush Line. The plats showing the routes of each of these lines, as required by 83 Ill. Admin. Code § 305.50, are included as AmerenIP Exhibits 6.2 and 3.4, depicting the Baldwin-Rush Line and Prairie South Line / Prairie West Line, respectively.

B. The Need for Ameren Transco's Participation in the Project

19. Ameren Transco's participation in the Project is needed to ensure that construction of the Project will not have adverse financial consequences for AmerenIP. Because under FERC rules the transmission provider must fund the construction of the Project, AmerenIP would be required to incur significant debt to complete the Project. This additional debt would impact

AmerenIP's financial indicators and almost certainly result in degradation of AmerenIP's credit rating and curtail the availability to it of funds at a reasonable cost.

20. AmerenIP is currently a signatory to the Large Generator Interconnection Agreement ("LGIA") that codifies the terms and conditions under which AmerenIP, Prairie State and the Midwest ISO will connect the Prairie State Plant to the AmerenIP transmission system. By virtue of the construction options selected by Prairie State in the LGIA, AmerenIP is obligated to construct 100% of the facilities identified in the LGIA that need to be built on the AmerenIP transmission system. The LGIA requires Prairie State to fund the construction of the Project by paying AmerenIP up front for the total cost of the Project. AmerenIP would then repay to Prairie State the amounts advanced, with interest, beginning when the Project goes into service and in accordance with the terms and conditions of the LGIA. To the extent funding/advances from Prairie State are not structured otherwise, AmerenIP must record all of the upfront payments received from Prairie State as debt.

21. Once the Project is complete, the cost of the assets would be recorded on AmerenIP's FERC Form 1, and the cost of the project would flow through the Attachment O formula rate that AmerenIP applies to all of its transmission assets under the Midwest ISO tariff. At this point, the transmission rate paid by all customers directly connected to the AmerenIP transmission system would increase to reflect the added revenue requirement associated with the Project. These added revenues provide cash flow to support the debt cost of construction of the Project. However, during construction of the Project, there would be no incremental cash flow to support the debt obligation to Prairie State under the LGIA. Therefore, until the Project is in service and the Project costs flow through AmerenIP's Attachment O formula transmission rate, AmerenIP would not have any additional cash flow to support this increased debt.

22. At present, the current estimated cost of the Project is \$89 million. By itself, AmerenIP will not be able to financially support this cost on its balance sheet during the construction phase without suffering adverse financial consequences. Once the Project is generating cash flow and earning an adequate return on equity, that cash flow should serve to offset the negative effects on AmerenIP of the additional indebtedness and interest obligations represented by the full amount of debt recorded from Prairie State for construction.

23. In order to alleviate the potential financial concerns for AmerenIP, Ameren Corporation has proposed that Ameren Transco will fund and own 90% of the Project during construction. AmerenIP will fund and own the remaining 10% of the Project during construction. AmerenIP has the right under Section 7.1 of the JOA, as an Owner, to acquire the share of the Project held by Ameren Transco at book value, and, if it exercises such a right, would thereafter own, operate and maintain the Project without further involvement of Ameren Transco. This arrangement will not result in any adverse impact on the construction of the Project or any material difference in the rates paid by AmerenIP's customers.

C. Managerial, Technical and Financial Ability

24. Petitioners are capable of efficiently managing and supervising construction of the proposed lines. The JOA provides that AmerenIP and Ameren Transco will have full management control of the construction of the Project, and therefore will be able to ensure that the Project will be constructed in accordance with all applicable federal and state regulations and orders of the Illinois Commerce Commission, including 83 Ill. Admin. Code Part 305, and the National Electrical Safety Code.

25. The current estimated cost of the Project is approximately \$89 million. As described above, joint ownership of the Project by Ameren Transco and AmerenIP during construction will not have adverse financial consequences for AmerenIP, and will in fact

mitigate potential adverse financial consequences during construction. AmerenIP will experience a minimal level of impact to its financial condition due to its 10% (or \$8.9 million) investment in the Project, because AmerenIP will be incurring debt during the construction phase of the Project but will not benefit from any incremental cash flow. However, this will not amount to a significant adverse financial consequence. Because the other 90% (or \$80.1 million) of the project will be financed and constructed by Ameren Transco - a separate legal entity - the effects of the related additional debt will not be reflected on AmerenIP's balance sheet.

26. Joint ownership of the Project during construction will also not have adverse financial consequences for Ameren Transco. Notwithstanding the high degree of debt in its capital structure, Ameren Transco would be a special purpose entity formed to construct a portion of the project, and, during the construction phase of the Project, would not have any customers or service obligations. Moreover, during the construction phase, none of Ameren Transco's debt repayment or interest obligations related to the Project would become due and payable. Because Ameren Transco does not have any other borrowing needs, its funding is provided in advance by Prairie State, and there are no other external investors, the arrangement will have no adverse financial consequences for Ameren Transco.

D. Property Rights

27. The proposed line easements along the right-of-way are anticipated to be 150 feet in width. The exact width of the easements will be determined after route terrain and design inputs, such as span lengths, are known. To minimize the impact on land usage and cultivatable farm land, the use of down guys and anchors will be eliminated by means of self-supported angle and corner structures. AmerenIP has evaluated existing linear facilities (transmission lines, pipelines, railroads, etc.) in the area to determine if new transmission lines can be routed along the same corridor. AmerenIP has also evaluated environmental, wetlands and other land use

impacts in establishing its line routing and siting criteria. The purpose of this evaluation was to minimize such impacts in establishing the Transmission Lines' routes.

28. Approximately 156 parcels of land will be impacted by the primary route of the Transmission Lines. The affected landowners were invited by AmerenIP to an informational workshop on December 7, 2005, to view and discuss the proposed line route, the need for the Project and the Transmission Lines, the proposed facilities, and the area and alternatives considered in defining the proposed route. The workshop was for informational purposes only and no easement negotiations were permitted.

29. In accordance with 83 Ill. Admin. Code Part 300, all landowners from whom right-of-ways must be acquired, as shown by the Records of the Tax Collectors, have been or will be sent a notice letter and "Statement of Information from the Illinois Commerce Commission Concerning Acquisition of Rights of Way by Illinois Utilities," at least fourteen (14) days prior to any contact by AmerenIP representatives for the purpose of seeking a right of way. The information contained in the letter and the Statement of Information were sent to the landowners by certified mail, return receipt requested, beginning in January, 2006. Direct landowner contacts began in late February, 2006.

30. AmerenIP or its representatives will, subsequent to the fourteen (14) day notice mentioned previously, contact landowners, in person if possible, and discuss the project in detail and inform them of the reason for the contact and the purpose of the project. A written project purpose statement, a small scale map and aerial photocopy of the easement area, as well as information regarding the type and location of proposed facilities will be provided. Compensation will be offered and the basis of that compensation will be explained. The amount and length of the proposed easement will be provided as well as a copy of the proposed easement

document. AmerenIP or its representatives will be available for discussion and negotiations as required by each landowner. Because Petitioners are responsible for the restoration of or payment for damages to the property of landowners and tenants, each landowner will be notified prior to commencement of construction, and each property will be assessed for damage by AmerenIP. Each landowner will be provided an AmerenIP representative to contact to report damages.

31. Pursuant to 83 Ill. Admin. Code § 305.60, notice of the filing of this Amended Petition will be sent to the utilities and railroads whose names and addresses are set forth in Amended Petition Exhibit A. Pursuant to 83 Illinois Administrative Code § 200.150(h), a list containing the names and addresses of each record owner of privately owned tracts of land, upon or across which the proposed Transmission Lines will be constructed, as disclosed by the records of the tax collectors of Monroe, Randolph, St. Clair, and Washington Counties, as of not more than thirty (30) days prior to the filing of this Amended Petition, is attached hereto as Amended Petition Exhibit B.

32. AmerenIP is responsible for obtaining the necessary regulatory approvals for the Project. AmerenIP or its representatives have met with the following regulatory agencies regarding the proposed Project, its potential impacts, and compliance with relevant regulations and approval requirements: the United States Army Corps of Engineers, the Illinois Department of Natural Resources ("IDNR"), the Illinois Department of Transportation, the Illinois Historic Preservation Agency ("IHPA"), and the Department of Agriculture. The Illinois Environmental Protection Agency has also been notified of the project.

33. Of the proposed easement area of approximately 641.9 acres, of which approximately 476.3 acres are cropland, less than one acre of actual farmland will be taken out of

production. The majority of the easement area will only have overhanging wires. The areas that will be taken out of production will be the area required for the series of six- to eight-foot diameter structure bases. Structures will be placed approximately every 900 feet along the easement strip. The structures to be placed in farmland, in accordance with an Illinois Department of Agriculture request, will be single shaft poles, not "H" structures.

34. AmerenIP has completed a historic and archeological site records search as part of the Project's planning. Some historic and archeological features exist within one quarter mile or less of the proposed line route. The location of the features from the records search has been mapped in relation to the proposed line route. AmerenIP will use this information to minimize or avoid impacts to historic and archeological resources.

35. AmerenIP has also inventoried and mapped wetlands from the National Wetlands Inventory Database. The proposed Transmission Lines' routes cross wetlands. AmerenIP is coordinating with, and will apply for a permit from, the U.S. Army Corps of Engineers for required construction in wetlands and will comply with any mitigation that may be required.

36. Petitioners believe that that the construction of the Project is necessary to provide adequate, reliable, and efficient service and is the least-cost means of satisfying the service needs of its customers, as well as the FERC Orders and tariffs, and is therefore in the public interest.

IV. Request for Order Pursuant to Section 8-503

37. Section 8-503 of the Act provides that whenever the Commission finds that additions to existing plant are necessary and ought reasonably to be made, or that a new structure or structures ought to be erected, the Commission "shall make and serve an order authorizing or directing that such additions . . . be made, or structure or structures be erected" 220 ILCS 5/8-503.

38. For all the reasons already stated, the Project is necessary and the Commission should authorize its construction pursuant to Section 8-503.

V. Approval of and Consent to Affiliate Agreement

39. In order to allow AmerenIP and Ameren Transco to jointly own the Project during construction and operation, Petitioners intend to enter into the JOA, which sets forth the terms of their joint ownership and operation of the Project. A copy of the JOA is attached as Amended Petition Exhibit C.

40. Section 7.1 of the JOA allows two different types of transfer of Ownership Interests: (i) a transfer by an Owner of all or part of its Ownership Interest to any person, and (ii) a transfer of an Owner's Ownership Interest in whole or in part to any other Owner at book value. Therefore, the JOA provides that AmerenIP, as an Owner, may purchase Ameren Transco's Ownership Interest in the Project at any time for a purchase price equal to book value.

41. Pursuant to Section 3.1 of the JOA, AmerenIP and Ameren Transco will appoint an "Operator" to manage and supervise construction of the Project during the period of joint ownership. As indicated in the JOA, AmerenIP and Ameren Transco intend to appoint Ameren Services Company as said Operator. AmerenIP and Ameren Transco also intend that the Operator will be responsible for operation of the Project pursuant to Section 5.1 of the JOA.

42. The terms of the JOA are reasonable and the Commission should approve and consent to the JOA.

WHEREFORE, Petitioners respectfully request that the Commission: (i) grant a Certificate of Public Convenience and Necessity to Ameren Transco; (ii) grant a Certificate of Public Convenience and Necessity authorizing AmerenIP and Ameren Transco to construct, operate and maintain three new 345 kilovolt electric lines in Monroe, Randolph, St. Clair, and

Washington Counties, Illinois; (iii) authorize construction of the Project pursuant to Section 8-503 of the Act; (iv) approve the Joint Ownership Agreement between AmerenIP and Ameren Transco; and (v) grant such other relief as may be required.

Dated: May 9, 2006

Respectfully submitted,

ILLINOIS POWER COMPANY d/b/a
AmerenIP, and
AMEREN ILLINOIS TRANSMISSION
COMPANY

By: /s/ Albert D. Sturtevant
Albert D. Sturtevant
One of their attorneys

OF COUNSEL:

Christopher W. Flynn
Albert D. Sturtevant
JONES DAY
77 West Wacker Drive
Chicago, IL 60601-1692
Telephone: (312) 782-3939
Facsimile: (312) 782-8585
cwflynn@joneday.com
adsturtevant@jonesday.com

Edward C. Fitzhenry
Managing Associate General Counsel
Ameren Services Company
One Ameren Plaza
1901 Chouteau Avenue
St. Louis, Missouri 63166
Telephone: (314) 554-3533
Facsimile: (314) 554-4014
efitzhenry@ameren.com