REDACTED
DIRECT TESTIMONY

of

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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

Proposed General Increase in Electric Rates
and
Proposed General Increase in Gas Rates

Docket Nos. 09-0306 – 09-0311 (Cons.)

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Table of Contents

Witness Identification **1**

Introduction and Summary of Recommendations **1**

Cost of Capital Concepts **3**

Methodological Adjustments Applicable to all Ameren Utilities **5**

Cost of Short-Term Debt 5

Capital Structure Components **13**

Central Illinois Light Company (CILCO) 13

Balance and Cost of Short-Term Debt 13

Balance and Embedded Cost of Long-Term Debt 14

Balance and Embedded Cost of Preferred Stock 18

Balance of Common Equity 18

Central Illinois Public Service Company (CIPS) 19

Balance and Cost of Short-Term Debt 19

Balance and Embedded Cost of Long-Term Debt 20

Balance and Embedded Cost of Preferred Stock 23

Balance of Common Equity 23

Illinois Power Company (IP) 23

Balance of and Cost of Short-Term Debt 23

Balance and Embedded Cost of Long-Term Debt 24

Balance and Embedded Cost of Preferred Stock 31

Balance of Common Equity 32

Rate of Return on Rate Base **33**

Schedules

Central Illinois Light Company (CILCO)

Schedule 5.01 CILCO – Cost of Capital Summary

Schedule 5.02 CILCO – Balance of Short-Term Debt

Schedule 5.03 CILCO – Embedded Cost of Long-Term Debt

Schedule 5.04 CILCO – Embedded Cost of Preferred Stock

Central Illinois Public Service Company (CIPS)

Schedule 5.01 CIPS – Cost of Capital Summary

Schedule 5.02 CIPS – Balance of Short-Term Debt

Schedule 5.03 CIPS – Embedded Cost of Long-Term Debt

Schedule 5.04 CIPS – Embedded Cost of Preferred Stock

Illinois Power Company (IP)

Schedule 5.01 IP – Cost of Capital Summary

Schedule 5.02 IP – Balance of Short-Term Debt

Schedule 5.03 IP – Embedded Cost of Long-Term Debt

Schedule 5.04 IP – Daily Surplus Funds Balances

Witness Identification

Q. Please state your name and business address.

A. My name is Rochelle Phipps. My business address is 527 East Capitol Avenue, Springfield, Illinois 62701.

Q. What is your current position with the Illinois Commerce Commission?

A. I am a Senior Financial Analyst in the Finance Department of the Financial Analysis Division.

Q. Please describe your qualifications and background.

A. I received a Bachelor of Arts degree in Finance from Illinois College, Jacksonville, Illinois. I received a Master of Business Administration degree from the University of Illinois at Springfield. I have been employed by the Illinois Commerce Commission ("Commission") since June 2000.

Introduction and Summary of Recommendations

Q. What is the purpose of your testimony in this proceeding?

A. I will present the overall cost of capital and recommend a fair rate of return on rate base for Central Illinois Light Company ("CILCO"), Central Illinois Public Service Company ("CIPS") and Illinois Power Company ("IP").[1] The overall cost

[1] I collectively refer to CILCO, CIPS and IP as the "Companies" or the "AIU." Individually, CILCO, CIPS and IP are each referred to as the "Company."

of capital I present for each company incorporates the cost of common equity Staff witness Janis Freetly recommends in ICC Staff Exhibit 4.0.

Q. Please summarize your cost of capital findings.

A. The overall cost of capital for CILCO's electric and gas delivery services equals 8.20% and 7.99%, respectively. The overall cost of capital for CIPS' electric and gas delivery services equals 8.10% and 7.70%, respectively. The overall cost of capital for IP's electric and gas delivery services equals 9.01% and 8.78%, respectively. Schedules 5.01 CILCO, 5.01 CIPS and 5.01 IP present the overall costs of capital for the Companies.

Q. How is your testimony organized?

A. First, I define cost of capital and explain how capital structure affects cost of capital. Second, I describe and explain the methodological adjustments I made to the balance and cost of the capital structure components that are, or would be, applicable to all three Companies. Third, excepting the cost of common equity, which Staff witness Janis Freetly addresses, I present my recommendations for the balances and costs of the components of the capital structure for each Company. Finally, I summarize the rates of return on rate base that I recommend for the AIU and present my analysis of the cost and financial strength inherent in the Companies' capital structures.

Cost of Capital Concepts

Q. Why must one determine an overall cost of capital for a public utility?

A. Under the traditional regulatory model, ratepayer and shareholder interests are balanced when the Commission authorizes a rate of return on rate base equal to the public utility's overall cost of capital, as long as that overall cost of capital is not unnecessarily expensive.[2] If the authorized rate of return on rate base exceeds the overall cost of capital, then ratepayers bear the burden of excessive prices. Conversely, if the authorized rate of return on rate base is lower than the overall cost of capital, the financial strength of the utility could deteriorate, making it difficult for the utility to raise capital at a reasonable cost. Ultimately, the utility's inability to raise sufficient capital would impair service quality. Therefore, ratepayer interests are served best when the authorized rate of return on rate base equals the utility's overall cost of capital.

In authorizing a rate of return on rate base equal to the overall cost of capital, all costs of service are assumed reasonable and accurately measured, including the costs and balances of the components of the capital structure. If unreasonable costs continue to be incurred, or if any reasonable cost of service component is measured inaccurately, then the allowed rate of return on rate base will not balance ratepayer and investor interests.

[2] The remainder of the discussion assumes that the utility's overall cost of capital is not unnecessarily expensive; that is, the utility's cost of capital reflects a reasonable balance between financial strength and cost.

Q. Please define the overall cost of capital for a public utility.

A. The overall cost of capital for a public utility equals the sum of the costs of the components of the capital structure (*i.e.,* debt, preferred stock and common equity) after weighting each by its proportion to total capital.

Q. How does capital structure affect the overall cost of capital?

A. Capital structure affects the value of a firm and, therefore, its cost of capital, to the extent it affects the expected level of cash flows that accrue to parties other than debt and equity holders. Employing debt as a source of capital reduces a company's income taxes,[3] thereby reducing the cost of capital; however, as reliance on debt as a source of capital increases, so does the probability of default. As the probability of default rises, expected payments to attorneys, trustees and other outside parties increase. Further, expected cash flows decline as the company forgoes investment that would have been available to it had its financial condition been stronger, including the expected value of the income tax shield from debt financing. Beyond a certain point, a growing dependence on debt as a source of funds increases the overall cost of capital. Therefore, the Commission should not determine the overall rate of return from a utility's actual capital structure if the Commission concludes that capital structure adversely affects the overall cost of capital.

[3] The tax advantage debt has over equity at the corporate level is partially offset at the individual investor level. Debt investors receive returns largely in the form of current income (*i.e.,* interest). In contrast, equity investors receive returns in the form of both current income (*i.e.,* dividends) and capital appreciation (*i.e.,* capital gains). Taxes on common dividends and capital gains are lower than taxes on interest because common dividend and capital gains tax rates are lower and taxes on capital gains are deferred until realized.

An optimal capital structure would minimize the cost of capital and maintain a utility's financial integrity. Unfortunately, determining whether a capital structure is optimal remains problematic because (1) the cost of capital is a continuous function of the capital structure, rendering its precise measurement along each segment of the range of possible capital structures problematic; (2) the optimal capital structure is a function of operating risk, which is dynamic; and (3) the relative costs of the different types of capital vary with dynamic market conditions. Consequently, one should determine whether the capital structure is consistent with the financial strength necessary to access the capital markets under most economic conditions, and if so, whether the cost of that financial strength is reasonable.

In my judgment, the capital structures I recommend reflect a reasonable balance of financial strength and cost. I present my analysis of the Companies' capital structures later in my testimony.

Methodological Adjustments Applicable to all Ameren Utilities

Cost of Short-Term Debt

Q. How did you calculate the cost of short-term debt?

A. The AIU short-term debt balances comprise either bank loans, money pool borrowings, or both. IP's short-term debt balance comprised 100% bank loans, whereas CILCO's and CIPS' short-term debt balances included short-term borrowings at the bank loan rate (*i.e.*, bank loans and externally raised money pool loans) and the AA Non-Financial commercial paper rate (*i.e.*, internally generated money pool loans). Hence, I calculated a weighted-average cost of short-term debt for CILCO and CIPS based upon the proportion of their short-term debt balances that comprised borrowings at the bank loan rate and the internally generated money pool loan rate.

Q. Please describe the bank loan rate calculation.

A. IP, CILCO and CIPS obtain short-term loans under the same credit agreement (the "AIU credit facility") and rely on bank loans to varying degrees. My bank loan interest rate calculation begins with the 0.2725% one-month LIBOR rate on August 18, 2009,[4] which is a more current estimate than the April 30, 2009, one-month LIBOR rate the Companies used to calculate the cost of short-term bank loans.[5] Then, I added the applicable margin to the LIBOR rate, which varies according to the borrower's senior secured credit rating. Currently, CILCO and CIPS have senior secured credit ratings of Baa1/BBB+ from Moody's Investors Service ("Moody's") and Standard and Poor's ("S&P") whereas IP has senior secured credit ratings of Baa1/BBB from Moody's and S&P.[6] According to the AIU credit facility, CILCO, CIPS and IP are Level III borrowers and pay a short-

[4] *The Wall Street Journal*, "Markets Data Center," August 18, 2009 (www.wsj.com).
[5] AmerenCILCO Ex. 13.0E, p. 6; AmerenCILCO 13.0G, p. 6; AmerenIP 13.0E, p 6 and AmerenIP Ex. 13.0G, p. 6.
[6] Moody's Investors Service Credit Opinions on Central Illinois Light Company, Central Illinois Public Service Company and Illinois Power Company, dated August 14, 2009, provided in response to ICC Staff data request ("DR") RP 9.01; Standard & Poor's Research reports for Central Illinois Light Company, Central Illinois Public Service Company and Illinois Power Company, dated February 27, 2009.

term borrowing rate that equals LIBOR, plus a 2.75% margin.[7] Thus, the Companies' cost of short-term bank loans would equal 3.02%, before bank commitment fees. However, as I will explain later, CILCO's senior secured credit rating would be A2/A if not for its affiliation with non-utility companies. An A2/A credit rating would make CILCO a Level I borrower under the AIU credit facility, which pays a 2.00% margin above LIBOR. Thus, I estimate that the cost of bank loans to CILCO equals 2.27% for the purpose of determining is authorized rate of return.

Q. Please explain how you calculated the bank commitment fees.

A. Ameren Corporation ("Ameren") established two credit facilities in June 2009 - the $635 million AIU credit facility (which covers the AIU and Ameren) and the $1,150 million credit facility, which covers Union Electric Company ("UE"), Ameren Energy Generating Company ("Genco") and Ameren (the "Missouri credit facility"). I calculated one-time arrangement, upfront and administrative agency fees for the AIU to maintain their bank lines of credit as set forth in the June 3, 2009 Arrangers Fee Letter for the AIU and the Missouri credit facilities.[8]

One-time arrangement fees equal X.XX% of the aggregate principal amount of the AIU credit facility. The maximum available capacity under the AIU credit facility is $800 million; as such, the arrangement fees equal $x,xxx,xxx. Upfront fees vary from X.X% to X.X% of the aggregate amount of each lender's

[7] Company response to ICC Staff DR RP 2.04R.
[8] Company response to ICC Staff DR RP 2.04R.

commitments under both the AIU and the Missouri credit facilities. It is my understanding that Section 9-230 of the Public Utilities Act ("PUA" or "Act") prohibits including in a utility's allowed rate of return any increased cost of capital which is the direct or indirect result of the public utility's affiliation with unregulated or non-utility companies.[9] Therefore, I calculated upfront fees of $xx,xxx,xxx, based on each lender's commitments under the AIU credit facility only. Administrative agency fees for the AIU credit facility are $xx,xxx.[10]

I divided one-time costs between the AIU and Ameren according to borrower sub-limits under the AIU credit facility (*i.e.*, $150 million for CILCO, $135 million for CIPS, $350 million for IP and $300 million for Ameren). Although the borrower sub-limits total $935 million, combined credit facility borrowings cannot exceed $800 million. Given Ameren can borrow up to $300 million, the credit facility could at times effectively reduce the AIU sub-limits to $500 million, or 62.5% of the $800 million credit facility. On this basis, I allocated $x,xxx,xxx arrangement fees, $x,xxx,xxx upfront fees and $xx,xxx administrative agency fees to the combined AIU.

Next, I assigned each Company a share of those costs based on their proportion of the combined AIU sub-limit. CILCO's 23.62% share of the AIU sub-limit results in the assignment $2,043,499 of one-time fees; CIPS' 21.26% share of

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[9] 220 ILCS 5/9-230.

[10] The Companies refer to administrative agency fees as annual expenses, but I found nothing in the AIU credit facility or the Arrangers Fee Letter that denoted administrative agency fees were recurring expenses. In fact, these fees appear on the summary of one-time credit facility fees. On this basis, I calculated these costs as one-time expenses rather than recurring expenses.

the AIU sub-limit results in the assignment of $1,839,322 of one-time fees; and IP's 55.12% share of the AIU sub-limit results in the assignment of $4,768,741 of one-time fees for ratemaking purposes. Since the arrangement fees, upfront fees and administrative agency fees are one-time fees, I annualized the amount over the two-year period for which the credit facility is effective.

I calculated annual facility fee for each of the AIU by multiplying its applicable facility fee rate by its pro rata share of the $500 million sub-limit reserved exclusively for the AIU. As a Level I borrower, CILCO's facility fee rate would equal 0.25%. Therefore, CILCO's recoverable annual facility fee equals 0.25% x ($150 million CILCO sub-limit / $ 635 million AIU total sub-limit) x $500 million (firm AIU sub-limit), or $295,276. As Level III borrowers, CIPS' and IP's annual facility fee rate equals 0.5%. Thus, CIPS' recoverable annual facility fee equals 0.5% x ($135 million CIPS sub-limit / $ 635 million AIU total sub-limit) x $500 million (firm AIU sub-limit), or $531,496 and IP's recoverable annual facility fee equals equal 0.5% x ($350 million IP sub-limit / $ 635 million AIU total sub-limit) x $500 million (firm AIU sub-limit), or $1,377,953.

I determined annual bank commitment fees (annualized one-time fees, plus the annual facility fee) of $1,317,025 for CILCO; $1,451,157 for CIPS; and $3,762,323 for IP. To calculate the cost of bank commitment fees that should be added to each Company's cost of capital, I divided each Company's total bank commitment fees by total capitalization. Thus, I recommend adding 25 basis points to CILCO's overall cost of capital; 15 basis points to CIPS' overall cost of capital; and 16 basis points to IP's overall cost of capital.

Q. Does CILCO's non-utility subsidiary AmerenEnergy Resources Generating Company ("AERG") have Commission authority to obtain short-term bank loans indirectly through CILCO's participation in the AIU credit facility?

A. It is my understanding that CILCO has not received Commission authority to lend bank borrowings to its non-utility subsidiary, AERG. Therefore, I allocated CILCO 100% of its pro rata share of bank commitment fees, which assumes all of CILCO's borrowings under the 2009 credit facility will be used exclusively for purposes related to its gas and electric delivery services. Yet, if AERG did have Commission authority to borrow short-term bank loans through CILCO, then I believe Section 9-230 of the Act would prohibit including in CILCO's allowed rate of return any bank commitment fees that may be used for a purpose other than CILCO's electric and gas delivery services.[11]

Q. Is the Companies' proposal to recover estimated upfront fees and facility fees through a pro forma adjustment to operating expense appropriate?

A. No. Company witness Mr. Michael O'Bryan argues:

> The upfront and facility fees are fixed expenses paid on the entire credit facility and do not change nor have any relationship to the amount of funds borrowed from the facility. These costs, therefore, do not reflect the costs of drawing from these facilities but rather the cost of having access

> to these facilities. Further, these costs would still be borne by the Company, but not be able to be recovered, if it did not have bank borrowings at the capital structure measurement date. For these reasons, the fees associated with the credit facilities should be, and are included in, [the Company's] A&G Expense.[12]

Although I agree that the Commission should permit the AIU to recover reasonable credit facility costs, I disagree with the AIU method of recovery and allocation of credit facility costs. Recovering such costs through a pro forma adjustment to operating expense assumes the upfront fees and facility fees are prudent and allocated properly for ratemaking purposes. In fact, the AIU proposal improperly assigns the AIU non-utility costs, which would violate Section 9-230 of the Act.

Foremost, the Companies' proposal does not recognize that Ameren's sub-limit under the 2009 credit facility could from time to time effectively reduce the AIU sub-limits to $500 million from $635 million. A cost allocation methodology that does not recognize this reduction in borrowing capacity reserved exclusively for the AIU could result in the AIU paying non-utility costs whenever Ameren borrows more than $165 million. This is more than a hypothetical constraint on the borrowing capacities of the AIU because during July and August 2009, Ameren Corporation borrowed $xxx million under the AIU credit facility, effectively reducing the AIU capacity to $xxx million.[13]

[12] AmerenCILCO Ex. 13.0E, p. 7; AmerenCILCO Ex. 13.0G, p. 7; AmerenCIPS Ex. 13.0E, pp. 6-7; AmerenCIPS Ex. 13.0G (Revised), pp. 6-7; AmerenIP Ex. 13.0E, pp. 7-8; and AmerenIP Ex. 13.0G, pp. 7-8.
[13] Company responses to ICC Staff DRs RP 5.09 and RP 11.02.

Second, each of the AIU allocates its costs between gas and electric delivery services using a labor cost allocator.[14] Unless the Companies show a clear relationship between credit facility usage and labor costs, the credit facility costs should be allocated amongst each utility's business operations on the basis of investment since the facility is a source of short-term debt, which, in turn, supports investment.[15] Moreover, the Companies' application of the labor allocator does not assign any credit facility costs to either their transmission operations or non-utility investment.

Finally, the actual upfront fees and facility fees associated with the 2009 credit facilities are lower than the estimates used in the AIU proposal. According to Company witness Mr. Ronald Stafford:

> [T]he AIUs have been in negotiations for a two-year bank facility in the amount of $635 million. Fees associated with this facility include one time arrangement and up front fees totaling $13.820 million and ongoing administrative agent and facility fees totaling $5.256 million… The pro forma adjustment includes ongoing fees plus amortization of the one time fees over the life of the facility, and is allocated among the AIUs based on borrower sublimits.[16]

My calculation of one-time fees for the AIU proportion of the 2009 credit facilities equals approximately $8.7 million and annual facility fees equal $2.2 million,

[14] CILCO-E Schedule C-2.15, WPC 2.15a and WPC 2.15b; CILCO-G Schedule C-2.13, WPC 2.13a and 2.13b; CIPS-E Schedule C-2.15, WPC 2.15a and WPC 2.15b; CIPS-G Schedule 2.14, WPC 2.14a and WPC 2.14b; IP-E Schedule C-2.15, WPC 2.15a and WPC 2.15b; IP-G Schedule 2.14, WPC 2.14a and WPC 2.15b; and Company response to ICC Staff DR RP 2.04.

[15] Alternatively, credit facility costs could be included in the cost of short-term debt; however, this would not affect the cost of capital because the adjustment to the cost of short-term debt would be multiplied by the short-term debt ratio.

[16] Ameren Ex. 2.0 E, pp. 10-11.

which are much lower than the Companies' estimates of $13.820 million and $5.256 million, respectively.

For all of the foregoing reasons, the Commission should reject the Company's proposal to recover bank commitment fees through A&G expense rather than the cost of short-term debt because the Companies have not shown those costs are prudent and allocated properly for ratemaking purposes.

Capital Structure Components

Central Illinois Light Company (CILCO)

Balance and Cost of Short-Term Debt

Q. What is your estimate CILCO's short-term debt balance?

A. As shown on Schedule 5.02 CILCO, the Company's balance of short-term debt equals $32,017,993, which is identical to the Company's proposal. However, this balance is subject to change since the September 2009 balance is a Company forecast.

Q. What is your estimate of CILCO's cost of short-term debt?

A. I estimate the Company's cost of short-term debt is 2.15%, which equals a weighted average of the current bank loan rate and the rate for internally generated money pool loans. I also recommend adding 25 basis points to CILCO's overall cost of capital to reflect bank commitment fees.

Q. Describe the weighting methodology you used to calculate CILCO's cost of short-term debt.

A. The Company's current bank loan rate for rate setting purposes equals 2.27%, which is the interest rate I assigned to the proportion of CILCO's month-end short-term debt balances that comprised bank loans and money pool loans borrowed at the external money pool rate.[17] Additionally, the Company's short-term debt balance includes money pool loans borrowed at the internal money pool rate, which equals the AA Non-Financial commercial paper rate, or 0.19%.[18]

During the short-term debt measurement period, 94% of the Company's short-term borrowings were at the bank loan rate and 6% were at the internal money pool rate. Thus, CILCO's weighted average interest rate for short-term debt equals 2.15%.

Balance and Embedded Cost of Long-Term Debt

Q. What are your estimates of the balance and embedded cost of long-term debt for CILCO?

[17] The interest rates for utility money pool loans equal a weighted average of the internal money pool rate (the 30-day Federal Reserve AA Non-financial commercial paper composite rate) and the external money pool rate (the lender's bank loan rate), based on the proportion of internally generated and externally raised money pool funds that make up the blend. Schedule D-2 supporting work papers, provided in the AIU 83 Ill. Adm. Code 285 filings (June 5, 2009).
[18] Federal Reserve Statistical Release H.15, August 24, 2009.

A. As Schedule 5.03 CILCO shows, as of March 31, 2009, CILCO's balance of long-term debt equals $271,691,990; the embedded cost of long-term debt equals 6.69%.[19]

Q. Describe your other adjustment to CILCO's long-term debt schedule.

A. I adjusted the coupon rate for the 8.875% bonds that CILCO issued on December 9, 2008 to reflect CILCO's electric and delivery services business risk profile. Moody's, S&P and Fitch Ratings recognize that non-utility affiliates affect CILCO's credit rating. Specifically, Moody's states:

> CILCO's financial metrics are very strong for its rating, using guidelines outlined in Moody's rating methodology for global regulated electric utilities… CILCO's rating is constrained by the relatively high level of debt at CILCORP, which exhibits significantly lower financial metrics on a consolidated basis than its utility subsidiary…CILCO's metrics are also likely to be pressured by an anticipated increase in environmental capital expenditures at its subsidiary AERG…[20]

S&P states:

> Of particular concern is the large capital expenditures required at the unregulated companies needed to meet environmental compliance standards, while relying on falling market prices, due to the economic recession, for recovery. Due to these concerns, Standard & Poor's lowered the business profile of CILCO to 'satisfactory' from 'strong'.[21]

Fitch states:

[19] In this proceeding, I did not adjust the balance of long-term debt for excess CWIP accruing AFUDC because that adjustment would not have a material affect on the Company's overall cost of capital.
[20] Moody's Investors Service, "Credit Opinion: Central Illinois Light Company," January 30, 2009.
[21] Standard &Poor's, "Research: Ameren Corp.," February 25, 2009.

> The ratings also consider the substantial earnings and cash flow contribution and merchant risk of CILCO's unregulated wholesale power subsidiary AmerenEnergy Resources Generating Co. (AERG). AERG is subject to greater cash flow volatility than CILCO's regulated transmission and distribution businesses and increase overall business risk.[22]

In accordance with my understanding of Section 9-230 of the Act, I adjusted the coupon rate for CILCO's 8.875% bonds to reflect the low business risk profile of CILCO's electric and gas delivery service operations.

Q. How did you remove the incremental risk in CILCO's credit ratings resulting from its non-utility affiliates?

A. During December 2008, CILCO's issuer rating from Moody's was Ba1 and its senior secured debt rating was Baa2. Moody's classifies CILCO as having "Medium" business risk,[23] which is typical for integrated utilities. In contrast, Moody's views U.S. transmission and distribution utilities' business risk as "Low."[24] Therefore, I evaluated Moody's rating factors for CILCO, using the benchmarks for low business risk electric utilities, and concluded that CILCO's implied issuer rating would be Baa1 for its regulated utility operations. Since CILCO's secured debt rating is two notches above its unsecured ratings, I concluded that Moody's would assign CILCO a secured debt rating of A2 if non-utility affiliates had not increased its business risk.

I evaluated CILCO's implied standalone S&P credit rating using financial ratios published by S&P, combined with a "Strong" business risk profile rather than

[22] Fitch Ratings, "Central Illinois Light Company," January 29, 2009.
[23] Moody's Investors Service, "Credit Opinion: Central Illinois Light Company," August 14, 2009.
[24] Moody's Investors Service, "Rating Methodology: Global Regulated Electric Utilities," March 2005, p. 8.

CILCO's actual business risk profile of "Satisfactory."[25] The S&P Business Risk / Financial Risk Matrix indicates CILCO's current "BBB-" issuer rating is consistent with a "Satisfactory" business risk profile and CILCO's standalone financial ratios, as calculated by S&P.[26] Using the S&P Business Risk / Financial Risk Matrix, I concluded that changing CILCO's business risk profile to "Strong," would likely raise its issuer rating to BBB+.[27] Since CILCO's current S&P secured debt rating is two notches above its issuer rating , I estimate S&P would assign CILCO a secured debt rating of A if its business risk profile was not affected by its riskier non-utility affiliates.

Then, using CILCO's implied, low business risk, senior secured ratings of A2/A, I estimated a coupon rate for CILCO's December 2008 bonds. Specifically, I reviewed A-rated, secured, electric utility debt financings with five-year terms to maturity that occurred between September 25 and December 31, 2008 (*i.e.*, following the Lehman Brothers bankruptcy). At that time, five-year, A-rated secured electric utility bonds were yielding 6.240%.[28]

Q. Did you make any other adjustment to CILCO's embedded cost of long-term debt schedule?

[25] Standard & Poor's Ratings Direct, "Summary: Ameren Corp.," August 25, 2009; and Standard & Poor's 2009 Creditstats.
[26] Standard & Poor's Ratings Direct, "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.
[27] Standard & Poor's Ratings Direct, "Criteria Methodology: Business Risk/Financial Risk Matrix Expanded," May 27, 2009.
[28] 6.240% is rounded up from 6.239%, based on data provided in the Citi publication, "Global Power Financing: Annual Review for 2008 and Prospects for 2009," February 2009, pp. 56-58.

A. Yes. I changed various dates to conform to CILCO's 2008 Form 21 annual report and set the annual amortization of expense, premium or discount, and loss or gain for each debt issue using a rate that recovers those debt costs in equal monthly amounts between the embedded cost of debt measurement date and the end of the applicable amortization period. I also removed three months of amortization from the year-end 2008 unamortized balances of expense, premium or discount, and loss or gain for each debt issue to determine the unamortized balances on the March 31, 2009 measurement date.

Balance and Embedded Cost of Preferred Stock

Q. What are your estimates of the balance and embedded cost of preferred stock for CILCO?

A. As Schedule 5.04 CILCO shows, as of March 31, 2009, CILCO's balance of preferred stock equals $18,893,282;[29] the embedded cost of its preferred stock equals 4.61%.

Balance of Common Equity

Q. Do you agree with CILCO's proposed common equity balance?

[29] I corrected the discount expense for CILCO's outstanding preferred stock issues, which had a small effect on the balance and did not affect the embedded cost of preferred stock. In this proceeding, I did not make an adjustment for excess construction work in progress ("CWIP") accruing allowance for funds used during construction ("AFUDC") because that adjustment would not have a material affect on the Company's overall cost of capital.

A. Yes. On March 31, 2009, CILCO's common equity balance equals $249,457,171.[30]

Central Illinois Public Service Company (CIPS)

Balance and Cost of Short-Term Debt

Q. What is your estimate of CIPS' short-term debt balance?

A. As shown on Schedule 5.02 CIPS, my estimate of the Company's short-term debt balance equals $58,098,936.

Q. What is your estimate of the cost of short-term debt for CIPS?

A. I estimate CIPS' cost of short-term debt is 1.50%, which equals a weighted average of the current bank loan rate and the rate for internally generated money pool loans. I also recommend adding 15 basis points to CIPS' overall cost of capital to reflect bank commitment fees.

Q. Describe the weighting methodology you used to calculate CIPS' cost of short-term debt.

A. The Company's current bank loan rate equals 3.02%, which is the interest rate I assigned to the percentage of the Company's month-end short-term debt balances that comprised bank loans and money pool loans borrowed at the

[30] In this proceeding, I did not adjust the balance of common equity for excess CWIP accruing AFUDC and I did not remove $282,459 of Unappropriated, Undistributed, Subsidiary Earnings because neither adjustment would have a material affect on the Company's overall cost of capital.

external money pool rate.[31] Additionally, CIPS' short-term debt balance includes money pool loans borrowed at the internal money pool rate, which equals the AA Non-Financial commercial paper rate, or 0.19%.[32]

I calculated CIPS' weighted cost of short-term debt based on the proportion of CIPS' borrowings at the bank loan rate and the internal money pool rate. During the short-term debt measurement period, 46% of the Company's short-term borrowings were at the bank loan rate and 54% were at the internal money pool rate. Thus, the weighted average interest rate for CIPS' short-term debt equals 1.50%.

Balance and Embedded Cost of Long-Term Debt

Q. What is your estimate of the balance and embedded cost of long-term debt for CIPS?

A. As Schedule 5.03 CIPS shows, as of December 31, 2008, CIPS' balance of long-term debt equals $397,751,866;[33] the embedded cost of long-term debt equals 6.49%.

[31] The interest rates for utility money pool loans equal a weighted average of the internal money pool rate (the 30-day Federal Reserve AA Non-financial commercial paper composite rate) and the external money pool rate (the lender's bank loan rate), based on the proportion of internally generated and externally sourced money pool funds that make up the blend. Schedule D-2 supporting work papers, provided in the AIU 83 Ill. Adm. Code 285 filings (June 5, 2009). The rate for externally sourced money pool loans equals the 3.02% bank loan rate since currently CIPS, CILCO and IP are Level III borrowers under the 2009 credit facility.

[32] Federal Reserve Statistical Release H.15, August 24, 2009.

[33] In this proceeding, I did not make an adjustment for excess CWIP accruing AFUDC because that adjustment would not have a material affect on the Company's overall cost of capital.

Q. Did you adjust CIPS' proposed balance and embedded cost of long-term debt?

A. Yes. In May 2005, Union Electric Company ("UE") transferred its Illinois utility assets to CIPS in exchange for a $67 million, five-year promissory note bearing a 4.7% interest rate. On June 14, 2006, CIPS issued $61.5 million, 30-year bonds with a 6.7% interest rate and used the proceeds from that debt issuance to pre-pay the intercompany note held by UE. Although interest rates had risen since May 2005,[34] CIPS did not receive any discount on the repurchase price of the promissory note.[35] To reflect my understanding of Section 9-230 of the Act, I removed from CIPS' embedded cost of long-term debt any incremental cost increase due to its decision to refinance the 4.7% intercompany note with 6.7% bonds because the loan agreement between CIPS and UE did not oblige CIPS to retire the promissory note at face value on the demand of UE. In a transaction with an unaffiliated counterparty without such a provision, appropriate compensation would be necessary to induce an entity to repurchase debt bearing a below-market debt interest rate.[36]

Specifically, I made the following adjustments. First, I divided the balance of the 6.7% debt issuance in two components. The first component, to which I applied a 4.7% interest rate, equals the $49,793,458 balance on the 4.7% intercompany

[34] On May 5, 2006, concurrent interest rates for 3-year and 5-year BBB+/Baa1 bonds indicate the implied yield on four-year BBB+/Baa1 bonds equaled approximately 5.7% versus 4.7% on May 2, 2005, when CIPS issued the intercompany note.
[35] As interest rates rise, the market value of outstanding fixed-interest rate debt falls such that yield on that debt is competitive with that on new debt that pays interest at the new, higher interest rates.
[36] Company response to ICC Staff DR RP 7.06.

note that would have been outstanding as of December 31, 2008 had CIPS not retired it before its maturity date. The second component, to which I applied a 6.7% interest rate, is $11,706,542, which equals the $61.5 million balance of the 6.7% bonds less the December 31, 2008 balance of the 4.7% intercompany note had it not been refinanced with the 6.7% bonds. Second, I reduced the unamortized balances of debt discount and expense for the 6.7% bonds to approximately 19% of the December 31, 2008 balance, to reflect only the proportion of the principal amount of the 6.7% bonds that I included in CIPS' embedded cost of long-term debt. Third, I used straight-line amortization to calculate the annual amortization expense for debt discount and expense relative to the prorated unamortized balance.

Q. Has the Commission adopted this adjustment in prior proceedings?

A. Yes. The Commission adopted this adjustment to CIPS' embedded cost of long-term debt in the AIU's most recent rate cases, Docket Nos. 07-0585 through 0590 (Cons.).[37]

Q. Did you make any other adjustment to CIPS' embedded cost of long-term debt schedule?

A. I changed various dates to conform to CIPS' 2008 Form 21 annual report and set the annual amortization of expense, premium or discount, and loss or gain for each debt issue using a rate that recovers those debt costs in equal monthly

[37] Order, Docket Nos. 07-0585 through 07-0590 (Cons.), September 24, 2008, p. 178.

amounts between the embedded cost of debt measurement date and the end of the applicable amortization period.

Balance and Embedded Cost of Preferred Stock

Q. What is your estimate of CIPS' balance and embedded cost of preferred stock?

A. As of December 31, 2008, CIPS' balance of preferred stock equals $48,974,984;[38] the embedded cost of its preferred stock equals 5.13%.[39]

Balance of Common Equity

Q. Do you agree with CIPS' proposed common equity balance?

A. Yes. On December 31, 2009, CIPS' common equity balance equals $478,676,606.[40]

Illinois Power Company (IP)

Balance of and Cost of Short-Term Debt

Q. What is your estimate of IP's balance and cost of short-term debt?

[38] In this proceeding, I did not adjust CIPS's long-term debt balance for excess CWIP accruing AFUDC because that adjustment would not have a material affect on the Company's overall cost of capital.
[39] My estimate of CIPS' balance and embedded cost of preferred stock is identical to the Company's calculation. However, AmerenCIPS Ex. 13.4 contains typographical errors in the premium, discount and issue expense columns, which I corrected in Schedule 5.04 CIPS.
[40] In this proceeding, I did not adjust CIPS's common equity balance for excess CWIP accruing AFUDC and I did not remove $569,202 of Unappropriated, Undistributed, Subsidiary Earnings because that adjustment would not have a material affect on the Company's overall cost of capital.

A. As Schedule 5.02 IP shows, the Company's short-term debt balance equals $10,791,502. However, this balance is subject to change since the September 2009 balance is a Company forecast. IP's cost of short-term debt equals the Company's 3.02% bank loan rate. I also recommend adding 16 basis points to IP's overall cost of capital to reflect bank commitment fees.

Q. Did you adjust IP's short-term debt balance?

A. Yes. For the one month during the short-term debt measurement period that IP had short-term debt outstanding, IP subtracted "excess cash" from short-term debt.[41] The Company's improper calculation does not affect IP's overall cost of capital. According to Mr. O'Bryan, IP's short-term debt balances were netted against "excess" cash as defined in IP's most recent rate case, Docket Nos. 07-0585 through 0590 (Cons.). However, IP's calculation is improper because cash is not a part of short-term indebtedness. Moreover, the short-term debt calculation adopted by the Commission in IP's 2007 rate cases was based on very specific, unique circumstances that do not apply in the instant case. Therefore, my short-term debt calculation does not subtract cash from short-term debt.

Balance and Embedded Cost of Long-Term Debt

Q. What is your estimate of the balance and embedded cost of long-term debt for IP?

[41] Schedule D-2 supporting work papers, provided in the AIU 83 Ill. Adm. Code 285 filings (June 5, 2009); AmerenIP Ex. 13.0E, p. 7; AmerenIP Ex. 13.0G, p. 7.

A. As Schedule 5.03 IP shows, as of March 31, 2009, IP's balance of long-term debt equals $1,307,983,675;[42] the embedded cost of long-term debt equals 7.83%.

Q. Did you adjust IP's long-term debt balance?

A. Yes. I reduced the principal amount of IP's October 2008 debt issuance to $350 million from $400 million.

Q. Why did you reduce the principal amount of the $400 million bonds that IP issued during October 2008?

A. On October 23, 2008, IP issued $400 million, 9.75% senior secured notes, and used the proceeds to repay borrowings under the bank facilities and the money pool.[43] IP asserts that it issued indebtedness totaling $400 million instead of a lower amount because this was the amount of IP's outstanding short-term debt at the time of the issuance.[44] However, on October 22, IP was simultaneously contributing surplus funds to and borrowing from the money pool. Such transactions are unnecessary given the Commission's rules governing money pools require that money pool borrowers repay the principal amount of money pool loans on demand of the lending utility.[45] Rather than issue $400 million bonds, IP should have recalled its money pool loan and issued long-term debt in an amount sufficient to repay its credit facility borrowings. Thus, I reduced the principal amount of the 9.75% bonds from $400 million to $350 million. Absent

[42] In this proceeding, I did not make an adjustment for excess CWIP accruing AFUDC because that adjustment would not have a material affect on the Company's overall cost of capital.
[43] Docket No. 08-0565, Amended Initial Report, March 5, 2009.
[44] Company response to ICC Staff DR RP 5.04.
[45] 83 Ill. Adm. Code 340.40(c).

this adjustment to IP's long-term debt schedule, IP customers would pay a 9.75% interest rate on $50 million bonds, which proceeds IP did not require for its electric and gas delivery services operations.

Q. Did IP explain why it did not recall its money pool loans in order to reduce the amount of the $400 million bonds the Company issued during October 2008?

A. IP states:

> As a result of its preservation and maintaining a sufficient cushion of liquidity, IP was holding cash and could temporarily provide CIPS with cash it needed. This cash that IP loaned to CIPS via the money pool would otherwise have been held in short-term investments.[46]

Q. Did IP have substantial cash balances following the October 2008 debt issuance?

A. Yes. Schedule 5.04 IP presents IP's surplus cash from October 23, 2008 through June 30, 2009. IP's daily balances of cash and temporary investments (*i.e.*, cash in excess of its cash collateral postings and contributions to the money pool) are in Column A; IP's daily contributions to the AIU money pool are in Column B; Column C is the sum of Columns A and B and represents IP's daily balances of surplus funds; and Column D reduces IP's daily balance of surplus funds by $xx.x million (the amount of its money pool loan on the date it issued 9.75% bonds). On October 27, 2008, the first day after IP retired all its bank

[46] Company response to ICC Staff DR RP 7.01. Similarly, IP states, "[t]he loans to AmerenCIPS simply represent a more efficient use of the cash balances at the time which have otherwise [sic] been temporarily invested. Company response to ICC Staff DR RP 1.23.

loans, its surplus funds balance equaled $xx.x million and the lowest surplus funds balance, $xx.x million, does not occur until June 29, 2009.

Q. Did IP explain the purpose for its substantial cash balances?

A. First, the Company asserts it does not have ongoing cost-effective daily access to same-day funds due to the three-day lag between when it requests a LIBOR loan and when the banks fund the LIBOR loan; IP's working capital needs are uncertain during these three days.[47] However, the three-day lag on LIBOR loans has been a requirement since the AIU entered the 2006 credit facility. It is not new to the AIU and is not unique to IP.

IP also claims it commonly holds cash to fund payment requirements[48] on a daily basis and to be ready to fund cash collateral requirements, which can change on a daily basis.[49] As shown on Schedule 5.04 IP, between October 23, 2008 and June 30, 2009, IP's surplus funds balance (*i.e.*, cash and temporary investments, plus contributions to the money pool, less cash collateral postings) does not fall below $xx.x million.[50] That is, even if IP issued only $350 million bonds during October 2008, it would have had access to surplus cash of at least $x.x million, in addition to its $350 million sublimit under the 2006 and 2007 credit facilities.

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[47] Company response to ICC Staff DR RP 1.20.

[48] IP defines "payment requirements" as various payments required in the normal course of business for electric and gas utilities (*e.g.*, power, natural gas, equipment, labor, services rendered by Ameren Services, services rendered by contractors, repayment of intercompany loans and taxes). Company response to ICC Staff data request RP 4.04.

[49] Company response to ICC Staff DR RP 4.04.

[50] Company responses to ICC Staff DRs RP 1.04 and RP 7.08 and 83 Ill. Adm. Code 340 compliance reports.

IP states further:

> Finally, particularly during the period September 2008 through December 2008, the financial crisis was at its worst with no signs of if an when financial conditions would begin to improve. Lehman Brothers declared bankruptcy on September 15th and rumors swirling about the health of other financial institutions including lenders in the AIUs' credit facilities. Net available liquidity to the AIUs' was as low as $99 million in September. AmerenIP, similar to other borrowers, began to conservatively and proactively manage its own liquidity – prudent under the circumstances – by maintaining larger cash balances.[51]

Even if IP's costly financing decisions were beyond question (which they are not), it does not follow that IP customers should pay for maintaining liquidity that only benefits CILCO and CIPS customers. More importantly, the Company's reference to the $99 million liquidity available to the AIU under the credit facilities on September 25, 2008[52] ignores the AIU's aggregate cash balance of $xx.x million.[53] That is, total available liquidity for the AIU was $xxx million on September 25, 2008, not $99 million.

None of IP's reasons for maintaining substantial cash balances warrants IP customers paying 9.75% interest on $50 million in bonds for ten years, the proceeds from which IP earned a return below 0.25% through either a loan to an affiliate or an investment in money market funds.[54]

[51] Company response to ICC Staff DR RP 1.20.
[52] Company response to ICC Staff DR RP 4.04.
[53] Company response to ICC Staff DR RP 1.04.
[54] During the period October 23, 2008, through July 31, 2009, the average interest rate for IP's money market funds was 0.XX%. Company response to ICC Staff data request RP 7.08. The internal money pool rate equaled 0.18% (*i.e.*, the non-financial commercial paper composite rate on April 30, 2009). AmerenCIPS Ex. 1.30E, p. 9.

Q. Did CIPS have any other sources of liquidity besides the money pool during October 2008?

A. Yes. The table below shows CIPS' and IP's liquidity on October 20, 2008 (one day before IP borrowed money pool funds and three days before IP issued long-term debt totaling $400 million). While CIPS had borrowed $xx million from the money pool, it had no outstanding bank loans, leaving it with $xxx million in liquidity.

Short-Term Debt Balances & Total Available Liquidity on October 20, 2008 (in millions)		
	IP	**CIPS**
Short-term bank loans	$xxx	$x
Money pool borrowings	$x	$xx
Total Short-Term Debt Outstanding	**$xxx**	**$xx**
Surplus funds (i.e. loans to money pool)	$xx	$x
Cash	$x	$x
Unused bank facility capacity	$x	$xxx
Total Available Liquidity	**$xx**	**$xxx**

Nevertheless, on October 20, 2009, CIPS' short-term debt balance was less than IP's and CIPS' total available liquidity was higher. IP issued $50 million more long-term debt than required for IP's utility operations and CIPS did not issue any long-term debt during 2008, but relied upon low cost money pool funds.

Q. Describe your adjustment to reduce the principal amount of IP's 9.75% senior secured notes.

A. I calculated the amount of net proceeds that would be required to repay IP's $343.7 million borrowings under the 2006 and 2007 credit facilities.

First, I added the $1.2 million debt expense associated with IP's $400 million bond issuance to the amount of net proceeds IP would require to repay its short-term bank loans.[55] Next, I calculated the original issue discount reported by IP in connection with the $400 million debt issuance as a percentage of principal (*i.e.*, $6,315,000 divided by $400 million, or 1.58%) and added an underwriting fee of 70 basis points to my calculation of the debt discount.[56]

Then, I (1) subtracted the sum of the discount and underwriting fee from one; (2) divided that result (*i.e.*, 0.9772) into the sum of my estimated net proceeds and IP's debt expense ($344.9 million); and (3) rounded to $350 million. Based on this calculation, I reduced the principal amount of IP's October 2008 debt issuance to $350 million from $400 million and reduced the total debt expense and debt discount based on the lower principal amount.

[55] 83 Ill. Adm. Code 240 compliance report for Docket No. 08-0565.
[56] 83 Ill. Adm. Code 240 compliance report for Docket No. 08-0565; Company response to ICC Staff DR RP 1.24.

Q. Did you make any other adjustments to IP's proposed long-term debt schedule?

A. Yes. Rather than make IP's proposed pro forma adjustment for the bonds maturing on June 15, 2009, I included the outstanding 7.50% bonds in my calculation of IP's embedded cost of long-term debt. Since those bonds were outstanding on IP's March 31, 2009 measurement date, a pro form adjustment is not necessary.

I also changed various dates to conform to IP's 2008 Form 21 annual report and set the annual amortization of expense, premium or discount, and loss or gain for each debt issue using a rate that recovers those debt costs in equal monthly amounts between the embedded cost of debt measurement date and the end of the applicable amortization period.

Finally, I removed three months of the annual amortization expense from the year-end 2008 unamortized balances of expense, premium or discount, and loss or gain for each debt issue to reflect the March 31, 2009 measurement date.

Balance and Embedded Cost of Preferred Stock

Q. Do you agree with IP's proposed balance and embedded cost of preferred stock?

A. Yes. As of March 31, 2009, IP's balance of preferred stock equals $45,786,945;[57] the embedded cost of its preferred stock equals 5.01%.

Balance of Common Equity

Q. What is your estimate of the balance of common equity for IP?

A. As Schedule 5.01 IP shows, IP's balance of common equity equals $1,052,636,039 as of March 31, 2009.[58] I adjusted the Company's proposed balance to remove the $58 million common equity infusion by Ameren Corporation during March 2009.

Q. Why did you remove the $58 million common equity infusion by Ameren Corporation?

A. In March 2009, Ameren Corporation infused $58 million common equity into AmerenIP in order to strengthen the capital structures at AmerenIP by bolstering the Company's level of equity capitalization.[59] However, it would not have been necessary to bolster the Company's equity ratio if IP had reduced its September 2008 9.75% bond issue from $400 million to $350 million. As shown in the table below, the Company's proposal capital structure ratios, which reflects IP's $400 million debt issuance and $58 million equity infusion, is very close to my

[57] In this proceeding, I did not adjust the balance of long-term debt for excess CWIP accruing AFUDC because that adjustment would not have a material affect on the Company's overall cost of capital.
[58] In this proceeding, I did not remove $17,235 of Unappropriated, Undistributed, Subsidiary Earnings and I did not make an adjust the balance of common equity for excess CWIP accruing AFUDC because neither adjustment would have a material affect on the Company's overall cost of capital.
[59] AmerenIP Exs. 13.0E and 13.0G, p. 10.

recommended capital structure, which removes $50 million of the October 2008 indebtedness and the $58 million equity infusion.

March 31, 2009 Capital Structure Proposals for IP		
	Company	Staff
Long-Term Debt	53.7%	54.1%
Short-Term Debt	0.4%	0.5%
Preferred Stock	1.8%	1.9%
Common Equity	44.1%	43.5%
Total	100.0%	100.0%

Further, Schedule 5.04 IP shows that in March 2009, IP did not need the cash from the $58 million infusion of common equity.

Rate of Return on Rate Base

Q. What is the rate of return on rate base you recommend for CILCO?

A. I recommend an 8.20% rate of return on rate base for CILCO's electric delivery services, which incorporates the 10.31% rate of return on common equity Staff witness Janis Freetly recommends for the Ameren utilities' electric operations. I recommend a 7.99% rate of return on rate base for CILCO's gas delivery services, which incorporates the 9.83% rate of return on common equity Ms. Freetly recommends for the Ameren utilities' electric operations. My rate of return recommendations are presented on Schedule 5.01 CILCO.

Q. What is the rate of return on rate base you recommend for CIPS?

A. I recommend an 8.10% rate of return on rate base for CIPS' electric delivery services, which incorporates Ms. Freetly's 10.23% rate of return on common equity recommendation for the Ameren utilities' electric operations. I recommend a 7.70% rate of return on rate base for CIPS' gas delivery services, which incorporates Ms. Freetly's 9.41% rate of return on common equity recommendation for the Ameren utilities' gas operations. My rate of return recommendations are presented on Schedule 5.01 CIPS.

Q. What is the rate of return on rate base you recommend for IP?

A. I recommend a 9.01% rate of return on rate base for IP's electric delivery services, which incorporates Ms. Freetly's 10.35% rate of return on common equity recommendation for the Ameren utilities' electric operations. I recommend an 8.78% rate of return on rate base for IP's gas delivery services, which incorporates Ms. Freetly's 9.83% rate of return on common equity recommendation for the Ameren utilities' gas operations. My rate of return recommendations are presented on Schedule 5.01 IP.

Q. How did you evaluate the Companies' capital structures?

A. I compared the debt ratios from Staff's proposed capital structures for the Companies to Moody's benchmark total debt to total capital ratio for low risk electric utilities. CILCO's and IP's 53% and 55% debt ratios, respectively, fall within the 50% - 75% debt ratio range for A-rated, low risk electric utilities; and CIPS' 46% debt ratio is within the debt ratio range for Aa-rated, low risk electric utilities (*i.e.*, below 50%). According to Moody's, an obligor rated 'A' is considered upper-medium grade and is subject to low credit risk and an obligor rated 'Aa' is considered high quality and is subject to very low business risk.[60]

Further, I considered Ms. Freetly's analysis of the effect of Staff's proposed revenue requirements on the other two Moody's benchmark ratios, funds from operations interest coverage and funds from operations as a percentage of average debt. Ms. Freetly concludes that under Staff's proposed revenue requirement, the financial strength of CILCO is commensurate with an A1 rating, CIPS' financial strength is commensurate with an Aa2 rating and IP's financial strength is commensurate with an A2 rating.[61] The above suggests that the Ameren utilities' capital structures are commensurate with a strong but not excessive degree of financial strength.

Q. Does this question conclude your prepared Direct Testimony?

A. Yes, it does.

[60] Moody's Investors Service, *Moody's Ratings Symbols & Definitions*, March 2007, pp. 8 and 11.
[61] ICC Staff Ex. 6.0, p. 25.

Central Illinois Light Company
Cost of Capital Summary
March 31, 2009

CILCO Electric

Staff Recommendation

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	2.15%	0.12%
Long-Term Debt	$	271,691,990	47.49%	6.69%	3.18%
Preferred Stock	$	18,893,282	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.61%	10.31%	4.50%
Bank Facility Fees					0.25%
TOTAL	$	572,060,436	100.00%		8.20%

Company Proposal

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	1.14%	0.06%
Long-Term Debt	$	271,492,364	47.48%	8.16%	3.87%
Preferred Stock	$	18,893,567	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.62%	12.25%	5.34%
TOTAL	$	571,861,095	100.00%		9.42%

CILCO Gas

Staff Recommendation

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	2.15%	0.12%
Long-Term Debt	$	271,691,990	47.49%	6.69%	3.18%
Preferred Stock	$	18,893,282	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.61%	9.83%	4.29%
Bank Facility Fees					0.25%
TOTAL	$	572,060,436	100.00%		7.99%

Company Proposal

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	32,017,993	5.60%	1.14%	0.06%
Long-Term Debt	$	271,492,364	47.48%	8.16%	3.87%
Preferred Stock	$	18,893,567	3.30%	4.61%	0.15%
Common Equity	$	249,457,171	43.62%	11.60%	5.06%
TOTAL	$	571,861,095	100.00%		9.14%

Central Illinois Light Company
Balance of Short-term Debt
Twelve Month Average for March 31, 2009 Capital Structure Measurement Date

End of Month Balance

Date (A)	Bank Loan (B)	Money Pool Loans (C)	Gross Short-term Debt Outstanding (D)	Adjustment for Bank Loans Contributed to Money Pool (E)	Adusted Gross Short-term Debt Outstanding (F)	CWIP (G)	CWIP Accruing AFUDC (H)	Net Short-term Debt Outstanding (I)	Monthly Average of Net Short-Term Debt Outstanding (J)	Remaining CWIP Accruing AFUDC (K)	Monthly Average of Remaining CWIP Accruing AFUDC (L)
Sep-08	150,000,000	9,100,000	159,100,000	-	159,100,000	14,336,038	6,266,607	152,833,393		-	
Oct-08	Redacted				154,700,000	10,234,020	5,659,780	149,040,220	150,936,807	-	-
Nov-08					162,000,000	10,288,782	5,729,814	156,270,186	152,655,203	-	-
Dec-08	-	200,000	200,000	-	200,000	12,207,611	7,557,125	76,190	78,173,188	7,433,315	3,716,657
Jan-09	Redacted				4,900,000	13,710,777	6,959,975	2,412,623	1,244,406	4,472,598	5,952,956
Feb-09					-	12,003,550	5,699,101	-	1,206,311	5,699,101	5,085,849
Mar-09	-	-	-	-	-	9,578,111	5,474,195	-	-	5,474,195	5,586,648
Apr-09	Redacted				-	6,229,177	2,566,067	-	-	2,566,067	4,020,131
May-09					-	6,068,453	3,132,941	-	-	3,132,941	2,849,504
Jun-09	-	-	-	-	-	6,723,898	3,813,119	-	-	3,813,119	3,473,030
Jul-09	Redacted										
Aug-09											
Sep-09	-	-	-	-	-	20,095,000	10,409,210	-	-	10,409,210	7,833,841
								Average =	**$ 32,017,993**	**$ 4,374,748**	**$ 3,941,031**

Sources: Company responses to ICC Staff data requests RP 1.02, 1.03, 4.01, 5.07, 7.07 and 11.01
Schedule D-2 (including supporting work papers)
83 Ill. Adm. Code 340 Compliance Reports

Central Illinois Light Company
Embedded Cost of Long-Term Debt
March 31, 2009

Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Annual Interest Expense (L)
6.200% Senior Secured Notes	06/14/06	06/15/16	54,000,000	54,000,000	138,102	426,048	53,435,850	3,348,000	19,049	58,765	3,425,814
6.700% Senior Secured Notes	06/14/06	06/15/36	42,000,000	42,000,000	209,928	525,801	41,264,271	2,814,000	7,704	19,295	2,840,999
6.240% Series CC	12/09/08	12/15/13	150,000,000	150,000,000	4,271	1,003,444	148,992,285	9,360,000	899	211,251	9,572,151
Pollution Control Bonds											
6.200% PCB Series G	08/01/92	11/01/12	1,000,000	1,000,000	1,032	13,932	985,036	62,000	288	3,888	66,176
5.900% PCB Series H	08/01/93	08/01/23	32,000,000	32,000,000	-	191,436	31,808,564	1,888,000	-	13,356	1,901,356
Total First Mortgage and Pollution Control Bonds			$ 279,000,000	$ 279,000,000	$ 353,334	$ 2,160,661	$ 276,486,005	$ 17,472,000	$ 27,940	$ 306,556	$ 17,806,496
Net (Gain)/Loss on Reacquired Debt											
Variable PCB Series 2004	04/17/08	10/01/39	-	-	-	$ 360,876	$ (360,876)	-	-	11,832	$ 11,832
Variable PCB Series 2004	04/17/08	10/01/26	-	-	-	$ 112,140	$ (112,140)	-	-	6,408	$ 6,408
7.730% FMB	07/17/06	06/01/16	-	-	-	$ 374,303	$ (374,303)	-	-	52,228	$ 52,228
7.730% FMB	07/17/06	06/01/36	-	-	-	$ 362,960	$ (362,960)	-	-	13,360	$ 13,360
9.625% FMB	02/20/92	01/01/22	-	-	-	$ 343,791	(343,791)	-	-	26,964	26,964
9.250% FMB	03/02/92	01/01/22	-	-	-	$ 332,622	(332,622)	-	-	26,088	26,088
9.250% FMB	02/20/92	01/01/22	-	-	-	$ 224,757	(224,757)	-	-	17,628	17,628
6.000% PCB Series A	10/01/92	01/01/10	-	-	-	$ 234	(234)	-	-	234	234
11.375% PCB Series C	09/01/92	02/01/18	-	-	-	$ 176,808	(176,808)	-	-	20,016	20,016
10.800% PCB Series D	11/02/92	11/01/12	-	-	-	$ 9,417	(9,417)	-	-	2,628	2,628
6.125% PCB Series B	09/12/93	08/01/23	-	-	-	$ 56,932	(56,932)	-	-	3,972	3,972
6.200% PCB Series A	10/01/93	08/01/23	-	-	-	$ 49,192	(49,192)	-	-	3,432	3,432
8.200% FMB	04/30/03	01/01/22	-	-	-	$ 1,779,556	(1,779,556)	-	-	139,573	139,573
7.800% FMB	04/30/03	02/01/23	-	-	-	$ 322,944	(322,944)	-	-	23,345	23,345
6.500% PCB Series E	12/22/04	10/01/39	-	-	-	$ 257,664	(257,664)	-	-	8,448	8,448
6.500% PCB Series F	12/22/04	10/01/26	-	-	-	$ 29,820	(29,820)	-	-	1,704	1,704
Total Net (Gain)/Loss on Reacquired Debt			-	-	-	4,794,015	(4,794,015)	-	-	357,861	357,861
Total Long-Term Debt			$ 279,000,000	$ 279,000,000	$ 353,334	$ 6,954,676	$ 271,691,990	$ 17,472,000	$ 27,940	$ 664,417	$ 18,164,357
								Embedded Cost of Long-Term Debt =			6.69%

Notes: Column (H) = Columns (E) - (F) - (G)
Column (L) = Columns (I) + (J) + (K)
Embedded Cost of Debt = Column (L) ÷ Column (H)

Central Illinois Light Company
Embedded Cost of Preferred Stock
March 31, 2009

Stock Issue Type, Dividend Rate (A)	Date Issued (B)	Shares Outstanding (C)	Amount Outstanding (D)	Premium or (Discount) (E)	Issue Expense (F)	Net Proceeds (G)	Annual Dividends (H)
$ 4.50 Series, Perpetual, $100 par	5/12/36	111,264	$ 11,126,400	$ (89,518)	$ 0	$ 11,036,882	$ 500,688
$ 4.64 Series, Perpetual, $100 par	8/23/56	79,940	7,994,000	(137,600)	0	7,856,400	370,922
Total		191,204	$ 19,120,400	$ (227,118)	$ 0	$ 18,893,282	$ 871,610
						Embedded Cost of Preferred Stock =	4.61%

Notes: Column (G) = Columns (D) + (E) − (F)
Embedded Cost of Preferred Stock = Column (H) ÷ Column (G)

Central Illinois Public Service Company

Cost of Capital Summary
December 31, 2008

CIPS Electric

Staff Recommendation

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,098,936	5.91%	1.50%	0.09%
Long-Term Debt	$	397,751,866	40.44%	6.49%	2.62%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.67%	10.23%	4.98%
Bank Facility Fees					0.15%
Total	$	983,502,392	100.00%		8.10%

Company Proposal

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,344,848	5.94%	0.18%	0.01%
Long-Term Debt	$	397,043,827	40.39%	6.76%	2.73%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.69%	11.75%	5.72%
TOTAL	$	983,040,265	100.00%		8.72%

CIPS Gas

Staff Recommendation

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,098,936	5.91%	1.50%	0.09%
Long-Term Debt	$	397,751,866	40.44%	6.49%	2.62%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.67%	9.41%	4.58%
Bank Facility Fees					0.15%
Total	$	983,502,392	100.00%		7.70%

Company Proposal

Capital Component		Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$	58,344,848	5.94%	0.18%	0.01%
Long-Term Debt	$	397,043,827	40.39%	6.76%	2.73%
Preferred Stock	$	48,974,984	4.98%	5.13%	0.26%
Common Equity	$	478,676,606	48.69%	11.25%	5.48%
TOTAL	$	983,040,265	100.00%		8.48%

Central Illinois Public Service Company

Balance of Short-term Debt

Twelve Month Average for December 31, 2008 Capital Structure Measurement Date

End of Month Balances

Date (A)	Bank Loans (B)	Money Pool Loans (C)	Gross Short-term Debt Outstanding (D)	Adjustment for Bank Loans Contributed to Money Pool (E)	Adusted Gross Short-term Debt Outstanding (F)	CWIP (G)	CWIP Accruing AFUDC (H)	Net Short-term Debt Outstanding (I)	Monthly Average of Net Short-Term Debt Outstanding (J)	Remaining CWIP Accruing AFUDC (K)	Monthly Average of Remaining CWIP Accruing AFUDC (L)
Jun-08	25,000,000	3,400,000	28,400,000	-	28,400,000	9,862,285	7,328,454	21,071,546		-	
Jul-08	Redacted				65,000,000	9,531,420	8,333,197	56,666,803	38,869,175	-	-
Aug-08					85,000,000	10,834,348	8,109,058	76,890,942	66,778,873	-	-
Sep-08	95,800,000	-	95,800,000	-	95,800,000	17,715,011	10,809,801	84,990,199	80,940,571	-	-
Oct-08	Redacted				71,600,000	9,927,394	9,776,321	61,823,679	73,406,939	-	-
Nov-08					81,300,000	11,373,698	10,637,210	70,662,790	66,243,235	-	-
Dec-08	62,270,000	44,100,000	106,370,000	-	106,370,000	12,090,583	12,908,503	93,461,497	82,062,144	-	-
Jan-09	Redacted				109,000,000	14,707,425	9,991,481	99,008,519	96,235,008	-	-
Feb-09					87,900,000	10,920,051	9,988,444	77,911,556	88,460,038	-	-
Mar-09	-	55,500,000	55,500,000	-	55,500,000	14,671,145	9,574,403	45,925,597	61,918,577	-	-
Apr-09	Redacted				29,000,000	18,065,119	9,690,120	19,309,880	32,617,739	-	-
May-09					-	18,866,901	11,527,898	-	9,654,940	11,527,898	5,763,949
Jun-09	-	-	-	-	-	12,376,780	12,290,466	-	-	12,290,466	11,909,182
								Average =	**$ 58,098,936**		**$ 1,472,761**

Sources: Company responses to ICC Staff data requests RP 1.02, 1.03, 4.01, 5.07 and 7.07
Schedule D-2 (including supporting work papers)
83 Ill. Adm. Code 340 Compliance Reports

Central Illinois Public Service Company
Embedded Cost of Long-Term Debt
December 31, 2008

Debt Issue Type, Coupon Rate (A)		Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Annual Interest Expense (L)
First Mortgage Bonds												
7.610%	Series 97-2	06/10/97	06/01/17	40,000,000	40,000,000	-	162,105	39,837,895	3,044,000	-	19,260	3,063,260
6.125%	Series AA	12/15/98	12/15/28	60,000,000	60,000,000	269,592	383,356	59,347,052	3,675,000	13,480	19,168	3,707,647
6.625%	Series BB	06/13/01	06/15/11	150,000,000	150,000,000	319,860	104,580	149,575,560	9,937,500	132,356	43,274	10,113,130
6.700%	Series CC	06/14/06	06/15/36	11,706,542	11,706,542	59,109	107,352	11,540,081	784,338	2,149	3,904	790,391
Other Long-Term Debt												
4.700%	Intercompany Note	05/02/05	05/02/10	49,793,458	49,793,458	-	-	49,793,458	2,340,293	-	-	2,340,293
Pollution Control Bonds												
5.950%	Series C1	08/15/93	08/15/26	35,000,000	35,000,000	-	553,031	34,446,969	2,082,500	-	31,304	2,113,804
5.700%	Series C2	08/15/93	08/15/26	25,000,000	7,500,000	-	50,880	7,449,120	427,500	-	2,880	430,380
5.500%	Series 2000A	03/09/00	03/01/14	51,100,000	51,100,000	-	362,328	50,737,672	2,810,500	-	70,128	2,880,628
	Total First Mortgage and Pollution Control Bonc			$ 422,600,000	$ 405,100,000	$ 648,561	$ 1,723,632	$ 402,727,807	$ 25,101,631	$ 147,985	$ 189,918	$ 25,439,533
Net (Gain)/Loss on Reacquired Debt												
Variable	2004 Series	04/17/08	07/01/25	-	-	-	889,416	$ (889,416)	-	-	53,904	$ 53,904
13.625%	FMB Series U	03/31/86	01/01/16	-	-	-	407,235	$ (407,235)	-	-	58,176	$ 58,176
9.000%	FMB Series D	03/31/90	02/01/14	-	-	-	107,136	(107,136)	-	-	21,076	21,076
Variable	FMB Series A	03/31/90	04/01/13	-	-	-	32,552	(32,552)	-	-	7,659	7,659
9.125%	FMB Series T	05/31/92	05/01/22	-	-	-	834,624	(834,624)	-	-	62,597	62,597
8.500%	FMB Series W	12/15/98	04/01/21	-	-	-	1,279,756	(1,279,756)	-	-	104,470	104,470
6.375%	PCB Series B	01/01/93	05/01/28	-	-	-	246,048	(246,048)	-	-	12,727	12,727
6.750%	PCB Series C	06/01/93	06/01/28	-	-	-	108,342	(108,342)	-	-	5,580	5,580
5.850%	PCB Series A	08/01/93	08/01/26	-	-	-	86,708	(86,708)	-	-	4,931	4,931
6.625%	PCB Series Newton	08/01/95	08/01/09	-	-	-	184	(184)	-	-	184	184
6.375%	PCB Series 1993A	12/22/04	06/01/25	-	-	-	380,754	(380,754)	-	-	23,193	23,193
5.900%	PCB Series B-2	12/20/04	05/01/28	-	-	-	341,578	(341,578)	-	-	17,668	17,668
5.700%	PCB Series C-2	12/20/04	08/01/26	-	-	-	261,608	(261,608)	-	-	14,878	14,878
	Total Net (Gain)/Loss on Reacquired Debt			-	$ -	$ -	$ 4,975,941	$ (4,975,941)	$ -	$ -	$ 387,043	$ 387,043
	Total Long-Term Debt			$ 422,600,000	$ 405,100,000	$ 648,561	$ 6,699,573	$ 397,751,866	$ 25,101,631	$ 147,985	$ 576,961	$ 25,826,577
											Embedded Cost of Long-Term Debt =	6.49%

Notes: Column (H) = Columns (E) - (F) - (G)
Column (L) = Columns (I) + (J) + (K)
Embedded Cost of Debt = Column (L) ÷ Column (H)

Central Illinois Public Service Company
Embedded Cost of Preferred Stock
December 31, 2008

	Stock Issue Type, Dividend Rate (A)	Date Issued (B)	Shares Outstanding (C)	Amount Outstanding (D)	Premium or (Discount) (E)	Issue Expense (F)	Net Proceeds (G)	Annual Dividends (H)
$ 5.16	Series, Perpetual, $100 par	11/20/59	50,000	$ 5,000,000	$ 9,709	$ 34,665	$ 4,975,044	$ 258,000
$ 4.92	Series, Perpetual, $100 par	10/1/52	50,000	5,000,000	125,000	118,095	5,006,905	246,000
$ 4.90	Series, Perpetual, $100 par	11/1/62	75,000	7,500,000	0	0	7,500,000	367,500
$ 4.25	Series, Perpetual, $100 par	5/1/54	50,000	5,000,000	0	0	5,000,000	212,500
$ 4.00	Series, Perpetual, $100 par	11/1/46	150,000	15,000,000	0	513,310	14,486,690	600,000
$ 6.625	Series, Perpetual, $100 par	10/13/93	125,000	12,500,000	0	493,655	12,006,345	828,125
	Total		500,000	$ 50,000,000	$ 134,709	$ 1,159,725	$ 48,974,984	$ 2,512,125
							Embedded Cost of Preferred Stock =	5.13%

Notes: Column (G) = Columns (D) + (E) − (F)
Embedded Cost of Preferred Stock = Column (H) ÷ Column (G)

Illinois Power Company

Cost of Capital Summary
March 31, 2009

IP Electric

Staff Recommendation

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,791,502	0.45%	3.02%	0.01%
Long-Term Debt	$ 1,307,983,675	54.11%	7.83%	4.24%
Preferred Stock	$ 45,786,945	1.89%	5.01%	0.09%
Common Equity	$ 1,052,636,039	43.55%	10.35%	4.51%
Bank Facility Fees				0.16%
TOTAL	$ 2,417,198,161	100.00%		9.01%

Company Proposal

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,404,002	0.41%	1.36%	0.01%
Long-Term Debt	$ 1,353,861,245	53.71%	8.09%	4.34%
Preferred Stock	$ 45,786,945	1.82%	5.01%	0.09%
Common Equity	$ 1,110,636,039	44.06%	12.25%	5.40%
TOTAL	$ 2,520,688,231	100.00%		9.84%

IP Gas

Staff Recommendation

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,791,502	0.45%	3.02%	0.01%
Long-Term Debt	$ 1,307,983,675	54.11%	7.83%	4.24%
Preferred Stock	$ 45,786,945	1.89%	5.01%	0.09%
Common Equity	$ 1,052,636,039	43.55%	9.83%	4.28%
Bank Facility Fees				0.16%
TOTAL	$ 2,417,198,161	100.00%		8.78%

Company Proposal

Capital Component	Balance	Percent of Total Capital	Cost	Weighted Cost
Short-Term Debt	$ 10,404,002	0.41%	1.36%	0.01%
Long-Term Debt	$ 1,353,861,245	53.71%	8.09%	4.34%
Preferred Stock	$ 45,786,945	1.82%	5.01%	0.09%
Common Equity	$ 1,110,636,039	44.06%	11.00%	4.85%
TOTAL	$ 2,520,688,231	100.00%		9.29%

Illinois Power Company
Balance of Short-term Debt
Twelve Month Average for March 31, 2009 Capital Structure Measurement Date

End of Month Balance

Date (A)	Bank Loan (B)	Money Pool Loans (C)	Gross Short-term Debt Outstanding (D)	Adjustment for Bank Loans Contributed to Money Pool (E)	Adusted Gross Short-term Debt Outstanding (F)	CWIP (G)	CWIP Accruing AFUDC (H)	Net Short-term Debt Outstanding (I)	Monthly Average of Net Short-Term Debt Outstanding (J)	Remaining CWIP Accruing AFUDC (K)	Monthly Average of Remaining CWIP Accruing AFUDC (L)
Sep-08	304,300,000	-	304,300,000	9,100,000	295,200,000	56,266,559	36,203,948	258,996,052		-	
Oct-08		Redacted			-	41,668,956	39,221,474	-	129,498,026	39,221,474	19,610,737
Nov-08					-	46,545,810	40,022,058	-	-	40,022,058	39,621,766
Dec-08	-	-	-	44,300,000	-	54,496,928	52,829,997	-	-	52,829,997	46,426,028
Jan-09		Redacted			-	59,175,193	49,263,737	-	-	49,263,737	51,046,867
Feb-09					-	58,336,943	48,623,632	-	-	48,623,632	48,943,685
Mar-09	-	-	-	55,500,000	-	56,636,287	52,430,584	-	-	52,430,584	50,527,108
Apr-09		Redacted			-	48,988,757	45,693,276	-	-	45,693,276	49,061,930
May-09					-	44,846,291	49,069,850	-	-	49,069,850	47,381,563
Jun-09	-	-	-	-	-	39,806,677	44,053,862	-	-	44,053,862	46,561,856
Jul-09		Redacted									
Aug-09											
Sep-09	-	-	-	-	-	64,560,000	55,779,840	-	-	55,779,840	45,853,371
								Average =	**$ 10,791,502**		**$ 44,049,283**

Sources: Company responses to ICC Staff data requests RP 1.02, 1.03, 4.01, 5.07 and 7.07
Schedule D-2 (including supporting work papers)
83 Ill. Adm. Code 340 Compliance Reports

Illinois Power Company
Embedded Cost of Long-Term Debt
March 31, 2009

Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt Discount or (Premium) (F)	Unamortized Debt Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt Discount or (Premium) (J)	Amortization of Debt Expense (K)	Annual Interest Expense (L)
9.750% Senior Sec Notes	10/23/2008	11/15/2018	350,000,000	350,000,000	5,301,488	3,528,798	341,169,715	34,125,000	548,430	365,048	35,038,478
7.500% Senior Sec Notes	6/29/1999	6/15/2009	250,000,000	250,000,000	7,267	46,469	249,946,264	18,750,000	43,602	278,814	19,072,416
6.250% Senior Sec Notes	6/14/2006	6/15/2016	75,000,000	75,000,000	103,791	761,859	74,134,350	4,687,500	14,316	105,084	4,806,900
6.125% Senior Sec Notes	11/20/2007	11/15/2017	250,000,000	250,000,000	238,264	2,165,176	247,596,560	15,312,500	27,492	249,828	15,589,820
6.250% Senior Sec Notes	4/8/2008	4/1/2018	337,000,000	337,000,000	706,536	2,212,488	334,080,976	21,062,500	78,504	245,832	21,386,836
5.700% PCB Series 1994 A	2/1/1994	2/1/2024	35,615,000	35,615,000	3,299,764	904,952	31,410,284	2,030,055	222,456	61,008	2,313,519
5.400% PCB Series 1998 A	3/6/1998	3/1/2028	18,700,000	18,700,000	0	368,875	18,331,125	1,009,800	0	19,500	1,029,300
5.400% PCB Series 1998 B	3/6/1998	3/1/2028	33,755,000	33,755,000	0	372,734	33,382,266	1,822,770	0	19,704	1,842,474
Total Mortgage and Pollution Control Bonds			$ 1,350,070,000	$ 1,350,070,000	$ 9,657,110	$ 10,361,351	$ 1,330,051,540	$ 98,800,125	$ 934,800	$ 1,344,818	$ 101,079,743
Net (Gain)/Loss on Reacquired Debt											
Refunded by 6.25% Senior Secured Notes											
Series 1997 A,B,C	5/28/2008	3/1/2018	150,000,000	-	-	2,641,553	(2,641,553)	-	-	296,249	296,249
Series 2001 Non-AMT	5/20/2008	3/1/2018	111,770,000	-	-	2,544,161	(2,544,161)	-	-	285,327	285,327
Series 2001 AMT	5/20/2008	3/1/2018	75,000,000	-	-	1,030,816	(1,030,816)	-	-	115,605	115,605
Refunded by 5.4% PCB Series A											
6.000% PCB B due 5/2007	3/6/1998	3/1/2028	18,700,000	-	-	120,577	(120,577)	-	-	6,374	6,374
Refunded by 5.4% PCB Series B											
8.300% PCB I due 4/2017	3/6/1998	3/1/2028	33,755,000	-	-	217,653	(217,653)	-	-	11,506	11,506
Refunded by variable rate Series P,Q & R PCB due 4/2032											
7.625% PCB F,G & H due 2016	6/2/1997	4/1/2032	150,000,000	-	-	1,591,968	(1,591,968)	-	-	69,216	69,216
Refunded by 9.875% MB due 7/1/2016											
9.875% MB due 2004	7/1/1986	7/1/2016	5,000,000	-	-	97	(97)	-	-	13	13
12.625% MB due 2010	8/4/1986	7/1/2016	50,000,000	-	-	42,462	(42,462)	-	-	5,857	5,857
9.875% MB due 2016	11/25/1990	7/1/2016	1,000,000	-	-	754	(754)	-	-	104	104
9.875% MB due 2016	11/26/1990	7/1/2016	7,500,000	-	-	4,799	(4,799)	-	-	662	662
Refunded by 9.375% Series MB due 9/1/2016											
14.500% IPF Deb due 1989	9/8/1986	9/1/2016	25,000,000	-	-	63,294	(63,294)	-	-	(579)	(579)
12.000% MB due 2012	9/12/1986	9/1/2016	68,173,000	-	-	994,105	(994,105)	-	-	(9,092)	(9,092)
14.500% MB due 1990	9/12/1986	9/1/2016	65,347,000	-	-	649,608	(649,608)	-	-	(5,942)	(5,942)

Illinois Power Company
Embedded Cost of Long-Term Debt
March 31, 2009

Debt Issue Type, Coupon Rate (A)	Date Issued (B)	Maturity Date (C)	Principal Amount (D)	Face Amount Outstanding (E)	Unamortized Debt: Discount or (Premium) (F)	Unamortized Debt: Expense (G)	Carrying Value (H)	Coupon Interest Expense (I)	Amortization of Debt: Discount or (Premium) (J)	Amortization of Debt: Expense (K)	Annual Interest Expense (L)
Refunded by Series I PCB due 4/1/2017											
8.300% PCB E due 3/1/2015	7/29/1987	4/1/2017	33,755,000	-	-	660,454	(660,454)	-	-	(6,041)	(6,041)
12.000% MB due 11/15/2012	1/4/1988	11/15/2012	6,827,000	-	-	38,157	(38,157)	-	-	(349)	(349)
Refunded by $200 million 7.5% NMB due 7/15/2025											
8.250% MB due 2007	8/16/1993	7/15/2025	100,000,000	-	-	330,257	(330,257)	-	-	20,220	20,220
10.000% MB due 1998	8/16/1993	7/15/2025	50,000,000	-	-	133,283	(133,283)	-	-	8,160	8,160
7.500% MB due 2025	4/1/1996	7/15/2025	23,000,000	-	-	(219,688)	219,688	-	-	2,009	2,009
Refunded by $111,770,000 Variable PCB Series A,B & C due 11/1/2028											
10.750% PCB C due 2013	12/15/1993	11/1/2028	111,770,000	-	-	1,450,655	(1,450,655)	-	-	74,076	74,076
Refunded by $235 million 8% NMB due 2/15/2023											
9.375% MB due 2016	3/22/1993	2/15/2023	125,000,000	-	-	1,859,211	(1,859,211)	-	-	133,596	133,596
8.875% MB due 2008	3/22/1993	2/15/2023	100,000,000	-	-	937,371	(937,371)	-	-	67,356	67,356
Refunded by $35,615,000 5.7% FMB due 2/1/2024											
11.625% FMB due 2014	5/1/1994	2/1/2024	35,615,000	-	-	375,936	(375,936)	-	-	25,344	25,344
Refunded by $84,150,000 7.4% FMB due 12/1/2024											
10.750% FMB due 2015	3/1/1995	12/1/2024	84,150,000	-	-	631,492	(631,492)	-	-	40,308	40,308
Refunded by $111,770,000 Variable PCB Series Non-AMT 2001 due 11/1/2028											
Var. FMB due 2028	5/1/2001	11/1/2028	111,770,000	-	-	1,003,215	(1,003,215)	-	-	51,228	51,228
Refunded by $75 million Variable PCB Series due 3/1/2017											
Var. PCB due 2017	5/1/2001	3/1/2017	75,000,000	-	-	273,885	(273,885)	-	-	34,596	34,596
IP Capital MIPS	5/30/2000	12/1/2043	93,000,000	-	-	2,284,672	(2,284,672)	-	-	65,904	65,904
IP Financing I TOPRS	9/30/2001	1/1/2045	100,000,000	-	-	2,407,119	(2,407,119)	-	-	67,332	67,332
Total Net (Gain)/Loss on Reacquired Debt			$ 1,811,132,000	-	-	$ 22,067,865	$ (22,067,865)	$ 0	$ 0	$ 1,359,040	$ 1,359,040
Total Long-Term Debt			$ 3,161,202,000	$ 1,350,070,000	$ 9,657,110	$ 32,429,216	$ 1,307,983,675	$ 98,800,125	$ 934,800	$ 2,703,858	$ 102,438,782

Embedded Cost of Long-Term Debt = 7.83%

Notes: Column (H) = Columns (E) + (F) + (G)
Column (L) = Columns (I) + (J) + (K)
Embedded Cost of Long-Term Debt = Column (L) ÷ (H)

Illinois Power Company Daily Surplus Funds Balances
(In millions, $MM)

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
10/23/08				
10/24/08				
10/25/08				
10/26/08				
10/27/08				
10/28/08				
10/29/08				
10/30/08				
10/31/08				
11/01/08				
11/02/08				
11/03/08				
11/04/08				
11/05/08				
11/06/08				
11/07/08				
11/08/08				
11/09/08				
11/10/08				
11/11/08			Redacted	
11/12/08				
11/13/08				
11/14/08				
11/15/08				
11/16/08				
11/17/08				
11/18/08				
11/19/08				
11/20/08				
11/21/08				
11/22/08				
11/23/08				
11/24/08				
11/25/08				
11/26/08				
11/27/08				
11/28/08				
11/29/08				
11/30/08				

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
12/01/08				
12/02/08				
12/03/08				
12/04/08				
12/05/08				
12/06/08				
12/07/08				
12/08/08				
12/09/08				
12/10/08				
12/11/08				
12/12/08				
12/13/08				
12/14/08				
12/15/08		Redacted		
12/16/08				
12/17/08				
12/18/08				
12/19/08				
12/20/08				
12/21/08				
12/22/08				
12/23/08				
12/24/08				
12/25/08				
12/26/08				
12/27/08				
12/28/08				
12/29/08				
12/30/08				
12/31/08	$ 50.2	$ 44.3	$ 94.5	
01/01/09				
01/02/09				
01/03/09				
01/04/09				
01/05/09				
01/06/09				
01/07/09				
01/08/09				
01/09/09				
01/10/09				

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
01/11/09				
01/12/09				
01/13/09				
01/14/09				
01/15/09				
01/16/09				
01/17/09				
01/18/09				
01/19/09				
01/20/09				
01/21/09				
01/22/09				
01/23/09				
01/24/09				
01/25/09				
01/26/09				
01/27/09				
01/28/09				
01/29/09				
01/30/09				
01/31/09		Redacted		
02/01/09				
02/02/09				
02/03/09				
02/04/09				
02/05/09				
02/06/09				
02/07/09				
02/08/09				
02/09/09				
02/10/09				
02/11/09				
02/12/09				
02/13/09				
02/14/09				
02/15/09				
02/16/09				
02/17/09				
02/18/09				
02/19/09				
02/20/09				

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
02/21/09				
02/22/09				
02/23/09				
02/24/09				
02/25/09				
02/26/09				
02/27/09				
02/28/09				
03/01/09				
03/02/09				
03/03/09				
03/04/09				
03/05/09				
03/06/09				
03/07/09				
03/08/09				
03/09/09				
03/10/09				
03/11/09		Redacted		
03/12/09				
03/13/09				
03/14/09				
03/15/09				
03/16/09				
03/17/09				
03/18/09				
03/19/09				
03/20/09				
03/21/09				
03/22/09				
03/23/09				
03/24/09				
03/25/09				
03/26/09				
03/27/09				
03/28/09				
03/29/09				
03/30/09				
03/31/09	$ 179.2	$ 55.5	$ 234.7	
04/01/09				
04/02/09				

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
04/03/09				
04/04/09				
04/05/09				
04/06/09				
04/07/09				
04/08/09				
04/09/09				
04/10/09				
04/11/09				
04/12/09				
04/13/09				
04/14/09				
04/15/09				
04/16/09				
04/17/09				
04/18/09				
04/19/09				
04/20/09				
04/21/09				
04/22/09			Redacted	
04/23/09				
04/24/09				
04/25/09				
04/26/09				
04/27/09				
04/28/09				
04/29/09				
04/30/09				
05/01/09				
05/02/09				
05/03/09				
05/04/09				
05/05/09				
05/06/09				
05/07/09				
05/08/09				
05/09/09				
05/10/09				
05/11/09				
05/12/09				

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
05/13/09				
05/14/09				
05/15/09				
05/16/09				
05/17/09				
05/18/09				
05/19/09				
05/20/09				
05/21/09				
05/22/09				
05/23/09				
05/24/09				
05/25/09				
05/26/09				
05/27/09				
05/28/09				
05/29/09				
05/30/09				
05/31/09				
06/01/09				
06/02/09				
06/03/09			Redacted	
06/04/09				
06/05/09				
06/06/09				
06/07/09				
06/08/09				
06/09/09				
06/10/09				
06/11/09				
06/12/09				
06/13/09				
06/14/09				
06/15/09				
06/16/09				
06/17/09				
06/18/09				
06/19/09				
06/20/09				
06/21/09				
06/22/09				
06/23/09				
06/24/09				

Date	Total Cash & Investments Balance[1] (A)	Money Pool Contributions[2] (B)	Total Cash & Inv. Balance & Money Pool Contributions[3] (C)	Total Balance Less $XX.X MM[4] (D)
06/25/09				
06/26/09				
06/27/09		Redacted		
06/28/09				
06/29/09				
06/30/09	$ 63.2	$ -	$ 63.2	

[1] Balances in this column do not include amounts that IP posts as collateral or contriubtions to the AIU money pool. Company responses to ICC Staff data requests RP 1.04 and RP 7.08.

[2] Confidential quarterly reports filed pursuant to 83 Ill. Adm. Code 340.

[3] Sum of columns (A) and (B).

[4] $XX.X MM is the amount that IP loaned to CIPS via the AIU money pool on 10/23/08, which is the date IP closed on the $400 MM 9.75% Senior Secured Notes issuance and the date IP repaid Ameren Corp. for its $XX MM money pool loan.