

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

CENTRAL ILLINOIS LIGHT COMPANY)	
d/b/aAmerenCILCO,)	
)	
CENTRAL ILLINOIS PUBLIC SERVICE)	
COMPANY d/b/aAmerenCIPS,)	Docket Nos. 07-0585, 07-0586, 07-
)	0587, 07-0588, 07-0589, and 07-0590
ILLINOIS POWER COMPANY d/b/aAmerenIP,)	(cons.)
)	
)	
)	
Proposed general increase in rates for delivery)	
service.(Tariffs filed November 2, 2007))	
)	

PETITION FOR REHEARING

The Ameren Illinois Utilities¹ hereby request rehearing for the limited purpose of addressing a single issue from the Commission’s September 24, 2008 Final Order. Specifically, the Ameren Illinois Utilities request that the Commission grant rehearing with respect to its treatment of short-term debt balances in the capital structure. As will be discussed, while expressing reservations about the quality of the record on this issue, the Final Order altered the sound conclusions of the ALJs’ initial Proposed Order by relying on an erroneous argument made by Staff after the evidentiary phase of this case. The Final Order’s conclusion on short-term debt balance in the capital structure is not supported by any competent evidence. In addition, the Final Order penalizes the Ameren Illinois Utilities because their affiliates were unwilling to do what the broader market would not do – give the Ameren Illinois Utilities access to new short-term debt and commercial paper. This imposition of a special obligation on utility affiliates has no basis in law.

¹ The Ameren Illinois Utilities are Central Illinois Light Company d/b/a AmerenCILCO, Central Illinois Public Service Company d/b/a AmerenCIPS, and Illinois Power Company d/b/a AmerenIP.

The effect of the Final Order's decision is severe: it reduces the revenue requirement by nearly \$9 million, or over 5% of the overall increase. This is no modest tinkering with the capital structure. It will have a significant impact on the Ameren Illinois Utilities, who do not yet have unimpeded access to new sources of cash, notwithstanding recent improvements in their debt ratings. In fact, the change in the ALJs' initial conclusion on this point works counter to the goal of restoring the Ameren Illinois Utilities' ratings to investment grade at a time when market conditions put an even greater premium on credit worthiness. The Final Order's changes to the capital structure reduce revenue, and thus squeeze cash flow. This cash flow squeeze will place additional stress on the Ameren Illinois Utilities when banks are unwilling to make new loans and debt markets are effectively closed to all except the highest-rated borrowers.

The Commission should grant rehearing for the purpose of determining whether it has properly reflected short-term debt balances in the capital structure, and, in particular, whether it has accurately calculated the level of "excess cash" in determining the capital structure.

Argument

In their August 11, 2008 Proposed Order, the ALJs properly adopted the Ameren Illinois Utilities' proposal to deduct cash on hand from short-term debt balances. The record showed that the Ameren Illinois Utilities had unusually high balances of short-term debt because they had lost access to commercial paper and short-term lenders when they were down-graded during the controversy arising at the end of the rate freeze. The ALJs agreed that the appropriate ratemaking treatment was to deduct those cash balances from the level of short-term debt used to determine the capital structure.

Specifically, the Ameren Illinois Utilities demonstrated that their cash on hand and short-term debt were far above normal levels. The Ameren Illinois Utilities were holding relatively

high cash balances for *operating purposes* – i.e., to satisfy their public utility service obligations – due to their credit standing in the aftermath of the legislative crisis involving the 2007 retail electric rate changes. The cash balances sat in money market accounts, earning standard money market returns while ensuring immediate access to the funds. Were their credit position better, the Ameren Illinois Utilities would not have been holding cash balances at these levels. (Ameren Ex. 23.0 (O’ Bryan Reb.) at pp. 4-5.)

In its brief on exceptions to the Proposed Order, the Staff made three principal arguments, specifically, that : 1) the Ameren Illinois Utilities had only modestly excess amounts of cash, using calculations never fully developed in the case; 2) they were seeking double recovery because this cash was already reflected in rates as collateral and prepayments; and 3) to the extent that there was excess cash on hand, it was because their affiliates refused to loan them more money. None of these arguments is valid.

Contrary to Staff’s position, the excess cash is substantial. Below is a table comparing the median cash balances over the fourteen months before and after March 2007, when the Ameren Illinois Utilities’ credit ratings were downgraded to junk (*i.e.* below investment grade) following approval of rate freeze legislation in the Illinois House and a committee of the Illinois Senate. No reasonable argument can be made that this event did not cause a drastic change in the Ameren Illinois Utilities’ cash balances.

	Median Cash Balance 14 mos. Pre-Downgrade	Median Cash Balance 14 mos. Post Downgrade	% Change
AmerenCIPS	\$33.2mm	\$58.0mm	75%
AmerenCILCO	\$0.8mm	\$29.8mm	3,625%
AmerenIP	0.3mm	\$51.7mm	17,133%

(Ameren Ex. 47.0 (O'Bryan Sur.), at p. 3.) These numbers irrefutably demonstrate that the excess cash balance was not business as usual, as Staff claims.

Second, there is no double counting. The record does not reflect it, because the Staff never argued this during the evidentiary phase, but the cash balances do not reflect prepayments and collateral. During rehearing, the Ameren Illinois Utilities would demonstrate this.

Third, the decision of the Ameren Illinois Utilities' affiliates not to lend further amounts to the Ameren Illinois Utilities is not a decision for which the utilities should be punished. It is the same decision that the rest of the credit market made. This argument assumes that there is some sort of super-duty on the part of a utility affiliate to make irrational lending decisions. There is no such duty. Ameren Corporation, as an equity holder, is not required to pump more equity into the companies it owns or to loan them money when others will not, any more than an individual who owns General Motors stock would be required to lend GM money or guarantee GM obligations when the automaker hits a rough patch. Further, Union Electric, a regulated public utility in Missouri, is not required to lend money to the Illinois utilities and potentially jeopardize its ability to fund Missouri public utility operations.

The August 11, 2008 Proposed Order correctly reflected short-term debt balances in the capital structure. Nonetheless, the ALJs erroneously adopted the Staff's alternative "excess cash" approach in their Post-Exceptions Proposed Order, disregarding the Ameren Illinois Utilities' calculations of the excess, disregarding the utter lack of evidence about the "other purposes" to which the companies supposedly put this cash, and creating an implied obligation of the utilities' affiliates to continue to provide them cash when no other prudent lender would do so. The Commission adopted the ALJs' late change but did so while simultaneously expressing

reservations regarding the development of the record regarding this issue. The Commission's adoption of this position had a material impact on the revenue requirement approved in this case.

For these reasons, the Commission should grant rehearing for the sole purpose of determining the appropriate level of short-term debt balances in the capital structure.

Dated: October 24, 2008

CENTRAL ILLINOIS LIGHT COMPANY
d/b/a AmerenCILCO, CENTRAL ILLINOIS
PUBLIC SERVICE COMPANY d/b/a
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CERTIFICATE OF SERVICE

I, Laura M. Earl, certify that on October 24, 2008, I served a copy of the foregoing Petition for Rehearing of the Ameren Illinois Utilities by electronic mail to the individuals on the Commission's official Service List for Consolidated Dockets 07-0585, 07-0586, 07-0587, 07-0588, 07-0589, and 07-0590.

/s/ Laura M. Earl

Laura M. Earl