

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Power Company d/b/a	:	
AmerenIP	:	
	:	
Request pursuant to Section 6-102 of	:	
the Illinois Public Utilities Act for an	:	
order authorizing Illinois Power	:	
Company d/b/a AmerenIP to incur an	:	08-0565
indebtedness by undertaking the	:	
obligation to pay the principal, interest	:	
and redemption premium, if any, on up	:	
to \$400,000,000 principal amount of	:	
Senior Secured Notes for the purpose	:	
of refunding, redeeming and/or	:	
refinancing outstanding evidences of	:	
indebtedness.	:	

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On October 7, 2008, Illinois Power Company d/b/a AmerenIP ("IP") filed with the Illinois Commerce Commission ("Commission") a verified Informational Statement pursuant to Section 6-102(d) of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq. The Informational Statement seeks all necessary authorization for IP to issue up to \$400,000,000 principal amount of Senior Secured Notes (the "Notes") in one or more series to be secured by an underlying "mirror" issue of first mortgage bonds until the "release date" as described by IP. IP's request is sought for the purpose of refunding, redeeming, and/or refinancing outstanding evidences of indebtedness. The Informational Statement requested Commission action by October 23, 2008. On October 8, 2008, IP filed a draft order.

On October 9, 2008, Commission Staff ("Staff") submitted a verified Answer to IP's Informational Statement. In the Answer, Staff identifies the applicable provisions of the Act and Illinois Administrative Code and recommends that the Commission enter an order authorizing the transactions described in the Informational Statement. No hearings were held in this matter. No petitions to intervene were received. There are no contested issues.

II. STATUTORY AUTHORITY FOR PROPOSED FINANCING

IP asserts that its filing is governed by Section 6-102(d) of the Act, and that Section 6-102(b) is not applicable to the proposed financing. In subsection (b) of Section 6-102, the first sentence provides as follows:

(b) The provisions of this subsection (b) shall apply only to (1) any issuances of stock in a cumulative amount, exclusive of any issuances referred to in item (3), that are 10% or more in a calendar year or 20% or more in a 24-month period of the total common stockholders' equity or of the total amount of preferred stock outstanding, as the case may be, of the public utility, and (2) to any issuances of bonds, notes or other evidences of indebtedness in a cumulative principal amount, exclusive of any issuances referred to in item (3), that are 10% or more in a calendar year or 20% or more in a 24-month period of the aggregate principal amount of bonds, notes and other evidences of indebtedness of the public utility outstanding, all as of the date of the issuance, but shall not apply to (3) any issuances of stock or of bonds, notes or other evidences of indebtedness 90% or more of the proceeds of which are to be used by the public utility for purposes of refunding, redeeming or refinancing outstanding issues of stock, bonds, notes or other evidences of indebtedness

Subsection (d) of Section 6-102 provides in part as follows:

(d) Any issuance of stock or of bonds, notes or other evidences of indebtedness, other than issuances of notes pursuant to subsection (c) of this Section, which is not subject to subsection (b) of this Section, shall be regulated by the Commission as follows: the public utility shall file with the Commission, at least 15 days before the date of the issuance, an informational statement setting forth the type and amount of the issue and the purpose or purposes to which the issue or the proceeds thereof are to be applied. Prior to the date of the issuance specified in the public utility's filing, the Commission, if it finds that the issuance is not subject to subsection (b) of this Section, shall issue a written order in conformance with subsection (a) of this Section authorizing the issuance

IP explains that at least 90% of the proceeds from the notes will replace or refinance its outstanding evidences of indebtedness.

III. IP's INFORMATIONAL STATEMENT

In its informational statement, IP indicates it plans to use the net proceeds from the sale of the Notes, after deduction of commissions or discounts paid to the underwriters, placement agents or initial purchasers in connection with this offering, to repay outstanding short-term debt consisting of IP's borrowings under one or both of two credit agreements under which it participates as a borrower and/or borrowings under the Ameren Corporation System Utility Money Pool Agreement. The indebtedness incurred under the credit agreements has been approved by the Commission in Docket Nos. 06-0332 and 07-0125 which authorized indebtedness thereunder up to \$150 million and \$200 million, respectively.

According to the Informational Statement, IP intends to issue and sell up to \$400,000,000 aggregate principal amount of the Notes in one or more series through the period ending March 1, 2011.

IP says the terms of the Notes, including but not limited to the maturity, price, rate or method of calculation of interest and dates for payment thereof, and any redemption, prepayment or sinking fund provisions, will be determined at the time of each offering. IP is currently contemplating issuing the Notes for up to thirty-two (32) year terms, depending on market conditions at the time of the offering. IP expects that the interest rate(s) will not exceed 9.00% per annum; however, the actual interest rate(s) will be determined at the time of each offering. IP indicates that if it issued securities with a ten (10) year maturity, for example, it would at this time expect an interest rate of about 7.80%.

According to IP, the Notes will be an issue of one or more new series of debt securities issued under, and secured by, an indenture (the "Senior Note Indenture") between IP and The Bank of New York Mellon Trust Company, N.A., as trustee. Until the release date as defined below, all of the Notes outstanding under the Senior Note Indenture will be secured by one or more series of IP's senior note mortgage bonds issued under its first mortgage indenture, the terms of which will mirror the corresponding series of Notes. The senior note mortgage bonds will be secured by a lien on substantially all of the property owned by IP. The release date will be the date that all of IP's first mortgage bonds issued and outstanding under its first mortgage indenture, other than senior note mortgage bonds, have been redeemed or retired. On the release date, the Notes will cease to be secured by the senior note mortgage bonds, will become IP's unsecured general obligations and will rank equally with all of IP's unsecured and unsubordinated debt.

IP indicates that it expects to offer and sell the Notes (i) in one or more underwritten public offerings pursuant to a registration statement, to be filed with the Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended (the "Securities Act"), and/or (ii) in one or more private placements (which may, at the option of IP, include or not include registration rights as discussed below) pursuant to appropriate offering materials.

In the case of an underwritten public offering, one or more underwriting agreements will be executed between IP and one or more financial institutions who will serve as underwriters for the offering(s).

In the case of a sale of a series of Notes in a private placement, IP says it would rely on an exemption from registration under the Securities Act, for offers and sales of the Notes in the United States that do not involve a public offering. One or more purchase or other appropriate agreements will be executed between IP and one or more financial institutions, who will serve as initial purchasers or placement agents for the series of Notes. In the event IP elects to offer to provide for future registration of the Notes, pursuant to any registration rights agreement between IP and any initial purchasers, IP says it will agree to file a registration statement with the SEC relating to an offer to exchange the privately placed (restricted) Notes for publicly tradable Notes. In certain events relating to failure to timely file a registration statement or to register a

series of restricted Notes, IP indicates it may be required to pay the holders of such series of Notes additional interest on the Notes at a rate to be agreed upon with the initial purchasers or placement agents.

According to IP, any publicly tradable Notes offered in exchange for restricted Notes will have terms identical in all material respects to the restricted Notes (except for securities law legends and provisions related to the registration rights, if any). The authentication and delivery of the publicly tradable Notes in connection with the exchange offer will not be treated as the issuance of a new series of debt securities under the Senior Note Indenture. The publicly tradable Notes and the restricted Notes will constitute a single series of Notes under the Senior Note Indenture and in no event will the total amount of Notes issued and outstanding under the authority sought herein exceed the principal amount of \$400,000,000. No new proceeds will be raised in connection with any such exchange offer nor will any additional indebtedness be incurred. The “mirror” issue of first mortgage bonds (senior note mortgage bonds) will continue to secure the Notes after the exchange offer until the “release date” as discussed herein.

IV. STAFF’S ANSWER

Staff reviewed the Informational Statement and Article VI of the Act. Staff asserts that IP's proposal is subject to Section 6-101 of the Act, which requires the Commission to provide proper identification numbers on the proposed indebtedness when issued. Staff asserts further that the proposal is subject to Section 6-102(a), which requires a Commission order authorizing the issuance of the proposed indebtedness. Staff indicates that the order must also state the amount of the proceeds and purpose(s) to which they are to be applied, and that such application(s) is reasonably required. Staff states that IP's proposal is not subject to Section 6-102(b) since at least 90% of the proceeds will be used for the purpose of refunding outstanding indebtedness. These circumstances trigger the applicability of Section 6-102(d), which requires the Informational Statement filed by IP and a Commission order in conformance with Section 6-102(a). Staff recommends that the Commission Order explicitly state that at least 90% of the indebtedness incurred by IP pursuant to the Commission Order in the instant proceeding be used to refund, redeem, or refinance outstanding indebtedness, with the remainder to be used to pay expenses, commissions, or discounts to the underwriters, initial purchasers or placement agents of the offerings. Staff reports that currently IP's balance of short-term debt outstanding under the credit agreements approved in Docket Nos. 06-0332 and 07-0125 is approximately \$300,000,000. According to Staff, IP indicated that to the extent it issues new indebtedness to refund debt in excess of the \$350,000,000 total indebtedness authorized in Docket Nos. 06-0332 and 07-0125, such proceeds will be used to repay Ameren Corporation System Utility Money Pool Agreement borrowings. Staff says currently, IP has no such indebtedness outstanding. Finally, Staff also notes that the proposal is subject to Part 240, which requires the petitioner to file reports relative to the issuance of the proposed indebtedness and application of the proceeds, unless the Commission order provides otherwise.

Staff agrees that IP's proposal is subject to Section 6-108, which requires IP to pay a fee in an amount equal to 24 cents for every \$100 of the principal amount of indebtedness authorized by the Commission for which such a fee has not previously

been paid, prorated by the percentage of IP's property situated in Illinois. Thus, for authorization of \$400,000,000 of new indebtedness, the resulting required fee is \$960,000, which was calculated as follows: $\$400,000,000 \times (\$0.24 / \$100) = \$960,000$ (fee to Commission). IP requests that the Commission apply a portion of the \$808,800 fee paid for debt authorization granted in Docket No. 08-0146, which expired unused, toward the fee otherwise due in this docket. If allowed, applying a credit of \$448,800 would leave an additional remaining fee due in this proceeding of \$511,200.

In summary, Staff recommends that the Commission issue an order, pursuant to Section 6-102(a), authorizing the transactions described in IP's Informational Statement and identifying the applicable provisions of the Act and Administrative Code. Staff does not object to IP's proposal to apply a portion of the \$808,800 fee paid in Docket No. 08-0146 toward the \$960,000 fee otherwise due in this docket pursuant to Section 6-108. Thus, Staff states that the resulting required fee is \$511,200, which is to be paid no later than 30 days after service of the Commission order authorizing the issuance of the proposed indebtedness. Staff further recommends that the Commission order IP to pay the aforementioned fee and to file reports relating to the issuance of the securities approved in this order pursuant to Part 240.

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the record herein, is of the opinion and finds that:

- (1) IP is an Illinois corporation engaged in the sale and distribution of electricity and gas in portions of the State of Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over IP and the subject matter of this proceeding;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) subject to the conditions set forth herein, IP's proposal to issue of up to \$400,000,000 principal amount of Senior Secured Notes, to be secured by an underlying "mirror" issue of its first mortgage bonds until the "release date" as described herein; and the offering and exchange of publicly-tradable Notes in exchange for the restricted Notes in accordance with any registration rights agreement, shall be approved in accordance with Section 6-102(d) of the Act as set forth below;
- (5) the net proceeds from the sale of the Notes, after deduction of commissions or discounts paid to the underwriters, initial purchasers or placement agents of the offerings, shall only be used for the purposes described herein;
- (6) the funds to be obtained from the issuance of the debt are reasonably required for the purposes described herein;

- (7) in accordance with Section 6-101, IP shall, before issuance of the Notes described herein, cause the following identification number to be placed on the face of the respective series of such securities: Ill. C. C. No. 6505;
- (8) IP shall comply with the reporting requirements of Part 240;
- (9) at least 90% of the indebtedness incurred by IP pursuant to the Commission Order in the instant proceeding shall be used to refund, redeem, or refinance outstanding indebtedness; and
- (10) IP shall pay a fee in the amount of \$511,200 in accordance with Section 6-108 of the Act, this fee should be paid no later than 30 days after service of this Order, which amount takes into account the \$448,800 "fee credit" related to Docket No. 08-0146, leaving a remaining "fee credit" under that docket of zero.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the proposal of Illinois Power Company d/b/a AmerenIP to issue up to \$400,000,000 aggregate principal amount of Senior Secured Notes in one or more series, to be secured by an underlying "mirror" issue of its first mortgage bonds until the "release date" as discussed herein, for the purposes described herein is not subject to the provisions of Section 6-102(b) of the Act, and is hereby approved in accordance with Section 6-102(d) of the Act.

IT IS FURTHER ORDERED that the publicly tradable Notes to be exchanged for the restricted Notes in accordance with any registration rights agreement and the related proposed exchange offer described herein is hereby approved.

IT IS FURTHER ORDERED that Illinois Power Company d/b/a AmerenIP shall comply with Findings (5), (7), (8), (9), and (10) of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 15th day of October, 2008.

(SIGNED) CHARLES E. BOX

Chairman