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dering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the effectiveness of regulation. Reading the statutory definition closely, there are four distinct and separate components of integration, as applied to an electric system: physical interconnection; coordination; limitation to a single area or region; and no impairment of localized management, efficient operation, and the effectiveness of regulation. See National Rural Electric Cooperative Ass'n v. Securities and Exchange Commission, 276 F.3d 609 at (D.C. Cir. 2002). The Transaction satisfies each of these tests. A. Interconnection...The first requirement for an integrated electric utility system is that the electric generation and/or transmission and/or distribution facilities comprising the system be "physically interconnected or capable of physical interconnection." As previously noted, the electric service areas of AmerenCIPS and CILCO in Illinois are adjacent and physically interconnected by a 345 kV line. Under traditional analysis, this 34 fact alone satisfies the interconnection requirement. See e.g., Energy East, et al., Holding Company Act Release No. 27546 (June 27, 2002). B. Coordination. Historically, the Commission has interpreted the requirement that an integrated electric system be economically operated under normal conditions as a single interconnected and coordinated system "to refer to the physical operation of utility assets as a system in which, among other things, the generation and/or flow of current within the system may be centrally controlled and allocated as need or economy directs." See, e.g., Conectiv, Inc., Holding Co. Act Release No. 26832 (Feb. 25, 1998), citing The North American Company, 11 S.E.C. 194, 242 (1942), aff'd, 133 F.2d 148 (2d Cir. 1943), aff'd on constitutional issues, 327 U.S. 686 (1946). The Commission has noted that, through this standard, "Congress intended that the utility properties be so connected and operated that there is coordination among all parts, and that those parts bear an integral operating relationship to one another." See Cities Service Co., 14 S.E.C. 28 at 55 (1943). Traditionally, the most obvious indicia of "coordinated operations" was the ability to jointly dispatch all system generating units automatically on an economic basis in order to achieve the lowest overall cost of electricity. However, in recent cases, the Commission has recognized that joint economic dispatch is not per se a requirement for a finding of coordinated operations. See e.g., American Electric Power Company, Inc., Holding Co. Act Release No. 27186 (June 14, 2000); Exelon Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000); and CP&L Energy, Inc., Holding Co. Act Release No. 27284 (Nov. 27, 2000). In connection with the formation of Ameren in 1997, AmerenUE and AmerenCIPS entered into a Joint Dispatch Agreement ("JDA"), which was amended in 2000 in order to add Ameren Energy Generating upon the transfer of AmerenCIPS' generating units to Ameren Energy Generating. Under the JDA, the existing generation resources in the Ameren system are jointly dispatched on a single-system basis, without regard to ownership. The applicants in this proceeding, however, do not intend to make CILCO a party to the JDA or otherwise dispatch CILCO's plants and Ameren's plants on a single-system basis. CILCO is currently "short" of generating capacity, meaning that, for the foreseeable future, it will continue to require all of the capacity and associated energy from its existing generating units in order to serve its own load. Under these circumstances, it is clear that no advantage would be gained by making CILCO's generation subject to the JDA. Also, to expedite the state and federal regulatory approval process, Ameren and CILCO desire to keep the existing operating structure in place as much as possible, consistent with the requirements of the Act. Moreover, it is clear that the transfer of CILCO's generating assets to CIGI will not, at least for the foreseeable future, eliminate the need for close coordination between CILCO's transmission and distribution operations and CIGI's generation operations. As explained in Item 1, in connection with the restructuring of CILCO, CIGI will provide the full requirements of CILCO's retail customers pursuant to the PSA through December 31, 2004. Ameren anticipates that CILCO and CIGI will file a request with FERC to extend the PSA, 35 on its existing terms, until December 31, 2006. Thus, at least through 2006, there will be a high degree of coordination between CIGI and CILCO.(35) Notwithstanding the foregoing, AmerenUE and CIGI (and, as well, Ameren Energy Generating, even though it is an EWG) will have opportunities to coordinate their generating resources through joint planning, operation and maintenance programs, and through joint management of fuel resources by Ameren Fuels. Ameren Services' Energy Supply Operations Department, for example, will have overall responsibility for dispatching CIGI's plants as well as Ameren's other plants. They will also have opportunities to coordinate their generating facilities through power sales under their FERC-authorized market based tariffs. Further, because AmerenUE, AmerenCIPS and CILCO are, or will become, directly or indirectly, members of MISO, their transmission assets will be under common day-to-day control and management. Thus, in terms of both

generation and transmission facilities, there will be high degree of coordination. Under Section 2(a)(29)(A), the Commission must also find that the resulting interconnected and coordinated system may be "economically operated." This calls for a determination that coordinated operation of the combined company's facilities is likely to produce economies and efficiencies. The question of whether a combined system will be economically operated under Section 10(c)(2) and Section 2(a)(29)(A) was recently addressed by the U.S. Court of Appeals in Madison Gas and Electric Company v. SEC, 168 F.3d 1337 (D.C. Cir. 1999). In that case, the court determined that in analyzing whether a system will be economically coordinated, the focus must be on whether the acquisition "as a whole" will "tend toward efficiency and economy." Id. at 1341. As discussed in Item 3.3 below, the Transaction will meet this standard. In short, all aspects of the combined system will be centrally and efficiently planned and coordinated. As with other merger applications approved by the Commission, the combined system will be capable of being economically operated as a single interconnected and coordinated system as demonstrated by the variety of means through which its operations will be coordinated and the efficiencies and economies expected to be realized by the proposed transaction. C. Single Area or Region. As required by Section 2(a)(29)(A), the operations of Ameren following the Transaction will be confined to a "single area or region in one or more States." The retail service area of the Ameren system will continue to be confined to the two adjoining states (Missouri and Illinois) in which Ameren already operates. Moreover, as ---------- (35) Contrast Reliant Energy, Inc., et al., Holding Co. Act Release No. 27548 (July 5, 2002), where the Commission concluded that, following the separation of Reliant's generation assets and "wires" business into separate subsidiaries, in accordance with Texas' restructuring law, coordination between the two would cease. Under Texas restructuring law, however, Reliant's transmission and distribution subsidiary will no longer purchase or sell any electricity and will not have any responsibility to be a provider of last resort, and Reliant's generating subsidiary will sell all of its output into the wholesale market. 36 indicated, AmerenUE, AmerenCIPS and CILCO are all members of MAIN, one of the ten regional electric reliability councils in the United States. D. Size. The final clause of Section 2(a)(29)(A) requires the Commission to look to the size of the combined system (considering the state of the art and the area or region affected) and its effect upon localized management, efficient operation, and the effectiveness of regulation. In the instant matter, these standards are easily met. The size of the Ameren electric system will not impair the advantages of localized management, efficient operation or the effectiveness of regulation. Instead, the proposed Transaction will actually increase the efficiency of operations. Localized Management -- Although CILCO will necessarily come under new management as a result of the Transaction, it will continue to exist as a separate legal entity and will continue to operate through regional offices with local service centers and line crews available to respond to customers' needs. Ameren will preserve the well-established delegations of authority -- currently in place at AmerenUE and AmerenCIPS -- which permit the local, district and regional management teams to budget for, operate and maintain the electric distribution system, and to schedule work forces in order to provide the same (or better) quality of service to customers of CILCO.36 In short, CILCO will continue to be managed on a day-to-day basis at a local level, particularly in areas that must be responsive to local needs. Accordingly, the advantages of localized management will not be impaired. Efficient Operation -- As discussed above in the analysis of Section 10(c)(2), the Transaction will result in significant economies and efficiencies. Operations will be more efficiently performed on a centralized basis because of economies of scale, standardized operating and maintenance practices and closer coordination of system-wide matters. Effective Regulation -- The Transaction will not impair the effectiveness of regulation at either the state or federal level. CILCO will continue to be regulated by the ICC with respect to retail rates, service, securities issuances and other matters, and by FERC with respect to interstate electric sales for resale and transmission services. (ii) Integration of Gas Operations. ---------- The gas utility properties of CILCO, when added to those owned by AmerenUE and AmerenCIPS, will form an "integrated gas-utility system," which is defined in Section 2(a)(29)(B) to mean: ---------- (36) In their application to the ICC (Exh. D-1 hereto), CILCO and Ameren committed, among other things, to maintain CILCO's headquarters in Peoria for at least five years after the Transaction closes, to continue to employ at least 800 full-time employees of CILCO and its affiliates in the CILCO service area at least through 2005, and to maintain a management presence in the Peoria region by having two vice presidents (or higher level business leaders) work out of the Peoria region. 37 a system consisting of one or more gas utility companies which are so located and related that substantial economies may be effectuated by being operated as a single coordinated system confined in its operations to a single area or region, in one or more States, not so large as to impair (considering the state of the art and the area or region affected) the advantages of localized management, efficient operation, and the

effectiveness of regulation: Provided, That gas utility companies deriving natural gas from a common source of supply may be deemed to be included in a single area or region. Thus, the definition of an integrated gas-utility system has three distinct parts, each of which will be satisfied in this case. A. Coordination. In order to find coordination among the gas-utility companies in the same holding company system, the Commission has historically focused primarily on the operating economies that may be effectuated through coordinated management of gas supply portfolios, i.e., gas purchase arrangements, transportation agreements, and storage assets, the access of the gas-utility companies in the same holding company system to common market and supply-area hubs, the functional merger of separate gas supply departments under common management, and sharing of data management software systems. See NIPSCO Industries, Inc., 53 S.E.C. 1296 at 1306 - 1309 (1999); New Century Enterprises, Inc., Holding Co. Act Release No. 27212 (Aug. 16, 2000). The Commission has also recognized that substantial operating economies can be achieved through access to the resources of an affiliated gas marketer. See Sempra Energy, 53 S.E.C. 1242 at 1251 - 1252 (1999). AmerenUE, AmerenCIPS and CILCO currently manage similar physical properties and contractual assets: natural gas supply, interstate pipeline transportation contracts, and storage contracts of varying types and duration. Following the acquisition of CILCO, Ameren Fuels will enter into a fuel services agreement with CILCO that is substantially identical to the existing Fuel Services Agreement between Ameren Fuels and AmerenUE and AmerenCIPS. Under these agreements, personnel of Ameren Fuels will manage all of the natural gas supply, transportation and storage activities on behalf of the three companies. This will include procuring natural gas supply, transportation services and storage capacity, negotiating agreements, nominating and scheduling gas deliveries, balancing system demand and supply, and performing state and federal regulatory responsibilities, in each case as agent for the three companies. B. Single Area or Region. The combined gas system of AmerenUE, AmerenCIPS and CILCO will also be confined to Missouri and Illinois. The areas served in Illinois are mostly contiguous. CILCO takes delivery of gas on five interstate pipelines: Panhandle Eastern Pipe Line Company, Natural Gas Pipeline Company of America, Trunkline Gas Company, Midwestern Gas Transmission Company, and ANR Pipeline Company. Ameren is currently served by all of these interstate pipelines with the exception of ANR Pipeline Company. The common pipelines give both companies access to gas supplies produced in the Mid-Continent region (Kansas and the Texas/Oklahoma Panhandle) and Gulf Coast onshore and offshore (Louisiana and Texas) producing areas and, to a lesser 38 extent, the Rocky Mountain and western Canada producing basins. Thus, the companies share a "common source of supply." C. Size. For the same reasons given above in connection with the discussion of impacts of the Transaction on the combined electric system, localized management, efficient operation, and the effectiveness of regulation will not be impaired by the resulting size of the integrated gas utility system. (c) Retention of Combined Gas System. ---------- As indicated, under the "ABC clauses" of Section 11(b)(1), a registered holding company can own "one or more" additional integrated systems if certain conditions are met. Specifically, the Commission must find that (A) the additional system "cannot be operated as an independent system without the loss of substantial economies which can be secured by the retention of control by such holding company of such system," (B) the additional system is located in one state or adjoining states, and (C) the combination of systems under the control of a single holding company is "not so large ... as to impair the advantages of localized management, efficient operation, or the effectiveness of regulation." (i) Loss of Economies. ---------- Clause A requires a showing that each additional integrated system (in this case, the integrated gas utility system formed by combining the operations of AmerenUE, AmerenCIPS and CILCO) cannot be operated as an independent system without the loss of substantial economies which can be secured by the retention of control by a holding company of such system. Historically, the Commission considered four ratios as a "guide" to determining whether lost economies would be "substantial" under Section 11(b)(1)(A). Specifically, the Commission considered the estimated loss of economies expressed in terms of the ratio of increased expenses to the system's total operating revenues, operating revenue deductions, gross income and net income. See Engineers Public Service Co., 12 SEC 41 (1942), rev'd on other grounds and remanded, 138 F. 2d 936 (DC Cir. 1943), vacated as moot, 332 US 788 (1947) ("Engineers"), and New England Electric System, 41 S.E.C. 888, 893 - 899 (1964). In Engineers, the Commission suggested that cost increases resulting in a 6.78% loss of operating revenues, a 9.72% increase in operating revenue deductions, a 25.44% loss of gross income, and 42.46% loss of net income would afford an "impressive basis for finding a loss of substantial economies" associated with a divestiture. 12 SEC at 59. More recently, the Commission has indicated that it will no longer require a comparison of resulting loss ratios to those of earlier precedent. See CP&L Energy, Inc., Holding Co. Act Release No. 27284 (Nov. 27, 2000), fn. 40. In its early decisions, the Commission also considered the increases in operational expenses that

were anticipated upon divestiture, but also took into account, as offsetting benefits, the significant competitive advantages that were perceived to flow from a separation of gas and electric operations. The Commission's assumption was that a combination of gas and electric operations is typically disadvantageous to the gas operations and, hence, the public interest and the interests of investors and consumers would be benefited by a separation of gas from the electric operations. In more recent cases, however, the 39 Commission has recognized that these assumptions are outdated and that the historical ratios do not provide an adequate indication of the substantial loss of economies that may occur by forcing a separation of electric and gas. Specifically, beginning with its decision in New Century Energies, Inc., 53 S.E.C. 54 (1997), the Commission took notice of the changing circumstances in today's electric and gas industries, notably the increasing convergence of the electric and gas industries. The Commission concluded that, "in these circumstances, separation of gas and electric businesses may cause the separated entities to be weaker competitors than they would be together. This factor adds to the quantifiable loss of economies caused by increased costs." 53 S.E.C. at 76. This view was repeated in subsequent cases, including the 1997 Merger Order and WPL Holdings, Inc., 53 S.E.C. 501 (1997). The Commission has also recognized that revenue enhancement opportunities and other benefits likely to be realized from a "convergence" merger would be diminished or lost if the Commission forced a divestiture of the additional system. See SCANA Corp., Holding Co. Act Release No. 27133 (Feb. 9, 2000); and Northeast Utilities, Holding Co. Act Release No. 27127 (Jan. 31, 2000). Ameren intends to prepare and file a Severance Study that will quantify the economic impact of a divestiture of the gas assets of AmerenUE, AmerenCIPS and CILCO into a new, stand-alone company. The Severance Study will be filed by amendment as Exhibit H hereto. The study will include estimates of the increase in annual operating costs that would result if the gas properties were divested. These increased operating costs would result primarily from additional capital costs and annual operating and maintenance costs in several categories (e.g., establishing new service centers), including one-time transition costs associated with establishing the gas department as a separate company. The study will also include an estimate of the offsetting economies that would be derived from combining CILCO's gas operations with AmerenUE and AmerenCIPS' gas operations. Finally, in its analysis of clause A, the Commission has also taken into account the historical association of the electric and gas operations and the views of the interested state commissions. New Century Energies, 53 S.E.C. at 78. As in that case, the electric and gas assets of both CILCO and Ameren's subsidiaries have been under common control for many years, and the Transaction will not alter the status quo. Further, the Missouri Public Service Commission, which has jurisdiction over AmerenUE, and the ICC, which has jurisdiction over both AmerenUE and AmerenCIPS, did not object at the time that the Ameren system was formed to the continued ownership of both electric and gas utility operations in a single system. The ICC has jurisdiction over the Transaction and will have another opportunity to consider this issue. (ii) Same State or Adjoining States. ---------- The proposed Transaction does not raise any issue under Section 11(b)(1)(B) of the Act, as the gas utility properties of AmerenUE, AmerenCIPS and CILCO are located and operate exclusively in Illinois and Missouri, the same two States in which they operate as electric utilities. Thus, the requirement that each additional system be located in one State or adjoining States is satisfied. 40 (iii) Size. ---- Further, retention of the combined gas utility business does not raise any issues under Section 11(b)(1)(C) of the Act. The combination of both electric and gas utility systems under the control of a single holding company will be "not so large ... as to impair the advantages of localized management, efficient operation, or the effectiveness of regulation." As the Commission has recognized, the determinative consideration is not size alone or size in an absolute sense, either big or small, but size in relation to its effect, if any, on localized management, efficient operation and effective regulation. From these perspectives, it is clear that the continued ownership of the combined gas system by Ameren is not too large. As of December 31, 2001, and giving effect to the Transaction, the combined gas operations of AmerenUE, AmerenCIPS, and CILCO would represent only about 12% of Ameren's post-Transaction net utility plant, and only about 5% of Ameren's post-Transaction net operating revenues. As indicated, the gas procurement functions of CILCO, AmerenUE and AmerenCIPS will be centralized in Ameren Fuels. Ameren Fuels will administer the combined portfolios of natural gas supply, transportation and storage contracts as agent for the three companies. In most other respects, the local operations of CILCO will continue to be handled from CILCO's headquarters in Peoria. Management will therefore remain geographically close to the gas operations, thereby preserving the advantages of localized management. (d) Retention of CILCORP's Non-Utility Subsidiaries and Investments. ---------- Section 11(b)(1) permits a registered holding company to retain "such other businesses as are reasonably incidental, or economically necessary or appropriate, to the operations of [an] integrated public utility system." The Commission has

historically interpreted this provision to require an operating or "functional" relationship between the non-utility activity and the system's core utility business. See, e.g. Michigan Consolidated Gas Co., 44 S.E.C. 361 (1970), aff'd, 444 F.2d 913 (D.C. Cir. 1971); United Light and Railways Co., 35 S.E.C. 516 (1954); CSW Credit, Inc., 51 S.E.C. 984 (Mar. 2, 1994); and Jersey Central Power and Light Co., Holding Co. Act Release No. 24348 (Mar. 18, 1987). In addition, the Commission has permitted new registered holding companies to retain passive investments which, although not meeting the functional relationship test, could nevertheless be acquired under the standards of Section 9(c)(3) of the Act. In 1997, the Commission adopted Rule 58,(37) which conditionally exempts from the pre-approval requirements of Sections 9(a) and 10 of the Act the acquisition by a registered holding company of securities of companies engaged in certain specified categories of "energy-related" businesses which the ---------- (37) "Exemption of Acquisition by Registered Public-utility Holding Companies of Securities of Non-utility Companies Engaged in Certain Energy-related and Gas-related Activities," Holding Co. Act Release No. 26667 (Feb. 14, 1997) ("Rule 58 Release"). 41 Commission has determined, on the basis of experience, are so closely related to the business of a public-utility company as to be considered in the ordinary course of a public utility business. In adopting Rule 58, the Commission "has sought to respond to developments in the industry by expanding its concept of a functional relationship." Rule 58 Release at 11. Importantly, Rule 58 does not require that non-utility businesses of the type covered by the rule be "functionally" related to a holding company's utility operations at all. As set forth more fully in Exhibit I, the direct and indirect non-utility subsidiaries and investments of CILCORP meet the Commission's standards for retention under Section 11(b)(1) or Section 9(c)(3), as applicable, with certain exceptions that are noted in Exhibit I. Certain of CILCORP's non-utility subsidiaries fit within the definition of "energy-related company" under Rule 58. Rule 58 provides in section (a)(1)(ii) thereof that investments in non-utility activities that are exempt under Rule 58 cannot exceed 15% of the consolidated capitalization of the registered holding company. In its statement supporting the adoption of the Rule, the Commission stated: The Commission believes that all amounts that have actually been invested in energy-related companies pursuant to commission order prior to the date of effectiveness of the Rule should be excluded from the calculation of aggregate investment under Rule 58. The Commission also believes it is appropriate to exclude from the calculation all investments made prior to that date pursuant to available exemptions. (Rule 58 Release at 50-51). Moreover, in recent merger orders, the Commission has also excluded from the Rule 58 investment limit investments in "energy-related companies" acquired and held by exempt holding companies prior to the time they registered or were acquired by a registered holding company, on the ground that the restrictions of Section 11(b)(1) are applicable to registered holding companies and not to exempt holding companies. Because CILCORP is an exempt holding company, none of the investments it has heretofore made in non-utility businesses was pursuant to Commission order. Accordingly, investments made by CILCORP in "energy-related companies" prior to the effective date of the Transaction should not be counted in the calculation of the 15% investment limitation.(38) (e) Retention of CIGI as Subsidiary of CILCO. ---------- Section 11(b)(2) of the Act requires the Commission to ensure that "the corporate structure or continued existence of any company in the holding company system does not unduly or unnecessarily complicate the structure, or unfairly or inequitably distribute voting power among security holders, of the holding company system." Section 11(b)(2) also directs the Commission to require each registered holding company "to take such steps as the Commission shall find necessary in order that such holding company shall cease to be a holding company with respect to each of its subsidiary companies which itself has a subsidiary company which is a holding company," in other words, to eliminate so-called "great-grandfather" holding companies. As a result of the Transaction, and assuming the continued interposition of CILCORP as an ---------- (38) See, e.g., New Century Energies, Inc., 53 S.E.C. 54 at 82 (1997). 42 intermediate holding company, Ameren will become a "great-grandfather" holding company with respect to CIGI. If CILCORP were eliminated as an intermediate holding company, or if CIGI is again determined to be an EWG, the "great-grandfather" relationship between Ameren and CIGI would no longer exist. However, as discussed above in Item 3.2, Ameren is proposing to retain CILCORP as an intermediate holding company for the indefinite future and is also proposing to acquire CIGI as an additional public utility subsidiary (by causing CIGI to relinquish its EWG status).(39) Ameren could also eliminate the "great-grandfather" relationship with CIGI by causing CILCO to distribute the common stock of CIGI to CILCORP or otherwise transfer the stock of CIGI to another company in the Ameren system. In this connection, it is Ameren's intention ultimately to move CIGI out from under CILCO in order to achieve a clearer delineation between CILCO's regulated utility business and CIGI's unregulated business. However, such action would necessitate obtaining a release from the lien under CILCO's mortgage on CIGI's

generating assets,(40) and may require further regulatory approvals. Ameren is also examining whether such a change in corporate structure would result in any adverse federal and/or state tax consequences. After the Transaction is completed, Ameren will seek the appropriate regulatory approvals and endeavor to obtain a release under CILCO's mortgage with a view to transferring the stock of CIGI to CILCORP or another Ameren entity. However, these actions may be beyond Ameren's control. Accordingly, Ameren proposes that CIGI remain as a subsidiary of CILCO for the indefinite future. In any event, the continued ownership of CIGI by CILCO does not implicate any of the abuses that Section 11(b)(2) of the Act was intended to prevent. These abuses, facilitated by the pyramiding of holding company groups, involved the diffusion of control and the creation of different classes of debt or stock with unusual voting rights. These abuses are not present in this case. CIGI is wholly-owned by CILCO; it does not have any other class of equity securities or any third-party debt outstanding. In fact, for the time being at least, its assets will continue to secure first mortgage bonds issued by CILCO. Moreover, at least through the end of 2004 (as is likely to be extended through the end of 2006), all of CIGI's generating capacity will be dedicated under the PSA to serving the needs of CILCO; it will not have any retail customers who are subject to cost of service rates. The continued ownership of CIGI by CILCO will therefore enhance operational efficiency and coordination. Compare Energy East Corp., et al., Holding Co. Act Release No. 27224 (Aug. 31, 2000) (permitting Central Maine Power Company, a third tier subsidiary of Energy East, to retain ownership of certain single purpose utility subsidiaries whose assets are directly related to the utility operations of their parent); and Exelon ---------- (39) Although the acquisition of CIGI as an EWG would be exempt under Section 32(g) of the Act, it could result in Ameren exceeding the limitation under Rule 53(a)(1) on use of proceeds of authorized financing to acquire interests in EWGs. After the Transaction closes, Ameren may file a separate application to request relief from the investment limitation under Rule 53(a)(1), and, assuming that such relief is obtained, may then choose to seek a new determination from the FERC that CIGI is an EWG. (40) At this time, CILCO does not have sufficient previously unfunded bondable additions that could be pledged in order to obtain a release of the lien under its mortgage on the generating assets to be transferred to CIGI. 43 Corporation, Holding Co. Act Release No. 27256 (Oct. 19, 2000) (permitting retention of third tier generating utility subsidiary that was created as part of implementation of state restructuring plans and certain other fourth and lower tier generating companies that had been in existence for a long period of time). b. Section 10(c)(2). ---------- The Transaction will "serve the public interest by tending toward the economical and efficient development of an integrated public utility system." It will therefore satisfy the requirements of Section 10(c)(2) of the Act. The Transaction will produce economies and efficiencies that are sufficient (given the size of the Transaction) to satisfy the standards of Section 10(c)(2) of the Act. Although some of the anticipated economies and efficiencies will be fully realized only in the longer term, they are properly considered in determining whether the standards of Section 10(c)(2) have been met. See AEP, 46 S.E.C. at 1320 - 1321. Some potential benefits cannot be precisely estimated; nevertheless, they too are entitled to be considered. As the Commission has observed, "[s]pecific dollar forecasts of future savings are not necessarily required; a demonstrated potential for economies will suffice even when these are not precisely quantifiable." Centerior Energy Corp., 49 S.E.C. at 480. Because of its size, with more than 1.5 million electric customers and more than 300,000 gas customers, Ameren has greater purchasing power for equipment, materials, supplies, services and fuels than CILCO. Ameren believes that its size advantage will help to stabilize CILCO's cost of operations during a period of service improvements. Likewise, AmerenUE's and AmerenCIPS' customers will benefit from the Transaction. Such benefits will be derived from greater economies of scale and the ability to maximize the utilization of existing systems and infrastructure. Specifically, the Transaction will produce savings in the energy delivery business through purchasing economies, elimination of duplicate energy delivery services and limited staff reductions. Ameren estimates that ongoing pre-tax net savings associated with the energy delivery function will range from $500,000 to $3.2 million per year in the first four years (2003 through 2006). Ameren also believes that there will be opportunities to achieve substantial savings in power supply through the integration of CIGI's and Ameren's generation functions in such areas as fuel purchasing, transportation and handling, joint planning, joint plant maintenance programs, and spare parts inventory management. Ameren also believes that additional savings can be achieved through administrative and corporate purchasing economies, elimination of duplicate administrative and corporate services, and limited staff reductions. Ameren estimates that, in order to achieve the projected level of savings, approximately $25 million in one-time transition expenses, along with approximately $14 million of capital expenditures will be incurred. These expenditures are required principally to enable CILCO to utilize Ameren's systems and to pay for relocation and severance costs and facilities integration. 44

Although these quantifiable savings are modest in relation to savings that have been projected in other recent merger cases approved by the Commission, they are nevertheless meaningful in relation to the overall Transaction size. The Transaction should also have a beneficial effect on CILCO's ability to raise capital on reasonable terms and on the cost of future debt capital since Ameren has a higher credit rating than AES.(41) It is expected, for example, that CILCO will achieve savings in the cost of short-term debt through participation in the Utility Money Pool, which should enable CILCO to terminate or reduce the size of its existing external credit facilities, with a reduction in associated facility fees. CILCO's existing ratings for senior secured debt, preferred stock and commercial paper are not expected to be adversely affected as a result of the Transaction.(42) 3.4 Section 10(f). ---------- Section 10(f) provides that: The Commission shall not approve any acquisition as to which an application is made under this section unless it appears to the satisfaction of the Commission that such State laws as may apply in respect of such acquisition have been complied with, except where the Commission finds that compliance with such State laws would be detrimental to the carrying out of the provisions of section 11. As previously stated, the Transaction is subject to the approval of the ICC. In addition, closing conditions under the Stock Purchase Agreement are designed to assure compliance with all other applicable State laws. 3.5 Intra-system Transactions. ---------- The sale of goods and services to CILCORP and its subsidiaries following the effective date of the Transaction will be carried out in accordance with the requirements and provisions of Section 13(b) of the Act and Rules 87, 90 and 91 unless otherwise authorized by the Commission by order or by rule. These include the Service Agreements and the Fuel Services Agreement. The acquisition of CILCORP will not necessitate any change in the organization of Ameren Services, the type and character of the companies to be served, the methods of allocating costs to associate companies, or the scope or character of the services to be rendered. However, it is contemplated that certain employees of CILCORP and its subsidiaries may be transferred to and become employees of Ameren Services after the Transaction closes. ---------- (41) As previously noted, Ameren's senior unsecured debt is rated A2 by Moody's and A by S&P. AES's senior unsecured debt is rated Ba3 by Moody's and BB- by S&P. (42) Following the announcement of the Transaction in April 2002, S&P and FitchRatings both indicated in press releases that the Transaction is viewed as a positive influence on CILCO's credit worthiness. 45 3.6 Rule 54 Analysis. ---------- Rule 54 provides that the Commission shall not consider the effect of the capitalization or earnings of any EWG or "foreign utility company" ("FUCO"), as defined in Sections 32 and 33, respectively, in which a registered holding company holds an interest in determining whether to approve any transaction unrelated to any EWG or FUCO if the requirements of Rule 53 (a), (b) and (c) are satisfied. These standards are met. Rule 53(a)(1): Ameren's "aggregate investment" (as defined in Rule 53(a)(1)) in EWGs is currently $535,939,525, or approximately 31.5% of Ameren's "consolidated retained earnings" (also as defined in Rule 53(a)(1)) for the four quarters ended March 31, 2002 ($1,699,880,250). On a pro forma basis, to take into account Ameren's investment in AES Medina Valley, Ameren's "aggregate investment" would be $558,139,525, or about 32.8% of "consolidated retained earnings" for the four quarters ended March 31, 2002. Ameren does not currently hold an interest in any FUCO. Rule 53(a)(2): Ameren will maintain books and records enabling it to identify investments in and earnings from each such EWG and FUCO in which it directly or indirectly acquires and holds an interest. Ameren will cause each domestic EWG in which it acquires and holds an interest, and each foreign EWG and FUCO that is a majority-owned subsidiary, to maintain its books and records and prepare its financial statements in conformity with U.S. generally accepted accounting principles ("GAAP"). All of such books and records and financial statements will be made available to the Commission, in English, upon request. Rule 53(a)(3): No more than 2% of the employees of Ameren's domestic public utility subsidiaries (including CILCO and CIGI) will, at any one time, directly or indirectly, render services to EWGs and FUCOs. Rule 53(a) (4): Ameren will submit a copy of each Application or Declaration, and each amendment thereto, relating to any EWG or FUCO, and will submit copies of any Rule 24 certificates required thereunder, as well as a copy of the relevant portions of Ameren's Form U5S, to each of the public service commissions having jurisdiction over the retail rates of Ameren's domestic public utility subsidiaries. In addition, Ameren states that the provisions of Rule 53(a) are not made inapplicable to the authorization herein requested by reason of the occurrence or continuance of any of the circumstances specified in Rule 53(b). Rule 53(c) is inapplicable by its terms. ITEM 4. REGULATORY APPROVALS. 4.1 Illinois Commerce Commission. ---------- The Transaction requires approval by the ICC. Under the applicable provisions of Illinois law, in order to approve the Transaction, the ICC must find that: the Transaction will not diminish CILCO's ability to provide adequate, reliable, efficient, safe and least-cost public utility service; the Transaction will not result in the unjustified subsidization of non-utility 46 activities by CILCO or its

customers; the costs and facilities of CILCO are fairly and reasonably allocated between utility and non-utility activities in such a manner that the ICC may identify those costs and facilities which are properly included by the utility for ratemaking purposes; the Transaction will not significantly impair CILCO's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure; CILCO will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities; the Transaction is not likely to have a significant adverse effect on competition in those markets over which the ICC has jurisdiction; and the Transaction is not likely to result in any adverse rate impacts on retail customers. In addition, the authorization of the ICC is required for CILCO to enter into the Services Agreement and the Fuel Services Agreement. A copy of the application filed with the ICC, including the Proposed Acquisition Conditions, is filed herewith as Exhibit D-1. The approval of the ICC is also required in order for CILCO to become a participant in the Utility Money Pool. CILCO intends to file a separate application with the ICC in order to request such approval. 4.2 Federal Energy Regulatory Commission. ---------- Under Section 203 of the Federal Power Act, the FERC is directed to approve a merger if it finds such merger consistent with the public interest. In reviewing transactions under the standards of Section 203, the FERC generally evaluates: whether the merger will adversely affect competition; whether the merger will adversely affect rates; and whether the merger will impair the effectiveness of regulation. A copy of the application filed by Ameren and CILCO(43) with the FERC requesting approval of the Transaction under the Federal Power Act is filed herewith as Exhibit D-3. 4.3 HSR Act. ------- Under the HSR Act, and the rules promulgated thereunder by the FTC, the Transaction may not be consummated until Ameren and AES file notifications and provide certain information to the FTC and the DOJ and specified waiting period requirements are satisfied. Even after the HSR Act waiting period expires or terminates, the FTC or the DOJ may later challenge the transaction on antitrust grounds. If the transaction is not completed within 12 months after the expiration or earlier termination of the initial HSR Act waiting period, the parties would be required to submit new information under the HSR Act and a new waiting period would begin. 4.4 Federal Communications Commission. ---------- In connection with the Transaction, CILCO will file an application with the Federal Communications Commission to request the transfer of various communications licenses that it holds to Ameren Services. ---------- (43) AES Medina Valley is also an applicant on the joint application filed with FERC since the transfer of its facilities is also subject to Section 203 of the Federal Power Act. 47 Except as described above, no other state or federal commission, other than this Commission, has jurisdiction over the proposed Transaction.(44) ITEM 5. PROCEDURE. The Applicants request that the Commission publish a notice under Rule 23 with respect to the filing of this Application/Declaration as soon as practicable, and issue an order approving the Application/Declaration as soon as its rules permit after the end of the required notice period. The Applicants request that there should not be a 30-day waiting period between issuance of the Commission's order and the date on which the order is to become effective; waive a recommended decision by a hearing officer or other responsible officer of the Commission; and consent to the participation by the Division of Investment Management in the preparation of the Commission's decision and/or order, unless the Division of Investment Management opposes the matters proposed herein. ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS. a. Exhibits. -------- A-1 Articles of Incorporation of CILCORP Inc. as amended effective November 15, 1999. (Incorporated by reference to Exhibit 3 to Annual Report of Form 10-K for the year ended December 31, 1999, File No. 1-8946). A-2 Bylaws of CILCORP Inc. as amended and restated effective October 18, 1999. (Incorporated by reference to Exhibit (3)a to Annual Report of Form 10-K for the year ended December 31, 1999, File No. 1-8946). A-3 Articles of Incorporation of Central Illinois Light Company, as amended April 28, 1998. (Incorporated by reference to Exhibit (3) to Annual Report of Form 10-K for the year ended December 31, 1998, File No. 1-8946). A-4 Bylaws of Central Illinois Light Company, as amended effective April 1, 1999. (Incorporated by reference to Exhibit (3)a to Annual Report of Form 10-K for the year ended December 31, 1999, File No. 1-8946). A-5 Articles of Incorporation of Central Illinois Generation, Inc. A-6 Bylaws of Central Illinois Generation, Inc. ---------- (44) By order made effective June 23, 2002, the Missouri Public Service Commission ruled that it does not have jurisdiction over the Transaction. In the Matter of the Proposed Acquisition of Cilcorp, Inc. by Ameren Corporation, Case No. EO-2002-1082 48 A-7 Indenture, dated as of October 18, 1999, between Midwest Energy, Inc. and The Bank of New York, as Trustee, and First Supplemental Indenture, dated as of October 18, 1999, between CILCORP Inc. and The Bank of New York. (Incorporated by reference to exhibits 4.1 and 4.2 of Registration Statement on Form S-4 filed by CILCORP on November 5, 1999 in File No. 333-90373). B-1 Stock Purchase Agreement, dated as of April 28, 2002, by and between The AES Corporation and Ameren

Corporation. B-2 Fuel Services Agreement between Ameren Fuels and CILCO and CIGI. C Registration Statement on Form S-4 with respect to CILCORP Senior Notes, filed by CILCORP on November 5, 1999. (Incorporated by reference to File No. 333-90373). D-1 Application to the Illinois Commerce Commission for Approval of Transaction. (Form SE - Continuing hardship exemption). D-2 Order of the Illinois Commerce Commission Approving Transaction. (To be filed by amendment). D-3 Joint Application to the Federal Energy Regulatory Commission for Approval of Transaction. (Form SE - Continuing hardship exemption). D-4 Order of the Federal Energy Regulatory Commission. (To be filed by amendment). D-5 Application to Illinois Commerce Commission for Authorization to Participate in Utility Money Pool. (To be filed by amendment). D-6 Order of the Illinois Commerce Commission Approving Participation in Utility Money Pool. (To be filed by amendment). E-1 Organizational Chart of Ameren and its Subsidiaries. (Form SE - Required paper format filing). E-2 Organizational Chart of CILCORP and its Subsidiaries. (Form SE - Required paper format filing). E-3 Electric Service Territory Map. (Form SE - Required paper format filing). E-4 Gas Service Territory Map. (Form SE - Required paper format filing). 49 E-5 Electric Transmission Facilities Maps. (Included in Exhibit D-3 hereto as Exhibit K). F Opinion of counsel to Ameren Corporation. (To be filed by amendment). G Proposed form of Federal Register notice. H Severance Study: Loss of Economies from Divestiture of Combined Ameren/CILCORP Gas Utility Business into a Stand-Alone Company. (To be filed by amendment). I Description of and Legal Basis for Retention of Non-Utility Subsidiaries and Investments of CILCORP. J Fairness Opinion of Goldman, Sachs & Co. b. Financial Statements. ---------- FS-1 Consolidated Balance Sheet and Statement of Income of Ameren Corporation as of and for the year ended December 31, 2001. (Incorporated by reference to the Annual Report on Form 10-K of Ameren Corporation for the year ended December 31, 2001, in File No. 1-14756). FS-2 Consolidated Balance Sheet and Statement of Income of Ameren Corporation as of and for the three months ended March 31, 2002. (Incorporated by reference to the Quarterly Report on Form 10-Q of Ameren Corporation for the period ended March 31, 2002, in File No. 1-14756). FS-3 Consolidated Balance Sheet and Statement of Income of CILCORP Inc. as of and for the year ended December 31, 2001. (Incorporated by reference to the Annual Report on Form 10-K of CILCORP Inc. for the year ended December 31, 2001, in File No. 1-8946). FS-4 Consolidated Balance Sheet and Statement of Income of CILCORP Inc. as of and for the three months ended March 31, 2002. (Incorporated by reference to the Quarterly Report on Form 10-Q of CILCORP Inc. for the period ended March 31, 2002, in File No. 1-8946). FS-5 Consolidated Balance Sheet and Statement of Income of Central Illinois Light Company as of and for the year ended December 31, 2001. (Incorporated by reference to the Annual Report on Form 10-K of Central Illinois Light Company for the year ended December 31, 2001, in File No. 1-2732). 50 FS-6 Consolidated Balance Sheet and Statement of Income of Central Illinois Light Company as of and for the three months ended March 31, 2002. (Incorporated by reference to the Quarterly Report on Form 10-Q of Central Illinois Light Company for the period ended March 31, 2002, in File No. 1-2732). FS-7 Balance Sheet of Central Illinois Generation, Inc. (To be filed by amendment). FS-8 Unaudited Pro Forma Combined Condensed Balance Sheet of Ameren Corporation as of December 31, 2001. (To be filed by amendment). FS-9 Unaudited Pro Forma Combined Condensed Statement of Income for Ameren Corporation for the year ended December 31, 2001. (To be filed by amendment). ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS. ---------- The Transaction does not involve a "major federal action" nor will it "significantly affect the quality of the human environment" as those terms are used in section 102(2)(C) of the National Environmental Policy Act. The Transaction will not result in changes in the operation of the applicant or its subsidiaries that will have an impact on the environment. The applicant is not aware of any federal agency that has prepared or is preparing an environmental impact statement with respect to the Transaction. 51 SIGNATURES Pursuant to the requirements of the Public Utility Holding Company Act of 1935, as amended, the undersigned companies have duly caused this Application/Declaration to be signed on their behalf by the undersigned thereunto duly authorized. AMEREN CORPORATION AMEREN ENERGY FUELS AND SERVICES COMPANY By: /s/ Steven R. Sullivan Name: Steven R. Sullivan Title: Vice President, General Counsel, and Secretary CILCORP INC. CENTRAL ILLINOIS GENERATION, INC. By: /s/ Leonard M. Lee Name: Leonard M. Lee Title: President CENTRAL ILLINOIS LIGHT COMPANY By: /s/ Leonard M. Lee Name: Leonard M. Lee Title: Chairman of the Board and Chief Executive Officer Date: August 2, 2002 52