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~~ILLINOIS POWER~~ EXHIBIT NO. 2.1

WITNESS BRIAN H. MARTIN

DATE 9-12-01 REPORTER CB

IP Exhibit 2.1
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ILLINOIS COMMERCE COMMISSION

DOCKET NO. 00-0439

PREPARED DIRECT TESTIMONY OF

BRIAN H. MARTIN

SEPTEMBER 29, 2000

1 I. INTRODUCTION AND WITNESS QUALIFICATIONS

2 1. Q. Please state your name and business address.

3 A. Brian H. Martin, 500 South 27th Street, Decatur, Illinois 62521-2200.

4 2. Q. By whom are you employed and in what capacity?

5 A. I am Manager of the Environmental Services Department of Illinois Power Company
6 (the "Company" or "Illinois Power" or "IP"). I have occupied this position since
7 August 2000. Prior to my present position, I served in the Environmental Resources
8 Department as a Senior Environmental Professional in the Strategic Environmental
9 Programs Group from June 1997 to August 2000, and as an Environmental
10 Professional in the Environmental Risk Management Section from March 1992 to
11 June 1997.

12 3. Q. Please state your professional qualifications and business experience.

13 A. My professional qualifications and business experience are presented in IP Exhibit
14 2.2.

15 4. Q. Besides IP Exhibit 2.1, are you sponsoring other exhibits?

16 A. Yes. Besides IP Exhibit 2.1 consisting of my prepared testimony of 17 questions

17 and answers. I am sponsoring IP Exhibits 2.2 through 2.6, which are attached to this
18 testimony. IP Exhibits 2.2 through 2.6 were prepared by me or under my direction.

19 **II. PURPOSE AND SCOPE**

20 5. Q. What is the purpose of your testimony?

21 A. The purpose of my testimony is to:

- 22 • identify the specific activities included in the Company's 1999 budget for
- 23 manufactured gas plant (MGP) site investigation and remediation activities,
- 24 • describe the manner in which outside contractors and consultants have been
- 25 selected to assist the Company in its investigation and remediation activities, and
- 26 • discuss the Company's efforts to obtain past and future investigation and
- 27 remediation costs from its insurance carriers.

28 In IP Exhibit 2.3, I have provided a history and overview of the Company's MGP
29 investigation and remedial management program.

30 **III. 1999 MGP INVESTIGATION AND REMEDIAL MANAGEMENT ACTIVITIES**

31 6. Q. Is Illinois Power conducting its MGP investigation and remediation program under
32 the Illinois Environmental Protection Agency's ("Illinois EPA" or the "Agency")
33 Site Remediation Program?

34 A. Yes. Illinois Power's MGP sites are listed in IP Exhibit 2.4. Illinois Power is
35 conducting the MGP investigation and remedial management of these sites under the
36 Illinois EPA's Site Remediation Program. This is a program in which the Company
37 works cooperatively with the Illinois EPA to investigate and to manage sites to
38 mitigate risk to human and environmental receptors and to achieve compliance with

39 the Illinois Environmental Protection Act. Illinois Power has entered into a formal
40 agreement with the Illinois EPA under which the Agency provides oversight for the
41 MGP program, and Illinois Power reimburses the Agency's expenses for oversight.
42 The Illinois EPA, and their consultants, provide on-site supervision of field activities
43 and review work plans and work products. The Illinois EPA reviews and approves
44 work plans prior to initiation of field activities, including remedial measures.
45 Illinois EPA also reviews and approves all work plans and reports for MGP
46 activities. Work plans for interim remedial measures are also reviewed and
47 approved by the Agency prior to implementation.

48 7. Q. What is the status of the Company's remediation activities in 1999?

49 A. The remedial activities completed by the Company in 1999 are delineated in IP
50 Exhibit 1.2 attached to Mr. Schmitz' testimony, pp. 9 - 11.

51 8. Q. What is the status of the Illinois EPA's concurrence for the Company's remediation
52 activities at each of the 25 sites?

53 A. All of the activities described in IP Exhibit 1.2 have been approved by the Illinois
54 EPA.

55 9. Q. Has the Company utilized any outside contractors and consultants to assist in its
56 1999 MGP investigation and remedial management program?

57 A. Yes. IP Exhibit 2.5 lists the contractors and consultants that assisted with MGP
58 activities in 1999.

59 10. Q. On what basis did the Company select each of the contractors and consultants that
60 you identified in your previous answer?

61 A. Major contracts were awarded on the basis of competitive bids. Occasionally, a
62 sole-source justification was used to procure local services based on technical
63 requirements and availability. IP Exhibit 2.5 presents an expanded discussion of the
64 basis for selection of contractors.

65 11. Q. In your opinion, were the amounts paid to these contractors reasonable and
66 necessary?

67 A. Yes. As stated above, all of the work they performed was in furtherance of the
68 Illinois EPA-approved work plans. Further, the competitive bidding process helped
69 assure reasonable cost contracts were let and, in those few instances where sole
70 source was used, a reasonable price was negotiated.

71 **IV. INSURANCE CARRIERS**

72 12. Q. Is the Company seeking past and future investigation and remediation costs from its
73 insurance carriers?

74 A. Yes. IP placed insurance companies that sold liability policies to the Company on
75 notice for all 25 MGP sites. The Company made demands to the insurance
76 companies for payment of their proportionate share of the remediation estimate of
77 \$82.5 million (Company's 1999 Security Exchange Commission Form 10-K
78 estimate of future liability, \$58 million plus incurred expenses) to satisfy
79 environmental claims associated with the operation of the 25 MGP sites. In late
80 1995, the Company filed a lawsuit in Macon County against its insurance companies
81 in a further effort to recover these claims.

82 13. Q. Has the Company obtained any money for its costs incurred to date?

83 A. Illinois Power concluded its insurance litigation/settlement activity in 1998.
84 Settlements have been reached with all 25 insurance companies. Settlement
85 proceeds were deposited into the Insurance Coverage Environmental Settlement
86 Trust (ICEST) to be used for MGP remediation expenses. The status of the ICEST
87 is summarized from inception through December 31, 1999 in IP Exhibit 2.6.

88 14. Q. Will the insurance recoveries flow through the Riders?

89 A. Insurance recoveries in excess of projected and actual MGP management cleanup
90 costs will be accounted for pursuant to Section 7 of the Riders.

91 15. Q. Has the Company pursued any other avenues to recover costs?

92 A. The Company has not pursued other avenues to recover costs associated with the
93 MGP management program. Site conditions and history have not identified other
94 potentially responsible parties with MGP environmental liabilities and obligations.

95 16. Q. Were all costs incurred in the investigation and remedial program reasonable and
96 necessary?

97 A. Yes. All costs were in furtherance of the Illinois EPA-approved plans and were
98 necessary to carry out those plans.

99 17. Q. Does this conclude your prepared direct testimony?

100 A. Yes, it does.

