

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM U-1

AMENDMENT NO. 1

TO

APPLICATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

Chevron Corporation  
575 Market Street  
San Francisco, California 94105  
(Commission File No. 1-368-2)

Illinova Corporation  
500 South 27th Street  
Decatur, Illinois 62521-2200  
(Commission File No. 1-11327)

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(Name of companies filing this statement and address of principal executive offices)

None

(Name of top registered holding company parent of each applicant or declarant)

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TABLE OF CONTENTS

	Page
Introduction and Request for Commission Action.....	1
Item 1. Description of Proposed Transaction.....	1
A. The Participants.....	1
B. The Transaction.....	7
C. Reasons for the Transaction.....	9
Item 2. Fees, Commissions, and Expenses.....	10
Item 3. Applicable Statutory Provisions.....	10
A. The Section 2(a)(7) Exclusion.....	11
B. The Section 3(a)(3) Exemption.....	23
C. The Transaction Is Not Subject to Section 9(a)(2) of the Act....	38
D. The Transaction Satisfies The Requirements of Section 10.....	40
Item 4. Regulatory Approval.....	41
Item 5. Procedure.....	42
Item 6. Exhibits and Financial Statements.....	42
Item 7. Information as to Environmental Effects.....	47
SIGNATURE.....	48
APPENDIX I: The Effect of State and Federal Regulation Upon Illinova..	49

The Application previously filed in this proceeding is hereby amended and restated in its entirety to read as follows:

#### INTRODUCTION AND REQUEST FOR COMMISSION ACTION

Chevron Corporation ("Chevron Corp."), its wholly-owned subsidiary, Chevron U.S.A. Inc. ("Chevron USA"),/1/ and Illinova Corporation ("Illinova" and collectively with Chevron Corp. and Chevron USA, the "Applicants") hereby file an application for an order from the United States Securities and Exchange Commission (the "Commission") finding that, upon the consummation of the merger transactions described in Item 1.B below (the "Transaction"), neither Chevron Corp. nor Chevron USA will constitute a holding company within the meaning of Section 2(a)(7) of the Public Utility Holding Company Act of 1935 (the "Act") or, in the alternative, that Chevron Corp. and Chevron USA shall be exempt from all provisions of the Act other than Section 9(a)(2), pursuant to Section 3(a)(3) of the Act.

Additionally, Applicants show herein that no approval is required under Section 9(a)(2) of the Act. In the alternative, Applicants request that the Commission find that the Transaction is consistent with Section 10 of the Act and approve it pursuant to Section 9(a)(2).

#### ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

##### A. THE PARTICIPANTS.

The Transaction involves merging a company with energy-related operations, exempt operations, and no public-utility company operations (Dynergy Inc.) with an exempt public-utility holding company (Illinova) which has limited exempt and energy-related operations. Chevron's role has been to accommodate the Transaction, which was initiated by Dynergy Inc. and Illinova.

##### 1. CHEVRON CORPORATION.

Chevron Corp., a Delaware corporation, manages its investments in, and provides administrative, financial, and management support to, domestic and foreign subsidiaries and affiliates that engage in fully-integrated petroleum and chemical operations in the United States and approximately 90 other countries./2/ Chevron Corp.'s stock is listed on the New York, Chicago, and Pacific Exchanges, and it is a reporting company under the Securities Exchange Act of 1934, as amended.

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/1/ Except where the context otherwise requires, Chevron Corp. and Chevron USA are collectively referred to herein as "Chevron."

/2/ Chevron Corp.'s petroleum operations consist of exploring for, developing, and producing crude oil and natural gas; refining crude oil into finished petroleum products; marketing crude oil, natural gas, and the many products derived from petroleum; and transporting crude oil, natural gas, and petroleum products by pipelines, marine vessels, motor equipment, and railcar. The chemical operations of Chevron Corp. include the manufacture and marketing of a wide range of chemicals for industrial uses. Chevron Corp. is currently in the process of selling its remaining interests in coal mining operations.

Chevron Corp. had annual revenues in 1998 of over \$30 billion, with average annual revenues over the last three years (1996-1998) of \$38.8 billion. These revenues yielded \$1.34 billion net income in 1998, with a three-year average net income of \$2.4 billion.

Chevron Corp.'s largest business segments are its exploration and production operations and its refining, marketing, and transportation operations. The petroleum activities of the company are widely dispersed geographically, with upstream and downstream operations in the United States and Canada, and upstream operations in Nigeria, Angola, Australia, the United Kingdom, Kazakhstan, Thailand, Indonesia, Norway, Republic of Congo, China, and Venezuela. The company's chemical operations are concentrated in the United States, but also include manufacturing facilities in France, Japan, Brazil, Singapore, and Mexico. Additionally, chemical manufacturing facilities are under construction in China and Saudi Arabia.

Neither Chevron Corp. nor Chevron USA currently has any public-utility company subsidiaries, neither is an affiliate of a public-utility company, and no part of either company's income is derived from the operations of a public-utility company as defined by the Act.

Chevron Corp. owns 100% of Chevron USA, a Pennsylvania corporation, which owns approximately 29% of the outstanding common and preferred stock of Dynegy Inc. ("Dynegy"), a leading provider of energy products and services in North America and the United Kingdom. The vast majority of Chevron Corp.'s natural gas production, as well as the natural gas liquids extracted from the gas, are committed to Dynegy under various commercial agreements. In 1998, 73% of Chevron Corp.'s worldwide sales of natural gas were made to Dynegy.

Additional information regarding Chevron Corp. and its subsidiaries is set forth in the following documents, each of which is incorporated herein by reference:

- (i) Annual Report on Form 10-K of Chevron Corporation (Commission File No. 1-368-2) for the fiscal year ended December 31, 1998, filed on March 31, 1999; and
- (ii) Amendment No. 1 to Quarterly Report on Form 10-Q of Chevron Corporation (Commission File No. 1-368-2) for the quarterly period ended June 30, 1999, filed on August 5, 1999.

## 2. DYNEGY INC.

Dynegy, as a leading provider of energy products and services in North America and the United Kingdom, is actively engaged in the marketing and trading of natural gas, natural gas liquids, electricity, and coal. It also owns power generation subsidiaries that develop, own, and operate projects that are exempt from the Act, including Exempt Wholesale Generators ("EWGs") and companies with interests in qualifying facilities under the Public Utility Regulatory Policies Act of 1978.

Dynegy is a Delaware corporation maintaining its principal place of business in Texas. The company's stock is listed on the New York Stock Exchange. In addition to Chevron

USA, Dynegy has two industrial shareholders: NOVA Gas Services (U.S.) Inc., a Delaware corporation ("NOVA"), and BG Holdings, Inc., a Delaware corporation ("BG"), each of which owns approximately 25% of the outstanding voting stock of Dynegy.<sup>/3/</sup> Of the remaining outstanding voting stock of Dynegy, 11% is owned by management and the balance is publicly owned.

On August 31, 1996, Chevron USA formed a strategic combination with NGC Corporation ("NGC"), Dynegy's predecessor, whereby substantially all of Chevron USA's mid-stream natural gas marketing and natural gas processing and natural gas liquids marketing operations were transferred to NGC's operations in exchange for stock constituting the shares of Dynegy which Chevron now holds (the "Chevron Combination"). Effective July 1, 1997, NGC acquired Destec Energy, Inc., an independent power producer. During 1998, NGC changed its name to Dynegy Inc. Pursuant to agreements entered into as part of the Chevron Combination, Dynegy has the obligation to purchase and the right to market substantially all of the natural gas and gas liquids produced by Chevron USA, except those produced in Alaska. In addition, pursuant to other agreements, Dynegy supplies natural gas and natural gas liquids feedstocks to Chevron's United States refineries and chemical plants.<sup>/4/</sup>

Dynegy is presently pursuing an integrated wholesale energy business strategy based on the convergence of energy markets. This strategy exploits the marketing, trading, and hedging opportunities existing in the natural gas and power markets, which can be most effectively realized by the control and optimization of related physical assets. Dynegy treats its gas and power marketing and power generation businesses as an integrated unit. Dynegy considers that: (i) ownership or control of merchant generation, or "Btu Conversion" capacity, when coupled with Dynegy's national wholesale gas and power marketing operations, creates a wide range of value-creation opportunities; (ii) Dynegy's wholesale trading and marketing franchise adds value to its generation assets by providing national market access, market infrastructure and intelligence, risk management and arbitrage opportunities, fuel management and procurement expertise and transmission expertise for inputs (gas) and outputs (power); (iii) generation capacity adds value to Dynegy's wholesale trading and marketing franchise by providing a source of reliable power, an enhanced ability to structure innovative new products and services for customers, and a market for natural gas; and (iv) by aligning its operations with the

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<sup>/3/</sup> NOVA is an indirect, wholly-owned subsidiary of NOVA Chemicals Corporation, a Canadian corporation. BG is an indirect, wholly-owned subsidiary of BG plc, a British corporation.

<sup>/4/</sup> Chevron Corp. also enjoys certain business opportunities and benefits under an Operating Agreement (the "Caltex Operating Agreement") with Texaco Inc. ("Texaco"), concerning Caltex Petroleum Corporation, a Delaware corporation ("Caltex"), that is a joint venture of Chevron Corp. and Texaco. Dynegy has entered into a Scope of Business Agreement with Chevron Corp. relating to the Caltex Operating Agreement, pursuant to which Dynegy and Chevron Corp. facilitate discussion of Caltex-related commercial opportunities suitable for exploitation in whole or in part by Dynegy. The Certificate of Incorporation of Dynegy contains (and the Articles of Incorporation of New Dynegy will contain) provisions precluding Dynegy from effecting a sale of petroleum products (other than natural gas) intended for consumption or resale in certain parts of Africa, most of Asia, Australia and other areas of the Pacific west of the International Date Line, except pursuant to the process established by the Scope of Business Agreement or as Chevron may otherwise approve in a shareholder vote. See Midstream Combination Corp. Registration Statement on Form S-4 under the Securities Act of 1933, filed with the Commission on August 1, 1996, Registration No. 333-09419, at 25, 53.

power generation base and experience of Illinova, Dynegy expects to enhance the value of its power generation and power marketing capabilities.

Additional information regarding Dynegy and its subsidiaries is set forth in the following documents, to which reference is made:

- (i) Annual Report on Form 10-K of Dynegy Inc. (Commission File Number 1-11156) for the fiscal year ended December 31, 1998, filed on March 30, 1999;
- (ii) Quarterly Report on Form 10-Q of Dynegy Inc. (Commission File Number 1-11156) for the quarterly period ended June 30, 1999, filed on August 16, 1999;
- (iii) Current Report on Form 8-K of Dynegy Inc. (Commission File Number 1-11156), filed on June 14, 1999; and
- (iv) Amendment No. 1 to Registration Statement under the Securities Act of 1933 on Form S-4 of Energy Convergence Holding Company (Registration No. 333-84965), filed with the Commission on September 7, 1999 (the "New Dynegy Registration Statement").

### 3. ILLINOVA CORPORATION.

Illinova Corporation ("Illinova") is a public-utility holding company exempt from registration under Section 3(a)(1) of the Act. It is incorporated and maintains its principal place of business in the State of Illinois, and its common stock is listed on the New York and Chicago Stock Exchanges. Illinova owns six principal operating subsidiaries: Illinois Power Company, a combination electric and gas public-utility company ("Illinois Power"), Illinova Generating Company ("Illinova Generating"), Illinova Energy Partners, Inc. ("Illinova Energy"), Illinova Insurance Company ("Illinova Insurance"), Illinova Power Marketing, Inc. ("Illinova Marketing"), and Illinova Business Enterprises ("Illinova Business").

Illinova's revenues for 1998 were \$2.43 billion, producing a net loss of \$1.38 billion. Recently, the public-utility income of Illinova derived from Illinois Power has been negative and is the primary source of Illinova's consolidated net loss. In 1998, approximately 73% of Illinova's operating revenues were derived from Illinois Power's sale, transmission and distribution of electricity, and 12% of Illinova's operating revenues were derived from Illinois Power's sale and transportation of natural gas. Approximately 15% of Illinova's operating revenues came from its other, diversified enterprises in 1998.

Illinois Power is Illinova's principal public-utility company subsidiary and is engaged in the generation, transmission, and distribution of electric energy and the sale of electric

energy at wholesale and retail./5/ Illinois Power also owns facilities for the distribution of natural gas and is engaged in the sale of natural gas at retail. Illinois Power provides traditional utility service subject to state regulation to approximately 570,000 retail electric and 400,000 retail gas distribution customers located throughout central Illinois, and also transmits and sells power at wholesale subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). Illinova's electric utility and gas utility systems operate on an integrated basis. All of the company's utility assets are located in the State of Illinois. Illinois Power is regulated by the Illinois Commerce Commission ("ICC") and the FERC.

Currently, Illinois Power owns a total of approximately 3,812 MW of fossil-fired generating capacity. In addition, Illinois Power currently owns a 930 MW nuclear generating facility located near Clinton, Illinois./6/ Illinova has entered into a definitive agreement to sell that facility to Ameren Energy Company, L.L.C., subject to regulatory approvals, including approval by the Nuclear Regulatory Commission. On September 10, 1999, the FERC approved the transfer of Illinois Power's fossil-fired generating capacity to Illinova Marketing, a wholly-owned subsidiary of Illinova./7/ The ICC had previously approved the transaction on July 8, 1999./8/ Within one year of the closing of the Transaction, Illinova Marketing will obtain status as an EWG.

Illinova Generating is Illinova's wholly-owned independent power subsidiary. In addition to its minority interest in EEInc, Illinova Generating currently owns interests in EWGs and in qualifying facilities located throughout North America, as well as interests in several generation facilities located outside of North America. The North American facilities total 821 MW with an 830 MW plant under construction.

Illinova Energy is Illinova's wholly-owned subsidiary that engages in the brokering and marketing of electric power and gas, and the development and sale of energy-related services to the competitive unregulated energy market throughout the United States and Canada. Illinova Energy owns interests in several gas marketing companies.

/5/ Illinova's other "public-utility company" subsidiary is Electric Energy Incorporated ("EEInc"), which maintains its principal place of business in Joppa, Illinois. Illinova Generating owns 20% of the stock of EEInc. The revenues and net income of EEInc are not material to Illinova's total public-utility revenues and income. EEInc was incorporated in 1950 for the purpose of generating electricity for sale to the United States government nuclear processing plant near Paducah, Kentucky. Approximately 70% of the revenues associated with the Joppa plant are derived from sales to the United States Department of Energy under a contract that extends until 2005. Sponsoring utilities, including Illinois Power, purchase power in excess of the federal government's requirements. The Commission has for many years recognized this project as sui generis and that EEInc "does not itself sell electricity to private consumers of the type the Act is designed to protect and does not have any securities in the hands of public investors." Union Electric Co., Holding Co. Act Release No. 14615, 40 SEC 1072 (Apr. 2, 1962). See also Illinova Generating Co., SEC No-Action Letter, 1996 WL 679234 (Oct. 22, 1996).

/6/ See Exhibit 10.1 to Quarterly Report on Form 10-Q of Illinova Corporation and Illinois Power Company for the quarterly period ended June 30, 1999.

/7/ Illinois Power Co., FERC Docket No. EC99-90-000 (Sept. 10, 1999).

/8/ ICC Docket No. 99-0209 (July 8, 1999).



Illinova Insurance is an insurance company licensed by the State of Vermont. The primary business of Illinova Insurance is to insure the risks of the subsidiaries of Illinova and the risks related to or associated with their business enterprises.

Illinova Business is a wholly-owned subsidiary of Illinova. The primary business of Illinova Business is to account for miscellaneous business activities not regulated by the ICC or FERC and not falling within the business scope of other Illinova subsidiaries.

As discussed in Appendix I to this Application, recent federal and state regulatory initiatives have the following implications for Illinois Power and Illinova:

- . Illinois Power is required to maintain transmission interconnections with numerous major regional electric utilities and power supply regions and provide open access transmission service.
- . Illinois Power is ceding operational control of its transmission system to a regional Independent System Operator.
- . Illinois Power is required to implement open access transmission on its distribution system to facilitate energy competition for retail electric customers and to provide nondiscriminatory delivery service to its retail customers.
- . Illinois Power is required to implement retail rate reductions and to maintain a retail rate freeze.
- . Illinois Power is expected to recover regulatory transition charges (estimated at \$55 to \$135 million per year), purchased power costs (estimated to be approximately \$600 million per year), and the revenue requirement associated with transmission and distribution through its frozen retail rates.

Illinois Power estimates that the regulatory changes initiated by the FERC and the State of Illinois and Illinois Power's resulting restructuring will reduce its gross utility plant account from the 1998 level of \$6.168 billion/<sup>9/</sup> to \$3.091 billion in 2000/<sup>10/</sup> and its electric revenues from the 1998 level of \$1.781 billion/<sup>11/</sup> to \$1.168 billion in 2000.<sup>12/</sup> Over half of the year 2000 revenues will constitute recovery of regulatory transition costs and purchased power costs. As a result of state and federal restructuring of energy markets, the ability of Illinova to compete effectively has

<sup>9/</sup> See Consolidated Balance Sheets, Annual Report on Form 10-K of Illinova and Illinois Power for the fiscal year ended December 31, 1998.

<sup>10/</sup> See Projected pro forma Balance Sheet of Illinois Power, 2000-2003 reflecting sale of Clinton Nuclear Plant, attached hereto as Exhibit L.1.

<sup>11/</sup> See Market shares for Electric Companies in Illinois and Bordering States, at 2, attached hereto as Exhibit N.6.

<sup>12/</sup> See Projected pro forma Income Statement of Illinois Power, 2000-2003 reflecting sale of Clinton Nuclear Plant, attached hereto as Exhibit L.2.

become essential to its success as a business enterprise and to its ability to attract capital at a reasonable cost.

Additional information regarding Illinova and its subsidiaries, including Illinois Power, is set forth in the following documents, each of which is incorporated herein by reference:

- (i) Annual Report on Form 10-K of Illinova Corporation (Commission File Number 1-11327) and Illinois Power Company (Commission File Number 1-3004) for the fiscal year ended December 31, 1998, filed on March 29, 1999;
- (ii) Quarterly Report on Form 10-Q of Illinova Corporation (Commission File Number 1-11327) and Illinois Power Company (Commission File Number 1-3004) for the quarterly period ended June 30, 1999, filed on August 16, 1999;
- (iii) Current Report on Form 8-K of Illinova Corporation (Commission File Number 1-11327) and Illinois Power Company (Commission File Number 1-3004), filed on June 18, 1999; and
- (iv) New Dynegey Registration Statement.

B. THE TRANSACTION.

The Transaction involves a combination of Dynegey and Illinova through a series of mergers, resulting in the formation of a new public-utility holding company ("New Dynegey") incorporated in the State of Illinois.<sup>/13/</sup> Chevron and Illinova understand that New Dynegey will separately file, under Rule 2 of the Commission's regulations, notification of its status as a holding company exempt under Section 3(a)(1) of the Act on the same grounds as presently claimed by Illinova. New Dynegey will initially have two wholly-owned subsidiaries, an Illinois corporation<sup>/14/</sup> and a Delaware corporation,<sup>/15/</sup> that will serve as acquisition companies. Illinova will be merged with the Illinois acquisition company with Illinova surviving the merger, and Dynegey will be merged with the Delaware acquisition company with Dynegey surviving the merger. As a result, upon completion of the Transaction, Illinova and Dynegey will be wholly-owned subsidiaries of New Dynegey. The parties intend to simplify the New Dynegey holding company structure after the Transaction by eliminating one tier and qualifying Illinova Marketing as an EWG.

<sup>/13/</sup> New Dynegey is incorporated in Illinois as Energy Convergence Holding Company.

<sup>/14/</sup> Energy Convergence Acquisition Corporation.

<sup>/15/</sup> Dynegey Acquisition Corporation.

In the Transaction, each shareholder of Dynegy will elect to receive either cash or shares in New Dynegy./16/ However, only approximately 40% of the shares of Dynegy Common Stock will be exchangeable for cash, and the remaining shares of Dynegy will be exchangeable for shares of New Dynegy Class A Common Stock, Class B Common Stock, or Series A Preferred Stock./17/ Each share of Illinova common stock will be exchangeable for one share of New Dynegy Class A Common Stock. As a result, slightly more than one-half of New Dynegy's voting stock will be held by former Dynegy shareholders.

Although BG and NOVA have elected to receive all cash, the 40% limit on the cash portion of the merger consideration results in their receiving at least some portion of their consideration in the form of Series A Preferred Stock. The amount of stock that BG and NOVA will receive is dependent upon the number of shares held by the public shareholders that are tendered for cash. To facilitate the Transaction and assist NOVA and BG in liquidating their investment in Dynegy, Chevron USA has agreed to purchase from New Dynegy additional shares of New Dynegy's Class B Common Stock for an aggregate purchase price of between \$200 and \$240 million. To the extent that BG and NOVA would otherwise receive less than 75% cash in exchange for shares of Dynegy Common Stock, Chevron USA has agreed to increase its investment, up to a maximum of \$240 million. As a result of these repurchase transactions, Chevron USA's ownership interest in New Dynegy upon completion of the Transaction will be approximately 28%.

Pursuant to an amendment to New Dynegy's Articles of Incorporation (which has been filed with the State of Illinois) and a related shareholder agreement among Dynegy, New Dynegy, Illinova, and Chevron USA dated June 14, 1999 (the "Shareholder Agreement"), so long as Chevron USA owns at least 15% of New Dynegy Common Stock, Chevron USA shall be entitled to vote for the election of three of the fourteen members of the New Dynegy Board of Directors as Chevron USA's representatives (the "Chevron Directors"). Because the holders of Class A Common Stock vote as a separate class for the other eleven directors, Chevron USA has no voice in the selection of such directors and will have no representative on New Dynegy's Nominating Committee, which will propose such directors for election by the holders of Class A Stock. When Chevron USA ceases to own at least 15% of New Dynegy Common Stock, its New Dynegy Class B Common Stock will automatically convert to New Dynegy Class A Common Stock and Chevron USA will no longer have an exclusive right to elect three members of New Dynegy's Board of Directors./18/

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/16/ Chevron has agreed to receive all stock in the Transaction. BG and NOVA have, directly or indirectly, elected to receive all cash.

/17/ The New Dynegy Class A Common Stock will be issued to the management and the public shareholders of Dynegy. The New Dynegy Class B Common Stock will be issued to Chevron USA. NOVA and BG will receive New Dynegy Class A Preferred Stock in the Transaction.

/18/ The Articles of Incorporation of New Dynegy contain provisions for cumulative voting by holders of the Class A Common Stock, generally, and therefore Chevron USA might, even with less than 15% of New Dynegy Common Stock, elect one or more members of New Dynegy's Board of Directors, but will have no right to have its designees put forward as nominees. This distinguishes the instant case from circumstances in which acquiring persons have installed or employed cumulative voting to acquire board representation.

Under New Dynegey's Articles of Incorporation, Chevron USA shall not be entitled to any more than three representatives on New Dynegey's Board as long as it does not own more than 40% of the outstanding shares of New Dynegey. The Shareholder Agreement provides that Chevron USA may not seek to acquire more than 40% of the outstanding Common Stock of New Dynegey within one year after the closing of the Transaction unless a third party seeks to acquire more than 15% of such Common Stock. Thereafter, Chevron USA may only acquire more than 40% of New Dynegey's Common Stock if it offers to acquire all of the outstanding voting securities of New Dynegey. Any such offer by Chevron USA is subject to a detailed process which gives the New Dynegey Board the ability to solicit competing offers and obligates Chevron USA to sell its stake in the event it is not the winning bidder. In consideration of the consequences to New Dynegey of a sale by Chevron USA of its significant equity position, the Shareholder Agreement also imposes restrictions on sales by Chevron USA of its shares in New Dynegey.

To protect its strategic investment in New Dynegey, Chevron has negotiated for certain provisions in the Articles of Incorporation of New Dynegey. The Articles of Incorporation of New Dynegey carry forward and contain provisions in Illinois's current articles of incorporation whereby, consistent with Illinois corporate law and practice, a two-thirds vote will be required to approve certain major transactions, including mergers, consolidations, sales of assets, and liquidation.<sup>/19/</sup> In addition, if all Chevron Directors present at a meeting vote to do so, they will have the authority under New Dynegey's Bylaws to "block" New Dynegey from entering into certain transactions, so long as Chevron USA owns New Dynegey Class B Common Stock, including (i) a sale of all or substantially all of the liquids business or the gas marketing business of New Dynegey so long as Chevron USA's long-term sale contracts with New Dynegey remain in effect, and (ii) mergers, acquisitions, and other business combinations, sales of businesses or assets, and major transactions, including joint ventures, in which such transactions are valued over \$1 billion or one-quarter of New Dynegey's market capitalization, whichever is greater.

While these are customary minority-protection rights, Chevron's exercise of these rights is limited by other provisions. Under the Shareholder Agreement, if Chevron USA exercises such rights twice within a 24-month period or three times during any time period, either at the Board of Directors level or on the shareholder level (other than to block changes to the constituent instruments of New Dynegey which would materially affect such rights), New Dynegey will have certain rights to purchase Chevron USA's shares or require Chevron USA either to sell its shares of New Dynegey to a third party or to give up any future blocking rights.

#### C. REASONS FOR THE TRANSACTION.<sup>/20/</sup>

Illinova seeks a business combination with Dynegey to position Illinova to compete in the increasingly competitive wholesale and retail energy markets that have developed as a result

<sup>/19/</sup> This will include, pursuant to Article 4 of the Articles of Incorporation of New Dynegey, the preservation of certain ongoing strategic relationships under the Caltex Operating Agreement, referenced in note 4, supra.

<sup>/20/</sup> Each of Dynegey and Illinova were advised by and received the written opinions of their respective financial advisors with respect to certain aspects of the Transaction. See New Dynegey Registration Statement at 47-68, and Appendices III, IV and V thereto.

of state and federal regulatory change. In these restructured markets, Illinova expects that customers, whether wholesale or retail, will purchase generated electricity separately from transportation (transmission and distribution) services. In the case of electricity, recently enacted Illinois legislation provides that customers will have a choice in selecting their electricity provider, regardless of the geographic proximity of the source of physical generation to the customer. It is likely that the retail natural gas service market will soon function in a similar manner.

Illinova believes Dynegy will complement the utility operations of Illinois Power and allow Illinova to combine its small energy trading operations with the larger trading and marketing operations of Dynegy. A broader slate of energy products and an effective marketing organization will permit Illinova to remain competitive both for customers and for capital needed for exempt operations and public-utility company operations. Maintaining a viable energy business affiliated with Illinova's public-utility company operations will help assure that consumers receive reliable service at competitive, market-driven prices. The Transaction will result in an infusion of equity capital from Chevron, a strategic investor that is not seeking to control public-utility company operations, and the formation by the merged firm of a robust, exempt energy generation and marketing business. This development, occurring in the wake of Illinova's quasi-reorganization, will enable Illinova to maintain competitive viability and the ability to attract capital at a reasonable cost. Illinova believes that as a result of the Transaction, the energy-related operations of Illinova will contribute significantly toward lowering the overall cost of the restructured utility service received by consumers in Illinois, and that Illinova will achieve improved earnings for investors./21/

Dynegy believes that the Transaction will advance its strategic plan through the addition of strategically located generation assets, which will enable Dynegy to enhance its position as one of the nation's leading energy merchants. Dynegy believes that a marketing enterprise such as Dynegy can achieve a greatly enhanced value through a combination with a traditional public-utility system that possesses a substantial installed base of generation and substantial management experience with the ownership and operation of power generation./22/

ITEM 2. FEES, COMMISSIONS, AND EXPENSES.

The fees, commissions, and expenses to be paid or incurred, directly or indirectly by all parties, in connection with the Transaction are estimated to total approximately \$46 million, including investment bankers' fees of approximately \$29 million.

ITEM 3. APPLICABLE STATUTORY PROVISIONS.

Chevron is entitled to exclusion from all of the provisions of the Act pursuant to Section 2(a)(7) thereof because Chevron will not, directly or indirectly, control New Dynegy or

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/21/ A discussion of Illinova's reasons for entering into the Transaction is set forth in the New Dynegy Registration Statement at pages 39-41.

/22/ A discussion of Dynegy's reasons for entering into the Transaction is set forth in the New Dynegy Registration Statement at pages 37-39.

its public-utility company subsidiary, Illinois Power, and the Transaction does not involve the creation of an impermissible "controlling influence" within the meaning of Section 2(a) (7).

Should the Commission conclude that Chevron will be a "holding company" within the meaning of the Act, Chevron is entitled to an exemption from all provisions, except Section 9(a) (2), pursuant to Section 3(a) (3). Section 3 of the Act provides that the Commission upon application shall by order exempt any person from the provisions of the Act if such person meets the requirements for any exemption contained in Sections 3(a) (1) through 3(a) (5) and if the exemption is not detrimental to the public interest or the interest of investors or consumers. Section 3(a) (3) of the Act is applicable to Chevron because, following the Transaction, Chevron would be "only incidentally" a holding company, as it will remain primarily engaged and interested in non-utility businesses, and will not derive a material part of its income from a public-utility company.

As discussed below, Section 9(a) (2) should not apply to the Transaction because EEInc should not be considered a separate public-utility company affiliate within the contemplation of the Act. However, to the extent that the Commission finds Section 9(a) (2) applicable, the Transaction fully satisfies the requirements for Commission approval under Section 10 of the Act.

A. THE SECTION 2(A) (7) EXCLUSION.

Chevron's interest in New Dynegy will not confer the type of voting control the Commission has equated to the ability to exercise a "controlling influence" over public-utility company operations so as to warrant regulation as a "holding company" under the Act. Section 2(a) (7) of the Act defines a "holding company" to be any company which directly or indirectly owns 10% or more of the outstanding voting securities of a public-utility company or a holding company, or any person determined by the Commission to exercise such "controlling influence" over the management or policies of a public-utility company or a holding company as to make it necessary in the public interest for such person to be subject to the Act./23/

/23/ Section 2(a) (7) defines "holding company" as:

(A) any company which directly or indirectly owns, controls, or holds with the power to vote, 10 per centum or more of the outstanding voting securities of a public-utility company or of a company which is a holding company by virtue of this clause or clause (B), unless the Commission, as hereinafter provided, by order declares such company not to be a holding company; and

(B) any person which the Commission determines, after notice and opportunity for hearing, directly or indirectly to exercise (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling influence over the management or policies of any public-utility or holding company as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that such person be subject to the obligations, duties, and liabilities imposed in this title upon holding companies.

Act (S) 2(a) (7).

Section 2(a)(7)(B) sets forth the circumstances under which the Commission shall declare a company not to be a holding company:

The Commission, upon application, shall by order declare that a company is not a holding company . . . if the Commission finds that the applicant (i) does not, either alone or pursuant to an arrangement or understanding with one or more other persons, directly or indirectly control a public-utility or holding company either through one or more intermediary persons or by any means or device whatsoever, (ii) is not an intermediary company through which such control is exercised, and (iii) does not, directly or indirectly, exercise (either alone or pursuant to an arrangement or understanding with one or more other persons) such a controlling influence over the management or policies of any public-utility or holding company as to make it necessary or appropriate in the public interest or for the protection of investors or consumers that the applicant be subject to [the Act]./24/

Notably, Section 2(a)(7) expressly contemplates the possibility of a Commission finding of "no controlling influence" without regard to the percentage of voting securities held in the public-utility or holding company./25/ Under Section 2(a)(7)(A), the 10% threshold of voting securities owned, controlled, or held with power to vote, serves only as a reference point for the Commission's analysis thereunder. The statutory language is clear that the 10% threshold is merely a benchmark, the only operative effect of which is to implicate the Commission's duty to engage in a further analysis of "control" and "controlling influence."/26/

Ultimately, the existence of a "controlling influence" is a "factual determination to be ascertained in the Commission's expert judgment by the weighing of circumstantial evidence and the drawing of reasonable inferences therefrom."/27/ When exercising this judgment, the Commission has pointed to a number of factors as potentially indicative that a particular entity exercises a controlling influence over another company. Key factors include: (i) the role of the

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/24/ Act (S) 2(a)(7)(B).

/25/ In other contexts of the federal securities laws, once the statutory ownership threshold is crossed, certain "control" concepts and consequences generally operate automatically and without implicating any further discretionary finding by the Commission. See, e.g., Securities Exchange Act of 1934 (S) (S) 13(d), 16(b); Investment Company Act of 1940 (S) (S) 2(a)(3), 12(d).

/26/ The ownership of less than 10% of the outstanding voting securities of a public-utility company or holding company creates a presumption that the owner is not a holding company. See, e.g., Western Resources, Inc., SEC No-Action Letter, 1997 WL 737772 at \*9-\*10 (Nov. 24, 1997). However, even if a company owns more than 10% of the voting securities of a public-utility company, the "controlling influence" presumption may be rebutted. See, e.g., Koppers Co., Holding Co. Act Release No. 3812, 12 SEC 184 (Sept. 28, 1942); Filtration Sciences Corp., Holding Co. Act Release No. 24933, 44 SEC Docket 340 (Aug. 3, 1989) (14.06% ownership of voting securities does not result in a controlling influence).

/27 / American Gas & Elec. Co. v. SEC, 134 F.2d 633, 642 (D.C. Cir. 1943), cert. denied, 63 S.Ct. 1318 (1943).

applicant in the organization of the allegedly controlled company;/28/ (ii) the presence of persons affiliated with the applicant among the board of directors and officers of the allegedly controlled company;/29/ and (iii) the existence of inter-company contracts between the applicant and the allegedly controlled company./30/ None of these factors, individually or in the aggregate, nor the 10% threshold, creates a bright line test for establishing a "controlling influence." In each case, the Commission is called upon to make an appropriate determination in light of all the facts and circumstances. The ultimate issue is whether the applicant exercises "such a controlling influence over the management or policies of any public-utility or holding company as to make it necessary or appropriate in the public interest or for the protection of investors or consumers" that the Act apply./31/ The statutory language is clear that it is this final determination, regarding the broadly-stated policy of public interest and the protection of investors and consumers, which should shape the inquiry--not numerical percentages of ownership.

1. FIRST FACTOR - CHEVRON'S ROLE AS AN ACCOMMODATING, NOT AN INITIATING, PARTY.

Chevron USA is a major producer of oil, natural gas, and natural gas liquids. Its parent, Chevron Corp., is one of the major, worldwide, integrated oil and gas companies. As such, neither company currently owns, or is an active acquirer of, domestic utility assets. It has been Chevron's strong preference that New Dynegey not be the owner of a public-utility company.

In that connection, it is highly relevant that Chevron did not initiate the Transaction and is not a party to the Merger Agreement./32/ Dynegey and Illinova have perceived synergies and benefits to both constituent parties to this combination. As stated in their joint press release, the combining companies perceive benefits for Illinova's regulated utility operations without any corresponding risk to the integrity and independent operating policies of those regulated utility assets, such as might require their disposition. Dynegey and Illinova have prevailed upon Chevron to support the Transaction out of considerations relating to the commercial integrity and long-term benefits of the Transaction to Illinova, Dynegey, and New Dynegey.

Moreover, as also disclosed in the joint press release, Chevron's willingness to invest up to \$240 million in New Dynegey equity, as well as its agreement to exchange all of its existing Dynegey shares for New Dynegey shares, is a prerequisite of Dynegey's ability to enter into the Transaction. This substantial Chevron investment in New Dynegey is required to permit NOVA and BG to exchange a significant portion of their shares for cash in the merger, thereby

/28/ See, e.g., *id.* at 636-37.

/29/ See, e.g., *Employee Welfare Assoc.*, 4 S.E.C. 792 (Apr. 14, 1939).

/30/ See, e.g., *Hartford Gas Co. v. SEC*, 129 F.2d 794, 797 (2d Cir. 1942).

/31/ Act (S) 2(a)(7)(B) (emphasis added).

/32/ For a discussion of the background relating to the Transaction, see the New Dynegey Registration Statement at 33-37.



broadening New Dynegey's shareholder base. In this respect also, it is significant that Chevron is not an initiating party, but an accommodating, strategic investor in New Dynegey./33/

Chevron does not own and has not set out to acquire an interest in a public-utility company or a holding company. It would therefore represent an anomalous reading of the Act if now, in evaluating the Transaction, Chevron were required to choose among (i) requiring premature divestiture by Illinova of its subsidiary's public-utility facilities, which are regulated by the ICC and FERC; (ii) registering under the Act; or (iii) blocking the Transaction so as to avoid registration. Here, the absence of any purpose by Chevron to achieve a "controlling" interest in a public-utility company or holding company, evident from the historical context of the Transaction, is a significant factor which should be given considerable weight in the Commission's analysis.

2. SECOND FACTOR - CHEVRON'S CONTINUING POSITION AS A STRATEGIC INVESTOR IN NEW DYNEGEY: CHEVRON IS A MINORITY EQUITY HOLDER WITHOUT POWER TO CONTROL, EXERCISE A "CONTROLLING INFLUENCE" OVER, OR OTHERWISE DIRECT THE DAY-TO-DAY OPERATIONS OF NEW DYNEGEY OR ILLINOIS POWER.

Chevron's long-term investment in Dynegey was made to allow Chevron to focus on its core exploration and production business while still participating (through its equity ownership in Dynegey) in the strategically related business of marketing natural gas and natural gas liquids, providing midstream services (gathering, treating, and processing natural gas), and providing gas for wholesale electric generation. Chevron has no strategic interest in owning Illinois Power and will not be in a position, by virtue of its ownership or otherwise, to exercise any control or "controlling influence" over the day-to-day business activities of Illinois Power or Illinova either directly or indirectly through New Dynegey, nor have any incentive to seek such control. This is evident from the following:

- . Chevron has no facilities within the Illinois Power territory that receive service from Illinois Power.
- . Chevron has committed to sell much of its natural gas and natural gas liquids to Dynegey with pricing provisions that are not tied to or in any way affected by any resale of these fuels to Illinois Power. Because of this existing commitment to Dynegey, which will be unchanged by the Transaction, Chevron cannot enter into agreements to supply these fuels to Illinois Power.
- . Most of Illinova's power generation derives from coal-fired generating stations with long-term coal supply contracts in place. Although Chevron currently owns a coal-producing company, it is in the process of selling that company to a third party.

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/33/ See, in this regard, the Subscription Agreement, dated as of June 14, 1999, between Chevron USA and New Dynegey (the "Subscription Agreement") and the Shareholder Agreement, which are the principal Transaction documents to which Chevron USA is a party and which substantiate the role of Chevron as an ancillary, accommodating participant in the Transaction.

- . The ICC has comprehensive jurisdiction over Illinois Power, including express statutory authority to regulate affiliate transactions.
- . FERC requires, as a condition of not setting for hearing an application for merger approval under Section 203 of the Federal Power Act, that applicants commit to standards of conduct that prohibit any abuse of affiliate transactions. Illinova and Dynegy have made the requisite commitments to FERC in their Section 203 filing concerning the Transaction./34/
- . The upstream natural gas market is highly competitive, as Congress acknowledged in deregulating wellhead natural gas production, and downstream energy markets are highly competitive under the regulatory schemes adopted by the State of Illinois and FERC which will eliminate any possibility that Chevron could (assuming contrary to fact any intent) affect the market to its advantage through its post-Transaction affiliation with Illinova and Illinois Power.

Accordingly, in the near-term and long-term deregulated power generation and energy supply environment, except insofar as it is a minority stockholder of New Dynegy, Chevron will not have any interest in or opportunity to influence the day-to-day operations of Illinois Power, such as in its arrangements for the purchase of fuel or sale of power.

The Commission and its Staff have demonstrated considerable flexibility in a wide range of situations in granting exclusions under Section 2(a)(7) of the Act. The Commission's order declaring Kaneb Pipeline Company ("Kaneb") not to be a holding company with respect to a gas utility company is instructive. There, the Commission found that, notwithstanding Kaneb's ownership of 19.48% of the utility's shares, with the power to call special meetings of shareholders and to elect special directors through cumulative voting, "the record shows an absence of the business, financial or personal relationships between the two managements that are often referred to as indicative of a controlling influence, other than stock ownership."/35/ The Commission determined that a substantial ownership position, of itself, did not confer "control" or create a "controlling influence." The present Application presents a stronger case for exemption because Kaneb actively sought control of the public-utility company and Chevron has not.

In a similar vein, the Staff advised Cabot Corporation that it would not recommend that the Commission consider Cabot a holding company under Section 2(a)(7), with respect to Cabot's ownership of shares of KN Energy, Inc. following the latter's proposed merger with American Oil and Gas Corporation, a company in which Cabot had an approximate 35% ownership interest./36/ Following the merger, Cabot would have owned over 15% of the voting stock (over 17% fully diluted) of KN Energy. Pursuant to the terms of the merger agreement, the

/34/ See Joint Application of Illinova and Dynegy for Approval of Merger and Request for Expedited Consideration, FERC Docket No. EC99-99-000 (July 23, 1999).

/35/ Kaneb Pipe Line Co., Holding Co. Act Release No. 16250, 43 SEC 976 (Dec. 24, 1968).

/36/ Cabot Corp., SEC No-Action Letter, 1994 WL 381827 (July 6, 1994).

KN Energy board was to be expanded from 10 to 14 directors, with four American Oil and Gas directors being added with a Cabot designee as advisory director. Although Cabot also had in place with American Oil and Gas substantial continuing creditor arrangements, and substantial environmental claim settlement arrangements, to which KN Energy would succeed, these circumstances were not deemed to constitute a controlling influence./37/

Unlike the circumstances presented in Kaneb, Chevron has not sought to obtain control of Dynegy and has no interest in controlling New Dynegy. In addition to the absence of the types of personal relationships between the management of the two companies such as were present in Cabot, the other circumstances here make a compelling case that Chevron cannot exert a "controlling influence" over New Dynegy, and thus support exclusion of Chevron under Section 2(a)(7) of the Act.

Further, Chevron will not control or have power to exert a "controlling influence" over the management of New Dynegy. Chevron will not be represented at all in New Dynegy's "management"--it will only be represented on the Board of Directors. Nor will Chevron have a "controlling influence" over the Board of New Dynegy. On a Board of Directors consisting of 14 members, Chevron, as the holder of Class B shares of Common Stock representing approximately 28% of the voting stock of New Dynegy, will have the right to elect only three directors. That Board representation would not increase proportionately should Chevron's equity position in New Dynegy increase./38/

/37/ Cabot also had agreed with American Oil and Gas and KN Energy on restrictions on voting Cabot's shares in excess of 9.99% of the voting shares of the merged company and on its dealings with the merged company. It should be noted that although Cabot elected to seek informal, no-action advice from the Staff, there would appear to have been good grounds for Cabot to have sought and received from the Commission a favorable exclusionary finding under Section 2(a)(7), even without such undertakings, in light of all the facts and circumstances of the transaction. Other than as expressly discussed in this Application, there are no such contract or other arrangements between Chevron and Dynegy or Illinois Power relating to the management or control of New Dynegy and its subsidiaries. As discussed in Item 3.A.3 below, such arrangements as do exist are customary minority-protection provisions of the type that have been found consistent with exclusions from holding company status.

/38/ Indeed, Chevron USA is obligated to limit its ownership of New Dynegy's voting securities to 40%, unless, following the first anniversary of the closing, Chevron USA submits a proposal to acquire all New Dynegy shares.

3. THIRD FACTOR - CHEVRON'S BLOCKING RIGHTS ARE ONLY CUSTOMARY MINORITY SHAREHOLDER-PROTECTION PROVISIONS AND DO NOT AMOUNT TO A "CONTROLLING INFLUENCE."

As a long-term, strategic investor in Dynegy, Chevron will have rights, as a shareholder of New Dynegy, which are considered customary minority-protection rights regarding transactions not in the ordinary course. The minority protection rights that Chevron will have are consistent with ones that the Staff on numerous occasions has deemed not to constitute "control" or a "controlling influence."/39/

Chevron's minority-protection rights will be relatively limited. The Articles of Incorporation of New Dynegy would require the affirmative vote of two-thirds of all shares of Common Stock of New Dynegy to approve mergers, consolidations, reorganizations, or sales of assets requiring shareholder approval under the Illinois Business Corporation Act ("IBCA") or the disposition of all or substantially all of New Dynegy's assets./40/ Illinova shareholders currently have this protection: further, this shareholder-protection provision is also statutorily imposed under Illinois law,/41/ even in the absence of a minority shareholder with a demonstrable need to protect a strategic investment. Thus, Chevron has no ability to compel a business combination transaction, sale, or liquidation./42/ These protections are further limited in that Chevron USA's shares of the Class B Common Stock automatically convert to shares of Class A Common Stock (i) in the case of transfers to parties other than Chevron USA's affiliates, or (ii) when Chevron USA and its affiliated transferees cease to hold at least 15% of the issued and outstanding Common Stock, at which time the terms of the three Chevron Directors come to an end.

/39/ See, e.g., Allied Chem. & Dye Corp., Holding Co. Act Release No. 1600, 5 SEC 151, 155 (June 22, 1939) (veto power over certain corporate actions does not necessarily give rise to a controlling influence); Torchmark Corp., SEC No-Action Letter, 1996 WL 303056 (Jan. 19, 1996) (Staff gave no action advice under Section 2(a)(7) where limited partner enjoyed significant approval rights that protected investment). See also Cinergy, Holding Co. Act Release No. 26562 (Aug. 28, 1998) (veto power over major corporate actions does not convert ownership interest into "voting securities" and does not give rise to affiliation under Section 2(a)(11)); Ameren Corp., Holding Co. Act Release No. 26809 (Dec. 30, 1997) (same); Commonwealth Atlantic Ltd. Partnership, SEC No-Action Letter, 1991 WL 243169 (Oct. 30, 1991); Dominion Resources, SEC No-Action Letter, 1988 WL 233963 (Jan. 21, 1988); Nevada Sun-Peak Ltd. Partnership, SEC No-Action Letter, 1991 WL 178782 (May 14, 1991); Colstrip Energy Ltd. Partnership, SEC No-Action Letter, 1988 WL 234462 (June 30, 1988).

/40/ An excerpt setting forth these provisions is attached hereto as Exhibit A-2 (see Article 4, Paragraph 2(C)(3)(c)(i), "Voting").

/41/ The IBCA requires that for a merger, consolidation, or sale of assets other than in the usual and regular course of business, there be an affirmative vote of at least two-thirds of the shares entitled to vote, not a simple majority, at a meeting to obtain such approval.

/42/ Under the Shareholder Agreement, Chevron USA has limited preemptive rights which survive only so long as Chevron USA and its affiliates own at least 15% of the total combined voting securities of New Dynegy. The anti-dilution protection accorded by preemptive rights, indicative of Chevron's strategic investor role, is necessary to enable Chevron USA to maintain the minimum ownership necessary to effectively preserve the above-cited minority-shareholder protections. See Shareholder Agreement, Articles VI, VII.

Taken as a whole, Chevron's limited board representation and limited blocking rights are conceptually distinct from an ongoing, unalterable right to board representation, a disproportionate board (or shareholder) position, or a board representation which creates a "deadlock" position on all issues coming before the board./43/

Likewise, the By-laws of New Dynegy contain only limited minority shareholder-protection provisions, which merely implement the provisions of the Articles of Incorporation described above./44/ These rights do not give Chevron USA the ability to direct the management of New Dynegy or to cause New Dynegy to take action, but merely to block actions by New Dynegy that would (or could) change fundamentally the company in which Chevron has a significant investment. As such, these rights do not represent the sort of "controlling influence" which is the concern of the Act.

Under the By-laws, the three Chevron Directors of New Dynegy, if they vote together, can only block the following actions:

(i) amendment of the By-laws or Articles of Incorporation provisions which, in each case, contain or implement the minority shareholder protections;

(ii) authorization of new shares of stock where the aggregate consideration to be received for such issuance exceeds the greater of \$1 billion or one-fourth of New Dynegy's market capitalization;

(iii) disposition of the New Dynegy natural gas liquids or gas marketing business other than by contribution to an entity in which New Dynegy retains a majority interest;

(iv) mergers, consolidations, joint ventures, liquidation, dissolution, acquisition of stock or assets, or issuance of common or preferred stock, which would result in payment or receipt of consideration (including occurrence or assumption of debt or other liability) having a fair market value exceeding the greater of \$1 billion or one-fourth of New Dynegy's market capitalization; or

(v) any other transaction or series of related transactions having a fair market value exceeding the greater of \$1 billion or one-fourth of New Dynegy's market capitalization./45/

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/43/ Compare Pacific Gas & Elec. Co., Holding Co. Act Release No. 2988, 1941 WL 3536 (Sept. 11, 1941), aff'd, 139 F.2d 289 (9th Cir. 1943) (controlling influence found to exist where 17.71% equity holder was entitled to ongoing board and executive committee representation and had power to elect one half of board of directors).

/44/ The By-laws of New Dynegy are attached hereto as Exhibit A-3.

/45/ Of course, insofar as items (ii) through (v) are concerned, the Chevron Directors, in exercising these provisions, would be constrained by their general fiduciary duties to shareholders. Indeed, Chevron's history of exercising similar protective provisions in Dynegy has not interfered with Dynegy's development and implementation of its own business plan.

Although the Chevron Directors will sit on most of the major board committees, this practice is, in fact, another customary investor protection to permit effective monitoring and board transparency. Indeed, good corporate practice encourages non-management directors to become active on board committees in the interest of fostering good governance and management accountability.<sup>/46/</sup> And in all events, the Chevron Directors will have fiduciary duties to the New Dynegy shareholders generally.

Significantly, the relatively limited provisions protecting Chevron's interests are tempered by obligations limiting Chevron's ability to sell or dispose of its shares of New Dynegy. In addition to a one-year "standstill" on certain acquisitions, proxy solicitations, and sales, Chevron USA is limited in the disposition of its shares of New Dynegy Common Stock to registered offerings and to private placements in which New Dynegy would have prior rights to purchase shares being offered privately.

Finally, Chevron's blocking rights are further limited in a manner that prevents their use to exercise a "controlling influence" over New Dynegy: If Chevron exercises such rights twice in a 24-month period or three times over any period of time, it is required to either to sell its shares or to relinquish any further blocking rights.

Although Chevron's role as an important strategic investor in New Dynegy involves certain blocking rights with respect to certain major events materially altering the existing business of New Dynegy, the Commission has recognized that similar blocking rights do not give rise to control or a "controlling influence."<sup>/47/</sup> Rather, such blocking provisions merely operate to permit Chevron to monitor and protect its continuing strategic investment in Dynegy.

4. REGULATION OF CHEVRON AS HOLDING COMPANY IS NOT NECESSARY FOR THE PROTECTION OF INVESTORS OR CONSUMERS.

Section 2(a)(7)(B) requires that before the Commission imposes holding company status, it must find the controlling influence is "such a controlling influence . . . as to make it necessary or appropriate in the public interest or for the protection of investors or consumers" to impose holding company status. Where such protection is not warranted, the Commission has not imposed holding company status. For example, in Wisconsin Valley Improvement, the Commission found that, although the applicant's management and policies were subject to a controlling influence, "the character of the applicant's business and the nature and extent of the statutory and state commission regulation to which it is subject are presently such as to prevent that controlling influence from being exercised in such a manner as to make it necessary in the public interest, for the protection of investors or consumers" that the applicant be found to be a

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<sup>/46/</sup> As noted above, however, the Chevron Directors will not sit on the Nominating Committee which proposes the other directors for election by the Class A Shareholders.

<sup>/47/</sup> The Commission has recognized that a "veto power" over certain corporate actions does not necessarily give the holder of the "blocking veto" an impermissible "controlling influence" over the public-utility company so as to disqualify such owner from receiving an order under Section 2(a)(7). See Allied Chem., 5 SEC at 155 and cases cited supra note 38.

holding company./48/

Here, even if Chevron, under certain circumstances, were deemed to have the ability to exert a "controlling influence" over New Dynegey, more than adequate protections exist to ensure that such influence cannot be exercised in a manner that would result in the evils that the Act was intended to remedy./49/ Following consummation of the Transaction, Illinois Power will remain subject to the pervasive jurisdiction of the ICC and FERC. Moreover, all of Illinois Power's regulated activities will take place in a single state. Exclusion of Chevron from the provisions of the Act would not result in a "regulatory gap" and would not be detrimental to the public interest./50/ Rather, the resulting holding company structure will serve such interest and the interest of investors and consumers by producing a number of economies and efficiencies, similar to those upon which the Commission has in the past looked favorably./51/

Furthermore, unlike those cases where the Commission has denied exemption or exclusion from the Act, Chevron's holdings in New Dynegey will not be a factor in Chevron's ability to finance the needs of its non-utility operations. Nor would Chevron's status under Section 2(a)(7) adversely affect the Commission's oversight of the Illinois Power utility company structure: following the Transaction, New Dynegey will remain subject to the constraints of Section 9(a)(2) of the Act. In short, imposing holding company status upon Chevron is neither necessary in the public interest nor required for the protection of investors or consumers.

5. The Commission has Broad Authority to Construe the Terms of the Statutes Which it Administers and has the Duty to Apply the Act in a Flexible Fashion in Light of Changes in the Utility Industry.

The Commission has repeatedly recognized that the Act contemplates flexible administration in light of the evolution of the utility industry because the Act "creates a system of pervasive and continuing economic regulation that must in some measure at least be refashioned

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/48/ Wisconsin Valley Improvement Co., Holding Co. Act Release No. 2359, 8 SEC 134, 138 (Oct. 28, 1940) (application under (S) 2(a)(8)) (emphasis added); see also American Gas & Elec., 134 F.2d at n.23. The Commission has stated that when the controlling influence is "sufficiently extensive to embrace the power to bring about the evils that the Act is designed to guard against," will it deny an application. Manchester Gas Co., Holding Co. Act Release No. 2002, 7 SEC 57 (Apr. 4, 1940) (application under (S) 2(a)(8)). The Commission has recognized that Section 2(a)(7) may be read in pari materia with Section 2(a)(8). American Gas & Elec. Co., Holding Co. Act Release No. 2749, 9 SEC 247 (May 12, 1941).

/49/ For a discussion of the public policy concerns that necessitated the Act as they relate to the Transaction, see Item 3.B.5 hereto.

/50/ Id. For a summary of the extensive regulation under Illinois law to which the public-utility operations of New Dynegey will be subject, see Appendix I hereto.

/51/ See, e.g., In re Illinova Corp., Holding Co. Act Release No. 26054 (May 18, 1994) (granting exemption requested in connection with a proposed merger based on an application that claimed that the new structure would create efficiencies and economies such as allowing the resulting companies to respond to competitive opportunities in the electric power industry and increasing the financial flexibility of the resulting companies).

from time to time to keep pace with changing economic and regulatory climates."/52/ Furthermore, the legislative history of the Act indicates that Section 2(a)(7)(B) was added to provide the flexibility that "is necessary in order that [the Act] can meet the varied and subtle forms which corporate interrelationships have in the past and will in the future take."/53/ The Commission and its Staff have demonstrated considerable flexibility in a wide range of situations in granting exclusions under Section 2(a)(7)./54/

Administrative agencies have the power and the duty to interpret provisions of the statutes they administer./55/ When an agency is acting pursuant to these powers, courts cannot substitute their judgment for that of the administrative agency./56/ Rather, courts "must respect the judgment of an agency empowered to apply the law to varying fact patterns,"/57/ and cannot

/52/ Union Elec. Co., Holding Co. Act Release No. 18368, 45 SEC 489, 503 n.52 (Apr. 10, 1974), aff'd without opinion sub nom. City of Cape Girardeau v. SEC, 521 F.2d 324 (D.C. Cir. 1975). This characterization of the Act has recently been cited with approval in Eastern Util. Assoc., Holding Co. Act Release No. 26232 (Feb. 15, 1995), and in Consolidated Natural Gas Co., Holding Co. Act Release No. 26512 n.29 (Apr. 20, 1996). More recently, in WPL Holdings, Inc., Holding Co. Act Release No. 26856 (Apr. 14, 1998), and Century Energies, Holding Co. Act Release No. 26748 (Aug. 1, 1997), the Commission has applied the Union Electric principle, noting that it must remain free to apply the Act in a flexible fashion, overcoming past hostility towards mergers that combine energy sources. The Commission's approach in these cases was specifically affirmed in Madison Gas & Elec. Co. v. SEC, 168 F.3d 1337 (D.C. Cir. 1999). See also Permian Basis Area Rate Cases, 390 U.S. 747, 784 (1968) (administrative agency may adapt its "rules and policies to the demands of changing circumstances"); NIPSCO Indus., Holding Co. Act Release No. 26975 at n.18 & n.30 (Feb. 10, 1999). Conectiv, Inc., Holding Co. Act Release No. 26832 (Feb. 25, 1998); Ameren Corp., Holding Co. Act Release No. 26809 (Dec. 30, 1997); Cinergy, Holding Co. Act Release No. 26934 (Nov. 2, 1998); Southern Co., Holding Co. Act Release No. 25639 (Sept. 23, 1992) (approving overseas investment as reasonably incidental to the operation of an integrated electric utility system).

/53/ H. Rep. No. 1318, 74th Cong. 1st Sess., at 9 (1935).

/54/ Of course, many of the cases in which the Commission or its Staff have been called upon to determine whether there was the exercise of such controlling influence so as to make necessary or appropriate the application of the Act have involved markedly different circumstances, such as a history of pervasive control, an active takeover attempt, or where partnerships or other vehicles were utilized incident to a business plan actively to seek to acquire interests in domestic utility assets.

/55/ California Co. v. Udall, 296 F.2d 384, 388 (D.C. Cir. 1961); see also, e.g., Hocht v. USDA, 82 F.3d 165, 168 (7th Cir. 1996); L'Enfant Plaza North, Inc. v. District of Columbia Redevelopment Land Agency, 300 F. Supp. 426, 428 (D.D.C. 1969) ("It needs no citation of authorities, in fact it would be an unnecessary exhibition of learning to cite authorities for the elementary proposition that an agency charged with carrying out a statute . . . has also the authority to construe the statute.").

/56/ When interpreting statutory provisions, administrators of the statutes often must choose between two conflicting reasonable interpretations. Holly Farms Corp. v. NLRB, 116 S.Ct. 1396, 1401 (1996). Because of their expertise and specialization in the particular regulatory area, administrative agencies are better suited to fill in the gaps and interpret ambiguous statutory terms. In light of this, courts give deference to the agency's interpretation. Chevron U.S.A. v. Natural Resources Defense Council, 467 U.S. 837 (1984).

/57/ Holly Farms, 116 S.Ct. at 1401. In discussing whether a lower court should have allowed an agency to use its own factors in assessing an exception to the statute, the Court, quoting language from Chevron, has stated, "the court should have asked whether the statute is silent or ambiguous with respect to the specific issue before it; if so, the question for the court [was] whether the agency's answer is based on a permissible construction of the statute.'" INS v. Aguirre-Aguirre, 119 S.Ct. 1439, 1445 (1999).



overturn an agency's interpretation if it is rational or reasonable./58/ Within the context of Section 2(a)(7) of the Act, the federal courts have recognized that the existence of a "controlling influence" is a highly factual determination that is best left to the Commission's expert judgment./59/

Agencies such as the Commission often find it necessary to redefine or expand upon the definitions of the operative terms of the statute./60/ An agency is accorded the same deference when it changes its interpretation through redefining or refining the terms of the statutes it administers. Courts recognize that, "an agency may change its interpretation of a statute entrusted to its administration, and that when the intent of Congress is unclear courts must uphold the agency's interpretation if it is based on a `reasonable accommodation of conflicting policies.'"/61/ An agency must have the latitude to adopt and refine standards that may evolve over time in response to the changing realities of the industries they regulate./62/ Such "course corrections" are allowed as long as they are consistent with Congressional intent,/63/ and the agency provides a reasoned explanation for the change./64/

Granting the order requested by this Application is consistent with the Commission's case law under Section 2(a)(7) of the Act. Applicants further respectfully submit that the judiciary will affirm the Commission given that: (i) the Commission has broad definitional powers in interpreting and limiting the meaning of "holding company" under Section 2(a)(7); and (ii) the Commission has the authority and duty to reinterpret and refashion the Act in light of significant changes in the utility industry.

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/58/ *Niagara Frontier Tariff Bureau v. United States*, 826 F.2d 1186, 1190-91 (2d Cir. 1987); *Arkansas AFL-CIO v. FCC*, 11 F.3d 1430, 1441 (8th Cir. 1993).

/59/ *American Gas & Elec.*, 134 F.2d at 642 (citing *Rochester Telephone Corp. v. United States*, 307 U.S. 125 (1939)).

/60/ See, e.g., *NIPSCO Indus., Holding Co. Act Release No. 26975*, at n.18 (citing *Rust v. Sullivan*, 500 U.S. 173, 186-87 (1991) ("An agency is not required to establish rules of conduct to last forever, but rather must be given ample latitude to adapt [its] rules and policies to the demands of changing circumstances.") and *Shawmut Ass'n v. SEC*, 146 F.2d 791, 796-97 (1st Cir. 1945) (an agency "is expected to treat experience not as a jailer but as a teacher")). As these cases and the authorities cited below indicate, the Commission's general exemptive authority could not be responsibly implemented without an expansive view of the authority to define terms.

/61/ *Production Worker Union of Chicago v. NLRB*, 793 F.2d 323, 328 (D.C. Cir. 1986). "Deference to an agency's expertise in construing a statutory command is not inconsistent with reaching a correct decision." *U.S. v. Hagggar Apparel Co.*, 119 S.Ct. 1392, 1399 (1999).

/62/ *Atlantic Mut. Ins. Co. v. Commissioner*, 523 U.S. 382, 389 (1998); *Rust*, 500 U.S. at 186-87 (1991); *Arkansas AFL-CIO*, 11 F.3d at 1441. Under *Chevron*, a statutory term "can mean a range of things, and it is up to the agency, in light of its advancing knowledge . . . to specify the correct meaning." Antonin Scalia, *Judicial Deference to Administrative Interpretations of Law*, 1989 *Duke L.J.* 511, 518 (June 1989).

/63/ *Toyota Motor Sales, U.S.A. v. United States*, 585 F. Supp. 649 (Ct. Int'l Trade 1984).

/64/ *Rainbow Broadcasting Co. v. FCC*, 949 F.2d 405, 408 (D.C. Cir. 1991). "What we have is the conferral of discretion upon the agency, and the only question of law presented to the courts is whether the agency has acted within the scope of its discretion - i.e., whether its resolution of the ambiguity is reasonable." *Judicial Deference to Administrative Interpretations of Law*, supra note 61 at 516.

6. CONCLUSION.

Chevron will not "control" New Dynegy or be in a position to exercise a "controlling influence" over New Dynegy or its public-utility assets. Chevron's rights reflect only legitimate and reasonable protections of a minority shareholder to prevent fundamental corporate changes in the company in which Chevron has a pre-existing, strategic investment. Therefore, under Section 2(a)(7), Chevron is not a "holding company" within the meaning of the Act.

B. THE SECTION 3(a)(3) EXEMPTION.

Should the Commission determine that Chevron is a holding company within the meaning of Section 2(a)(7), Chevron will nevertheless be eligible for an exemption under Section 3(a)(3) of the Act, which provides that the Commission:

shall exempt any holding company, and every subsidiary company thereof as such, from any provision or provisions of [the Act], unless and except insofar as it finds the exemption detrimental to the public interest or the interest of investors and consumers, if -- . . . (3) such holding company is only incidentally a holding company, being primarily engaged or interested in one or more businesses other than the business of a public-utility company and (A) not deriving, directly or indirectly, a material part of its income from any one or more subsidiary companies, the principal business of which is that of a public-utility company . . . /65/

Chevron's interest in New Dynegy will fit squarely within the exemption provided by Section 3(a)(3). Chevron's minority interest in New Dynegy will arise solely because Chevron is willing to consent to and facilitate the merger initiated and sought by Dynegy and Illinova, and not through efforts by Chevron to directly or indirectly engage in the public-utility business or to acquire a public-utility company or public utility holding company. Following the Transaction, Chevron will remain primarily engaged and interested in its non-utility petroleum and chemical businesses, and will not directly or indirectly derive a material part of its income from Illinois Power, or any other public-utility company. For these reasons, Chevron satisfies the requirements of the exemption set forth in Section 3(a)(3) of the Act.

/65/ Act (S) 3(a)(3)(A). Subparagraph (B) of Section 3(a)(3) provides that the materiality test described in subparagraph (A) is not applicable where "substantially all of the outstanding securities of the subsidiary are owned, directly or indirectly, by the holding company." See also Aluminum Co. of America, Holding Co. Act Release No. 1669, 5 SEC 640 (Aug. 8, 1939). In light of Chevron's minority ownership interest in New Dynegy, subparagraph (B) of Section 3(a)(3) is not applicable.

1. IF IT IS A HOLDING COMPANY AT ALL, CHEVRON IS ONLY INCIDENTALLY A HOLDING COMPANY, BEING PRIMARILY ENGAGED IN A BUSINESS OTHER THAN THAT OF A PUBLIC-UTILITY COMPANY.

A. THE TRANSACTION SATISFIES THE PLAIN LANGUAGE OF SECTION 3(A)(3).

Chevron is a fully integrated petroleum company with no public-utility company subsidiaries and no income derived from the operations of public-utility companies as defined by the Act. As a result, Chevron presently is "primarily engaged or interested in one or more businesses other than the business of a public-utility company" within the meaning of Section 3(a)(3).

Following the Transaction, even assuming that Chevron is a holding company within the meaning of the Act, Chevron will be "only incidentally" a holding company. Chevron's status as a public-utility holding company will be an incidental result of an arm's length transaction initiated by third parties, independent of Chevron. The development of the Transaction shows that the combination of Dynegy and Illinova is driven by the separate business needs of the respective constituent companies, acting independently. At the time of Chevron's original investment in Dynegy, Chevron did not intend or contemplate the acquisition of an interest in any public-utility or public-utility holding company. Chevron acquired its interest in Dynegy for the purpose of creating a long-term alliance with a major energy trading company and to participate through its equity ownership interest in Dynegy in gas and liquids marketing, midstream services, and wholesale electric generation. Dynegy, in turn, has determined that its combination with Illinova will substantially enhance its marketing and trading operations and give it access to significant resources in important geographic markets. By allowing Dynegy to proceed with the Transaction, Chevron is facilitating Dynegy's strategic expansion.

This circumstance has nothing in common with attempts to acquire a public-utility company or its holding company. Chevron's post-Transaction involvement in New Dynegy will focus on monitoring and protecting the value of its original strategic investment, consisting of a minority ownership interest proportional to the capital it has contributed. If Chevron were deemed a public-utility holding company subject to registration as a result of the Transaction, that could only be an incidental result of a business combination independently sought by Dynegy and Illinova for reasons unrelated to Chevron's operations, and not the result of any effort by Chevron to acquire or control a public-utility company or its holding company. This is precisely the anomalous result Section 3(a)(3) appears designed to prevent.

There is no Commission precedent denying a Section 3(a)(3) exemption to a strategic shareholder of a holding company whose minority interest arises solely as an unintended consequence of an arm's length merger transaction initiated by third parties. Commission precedent denying exemptions under Section 3(a)(3) is in the context of efforts by applicants purposefully to maintain vast, wholly-owned holding company systems with many majority

controlled, public-utility company subsidiaries./66/ For example, had the Commission accepted the arguments offered by Cities Service and Standard Oil of New Jersey, any industrial firm could have become a Section 3(a)(3) exempt holding company by simply claiming that its primary business was something other than that of a public-utility holding company. This Application involves no such risk to the public policies of the Act.

Granting the present exemption does not open the door closed fifty years ago in the Commission's early application of the Section 3(a)(3) exemption. In this case, Chevron's minority ownership in New Dynegey arises through a purchase by Dynegey of Illinova whose public-utility company activities have been the subject of effective state regulation for generations. That purchase is a result of the independently developed business purposes of Illinova and Dynegey. In the context of that purchase, although Chevron for its own independent reasons has maintained a strategic investment in Dynegey, it is only coincidental that Dynegey's combination with Illinova results in ownership by Chevron of a minority interest in a newly formed holding company, New Dynegey. However, Chevron's maintaining its strategic investment (i) will permit the Transaction to occur, and (ii) as a result of Chevron's functional relationship with the energy marketing business of Dynegey, will continue to serve the interests and complement the operations of New Dynegey, including Illinova.

B. THERE EXISTS A FUNCTIONAL RELATIONSHIP BETWEEN CHEVRON'S BUSINESS AND THE PUBLIC-UTILITY COMPANY BUSINESS OF ILLINOIS POWER.

The Act does not set forth specific factors or circumstances which define when a company is "only incidentally" a public-utility holding company. In the years following enactment of the Act, the statutory language was glossed by the additional requirement that the incidental nature of a company's status as a holding company be demonstrated in part by the existence of a functional or operational relationship between a subsidiary's utility operations and the primary business of the holding company, even though the text of Section 3(a)(3) does not contain such a requirement./67/ This gloss served to support denial of exemptions in circumstances in which large multi-state holding company systems whose operations had never been subjected to effective regulation sought to avoid regulation under the Act while maintaining control of public-utilities.

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/66/ See, e.g., Cities Serv. Co., Holding Co. Release No. 2444, 8 SEC 318 (Dec. 23, 1940); Standard Oil Co., Holding Co. Release No. 3312, 10 SEC 1122 (Feb. 5, 1942). Although some of the Congressional debate cited by the Commission in these older cases arguably supports a narrow interpretation of Section 3(a)(3), the Report of the Senate Committee on Interstate Commerce regarding the Act states that the purpose of the Section 3(a) exemptions was to "exempt those holding companies which the committee believes ought not to be covered because of the fact, and to the extent, that they are either intrastate in character or not essentially holding companies in the utility field." S. Rep. No. 74-621, at 6 (1935) (emphasis added) [hereinafter the "Senate Report"]. This statement of the Committee (as opposed to that of any individual member from the floor of Congress) supports an interpretation of Section 3(a)(3) that would reasonably include companies such as Chevron, which are not "essentially holding companies in the utility field." Indeed, the courts have held that explanations articulated during the Congressional floor debate regarding the Act do not supplant the plain meaning of the language of the Act. See *Pacific Gas & Electric Co. v. SEC*, 127 F.2d 372, 382 (9th Cir. 1942), *aff'd per curiam* on reh'g, 139 F.2d 298 (9th Cir. 1943), *aff'd per curiam*, 324 U.S. 826 (1945) (rejecting argument based upon explanation articulated during floor debate that was at variance with the Act's plain meaning).

/67/ See, e.g., Cities Serv., 8 SEC 318; Standard Oil, 10 SEC at 1129.

Faced with these applications during the first twenty years of its administration of the Act, the Commission articulated two requirements in applying Section 3(a)(3) that these systems routinely failed to meet: (i) that there be a functional relationship between the non-utility industry and the public-utility company it sought to own, and (ii) that the public-utility company be small in size in an absolute sense. The Commission explained the purpose of these conditions was to avoid making "exempt from the operation of the Act a company which would otherwise be subject thereto, solely by reason of its hybrid character."/68/

The considerations that led the Commission to apply a restrictive gloss to Section 3(a)(3) in those cases do not apply to this Transaction because the Illinois Power public-utility system is subject to effective state regulation./69/ Indeed, the intrastate size and scope of the Illinois Power system reflects decades of effective regulation, not an absence of regulation, and Chevron is seeking neither to obtain nor to maintain control of that system.

It is especially relevant to this analysis that the Act does not preclude reliance upon other factors, such as those present here, to demonstrate the "incidental" nature of a company's holding company status./70/ The Commission has consistently recognized that it must at times

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/68/ Standard Oil, 10 SEC at 1129; Electric Bond & Share Co., Holding Co. Act Release No. 11004 33 SEC 21 (Feb. 6, 1952) [hereinafter "Ebasco"]. Standard Oil, Cities Service, and Ebasco each involved ownership of multiple public-utility companies formed prior to the Act which were sprawled across multiple states, and some not even subject to state regulation, and which, by their nature, could not be the subject of effective regulation. The Commission characterized Cities Service as an extreme case where the record plainly indicated "an indulgence in practices explicitly condemned by Congress." Cities Serv., 8 SEC at 336. The Commission noted that for many years, Cities Services "controlled a far-flung utility empire" with utility operations in twenty states and Canada. Cities Serv., 8 SEC at 336-37. Moreover, unlike the present case, Cities Services sought to maintain control over the public-utility operations of its subsidiary.

/69/ The Commission has recognized the enhanced jurisdiction, authority and effectiveness of state commissions. Statement of the U.S. Securities and Exchange Commission Concerning Proposals To Repeal The Public Utility Holding Company Act of 1935 (June 2, 1982) 585, 590-91 [hereinafter "Statement of the SEC Concerning PUHCA Repeal"]. See also AES Corporation, Holding Co. Act Release No. 27063 (Aug. 20, 1999) (recognizing effectiveness of the ICC). The size and scope of Illinois Power's operations are the result of generations of effective state and federal regulation and do not represent either private commercial power or the ability to evade regulation. Regulation can increase the size of a public-utility company by requiring that service be widely available without discrimination and at low cost. For this reason, courts have long held that the size of effectively regulated public service corporations alone does not indicate the existence of private market power. See Cost Management Serv. v. Washington Natural Gas Co., 99 F.3d 937, 950-51 (4th Cir. 1998); Rebel Oil Co. v. Atlantic Richfields, 51 F.3d 1421, 1439 (9th Cir. 1995); Southern Pacific Communication Co. v. AT&T, 740 F.2d 980, 1000 (D.C. Cir. 1989), cert. denied, 105 S. Ct. 1539 (1985); MCI Communication Corp. v. AT&T, 708 F.2d 1081, 1107 (7th Cir.), cert. denied, 414 U.S. 891 (1973); Mid-Texas Communication Serv. v. AT&T, 615 F.2d 1372, 1384-89 (5th Cir.), cert. denied, 449 U.S. 912 (1980); Almeder Mall, Inc. v. Houston Indus., 615 F.2d 343, 354 (5th Cir), cert. denied, 449 U.S. 870 (1980).

/70/ In circumstances where the Commission has developed a formulaic test for applying a provision of the Act, such as a "functional relationship" test, the Commission may approve an application upon either satisfaction of that test or upon a demonstration that the application falls within the plain meaning of the statute and is otherwise consistent with the policies of the Act. Southern Communications Serv., Holding Co. Release No. 26211 (Dec. 30, 1994) (approving formation of telecommunications subsidiary based upon the plain meaning of the applicable provision of the Act and, in the alternative, based upon application of the "functional relationship" test for approving diversification proposals); see also The Regulation of Public-Utility Holding Companies, Division of Investment Management, United States Securities and Exchange Commission (June 1995) at 86-87 [hereinafter the "1995 Staff Report"]. Under this approach, the interpretation of the Act is not limited by decisions rendered early in its administration.

refashion the standards it employs in administering the Act in order to keep pace with the changing economic and regulatory climate of the public-utility industry./71/ In this regard, the Commission may articulate alternatives to, or amplify upon, the functional relationship test in recognition of the ongoing consequence of the electricity and natural gas industries.

For example, in a 1983 no-action letter, the Staff indicated that the Section 3(a)(3) exemption would apply to the acquisition of a majority interest in an electric power generating station by an engineering and construction contractor as part of a proposed settlement of litigation against the contractor./72/ There, ownership of a nuclear power plant could not be said to be functionally related to the business of an engineering firm, at least not in the sense of the earlier Commission interpretations of functional relationship. In a subsequent no-action letter, the Staff indicated that the Section 3(a)(3) exemption would apply to the acquisition of a propane-air gas pipeline system by a company that was primarily engaged in the distribution of fuels by truck, the sale of propane appliances and equipment, and the sale, repair, and leasing of forklift trucks./73/ In both of these cases, the ownership of the public-utility company by the exempt holding company was through acquisition and was not a natural incident of the holding company's existing operations. Further, the utility operations were completely distinct from the holding company's existing operations and did not lend any operational or functional efficiencies to the primary business of the holding company.

It is respectfully submitted that the facts and circumstances of the present case enable the Commission to articulate non-exclusive, definitional indicia that Chevron is "only incidentally a holding Company," consistent with the language and intent of the Section 3(a)(3) exemption. In this instance, the indicia of the functional relationship of Chevron, the Section 3(a)(3) exempt entity, to Illinois Power, the public-utility company, and its holding company, New Dynegy, do not consist of typical "up stream" benefits to Chevron. Rather, the indicia of the functional relationship are "downstream," in that the functional relationships of Chevron to Dynegy (and, post-merger, to New Dynegy) confer benefits on New Dynegy and indirect benefits on Illinois Power, while continuing to serve the legitimate business interests of Chevron. These indicia are:

- (i) Chevron is a strategic, long-term investor in Dynegy -- thus, although Chevron will continue to be primarily engaged and interested in one or more energy-related

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/71/ See, e.g., Union Elec., 45 SEC at 503 & n.52.

/72/ Haliburton Co., SEC No-Action Letter, 1983 Fed. Sec. L. Rep. (CCH) (P) 77,518 at 78,669 (Aug. 1, 1983).

/73/ Synergy Group Inc., SEC No-Action Letter, 1987 WL 108660 (Oct. 30, 1987). The Commission has recognized that a similar relationship satisfied the requirements of the Section 3(a)(3) exemption in the case where the utility activity was the distribution of propane through underground pipelines and the principal business of the enterprise was the distribution of propane in portable containers, a business that shares no operational relationship to the pipeline operations of the utility. National Distillers & Chemical Corp., Holding Co. Act Release No. 22837, 27 SEC Docket 95 (Jan. 27, 1983).

businesses other than the business of a public-utility holding company (and as such, Chevron has no interest in acquiring, managing and operating the public-utility operations of Illinova), Chevron's continuing strategic investment in New Dynegy enhances the liquidity of the holding company system and supports the financial integrity of the Illinova companies;

- (ii) The interests of Chevron in the exempt public-utility holding company (New Dynegy) are not commercially involved with or dependent upon the exempt company's public-utility business, and are based instead on other strategic interests, specifically the energy-related aspects of New Dynegy's business, such as energy marketing;
- (iii) There are synergistic post-merger benefits of the continuing strategic investment that flow downstream directly to the energy-related group of which the public-utility is a member. For example, Chevron's commercial arrangements with Dynegy provide a substantial portion of natural gas and natural gas liquids marketed by Dynegy. Such arrangements assure New Dynegy's access to an adequate supply of and ability to provide natural gas and other fuels for the power generation business;
- (iv) The investment is not made or maintained for the purpose of enabling the strategic investor (Chevron) to engage in non-arm's-length, related-party transactions with the public-utility company, or for the purpose of enabling the investor to finance the operations of its non-utility operations. Indeed, the strategic relationship of Chevron to New Dynegy will contribute positively to the financial integrity and independence of New Dynegy, including the regulated public-utility subsidiary of New Dynegy; and
- (v) Chevron will maintain an operational, functional relationship consistent with its incidental holding company status because its natural gas products will continue to be sold to the energy-related business of New Dynegy, and New Dynegy will continue to market gas purchased from Chevron and other gas sellers.

As such, Chevron's minority interest in New Dynegy is distinguishable from the situation where a company which is not primarily engaged in the energy business and with no functional relationship to the public-utility holding company, proposes to acquire a significant interest in a public-utility holding company, with the expectation of deriving significant return on investment from the utility operation.

The Commission's broad definitional powers permit it to interpret the "only incidentally a holding company" requirement in a manner that encompasses the nature of Chevron's indirect interest in Illinois Power. It is respectfully submitted that the above articulation of the functional relationship test is consistent with the purposes of the Act, including the protection of investors, and satisfies the statutory requirement that Chevron be "only incidentally a holding company."

2. CHEVRON WILL NOT DERIVE A MATERIAL PART OF ITS INCOME FROM A PUBLIC-UTILITY COMPANY SUBSIDIARY.

The other requirement of Section 3(a)(3) - that Chevron will not derive a material part of its income from the public-utility operations of New Dynegy (principally those of Illinois Power) - is fully satisfied here. Chevron's interest in Illinova would result in public-utility revenues representing less than 2% of Chevron's revenues, less than 1% of its operating income, and only 1.5% of Chevron's net income. Set forth below is a comparison and percentage computation of (i) the total revenues and net income of Chevron, and (ii) the utility operating income and net utility income of Illinois Power for the most recent fiscal year ending December 31, 1998:

Chart A

Chevron		Illinova Utility Operations	
(a) Total Revenue	\$30.557 billion	(e) Utility Operating Revenue	\$2.069 billion
(b) Operating Income	\$2.239 billion	(f) Utility Operating Income	\$0.070 billion
(c) Net Income	\$1.339 billion	(g) Net Utility Income	(\$1.356) billion
(d) Total Assets	\$36.540 billion	(h) Total Utility Assets	6.168 billion

Chart B

Utility Revenue (e) as a percentage of Chevron Total Revenue (a)	Utility Operating Income (f) as a percentage of Chevron Operating Income (b) and Chevron Net Income (c)	Net Utility Income (g) as a percentage of Chevron Net Income (c)	Total Utility Assets (g) as a percentage of Chevron Total Assets (c)
6.8%	3.1% / 5.2%	0%	16.9%



Immediately following the Transaction, Chevron's equity ownership in New Dynege will be 28%. When computed on the basis of an assumed Chevron 28% ownership interest in New Dynege, Chevron's status under Section 3(a)(3) is even more compelling. Chart C shows the utility operations of Illinova expressed as the portion attributable to Chevron on equity consolidation, based upon Chevron's equity ownership level in New Dynege:

Chart C  
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Chevron's Equity Ownership of New Dynege	Portion of Illinova Utility Revenue/Income Attributable to Chevron on Equity Consolidation Principles/74/	Illinova Utility Revenue/Income as a percentage based on equity of Chevron's Revenue/Income
28%	Utility Revenue: \$0.579 billion	1.9%
	Utility Operating Income: \$0.020 billion	0.90%

Thus, based on attribution to Chevron of an indirect interest of 28% in the public-utility company operations of Illinois Power following consummation of the Transaction, Chevron may be deemed to derive only 1.9% of its total revenues, less than 1% of its operating income, and only 1.5% of its net income directly or indirectly from the total utility revenues and utility operating income of Illinois Power.

As noted in the 1995 Staff Report, the Commission has generally found that the contribution of less than 10% to the total income of the holding company to be immaterial./75/ Chevron will derive no material part of its earnings from the public-utility company operations of New Dynege.

As indicated above, following consummation of the Transaction, the business of New Dynege will not be that of a public utility./76/ Moreover, the public utility operations of Illinois Power will be reduced, as shown below.

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/74/ Based on figures from 1998.

/75/ 1995 Staff Report at 113-14. Compare Columbian Carbon Co., 1 SEC 633 (Aug. 5, 1936) (finding public-utility company operations constituting 3.2% of revenues of the holding company to be immaterial), and Milliken & Co., Holding Co. Release No. 23509, 31 SEC Docket 1070 (Dec. 3, 1984) (finding utility operations constituting approximately 3.4% of the holding company's gross sales to be immaterial), with Cities Serv., 8 SEC 318 (finding public-utility company operations accounting for 47.3% of the holding company's assets, 32.6% of its aggregate gross revenues, and 11.04% of its total cash income to be material).

/76/ Item 1.A.C.

3. ILLINOVA'S PUBLIC-UTILITY COMPANY OPERATIONS SATISFY ANY ABSOLUTE SIZE LIMITATION.

The Commission has also, at times, required that the subsidiary's public-utility company operations be subject to an absolute size test. As discussed above, Cities Service involved a mammoth multi-state system with 89 public-utility company subsidiaries controlled by the holding company that presented all of the evils the Act was intended to address.<sup>/77/</sup> Similarly, the Commission's decision in Standard Oil addressed a system with four public-utility company subsidiaries located in three states, which was at least "the third largest [gas utility system] in the United States."<sup>/78/</sup> Given Standard Oil's size, the Commission stated that, even had there been a functional relationship between Standard Oil's business and the utilities, it would not have approved of the exemption. The "small size requirement" has been confined to cases involving huge systems that evolved without regulation, were not subject to effective regulation, and were trying to avoid registration even though their operations were the plain targets of the Act.

Unlike other Section 3(a)(3) applicants denied the exemption by the Commission, Illinova's public-utility company operations are confined to one area, and are not far-flung among several different regions.<sup>/79/</sup> Illinova's public-utility company operations are entirely located in Illinois and are wholly subject to the jurisdiction of a single public service commission. Illinois Power's size is a function of regulation, not an indication of the absence of effective regulation.

The transfer of Illinois Power's generation to Illinova Marketing (which will become an EWG within one year of the closing of the Transaction) will have a dramatic effect upon Illinois Power's investment in public-utility assets and the character of its revenues. Illinois Power's rate base will be reduced by approximately 50%. Although Illinois Power's customer base is expected to remain stable, this merely reflects a regulatory power delivery service obligation. Customers will be free to purchase electric energy from their supplier of choice.

In the short term, Illinois Power expects its revenues to decline somewhat and then to remain relatively stable as a result of the Illinois statutory rate reductions and rate freezes designed to protect consumers and to provide an opportunity to recover substantial transition costs. The composition of such Illinois Power revenues, however, will also change: the revenues received under the fixed rate structure must recover regulatory transition cost recovery and purchased power costs constituting approximately 50% of revenues. Illinois Power's revenues will, therefore, make a reduced net-earnings contribution, as shown on its projected pro forma 2000-2004 Income Statement.<sup>/80/</sup>

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<sup>/77/</sup> Cities Serv., 8 SEC 318.

<sup>/78/</sup> Standard Oil, 10 SEC at 1128.

<sup>/79/</sup> In contrast, in Standard Oil, the applicant's public-utility operations encompassed substantial portions of three states, and in Cities Service, the applicant had a "far-flung" utility empire with eighty-nine public utility subsidiaries operating in numerous states and Canada.

<sup>/80/</sup> See Illinois Power Company pro forma Income Statement, 2000 to 2003, attached hereto as Exhibit L-2.

Four Exhibits hereto specifically address the issue of size: Exhibit K, Exhibit L, Exhibit N, and Exhibit O.

Exhibit K-6 hereto shows the revenue ranking and share of cumulative revenue of investor-owned electric utility companies for Illinois and bordering states./81/ As shown therein, Illinova's electric utility revenue is a small percentage (3.9%) of the region studied and is lower than the same percentage for three registered holding companies (American Electric Power: 19.2%, Cinergy: 19.2%, Ameren: 7.9%) and two exempt holding companies (Unicom: 19.7%, NSP: 6.8%).

The region that includes the State of Illinois and bordering states is the most pertinent for the purpose of the analysis of size. In enacting retail open access, the State of Illinois relied upon legislative findings that "[c]ompetitive forces are affecting the market of electricity as a result of recent federal regulatory and statutory changes and the activities of other states."/82/ As Exhibit K-6 demonstrates, Illinois Power's regional asset ranking is consistent with its revenue ranking and represents only a small percentage (3.9%) of regional electric utility assets./83/ Exhibit K-6 also illustrates that Illinois Power's electric power customer base is small (3.7%)./84/ Moreover, as shown by Exhibit K-8, the same is also true for Illinois Power's natural gas service revenues (2.9%), assets (3.4%), and customers (3.6%)/85/ on a regional basis.

Viewing Illinova as a combination company does not alter these conclusions. Exhibit K-9 demonstrates that Illinova's revenue (7.6%), asset (11.5%) and customer (7%) shares are small./86/

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/81/ The relative size of Illinois Power is reflected in the exhibits contained in the recent Application under the Act filed by AES Corporation. See Amendment No. 2 to Application on Form U-1/A under the Public Utility Holding Company Act of 1935 of AES Corporation (Commission File No. 70-09465), filed on August 20, 1999 (the "AES Application"). Applicants hereby incorporate by reference Exhibits K-6 through K-16 of the AES Application (the "AES Exhibits") as Exhibits K-6 through K-16 hereto. This data was based upon 1997 electric and gas utility data.

/82/ 220 Ill. Comp. Stat. 5/15-101A(b) (1997 Cum. Supp.). Illinois Power has also implemented open transmission access in accordance with FERC Order 888 and has joined a regional Independent System Operator. Illinois Power maintains substantial transmission interconnections with major regional electric utilities, including the Tennessee Valley Authority, a public agency that dwarfs Illinois Power, American Electric Power, Ameren, Cinergy, and Commonwealth Edison, all of which are significantly larger than Illinois Power. Open access transmission also makes regional energy resources available to all wholesale and retail open access customers connected to the Illinois Power system. Regional electric competition and open access for electricity also bring competition to bear on natural gas service. This results from the substitution of electric energy for gas. Large gas consumers already have access to competitive supply as a result of FERC Order 636.

/83/ See Exhibit K-6.

/84/ See Exhibit K-6.

/85/ See Exhibit K-8.

/86/ See Exhibit K-9.

Ranked by revenue, Exhibit K-12 shows that Illinova represents 2.2% of the national revenue of combined gas and electric companies. Alliant, NIPSCO, Northern States Power, Ameren, CMS Energy, and Cinergy are all larger, as are many outside the region. Illinova's revenue share among all utilities was 0.7%. Illinova's asset rankings were similar.

Within Illinois, two utilities, Unicom and Ameren, are significantly larger than Illinova in terms of revenue rank, asset size, and number of customers. Additionally, four utilities, Peoples, NICOR, Ameren, and Unicom, have more customers. Illinova's percentage share of revenues (11%), assets (13.8%), and customers (10.2%) is significantly smaller than those previously found to be "too large." /87/

Exhibit N provides updated information for the AES Exhibits/88/ for electric power revenues, assets and customers during calendar 1998. Navigant Consulting, Inc. (formerly LECG, Inc.) prepared the AES Exhibits based upon natural gas and electric power data released by the Department of Energy's Energy Information Administration ("EIA") and has also prepared Exhibit N on a basis consistent with the AES Exhibits. EIA has not released equivalent updated natural gas data and Exhibit N accordingly only updates for electric data. The updated data indicates no meaningful increase in the relative or absolute size of Illinova's electric utility operations from that shown by the AES Exhibits. For example, Exhibit N shows Illinova's 1998 share of electric revenue for Illinois and bordering states is 4.6% with five larger firms accounting for 64.4% of electric revenues. Illinova's share of electric utility assets for Illinois and the bordering states (including generation to be divested by Illinova) is 6.4% with five larger firms accounting for 61.6% of assets. Illinova's share of electric customers for 1998 is 3.2%, with nine larger firms accounting for 80.4%.

Exhibit O provides a regional size comparison based on an alternative data source: electric and gas data available on 1998 annual reports on Form 10-K. Navigant Consulting examined data available on Form 10-K for the regional electric and natural gas firms in order to ascertain whether Exhibits K-6 through K-16 and N-6 through N-16 in any meaningful respect understate the absolute size of Illinova's public-utility operations; and Navigant Consulting has determined that they do not. The 1998 Illinois and bordering states data as reported on Form 10-K, shown on Exhibit O, confirms that Illinova's electric, natural gas, combined gas/electric, and total utility size is small and has not increased in any meaningful respect from that portrayed by the AES Exhibits. For example, Exhibit O shows that Illinova's share of utility revenue in Illinois and bordering states is 4.4%, with five larger firms representing 52.1% of utility revenues. Exhibit O shows that Illinova's share of utility assets (net of depreciation) in Illinois and bordering states is 4.5%, with seven larger firms representing 62.2% of assets. Illinova's share of customers is 3.2% with 14 larger firms representing 79.1% of customers. The reporting standards for the EIA data differ somewhat from reporting for 10-K purposes and Exhibit O is not therefore directly comparable to Exhibit K or Exhibit N. Exhibit O, however, confirms the overall portrayal of Illinova's current business presented by Exhibits K and N.

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/87/ See, e.g., AES Corp., Holding Co. Act Release No. 27063 (Aug. 20, 1999).

/88/ Exhibits K-6 through K-16. Exhibit N maintains the same numbering scheme and format as the AES Exhibits and is numbered N-6 through N-16.

Exhibits K, N, and O all overstate the absolute size of Illinova's future operations. As indicated, industry restructuring is reducing Illinois Power's size. Illinova's share of assets drops dramatically once its divestiture of generation is considered. Although Unicom is also divesting its fossil generation, its transmission and distribution asset base alone is more than twice Illinova's post divestiture asset base.

As indicated by Exhibit L, current and historical financial and operating data overstate the size of Illinova's public utility operations following restructuring. Exhibit L is an analysis prepared by Illinova of its natural gas distribution and electric power delivery (transmission and distribution) public utility operations. Exhibit L contains information regarding the public utility operations of Illinois Power excluding the power generation to be divested by Illinois Power. Exhibit L-1 presents adjusted historic and projected pro forma balance sheet entries. It demonstrates the reduction in the utility plant of Illinova resulting from restructuring. For example, Exhibit O-4 shows Illinova's utility plant (net of depreciation and excluding capitalized nuclear fuel leases) for 1998 as \$4.455 billion. Exhibit L-1 shows that the net utility plant for the natural gas and power delivery segments of Illinois Power in 1998 would have been \$1.643 and is projected to be \$1.586 billion in 2000.

Exhibit L-2 further shows that the character of Illinova's public utility revenues will change and exemplifies how current and historical data overstate the size of the public utility operations to be retained by Illinova. Illinois Power's rates are frozen and must include purchased power costs and transition cost recovery. In the year 2000, Illinois Power's estimated purchased power costs will equal \$601 million - approximately half its total revenues - revenues that include purchased gas of \$195 million. Illinois Power estimates that it will recover \$55 million in transition costs within its frozen rates in 2000 and more in subsequent years. The size of the transmission and distribution business that will remain within Illinois Power is overstated by these revenues, designed to recover other costs. Exhibit L-2 shows that the projected public utility revenues for Illinova net of transition charges and purchased power are projected to be approximately \$600 million. Turning to Exhibit O-4, regional firms with public utility revenues in excess of this amount are responsible for in excess of 90% of the public utility revenues in the region.

The detailed regulation and service obligations imposed by Illinois law upon the delivery function retained by Illinois Power is inconsistent with concerns over arbitrary and monopolistic behavior, engendered by the sprawling systems dealt with in Ebasco, Standard Oil, and Cities Service. Illinois Power's retained public-utility system is smaller than the systems that were too large in the past and is small in any relevant sense today.

Thus, under any logical application of a size analysis in the context of Section 3(a)(3), Chevron passes. Illinova does not have the type of public-utility company market share or widespread public-utility company operations that have prompted the Commission to deny Section 3(a)(3) exemptions in the past. Instead, Illinova's public-utility company operations are localized and constitute only a small share of a large and growing regional marketplace.

4. GRANTING THE EXEMPTION IS CONSISTENT WITH THE PUBLIC INTEREST AND THE LEGISLATIVE INTENT THAT THE COMMISSION APPLY SECTION 3 OF THE ACT FLEXIBLY.

Once the Commission has found that a holding company is only incidentally a holding company in accordance with Section 3(a)(3), the Act provides that the Commission shall exempt the holding company from the Act "unless and except insofar as it finds the exemption detrimental to the public interest or the interest of investors and consumers." The legislative history of Section 3 of the Act, and in particular the legislative history of the "unless and except" clause, demonstrates that Congress expected the Commission to apply Section 3 of the Act in a flexible fashion in light of contemporary circumstances.<sup>/89/</sup> The Commission also has stated that the broad and flexible language of the "unless and except" clause should be read "in a way that makes economic and social sense in the light of contemporary realities."<sup>/90/</sup> In recent proceedings, the Commission has determined that one of the contemporary realities to consider in deciding whether an exemption would be contrary to the public interest is "the protection afforded to investors, consumers, and the public by the existence of vigorous state regulation."<sup>/91/</sup>

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<sup>/89/</sup> The Senate Report reveals that Congress consciously chose to structure Section 3 to provide broad classes of exemptions that would be conferred in a flexible fashion unless the Commission "finds the exemption detrimental to the public interest or the interest of investors or consumers." The Senate Report provides a definitive description of the relationship of the "unless and except" clause to the specific exemptions available under Section 3(a):

New section 3(a) has been drafted to exempt these holding companies which the committee believes ought not to be covered because of the fact, and to the extent, that they are either intrastate in character or else not essentially holding companies in the utility field. The Commission is required to exempt any company which falls into one of the described classes, unless and except insofar as it determines that exemption is detrimental to the national public interest. The exemption when invoked applies to the company as a holding company and to every subsidiary of the exempted holding company as a subsidiary of such company . . . .

It is the duty of the Commission, as to any company which it finds to fall in one of these five categories, to exempt such company from any provision or provisions of Title I to the extent it deems such exemption not detrimental to the public interest or the interest of investors or consumers. By thus imposing a mandatory duty upon the Commission to exempt companies falling within defined categories except where such exemption is definitely detrimental to the basic purpose of the statute, the Committee has felt free to broaden the exemptions beyond what would be justified if the exemptions had been made unqualified and self-operative, and beyond the power of the Commission to correct when abused or used to circumvent the purpose of the title.

Senate Report at 5-6, 24 (emphasis added). The flexibility built into Section 3 exemplifies the Commission's precept that the Act "creates a system of pervasive and continuing economic regulation that must in some measure at least be refashioned from time to time to keep pace with changing economic and regulatory climates." Union Elec., 45 SEC at n.52.

<sup>/90/</sup> Union Elec., 45 SEC 489, 1974 WL 11418 at \*13.

<sup>/91/</sup> WPL Holdings, Inc., Holding Co. Act Release No. 24590 (Feb. 26, 1988).

The Transaction will not result in any reduction in the oversight exercised by the ICC and FERC. Moreover, all of Illinois Power's public-utility activities will take place in a single state. Thus, in this instance, as in prior proceedings where the Commission declined to apply the "unless and except" clause, the grant of an exemption from the Act would not result in a regulatory gap and, therefore, would not be detrimental to the public interest. Rather, the resulting holding company structure will serve the public interest and the interest of investors and consumers by producing a number of economies and efficiencies, similar to those upon which the Commission has in the past looked favorably./92/

Further, Chevron's interest in Illinova arises as a result of dramatic transitions in the industry, including the convergence of natural gas and electricity. This convergence has been recognized as consistent with the public interest by the Commission and will not signal the potential for evasion of the Act. The Illinova public-utility operations will complement and enhance Dynegey's current exempt utility company operations. The operations which Dynegey is contributing to New Dynegey will be significant in enabling the company to provide efficient and competitive utility service, and their value is enhanced through association with a public-utility company with power generating assets and experience.

5. GRANTING THE EXEMPTION IS CONSISTENT WITH PROPER INTERPRETATION AND ADMINISTRATION OF THE ACT UNDER SECTION 1(C).

Section 1(c) of the Act requires the Commission to interpret and administer the Act in order to eliminate the five evils enumerated in Section 1(b)(1)-(5) of the Act./93/ As demonstrated below, the Transaction threatens none of these evils.

With respect to the first concern of the Act, the absence of accurate investor information and the problem of "overcapitalization" of public-utility systems without sufficient state regulation, the Commission has found that concerns "with respect to investors have been largely addressed by developments in the federal securities laws and in the securities markets themselves. . . ."/94/

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/92/ See, e.g., Illinova Corp., Holding Co. Act Release No. 26054 (May 18, 1994) (granting exemption requested in connection with a proposed merger based on an application that claimed that the new structure would create efficiencies and economies such as allowing the resulting companies to respond to competitive opportunities in the electric power industry and increasing the financial flexibility of the resulting companies).

/93/ These evils are: (1) the absence of specific investor information and the issuance of "overcapitalized" public-utility securities without sufficient state regulation; (2) abusive and excessive consumer charges to fund affiliate transactions; (3) the obstruction of state regulation of public-utilities and their subsidiaries and the exercise of control over subsidiaries through disproportionately small investment; (4) holding company growth out of proportion with management and operation, or integration and coordination of related operating properties; and (5) the lack of economy of management, efficiency or adequacy of services in the public-utility industry, or the lack of effective public regulation thereof.

/94/ Southern Co., Holding Co. Act Release No. 25639 (Sept. 23, 1992).

The State of Illinois, through the ICC, closely regulates the capitalization of public-utilities/95/ and has the express authority to restrict dividend payments if the public-utility's capital is or would become impaired or if its earned surplus is insufficient./96/ Furthermore, the securities of Illinova, Dynegy, and Chevron, as well as the bonds and preferred stock of Illinois Power are all publicly traded. Accordingly, the Transaction presents none of the problems, risks, or evils identified by Section 1(b)(1) of the Act.

Second, the structure poses no risk of abusive affiliate transactions. The State of Illinois has comprehensive oversight of affiliate transactions such as those between Chevron and Illinois Power./97/ In addition, FERC regulations associated with market-based wholesale rate transactions are applicable to the Transaction./98/ The Commission has recognized that a "comprehensive state system," such as that in effect in Illinois,/99/ "is fully able to protect the financial integrity of the public utility operating within its jurisdiction to assure that neither utility revenues (other than reasonable and proper dividends), utility assets, or utility credit are used for non-utility purposes except in accordance with prescribed guidelines or following review and approval by state regulators. The states also appear to have adequate authority to regulate transactions between the utility and its affiliates to prevent the type of overreaching that characterized so many holding company systems prior to 1935."/100/ Thus, there is no risk of abusive affiliate transactions between the involved entities following the Transaction.

Third, the structure of the Transaction poses no risk of obstruction of state regulation of public-utility company subsidiaries and the exertion of control over such subsidiaries through disproportionately small investment. The State of Illinois has a comprehensive regulatory apparatus in place that is not affected by the Transaction./101/ Moreover, Chevron's minority voting stock interest in New Dynegy is proportional to its equity investment in New Dynegy.

Fourth, the structure poses no risk of holding company growth that "bears no relation to economy of management and operation or the integration and coordination of related

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/95/ 220 Ill. Comp. Stat. 5/6-101-108 (West 1999).

/96/ 220 Ill. Comp. Stat. 5/7-103.

/97/ 220 Ill. Comp. Stat. 5/7-101, 16-121.

/98/ FERC has erected comprehensive protections against cross-subsidies by requiring adherence to a "code of conduct" governing transactions between the franchise-owning public utility and its unregulated marketing affiliates. These code of conduct requirements have specifically been applied to Illinova. See Illinova Power Marketing, 79 FERC (P) 61,010 (Feb. 1997) and cases cited therein.

/99/ AES Corp., Holding Co. Act Release No. 27063 at 58 (Aug. 20, 1999). The comprehensive scope of regulation under the laws of the State of Illinois is also acknowledged in the "Survey of State Regulation of Public Utility Holding Companies," published as Appendix A to the 1995 Staff Report.

/100/ Statement of the SEC Concerning PUHCA Repeal at 590-91. In reaching its conclusion that state regulation was adequate to the task of preventing affiliate abuse, the Commission specifically referenced Natural Gas Pipeline Co. v. Slattery, 302 U.S. 300 (1937), affirming the Illinois regulatory system's oversight over affiliate transactions. See Statement of SEC Regarding PUHCA Repeal at 585.

/101/ See Appendix I.



operating properties." The properties of Illinova's public-utility operating companies are not affected by the Transaction.

Finally, Section 1(b) (5) of the Act addresses the situation where "in any other respect there is a lack of economy of management and operation of public-utility companies or lack of efficiency and adequacy of service rendered by such companies, or lack of effective regulation, or lack of economies of raising capital." The Transaction enables Illinova to obtain the capital assets needed to conduct an efficient energy marketing business essential to modern utility service and does not threaten any adverse effects upon public-utility operations.

C. THE TRANSACTION IS NOT SUBJECT TO SECTION 9(A) (2) OF THE ACT.

Various Commission decisions have stated that a single stock acquisition that results in an interest in a holding company with multiple public-utility company subsidiaries requires approval under Section 9(a) (2)./102/ Assuming that a single holding company stock acquisition that results in multiple affiliations solely with the underlying companies ordinarily would trigger Section 9(a) (2), this Section would not apply to the Transaction because there is only one public-utility company of any regulatory significance involved in this Transaction: Illinois Power. The acquisition of securities of its holding company parent by persons not affiliated with any public-utility company or holding company should not be deemed subject to Section 9(a) (2)./103/ This follows from the unique position of EEInc.

EEInc, an indirect subsidiary of Illinova, should not be treated as a separate public-utility company. EEInc is an Illinois corporation having its principal place of business in Joppa, Illinois. EEInc was organized in 1950 for the purpose of generating and providing electricity to a government nuclear processing facility near Paducah, Kentucky. In order to meet the needs of the federal government at the lowest possible rate, excess output was purchased by the sponsoring utility systems in amounts proportional to their ownership interests.

The Commission has determined that the federal government service purpose of the project renders its operation largely outside the concerns of the Act. In determining that sales to the United States government should be excluded for the purposes of determining whether one of the sponsoring utilities (Union Electric) was predominantly intrastate in character, the Commission noted that EEInc was unique in the history of the Act in that, although it was a private venture being privately financed, its purpose was the cooperative building of a power project dedicated to serve a vital defense need of the United States Government. "EEInc does not itself sell electricity to private consumers of the type the Act is designed to protect and does not have any securities outstanding in the hands of public investors . . . ."/104/ The Commission

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/102/ See Coral Petroleum, Holding Co. Act Release No. 21632 (June 19, 1980), and cases cited supra note 19. An alternative construction of the last clause of Section 9(a) (2) would require the acquiring company to be affiliated with one public-utility or holding company prior to a single acquisition resulting in an additional affiliation.

/103/ AES Corp., Holding Co. Act Release No. 27063; Coral Petroleum, Holding Co. Act Release No. 21632.

/104/ Union Elec., 40 SEC 1072.

correctly attached no independent regulatory significance to the operations of EEInc or its corporate existence. As discussed below, subsequent Commission and Staff action reinforce the conclusion that EEInc has no regulatory significance for the Commission's analysis of the Transaction.

As a result of its specialized structure and purpose, EEInc does not represent the type of "other public-utility" which would trigger the application of Section 9(a)(2). As noted above, the purchases of excess power by sponsoring utilities is proportional to the ownership interests retained by the sponsoring utilities. The only reason EEInc is not a wholly government-owned facility or corporation clearly exempt from the Act is the provision of this ancillary function by the sponsoring utilities. These power purchasers, Illinois Power, Ameren and Kentucky Utilities, are not "consumers of the type the Act is designed to protect."/105/ To the extent the Commission considers the ownership of these excess power purchase entitlements to be distinct from federal government operations, that function still does not warrant application of Section 9(a)(2).

By contrast, Section 9(a)(2) requires that two truly distinct ("any other public-utility or holding company") public-utility companies or holding companies be affiliated before Section 9(a)(2) applies. The power supply relationship to Illinois Power proportional to ownership renders the project ownership by Illinova essentially irrelevant from a regulatory perspective. In the release authorizing the exemption from 9(a)(2) of certain jointly-sponsored generation supply companies, the Commission noted that it did not consider such public-utilities distinct from their sponsors, and specifically enumerated EEInc as an example of the type of company the Commission intended to foster./106/ The adopting release specifically noted that it was predicated upon the view that "the power supply company, whether a corporation or partnership, is only a source of supply of electric energy to its sponsoring utilities and in practical effect is a divisional unit within the operations of the utilities it serves."/107/ EEInc is in essence the same business unit as Illinois Power.

As recognized in Union Electric, no regulatory purpose would be served by attaching significance to EEInc as an independent public-utility operation apart from its role as a source of supply to Illinois Power./108/ In Coral Petroleum, the Commission determined that

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/105/ Id. EEInc also engages in a small amount of exchange energy sales with the Tennessee Valley Authority, another instrumentality of the federal government.

/106/ Rules Exempting Certain Acquisitions By Electric Utility Companies, Holding Co. Act Release No. 21881, 21 SEC Docket 1324, 1981 WL 36277, at n.4 (Jan. 13, 1981). Although Rule 14 is not literally applicable to EEInc, the adopting release establishes the principle that no basis exists to distinguish a power supply company from its sponsoring public-utility and that EEInc falls within that class of cases. EEInc is thus indistinguishable from Illinois Power under Rule 14 and should be so viewed for purposes of this Application.

/107/ Id. (emphasis added).

/108/ Illinova Generating Co., SEC No-Action Letter, 1996 WL 679234 (Oct. 22, 1996) by implication accepts the analysis presented herein.

substance and not form should determine the application of Section 9(a) (2) and that no "other" entity exists when the two entities are in essence the same business unit./109/

For the foregoing reasons, Section 9(a) (2) does not apply to the Transaction.

D. THE TRANSACTION SATISFIES THE REQUIREMENTS OF SECTION 10 OF THE ACT.

Even if the Commission were to find that the Transaction falls within the approval requirements of Section 9(a) (2), approval should be granted based upon satisfaction of all of the requirements of Section 10 of the Act. The discussion above amply demonstrates that the Transaction is consistent with the public interest. This Application and the referenced filings with the Commission fully disclose the terms and conditions of the Transaction. There is no basis for the Commission to make any of the negative findings under Section 10(b) of the Act. No concentration of control of public-utility companies will result. No public-utility companies are involved in this transaction other than the integrated system that exists today under Illinova's ownership. The fees and commissions bear a fair value to the sums invested and the earning capabilities of the utility assets. Finally, the resulting corporate structure is not unduly complex but instead results from the legal requirements associated with a merger of this nature. The structure is fully disclosed to the investing public, the FERC, this Commission, and the State of Illinois.

With respect to Section 10(c) of the Act, the public-utility system of Illinova will continue to be integrated and its integrated operation will be enhanced by the immediate injection of substantial equity capital by Chevron and by the prospect of a lower cost of equity due to merging a successful energy-related and exempt generation business into the holding company. WPL Holdings/110/ held that achieving an improved ability to attract capital is a sufficient enhancement of an integrated system to warrant approval under Section 10 of the Act. The strengthening of Illinova is particularly responsive to the market structure adopted by the State of Illinois. The State of Illinois has enacted a legislative scheme that depends upon the efficient operation of market forces to assure abundant and low cost energy, and electric utility service in particular. The market structure created by Illinois law depends on the performance of the new energy suppliers identified by the Commission in Consolidated Natural Gas Co.:

[F]undamental changes in the energy industry are leading to an increasingly competitive and integrated market, in which marketers deal in interchangeable units of energy expressed in British thermal unit values, rather than natural gas or electricity. To retain and attract wholesale and industrial customers, utilities need to provide competitively priced power and related customer services . . . . It appears that the restructuring of the electricity industry now underway will dramatically affect all United States energy markets

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/109/ Coral Petroleum, Holding Co. Act Release No. 21632.

/110/ WPL Holdings, Holding Co. Act Release No. 25096 (May 25, 1996).

as a result of growing interdependence of natural gas transmission and electric generation; and the interchangeability of different forms of energy, particularly gas and electricity./111/

The combination of Dynegy with Illinova will allow Illinova to participate vigorously in competitive energy markets that the Commission has recognized as essential to efficient utility service and as part of the future of the industry. Chevron's involvement in the Transaction arises solely from Chevron's wholly independent, and prior, interest in participating, through its equity ownership in Dynegy, in gas and liquids marketing, midstream services, and wholesale electric generation. Chevron's interest in Illinova is only incidental to its primary integrated energy business, as it arises solely from and is commensurate with the contribution of the energy-related operations of Dynegy to Illinova.

#### ITEM 4. REGULATORY APPROVAL

The Transaction is subject to review and approval by the FERC under the Federal Power Act ("FPA"). On July 23, 1999, Dynegy and Illinova filed a joint application with the FERC requesting that it approve the Transaction under Section 203 of the FPA. Under Section 203, the FERC will approve the Transaction if it finds that the merger is "consistent with the public interest." In reviewing a merger, the FERC generally evaluates whether the merger will (i) adversely affect competition; (ii) adversely affect rates to captive wholesale customers; or (iii) impair the effectiveness of regulation. Following the Transaction, the FERC will have continuing jurisdiction over New Dynegy's power marketing business and over Illinois Power (and Illinova Marketing), transactions with respect to, inter alia, rates, terms, and conditions for wholesale sales and transmission transactions, including those with affiliates, disposition and consolidation of utility assets and interlocking directorates.

Illinois Power is currently subject to the jurisdiction of the ICC. Illinois Power filed notice of the Transaction as it affects Illinois Power's electric system on August 13, 1999 with the ICC, along with a voluntary application with the ICC for approval of the Transaction with respect to the change of control over Illinois Power's gas utility. Following the Transaction, the ICC will retain applicable authority over the rates, services provided by, and dividends of Illinois Power, Illinois Power's transactions with affiliates, and, to varying degrees, the business activities of Illinois Power's affiliates.

Chevron, Dynegy, and Illinova have each made the necessary filings with the Department of Justice and the Federal Trade Commission under the Hart Scott-Rodino Antitrust Improvements Act of 1976. On August 24, 1999, the Federal Trade Commission informed each of the parties that early termination of the waiting periods under such filings has been granted.

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/111/ Consolidated Natural Gas Co., Holding Co. Act Release No. 26512 (Apr. 30, 1996).

ITEM 5. PROCEDURE.

The Applicants respectfully request that the Commission issue its order as soon as possible declaring that Chevron Corp. and Chevron USA are not holding companies within the meaning of Section 2(a)(7) or, alternatively, that Chevron Corp. and Chevron USA are holding companies exempt under Section 3(a)(3).

The Applicants hereby (i) waive a recommended decision by a hearing officer or any other responsible officer of the Commission; (ii) agree that the Division of Investment Management may assist in the preparation of the decision of the Commission; and (iii) request that the Commission order that the exemption requested by this Application be effective immediately upon consummation of the Transaction.

ITEM 6. EXHIBITS AND FINANCIAL STATEMENTS.

Exhibits

Exhibit A: Constituent Instruments

- A.1: Articles of Incorporation of New Dynegey
- A.2: Attachment to Articles of Incorporation of New Dynegey
- A.3: By-laws of New Dynegey (previously filed with the Commission as Exhibit 99.1 to Current Report on Form 8-K of Dynegey (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)

Exhibit B: Transaction Documents

- B.1: Agreement and Plan of Merger (previously filed with the Commission as Exhibit 2.1 to Current Report on Form 8-K of Dynegey (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.2: Subscription Agreement between Chevron USA and New Dynegey (previously filed with the Commission as Exhibit 10.1 to Current Report on Form 8-K of Dynegey (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.3: Shareholder Agreement among New Dynegey, Illinova, Dynegey, and Chevron USA (previously filed with the Commission as Exhibit 10.6 to Current Report on Form 8-K of Dynegey (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.4: Stock Purchase Agreement between New Dynegey and British Gas Atlantic Holdings BV (previously filed with the Commission as Exhibit 10.2 to Current Report on Form 8-K of Dynegey)

(Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)

- B.5: Registration Rights Agreement among New Dynegy, British Gas Atlantic Holdings BV, and NOVA (previously filed with the Commission as Exhibit 10.7 to Current Report on Form 8-K of Dynegy (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.6: Registration Rights Agreement between New Dynegy and Chevron USA (previously filed with the Commission as Exhibit 10.8 to Current Report on Form 8-K of Dynegy Inc. (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.7: Voting Agreement between Illinova and BG (previously filed with the Commission as Exhibit 10.3 to Current Report on Form 8-K of Dynegy (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.8: Voting Agreement between Illinova and Chevron USA (previously filed with the Commission as Exhibit 10.5 to Current Report on Form 8-K of Dynegy (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B.9: Voting Agreement between Illinova and NOVA (previously filed with the Commission as Exhibit 20.4 to Current Report on Form 8-K of Dynegy (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)

Exhibit C: Intentionally omitted, not applicable

Exhibit D: Applications and Orders of Certain Commissions listed in

- D.1: Joint Application of Illinova and Dynegy for Approval of Merger and Request for Expedited Consideration, FERC Docket No. EC99-99-000 (July 23, 1999)
- D.2: Application of Illinois Power for Expedited Approval of a Reorganization of the Gas Utility and Approval of an Interim Services and Facilities Agreement, ICC Docket No. 99-0419, (Aug. 12, 1999)

Exhibit E: Organizational Chart of New Dynegy

Exhibit F: Intentionally omitted, not applicable

Exhibit G: Financial Data Schedules

- G.1: Annual Report on Form 10-K of Chevron Corporation (Commission File No. 1-368-2) for the fiscal year ended

December 31, 1998 (previously filed with the Commission on March 31, 1999 and incorporated by reference herein)

G.2: Amendment No. 1 to Quarterly Report on Form 10-Q of Chevron Corporation (Commission File No. 1-368-2) for the quarterly period ended June 30, 1999 (previously filed with the Commission on August 5, 1999 and incorporated by reference herein)

G.3: Annual Report on Form 10-K of Illinova Corporation (Commission File Number 1-11327) and Illinois Power Company (Commission File Number 1-3004) for the fiscal year ended December 31, 1998 (previously filed with the Commission on March 29, 1999 and incorporated by reference herein)

G.4: Quarterly Report on Form 10-Q of Illinova Corporation (Commission File Number 1-11327) and Illinois Power Company (Commission File Number 1-3004) for the quarterly period ended June 30, 1999 (previously filed with on August 16, 1999 and incorporated by reference herein)

Exhibit H: Joint Press Release of Dynegey and Illinova (previously filed with the Commission as Exhibit 99.2 to Current Report on Form 8-K of Dynegey (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)

Exhibit I: Amendment No. 1 to Registration Statement under the Securities Act of 1933 on Form S-4 of New Dynegey (Registration No. 333-84965) (previously filed with the Commission on September 7, 1999 and incorporated by reference herein)

Exhibit J: Intentionally omitted

Exhibit K: The AES Exhibits

K.6: Market Shares for Electric Companies in Illinois and Bordering States (previously filed with the Commission as Exhibit K-6 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)

K.7: Market Shares for Gas Companies in Illinois and Bordering States (previously filed with the Commission as Exhibit K-7 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)

K.8: Market Shares for Combined Gas and Electric Companies in Illinois and Bordering States (previously filed with the Commission as Exhibit K-8 to Amendment No. 2 to Application on Form U-1/A of

AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)

- K.9: Market Shares for Utilities in Illinois and Bordering States (previously filed with the Commission as Exhibit K-9 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.10: Market Shares for Electric Companies in the U.S. (previously filed with the Commission as Exhibit K-10 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.11: Market Shares for Gas Companies in the U.S. (previously filed with the Commission as Exhibit K-11 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.12: Market Shares for Combined Gas and Electric Companies in the U.S. (previously filed with the Commission as Exhibit K-12 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.13: Market Shares for Utility Companies in the U.S. (previously filed with the Commission as Exhibit K-13 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.14: Market Shares for Electric Companies in Illinois (previously filed with the Commission as Exhibit K-14 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.15: Market Shares for Gas Companies in Illinois (previously filed with the Commission as Exhibit K-15 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)
- K.16: Market Shares for Utilities in Illinois (previously filed with the Commission as Exhibit K-16 to Amendment No. 2 to Application on Form U-1/A of AES Corporation (Commission File No. 070-09465), filed on August 20, 1999 and incorporated by reference herein)

Exhibit L: Historic and Projected Illinois Power Public Utility Operations Excluding Generation To Be Divested By Illinois Power



L.1: Illinois Power Company Balance Sheet Excluding Electric Power Generation

L.2: Illinois Power Company Net Revenues Excluding Electric Power Generation

Exhibit M: Intentionally omitted

Exhibit N: Size Analysis With Updated Energy Information Agency Data

N.6: Market Shares for Electric Companies in Illinois and Bordering States

N.7: Market Shares for Gas Companies in Illinois and Bordering States

N.8: Market Shares for Combined Gas and Electric Companies in Illinois and Bordering States

N.9: Market Shares for Utilities in Illinois and Bordering States

N.10: Market Shares for Electric Companies in the U.S.

N.11: Market Shares for Gas Companies in the U.S.

N.12: Market Shares for Combined Gas and Electric Companies in the U.S.

N.13: Market Shares for Utility Companies in the U.S.

N.14: Market Shares for Electric Companies in Illinois

N.15: Market Shares for Gas Companies in Illinois

N.16: Market Shares for Combined Gas and Electric Companies in Illinois

N.17: Market Shares for Utilities in Illinois

Exhibit O: Size Analysis Based on 1998 Form 10-K Data

O.1: Market Shares for Electric Companies in Illinois and Bordering States

O.2: Market Shares for Gas Companies in Illinois and Bordering States

O.3: Market Shares for Combined Gas and Electric Companies in Illinois and Bordering States

O.4: Market Shares for Utilities in Illinois and Bordering States

#### Financial Statements

##### 1. Statement of Applicants.

Reference is made to the following documents, each of which is incorporated by reference herein: (i) Annual Report on Form 10-K of Chevron Corporation (Commission File Number 1-368-2) for the fiscal year ended December 31, 1998, filed on March 31, 1999; (ii) Amendment No. 1 to Quarterly Report on Form 10-Q of Chevron Corporation (Commission File Number 1-368-2) for the quarterly period ended June 30, 1999, filed on August 5, 1999; (iii) Annual Report on Form 10-K of Illinova Corporation (Commission File Number 1-11327) and

Illinois Power Company (Commission File Number 1-3004) for the fiscal year ended December 31, 1998 filed on March 29, 1999; and (iv) Quarterly Report on Form 10-Q of Illinova Corporation (Commission File Number 1-11327) and Illinois Power Company (Commission File Number 1-3004) for the quarterly period ended June 30, 1999, filed on August 16, 1999.

2. Statements of Top Registered Holding Company.

None.

3. Statements of Company Whose Securities Are Being Acquired or Sold.

Reference is made to the following documents, each of which is incorporated by reference herein: (i) Annual Report on Form 10-K of Dynegy Inc. (Commission File Number 1-11156) for the fiscal year ended December 31, 1998, filed on March 30, 1999; (ii) Quarterly Report on Form 10-Q of Dynegy Inc. (Commission File Number 1-11156) for the quarterly period ended June 30, 1999, filed on August 16, 1999; and (iii) Amendment No. 1 to Registration Statement under the Securities Act of 1933 on Form S-4 of Energy Convergence Holding Company (Registration No. 333- 84965), filed with the Commission on September 7, 1999.

4. Statement of Changes.

None.

ITEM 7. INFORMATION AS TO ENVIRONMENTAL EFFECTS.

The Transaction, a corporate merger, neither involves a "major federal action" nor "significantly affects the quality of the human environment," as those terms are used in Section 102(2)(c) of the National Environmental Policy Act. Consummation of the Transaction will not result in changes in the operations of the parties that would have any impact on the environment. No federal agency is preparing an Environmental Impact Statement with respect to this matter.

SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this statement to be signed on their behalf by the undersigned thereunto duly authorized.

Date: September 30, 1999

CHEVRON CORPORATION

ILLINOVA CORPORATION

By:/s/ Peter J. Robertson

By:/s/ Larry F. Altenbaumer

-----  
Peter J. Robertson  
Vice-President

-----  
Larry F. Altenbaumer  
Senior Vice President,  
Chief Financial Officer,  
Treasurer, and Controller

CHEVRON U.S.A. INC.

By:/s/ Peter J. Robertson

-----  
Peter J. Robertson  
Executive Vice-President

## THE EFFECT OF STATE AND FEDERAL REGULATION UPON ILLINOVA

Pervasive state and federal regulation have determined the size and scope of Illinois Power's public-utility operations and its role within the regional public-utility and energy service markets created by these regulatory systems. Recent regulatory initiatives have also resulted in the business requirements that have caused Illinova to seek the merger described below.

## State Regulation

The State of Illinois regulates public-utilities through comprehensive legislation and authority delegated to the ICC, principally through the Illinois Public Utilities Act, originally enacted in 1913 and reenacted several times hence./112/ Both the retail electric power service and natural gas service of Illinois Power fall within ICC regulatory jurisdiction/113/. The ICC is charged with the "general supervision" of public-utilities./114/ Illinois law imposes extensive accounting and reporting requirements upon public-utilities/115/ The ICC has jurisdiction over the capitalization of public-utilities and the use of financing proceeds./116/ Unlike some states, the State of Illinois has delegated express authority to the ICC to regulate inter-corporate relations, including transactions between public-utilities such as Illinois Power and its affiliated interests./117/ For example, the ICC approved Illinois Power's investment in independent energy projects contingent upon formation of a holding company and approval of its affiliate relations./118/ Unlike many state public service commissions, the ICC has the express authority to regulate public-utility dividend payments where the public-utility's capital is or otherwise would be impaired or where earned surplus is insufficient./119/ Unlike many states, the ICC must approve coordination agreements among utilities, the acquisition of public-utility assets by public-utilities, the disposition of public-utility assets of a tangible and intangible nature, mergers or consolidations of public-utilities, utility

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/112/ 220 Ill. Comp. Stat. 5/1-101 (West 1999) et seq.; see also, e.g., Alton Water Co. v. Illinois Commerce Comm'n, 279 F. 869 (7th Cir. 1922) (acknowledging legislative delegation to ICC); AES Corp., Holding Co. Act Release No. 27063 at n.23 & Section III (Aug. 20, 1999) (discussing authority of ICC over public-utilities).

/113/ 220 Ill. Comp. Stat. 5/3-105 a,c.

/114/ 220 Ill. Comp. Stat. 5/4-101.

/115/ 220 Ill. Comp. Stat. 5/5-101-109.

/116/ 220 Ill. Comp. Stat. 5/6-101-108.

/117/ 220 Ill. Comp. Stat. 5/7-101, 16-121.

/118/ Illinois Power Co., 150 PUR 4th 98 (ICC, May 11, 1996); Illinois Power Co., 147 PUR 4th 225 (ICC, Nov. 9, 1993).

/119/ 220 Ill. Comp. Stat. 5/7-103.

acquisitions of the securities of public-utilities, guarantees, advances of funds, and certain sales of real property having a sale price or annual consideration greater than \$5,000,000./120/ Illinois law requires nondiscriminatory access to power delivery systems if and when such access is provided to affiliates that make energy sales at market-based prices./121/ Illinois law regulates extensions of public-utility systems and generating plant additions pursuant to a system of issuing, reviewing, and amending certificates of public convenience and necessity./122/ Unlike many states, Illinois law expressly addresses diversification by public-utilities in order to prevent cross-subsidy inconsistent with the public interest and to avoid impairment of public-utility service./123/ Illinois law vests the ICC with comprehensive regulatory authority over the rates, terms, and conditions of service provided by electric and gas public-utilities./124/

On December 16, 1997, the State of Illinois enacted the Electric Service Customer Choice and Rate Relief Law of 1997, which introduces retail competition and customer choice to electricity consumers in the State of Illinois./125/ The legislation adopts a comprehensive approach to creating a market mechanism to provide electric energy to consumers. The law contains the following key provisions:

**Rate Decreases:** The law provides Illinois Power's residential customers a 15% decrease in base electric rates beginning August 15, 1998, and an additional 5% decrease beginning May 1, 2002.

**Rate Freeze:** The law freezes rates for bundled electric service through January 1, 2005 (with the exception of the mandatory rate decreases discussed above), unless the utility's earned rate of return on common equity falls below the 30-year Treasury bond rate for two consecutive years. This rate freeze generally forces public-utilities to absorb fuel and purchased power cost increases. It also provides a vehicle for the recovery of transition costs (frequently called "stranded" costs) minus statutorily prescribed mitigation factors during the transition period established by Illinois law. Thus the revenues of Illinois Power under the rate freeze include fuel, purchased power, and transition cost recovery.

**Retail Choice:** Beginning October 1, 1999, the following categories of retail customers will be eligible to choose their electricity supplier: (i) customers with a demand greater than 4 MW at a single site; (ii) customers under common ownership with ten or more sites in a service area which aggregate to at least 9.5 MW in demand; and (iii) customers comprising one-third of the remaining non-

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/120/ 220 Ill. Comp. Stat. 5/7-102, 7-204.  
/121/ 220 Ill. Comp. Stat. 5/7-108.  
/122/ 220 Ill. Comp. Stat. 5/8-406-407.  
/123/ 220 Ill. Comp. Stat. 5/7-106, 205-206.  
/124/ 220 Ill. Comp. Stat. 5/8-101 et seq.; 220 Ill. Comp. Stat. 5/9-101 et seq.  
/125/ 220 Ill. Comp. Stat. 5/16-101A.

residential load. The rest of the non-residential customer group will be eligible for direct access by December 31, 2000. All residential customers will have direct access by May 2002. For Illinois Power, this means that non-residential customers representing 53% of its total current retail electric sales volume will be eligible to select an alternate generation service supplier on October 1, 1999 (subject to pre-existing contract term requirements). All non-residential customers, representing 73% of Illinois Power's total current electric sales volume, will be eligible to select an alternate generation service supplier at year-end 2000 (subject to pre-existing contract term requirements).

**Delivery Service:** Illinois Power is obligated to provide delivery service to customers eligible for direct access under tariffs approved by the ICC. The ICC also regulates the services provided by public utilities to alternative retail electric suppliers.

**ICC Oversight of Transmission And Distribution Reliability:** The ICC must adopt regulations on transmission and distribution reliability. In addition, Illinois utilities must form or join an independent system operator.

**Sale or Transfer of Electric Utility Assets:** During the transition period (1998-2004), electric utilities can sell or transfer assets to affiliated or unaffiliated entities pursuant to an ICC review process which must be completed within 90 days and which establishes specific criteria for ICC review.

**Functional Separation / Code of Conduct:** The ICC is required to adopt standards of conduct for electric utilities and is promulgating rules for the functional separation of generation services and delivery services.

**Affiliate Relationships:** The ICC is required to, and has, adopted rules governing the relationships between electric utilities and their affiliates, and ensuring non-discrimination in any services provided by the electric utility to its affiliates and to Alternative Retail Electric Suppliers.

Illinova believes that the public-utility operations of Illinois Power will shrink dramatically as the Illinois restructuring law becomes effective and Illinois Power makes the transition from a company traditionally associated with regulated utility service to a competitive energy company.

Illinova also believes that the retail sale of natural gas in Illinois will be open to competition. The two largest gas utilities in Illinois have implemented a pilot retail access program.

Illinois Power is interconnected to the utilities located within four major regions of the National Electric Reliability Council. Illinois Power is a member of the Mid-American Interconnected Network ("MAIN"). Illinois Power's transmission system is interconnected to the following members of MAIN: Ameren Power Services; Central Illinois Lighting Co.; CINergy

Services, Inc.; Commonwealth Edison Company, Hoosier Energy; Louisville Gas & Electric Company; Wabash Valley; and Wisconsin Electric Power Company.

Illinois Power is also interconnected to the East Central Area Reliability Coordination subregion through interconnections it maintains with Louisville Gas & Electric Company and American Electric Power Company. Illinois Power is also interconnected to the Mid-continent Area Power Pool through its transmission interconnection with MidAmerican Energy Company. Finally, Illinois Power is interconnected to the public-utilities located in the Southeastern Electric Reliability Council through its transmission interconnection with the Tennessee Valley Authority.

Following passage of the Energy Policy Act of 1992, the Federal Energy Regulatory Commission has encouraged and required open access transmission service. Illinois Power has an open access transmission tariff in place that functionally separates, or "unbundles," transmission service from power generation sales. As a result of the presence of competition in wholesale power markets, the absence of barriers to entry, and Illinois Power's commitment to FERC codes of conduct that prevent affiliate abuses and cross-subsidy, the FERC has authorized Illinois Power and its affiliated power marketer to sell power at wholesale at rates set by market forces./126/

Illinois Power has joined eight other regional public-utilities in ceding operational control of their transmission systems to a regional Independent System Operator; the Midwest Independent Transmission System Operator./127/ The other participants in the Midwest ISO are the following: Ameren Power Services Company; Southern Illinois Power Cooperative; Commonwealth Edison Company; Central Illinois Light Company; Electric Energy, Inc.; City of Springfield, Illinois; Western Illinois Power Cooperative; and Soyland Power Corporation./128/

Federal regulation and restructuring greatly amplifies the effect of state-sponsored utility restructuring of Illinova. Centrally located and abutting several major interstate public-utility systems, Illinois Power has long been subject to electric power transmission interconnection regulation by the Federal Power Commission and FERC./129/ As a result of transmission access and the operational integration and interconnection of Illinois Power's power delivery system to many major public-utility systems, retail sales of electricity in Illinois will be subject to active competition by many power marketers, including many major interstate public-utility systems./130

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/126/ Illinova Power Marketing, 79 FERC (P) 61,016 (1997); Illinova Power Marketing, 73 FERC (P) 61,371 (1995).

/127/ 84 FERC (P) 61,231, order on reh'g, 85 FERC (P) 61,372 (1998).

/128/ See Exhibit D.2, at 5-6.

/129/ The authority to compel interconnections was included in Section 202(b) of the Federal Power Act as enacted in 1935. 16 U.S.C. 824a(b).

/130/ Within this context FERC has already approved as consistent with the public interest the merger of two large independent power companies (AES and CalEnergy) with exempt projects with Illinois public utilities. Central Illinois Light Co., 87 FERC (P) 61,293 (1999); Mid-America Energy Co., 85 FERC (P) 61,354 (1998).

File Number 6053-811-5

State of Illinois  
Office of  
The Secretary of State

Whereas, ARTICLES OF INCORPORATION OF ENERGY CONVERGENCE HOLDING COMPANY INCORPORATED UNDER THE LAWS OF THE STATE OF ILLINOIS HAVE BEEN FILED IN THE OFFICE OF THE SECRETARY OF STATE AS PROVIDED BY THE BUSINESS CORPORATION ACT OF ILLINOIS, IN FORCE JULY 1, A.D. 1984.

Now Therefore, I, Jesse White, Secretary of State of the State of Illinois, by virtue of the powers vested in me by law, do hereby issue this certificate and attach hereto a copy of the Application of the aforesaid corporation.

In Testimony Whereof, I hereto set my hand and cause to be affixed the Great Seal of the State of Illinois, at the City of Springfield, this 11th day of June A.D. 1999 and of the Independence of the United States the two hundred and 23rd.

[SEAL OF THE STATE OF ILLINOIS APPEARS HERE]

/s/ JESSE WHITE  
Secretary of State



(Rev. Jan. 1999)

This space for use by Secretary of State

Jesse White
Secretary of State
Department of Business Services
Springfield, IL 62756
http://www.sos.state.il.us

FILED

JUNE 14, 1999

SUBMIT IN DUPLICATE!

This space for use by
Secretary of State
Date 6-11-99

Payment must be made by certi-
fied check, cashier's check, Illi-
nois attorney's check, Illinois
C.P.A.'s check or money order,
payable to "Secretary of State."

JESSE WHITE
SECRETARY OF STATE

Franchise Tax \$ 25.00
Filing Fee \$ 75.00
Approved: \$100.00

1. CORPORATE NAME: ENERGY CONVERGENCE HOLDING COMPANY

(The corporate name must contain the word "corporation", "company", "incorporated," "limited" or an abbreviation thereof.)

2. Initial Registered Agent: LEAH M. STETZNER

First Name Middle Initial Last name

Initial Registered Office: 500 SOUTH 27TH STREET

Number Street Suite #

DECATUR IL MACON 62525

City County Zip Code

3. Purpose or purposes for which the corporation is organized:
(If not sufficient space to cover this point, add one or more sheets of this size.)

To transact any or all lawful businesses for which corporation may be incorporated under the Business Corporation Act of 1983, as amended from time to time.

4. Paragraph 1: Authorized Shares, Issued Shares and Consideration Received:

Table with 5 columns: Class, Par Value per Share, Number of Shares Authorized, Number of Shares Proposed to be Issued, Consideration to be Received Therefor. Row 1: Common, \$0.01, 1,000, 1,000, \$1,000. Total = \$1,000

Paragraph 2: The preferences, qualifications, limitations, restrictions and special or relative rights in respect of the shares of each class are:
(If not sufficient space to cover this point, add one or more sheets of this size.)

EXPEDITED
JUNE 11, 1999
SECRETARY OF STATE

(over)

5. OPTIONAL: (a) Number of directors constituting the initial board of directors of the corporation: \_\_\_\_\_.

(b) Names and addresses of the persons who are to serve as directors until the first annual meeting of shareholders or until their successors are elected and qualify:

Name	Residential Address	City, State, ZIP
-----	-----	-----
-----	-----	-----
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6. OPTIONAL: (a) It is estimated that the value of all property to be owned by the corporation for the following year wherever located will be: \$ \_\_\_\_\_

(b) It is estimated that the value of the property to be located within the State of Illinois during the following year will be: \$ \_\_\_\_\_

(c) It is estimated that the gross amount of business that will be transacted by the corporation during the following year will be: \$ \_\_\_\_\_

(d) It is estimated that the gross amount of business that will be transacted from places of business in the State of Illinois during the following year will be: \$ \_\_\_\_\_

7. OPTIONAL: OTHER PROVISIONS

Attach a separate sheet of this size for any other provision to be included in the Articles of Incorporation, e.g., authorizing preemptive rights, denying cumulative voting, regulating internal affairs, voting majority requirements, fixing a duration other than perpetual, etc.

8. NAME(S) & ADDRESS(ES) OF INCORPORATOR(S)

The undersigned incorporator(s) hereby declare(s), under penalties of perjury, that the statements made in the foregoing Articles of Incorporation are true.

Dated June 11, 1999

(Month & Day) Year

Signature and Name	Address
1. /s/ Delane Cathers	1. 3612 Spanish Trace
-----	-----
Signature	Street
-----	-----
DELANE CATHERS	Springfield, IL 62707
-----	-----
(Type or Print Name)	City/Town State ZIP Code
2. -----	1. -----
-----	-----
Signature	Street
-----	-----
(Type or Print Name)	City/Town State ZIP Code
3. -----	1. -----
-----	-----
Signature	Street
-----	-----
(Type or Print Name)	City/Town State ZIP Code

(Signatures must be in BLACK INK on original document. Carbon copy, photocopy or rubber stamp signatures may only be used on conformed copies.)

NOTE: If a corporation acts as incorporator, the name of the corporation and the state of incorporation shall be shown and the execution shall be by its president or vice president and verified by him, and attested by its secretary or assistant secretary.

FEE SCHEDULE

- . The initial franchise tax is assessed at the rate of 15/100 of 1 percent (\$1.50 per \$1,000) on the paid-in capital represented in this state, with a minimum of \$25.
  - . The filing fee is \$75.
  - . The minimum total due (franchise tax + filing fee) is \$100.  
(Applies when the Consideration to be Received as set forth in Item 4 does not exceed \$16,667)
  - . The Department of Business Services in Springfield will provide assistance in calculating the total fees if necessary.
- Illinois Secretary of State Springfield, IL 62756  
 Department of Business Services Telephone (217) 782-9522 or 782-9523

Energy Convergence Holding Corporation

Article 4, Paragraph 2, continued:

A. General

All holders of Class A Common Stock (as defined) shall be entitled to cumulative voting rights, as that term is used in Section 7.40 of the Illinois Business Corporation Act of 1983, as amended from time to time (the "IBCA"), in any election of directors. Holders of Class B Common Stock (as defined) shall not be entitled to cumulative voting rights.

B. Provisions Relating to Preferred Stock

(1) Authority is hereby expressly vested in the Board of Directors (the "Board") to divide, and to provide for the issue from time to time of, the Preferred Stock in series and to fix and determine as to each such series:

(a) the designation of, and the number of shares to be issuable in, such series;

(b) the dividend rate for the share for such series;

(c) the price or prices at which, and the terms and conditions on which, such shares may be redeemed;

(d) the amount payable upon each of such shares in the event of involuntary dissolution of the corporation;

(e) the amount payable upon each of such shares in the event of voluntary dissolution of the corporation;

(f) sinking fund provisions, if any, for the redemption or purchase of such shares (the term "sinking fund," as used herein, including any analogous fund, however designated);

(g) if such shares are to be issued with the privilege of conversion into shares of the Common Stock or other securities, the terms and conditions on which such shares may be so converted; and

(h) the voting rights or the grant of special voting rights, provided that the voting rights of such Preferred Stock are no greater in proportion than to the economic interest of such Shares.

In all other respects the shares of Preferred Stock of all series shall be identical. Holders of Preferred Stock shall have no preemptive rights.

Additional series of preferred stock may be issued pursuant to designation by resolution of the Board of Directors and such series may have preferences which are junior to, pari passu with or superior to an outstanding series of preferred stock set forth in these articles of

incorporation or created by designation without any vote of such outstanding series of preferred stock unless the designation or terms of the outstanding series of preferred stock expressly provides otherwise.

So long as any shares of any series of the Preferred Stock established by resolution of the Board of Directors shall be outstanding, such resolution shall not be amended so as to affect any of the preferences or other rights of the holders of the shares of such series without the affirmative vote or the written consent of the holders of at least a majority of the shares of such series outstanding at the time or as of a record date fixed by the Board of Directors, but such resolution may be so amended with such vote or consent.

#### C. Provisions Relating to Common Stock

(1) The total number of shares of common stock that the corporation shall have authority to issue is 420,000,000 of which (i) 300,000,000 shares shall be shares of Class A Common Stock, no par value per share (the "Class A Common Stock"), and (ii) 120,000,000 shares shall be shares of Class B Common Stock, no par value per share (the "Class B Common Stock" and, together with the Class A Common Stock, the "Common Stock").

(2) Holders of the Common Stock shall have no preemptive rights. Except as contemplated by Article 4, Paragraph 2C., each outstanding share of Common Stock shall entitle the holder thereof to one vote (and not more than one vote) on each matter submitted to a vote at a meeting of holders of Common Stock.

(3) The following is a statement of the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations and restrictions of the Class A Common Stock and Class B Common Stock:

##### (a) Class A Common Stock and Class B Common Stock

Except as otherwise set forth in this Article 4, Paragraph 2C, the relative powers, preferences and participating, optional or other special rights, and the qualifications, limitations or restrictions of the Class A Common Stock and Class B Common Stock shall be identical in all respects.

##### (b) Dividends

Subject to the rights of the holders of Preferred Stock, and subject to any other provisions of these Articles, holders of Common Stock shall be entitled to receive such dividends and other distributions in cash, stock of any corporation (other than Common Stock) or property of the corporation as may be declared thereon by the Board of Directors from time to time out of assets or funds of the corporation legally available therefor and shall share equally on a per share basis in all such dividends and other distributions. In the case of dividends or other distributions payable in Common Stock, including distributions pursuant to stock splits or divisions of Common Stock, only shares of Class A Common Stock shall be paid or distributed with respect to Class A Common Stock and only shares of Class B Common Stock shall be paid or distributed with respect to Class B

Common Stock. The number of shares of Class A Common Stock and Class B Common Stock so distributed on each share shall be equal in number. Neither the shares of Class A Common Stock nor the shares of Class B Common Stock may be reclassified, subdivided or combined unless such reclassification, subdivision or combination occurs simultaneously and in the same proportion for each class.

(c) Voting.

(i) Except as may be otherwise required by law or by the provisions of this Article 4, Paragraph 2C.(3)(c), the holders of the Class B Common Stock shall vote together with the holders of the Class A Common Stock as a single class on every matter coming before any meeting of the shareholders or otherwise to be acted upon by the shareholders, subject to any voting rights which may be granted to holders of any other class or series of Preferred Stock. So long as any Class B Common Stock is outstanding, the corporation shall not amend (x) Section 7 of Article III or Article X of the corporation's By-laws (unless such amendment shall be approved by a majority of the Class B directors present at the meeting where such amendment is considered and a majority of the Directors then in office) or effect any mergers, consolidations, reorganizations, or sales of assets requiring shareholder approval under the IBCA or disposition of all or substantially all of the corporation's assets without the affirmative vote of 66-2/3% of the shares of Common Stock outstanding, voting as a single class or (y) any provision of this Article 4, Paragraph 2C.(3)(c)(i) relating to the Common Stock without the affirmative vote of 66-2/3% of the shares of Class B Common Stock outstanding, voting as a separate class, and the affirmative vote of a majority of the shares of Class A and Class B Common Stock, voting as a single class.

(ii) The Board of Directors of the corporation shall consist of at least twelve members and no more than fifteen members as established from time to time by resolution of the Board of Directors, except that such numbers are subject to automatic adjustment as necessary, under those circumstances and during those time periods that holders of any other class or series of the corporation's outstanding Preferred Stock have rights to elect members of the Board of Directors (the "Preferred Stock Directors"), as set forth in these Articles of Incorporation or in the resolution of the Board of Directors establishing and designating such series and fixing and determining the relative rights and preferences thereof. So long as any shares of Class B Common Stock are outstanding, the holders of the Class B Common Stock, as such holders, shall be entitled to vote as a separate class for the election of three directors of the corporation (the "Class B Directors") and the holders of the Class A Common Stock shall be entitled to vote as a separate class for the remaining directors of the corporation (the "Class A Directors"), excluding Preferred Stock Directors, if any. At such time as no Class B Common Stock is outstanding, the term of all Class B Directors shall immediately end.

(iii) For purposes of electing Class B Directors, the Board of Directors will nominate such individuals as may be specified by a majority vote of the then existing Class B Directors or, if there are no Class B Directors, by holders of a majority of the Class B Common Stock. The remaining directors will be nominated in accordance with the corporation's Bylaws.

(iv) At any meeting having as a purpose the election of directors by holders of the Common Stock, the presence, in person or by proxy, of the holders of a majority of the shares of relevant class of Common Stock then outstanding shall be required and be sufficient to constitute a quorum of such class for the election of any director by such holders. Each director shall be elected by the vote or written consent required under the IBCA of the holders of such class. At any such meeting or adjournment thereof, (i) the absence of a quorum of such holders of an applicable class of Common Stock shall not prevent the election of the directors to be elected by the holders of shares other than such class of Common Stock, and (ii) in the absence of such quorum (either of holders of such class of Common Stock or of shares other than such class of Common Stock, or both), a majority of the holders, present in person or by proxy, of the class or classes of stock which lack a quorum shall have power to adjourn the meeting for the election of directors which they are entitled to elect, from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

(v) Any vacancy in the office of a class of director may be filled by the remaining directors of such class, unless such vacancy occurred because of the removal (with or without cause) of a director, in which event such vacancy shall be filled by the affirmative vote of the holders of a majority of the outstanding shares of the applicable class of Common Stock. Any or all of the directors may be removed, with or without cause, by vote or by written consent in each case in accordance with Section 8.35 of the IBCA by the holders of the applicable class of Common Stock and not otherwise. Any director elected to fill a vacancy shall serve the same remaining term as that of his or her predecessor, subject, however, to prior death, resignation, retirement, disqualification, or removal from office.

(vi) Without the affirmative vote of the holders of at least 66-2/3% of the outstanding shares of the Class B Common Stock or the written consent of such holders of the Class B Common Stock, the corporation may not effect any change in the rights, privileges or preferences of the Class B Common Stock. This provision shall not be applicable to any amendment to the Articles of Incorporation or adoption of resolutions of the Board of Directors which establishes or designates one or more classes or series of Preferred Stock in accordance with Article 4, Paragraph 2B.(1).

(vii) With respect to actions by the holders of Class B Common Stock upon those matters on which such holders are entitled to vote as a separate class, such actions may be taken without a shareholders meeting by the written consent of holders of the Class B Common Stock who would be entitled to vote at a

meeting those shares having power to cast not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of Class B Common Stock entitled to vote were present and voted. Notice shall be given in accordance with the applicable provisions of the IBCA of the taking of corporate action without a meeting by less than unanimous written consent to those holders of Class B Common Stock on the record date whose shares were not represented on the written consent.

(d) Transfer.

(i) If any person holding shares of Class B Common Stock of record (a "Class B Holder") purports to transfer such shares of Class B Common Stock, whether by sale, assignment, gift, bequest or otherwise, except to a Permitted Transferee, such transfer shall be deemed to constitute a request by the Class B Holder for conversion of such shares and shall result in such shares being converted into Class A Common Stock as provided by Article 4, Paragraph 2C.(3)(e).

(ii) In the case of a Class B Holder acquiring record and beneficial ownership of the shares of Class B Common Stock in question upon initial issuance by the corporation (an "Original Holder"), a "Permitted Transferee" shall mean any Affiliate (as defined) of such Original Holder.

In the case of a Class B Holder which is a Permitted Transferee of an Original Holder, a "Permitted Transferee" shall mean:

(y) any Original Holder, or

(z) any Permitted Transferee of any Original Holder.

For this paragraph and Article 4, Paragraph 2C.(3)(e), "Affiliate" means any corporation, partnership, limited liability company or other entity (each, a "Person") that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, another Person, and includes any Person acting in concert with another Person.

(iii) With respect to a Class B Holder which holds shares by virtue of its status as an Affiliate, the subsequent loss of Affiliate status shall, unless within 15 days thereafter all shares of Class B Common Stock held by such Class B Holder are transferred to an Original Holder or a Permitted Transferee of an Original Holder, result in the automatic conversion of all of its shares of Class B Common Stock into shares of Class A Common Stock, and stock certificates formerly representing such shares of Class B Common Stock shall thereupon and thereafter be deemed to represent shares of Class A Common Stock as provided by Article 4, Paragraph 2C.(3)(e).

(iv) Any transfer of shares of Class B Common Stock not permitted hereunder shall result in the conversion of the transferee's shares of Class B

Common Stock into shares of Class A Common Stock as provided by Article 4, Paragraph 2C.(3)(e), effective as of the date on which certificates representing such shares are presented for transfer on the books of the corporation or on such earlier date that the corporation receives notice of such attempted transfer. The corporation may, in connection with preparing a list of stockholders entitled to vote at any meeting of stockholders, or as a condition to the transfer or the registration of shares of Class B Common Stock on the corporation's books, require the furnishing of such affidavits or other proof as it deems necessary to establish that the person is the beneficial owner of shares of Class B Common Stock or is a Permitted Transferee.

(v) Shares of Class B Common Stock shall be registered in the names of the beneficial owners thereof and not in "street" or "nominee" name. For this purpose, a "beneficial owner" of any shares of Class B Common Stock shall mean a person who, or any entity which, possesses the powers, either singly or jointly, to direct the voting or disposition of such shares. Certificates for shares of Class B Common Stock shall bear a legend referencing the restrictions on transfer imposed by this Article 4, Paragraph 2C.(3)(d).

(e) Conversion.

(i) Each share of Class B Common Stock shall be converted at such time, in such manner and upon such terms and conditions as provided herein into one fully paid and non-assessable share of Class A Common Stock.

(ii) Each share of Class B Common Stock shall automatically convert into a share of Class A Common Stock upon the earlier to occur of (i) the holders of all Class B Common Stock ceasing to own in the aggregate 15% of the issued and outstanding Common Stock, and (ii) as provided in Article 4, Paragraph 2C.(3)(d). Upon automatic conversion of shares of Class B Common Stock, the corporation shall reflect such conversion, and the issuance of Class A Common Stock in connection therewith on its books and records for all purposes even if certificates reflecting such converted shares of Class B Common Stock are not surrendered to the corporation or its transfer agent. All shares of Class B Common Stock, upon conversion thereof into Class A Common Stock, shall retain their designation as Class B Common Stock and shall have the status of authorized and unissued shares of Class B Common Stock; provided that if all shares of Class B Common Stock outstanding are converted into shares of Class A Common Stock, then all authorized but unissued shares of treasury shares of Class B Common Stock shall automatically convert into authorized but unissued or treasury shares of Class A Common Stock, as the case may be, and no further shares of Class B Common Stock shall exist. Except as specifically contemplated under this Article 4, Paragraph 2C.(3)(e), shares of Class B Common Stock may not be converted into Class A Common Stock.

(iii) Each share of Class A Common Stock owned (within the meaning of Article 4, Paragraph 2C.(3)(d)) by Chevron U.S.A. Inc., a Pennsylvania



corporation ("Chevron") or its Affiliates shall simultaneous with acquiring such ownership automatically be converted into one fully paid and non-assessable share of Class B Common Stock; provided, however, that for purposes of any shares of Class B Common Stock so issued, only Chevron will be deemed to be the Original Holder thereof for purposes of the provisions of Article 4, Paragraph 2C.(3)(d), and provided, further, that this provision shall not apply with respect to shares of Class A Common Stock issued upon conversion of all Class B Common Stock in accordance with the first sentence of Article 4, Paragraph 2C.(3)(e)(iii)(i), or any shares of Class A Common Stock owned by Chevron or its Affiliates, after such conversion shall have occurred. Upon automatic conversion of shares of Class A Common Stock, the corporation shall reflect such conversion and the issuance of Class B Common Stock in connection therewith on its books and records for all purposes even if certificates reflecting such converted shares of Class A Common Stock are not surrendered to the corporation for transfer. All shares of Class B Common Stock shall be subject to the restrictions and provisions contained in the corporation's Articles of Incorporation. All shares of Class A Common Stock, upon conversion thereof into Class B Common Stock, shall retain their designation as Class A Common Stock and shall have the status of authorized and unissued shares of Class A Common Stock.

(iv) Nothing herein shall prevent the Original Holder (or any Permitted Transferee) of the Class B Common Stock and the corporation from executing an agreement allowing the Original Holder (or any Permitted Transferee), at its option, to convert the Class B Common Stock into Class A Common Stock, nor the conversion of any Class B Common Stock pursuant to such agreement.

(v) The corporation will, as soon as practicable after such deposit of a certificate or certificates for Common Stock to be converted in accordance with this Article 4, Paragraph 2C.(3)(e), issue and deliver at the office of the corporation or of its transfer agent to the person for whose account such Common Stock was so surrendered, a certificate or certificates for the number of full shares of Common Stock into which the shares represented by the surrendered certificate are converted. If surrendered certificates for Common Stock are converted only in part, the corporation will issue and deliver to the holder, without charge therefor, a new certificate or certificates representing the aggregate of the unconverted shares of such class of Common Stock. The failure of the holder to deliver to the corporation certificates representing shares of a class of Common Stock converted in accordance with this Article 4, Paragraph 2C.(3)(e), shall in no way affect the automatic conversion of such shares.

(vi) The issuance of certificates for shares of a class of Common Stock upon conversion of shares of the other class of Common Stock shall be made without charge for any issue, stamp or other similar tax in respect of such issuance; provided, however, if any such certificate is to be issued in a name other than that of the holder of the share or shares of the class of Common Stock converted, the person or persons requesting the issuance thereof shall pay to the corporation the amount of any tax which may be payable in respect of any transfer

involved in such issuance or shall establish to the satisfaction of the corporation that such tax has been paid.

(vii) The corporation shall at all times reserve and keep available, solely for the purpose of issuance upon conversion of the outstanding shares of Class B Common Stock, such number of shares of Class A Common Stock as shall be issuable upon the conversion of all such outstanding shares, provided that nothing contained herein shall be construed to preclude the corporation from satisfying the obligations in respect of the conversion of the outstanding shares of Class B Common Stock by delivery of shares of Class A Common Stock which are held in the treasury of the corporation. The corporation shall take all such corporate and other actions as from time to time may be necessary to insure that all shares of Class A Common Stock issuable upon conversion of shares of Class B Common Stock upon issue will be duly and validly authorized and issued, fully paid and nonassessable and free of any preemptive or similar rights. In order that the corporation may issue shares of Class A Common Stock upon conversion of the Class B Common Stock, the corporation will endeavor to comply with all applicable Federal and state securities laws and will endeavor to list such shares to be issued upon conversion on such securities exchange on which the Class A Common Stock is then listed.

(viii) The corporation shall at all times reserve and keep available, solely for the purpose of issuance upon conversion of the outstanding shares of Class A Common Stock a number of shares of Class B Common Stock equal to 40% of the number of outstanding shares of Class A Common Stock, provided that nothing contained herein shall be construed to preclude the corporation from satisfying the obligations in respect of the conversion of the outstanding shares of Class A Common Stock by delivery of shares of Class B Common Stock which are held in the treasury of the corporation. The corporation shall take all such corporate and other actions as from time to time may be necessary to insure that all shares of Class B Common Stock issuable upon conversion of shares of Class A Common Stock upon issue will be duly and validly authorized and issued, fully paid and nonassessable and free of any preemptive or similar rights. In order that the corporation may issue shares of Class B Common Stock upon conversion of the Class A Common Stock, the corporation will endeavor to comply with all applicable Federal and state securities laws.

(f) Except as may otherwise be required by law and for the equitable rights and remedies which may otherwise be available to holders of Common Stock, the shares of Common Stock shall not have any designations, preferences, limitations or relative rights, other than those specifically set forth in these Articles of Incorporation.

(g) The headings of the various subdivisions of this Section are for convenience of reference only and shall not affect the interpretation of any of the provisions of this Section.

Article 7, Paragraph 1:

A. Right to Indemnification.

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the corporation or its shareholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 8.65 of the IBCA, or (iv) for any transaction from which the director derived an improper personal benefit. If the IBCA is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a director or the corporation shall be eliminated or limited to the full extent permitted under the IBCA, as so amended. Any repeal or modification of this Article 7, Paragraph 1 by the shareholders of the corporation shall not adversely affect any right or protection of a director of the corporation existing at the time of such repeal or modification.

The corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to be the best interests of the corporation, and, with respect to any criminal action or proceeding, has no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to be the best interests of the corporation, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

B. Suit by Corporation or Shareholder

The corporation shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he is or was a director or officer of the corporation, or is or was serving at the request of the corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to the best interests of the corporation, and except that no indemnification shall be made with respect to any claim, issue or matter as to which such person has been finally adjudged to have been liable to the corporation, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the

circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

#### C. Director Discretion

Any indemnification under Article 7, Paragraphs 1A. and B. (unless ordered by a court) shall be made only as authorized in the specific case, upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in Article 7, Paragraphs 1A. and B. Such determination shall be made (1) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable (or, even if obtainable, a quorum of disinterested directors so directs) by independent legal counsel in a written opinion, or (3) by the shareholders. In the event, to the extent that a director or officer of the corporation has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Article 7, paragraphs 1A. and B. or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including reasonable attorneys' fees) actually and reasonable incurred by him in connection therewith.

#### D. Advancement of Expenses

(1) Reasonable expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the corporation in advance of the final disposition of such action, suit or proceeding, upon receipt of (i) a statement signed by such director or officer to the effect that such director or officer acted in good faith and in a manner which he believed to be in, or not opposed to the best interests of the corporation and (ii) an undertaking by or on behalf of the director or officer to repay such amount, if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this Article.

(2) The board of directors may, by separate resolution adopted under and referring to this Article of the by-laws, provide for securing the payment of authorized advances by the creation of escrow accounts, the establishment of letters of credit or such other means as the board deems appropriate and with such restrictions, limitations and qualifications with respect thereto as the board deems appropriate in the circumstances.

#### E. Non-Exclusivity of Rights and Contractual Nature

(1) The indemnification and advancement of expenses provided by or granted under other subsections of this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any by-law, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person.

(2) The provisions of this Article 7, Paragraph 1 shall be deemed to be a contract between the corporation and each director and officer who serves in such capacity at any time while this Article 7, Paragraph 1 is in effect and any indemnification provided under Article 7, Paragraph 1 to a person shall continue after such person ceases to be an officer, director, agent or

employee of the corporation as to all facts, circumstances and events occurring while such person was such officer, director, agent or employee, and shall not be decreased or diminished in scope without such person's consent, regardless of their repeal or modification of this Article or any repeal or modification of the Illinois Business Corporation Act or any other applicable law. If the scope of indemnity provided by this Article 7, Paragraph 1 or any replacement article, or pursuant to the Illinois Business Corporation Act or any modification or replacement thereof is increased, then such person shall be entitled to such increased indemnification as is in existence at the time indemnity is provided to such person, it being the intent, subject to Article 7, Paragraph 1K., to indemnify persons under this Article 7, Paragraph 1 to the fullest extent permitted by law.

#### F. Insurance

The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article.

#### G. Report to Shareholders

The corporation shall report in writing to shareholders any indemnity or advanced expenses paid to a director, officer, employee or agent with or before the notice of the next shareholders' meeting.

#### H. Right of Claimant to Bring Suit

Subject to Article 7, Paragraph 1K., if a claim under this Article is not promptly paid by the corporation after a written claim has been received by the corporation or if expenses pursuant to Section 4 of this Article have not been promptly advanced after a written request for such advancement accompanied by the statement and undertaking required by Article 7, Paragraph 1D, of this Article has been received by the corporation, the director or officer may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim or the advancement of expenses. If successful, in whole or in part, in such suit, such director or officer shall also be entitled to be paid the reasonable expense thereof, including attorneys' fees. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking has been tendered to the corporation) that the director or officer has not met the standards of conduct which make it permissible under the Illinois Business Corporation Act for the corporation to indemnify the director or officer for the amount claimed, but the burden of proving such defense shall be on the corporation. Neither the failure of the corporation (including its board of directors, independent legal counsel, or its shareholders) to have made a determination, if required, prior to the commencement of such action that indemnification of the director or officer is proper in the circumstances because he or she has met the applicable standard of conduct required under the Illinois Business Corporation Act, nor an actual

determination by the corporation (including its board of directors, independent legal counsel, or its shareholders) that the director or officer had not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the director or officer had not met the applicable standard of conduct.

#### I. Definition of "corporation"

For purposes of this Article, references to "the corporation" shall include, in addition to the surviving corporation, any merging corporation (including any corporation having merged with a merging corporation) absorbed in a merger which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who was a director or officer of such merging corporation, or was serving at the request of such merging corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the surviving corporation as such person would have with respect to such merging corporation if its separate existence had continued.

#### J. Employee Benefit Plans

For purposes of this Article, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and references to "officers" shall include elected and appointed officers. A person who acted in good faith and in a manner he reasonably believed to be in the best interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interest of the corporation" as referred to in this Article.

#### K. Reimbursement

Anything herein to the contrary notwithstanding, if the corporation purchases insurance in accordance with Article 7, Paragraph 1F., the corporation shall not be required to, but may (if the board of directors so determines in accordance with this Article 7, Paragraph 1) reimburse any party instituting any action, suit or proceeding if a result of the institution thereof is the denial of or limitation of payment of losses under such insurance when such losses would have been paid thereunder if a non-insured third party had instituted such action, suit or proceedings.

#### L. Severability

If any portion of this Article shall be invalidated or held to be unenforceable on any ground by any court of competent jurisdiction, the decision of which shall not have been reversed on appeal, such invalidity or unenforceability shall not affect the other provisions hereof, and this Article shall be construed in all respects as if such invalid or unenforceable provisions had been omitted therefrom.

Article 7, Paragraph 2:

Without the consent of the holders of eighty-five percent (85%) of the outstanding Common Stock, voting as a single class, the corporation may (and may permit any subsidiary of the corporation over which it has control to) sell the following products:

- (1) crude oil;
- (2) other products usually and normally refined as petroleum products from crude oils; and
- (3) natural gas liquids or liquefied petroleum gases;

irrespective of where such sales or products are made, only when the seller has no actual knowledge that the sale is not for consumption or resale in one or more of the following areas:

- (a) the United States or any of its territories or possessions;
- (b) any country wholly located in the Western Hemisphere and/or Europe or surrounded by the Mediterranean Sea;
- (c) any country all of the territory of which was formerly contained within the Union of Soviet Socialist Republics;
- (d) any country whose territory is contained within the territories constituting as of the date hereof the countries known as Algeria, Angola, Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Cote D'Ivoire, Equatorial Guinea, Gabon, Gambia, Ghana, Greenland, Guinea, Guinea Bissau, Iceland, Liberia, Libya, Mali, Mauritania, Mongolia, Morocco, Niger, Nigeria, Rio Muni, Senegal, Sierra Leone, Togo, Tunisia, Turkey, Western Sahara and/or Zaire;
- (e) Antarctica; and
- (f) international waters;

unless (x) otherwise permitted by the terms of that certain Scope of Business Agreement, dated May 22, 1996, between Dynegy, Inc. and Chevron, as the same may from time to time be amended in accordance with the terms thereof, or (y) such Scope of Business Agreement is terminated pursuant to its terms, upon which termination the provisions of this Article 7, Paragraph 2 shall be of no further force and effect. A copy of such Scope of Business Agreement, as the same may be amended, shall be available for inspection by any stockholder of the corporation at the principal offices of the corporation. Except as indicated above or as may otherwise be provided in these Articles of Incorporation or by Illinois law, stockholders shall have no right to approve specific business activities of the corporation, and the above provisions shall not otherwise affect corporate powers and purposes as stated in Article 3.

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

)  
Illinova Corporation )  
Dynergy Inc. )  
)

Docket No. EC99-\_\_-000

JOINT APPLICATION OF ILLINOVA CORPORATION  
AND DYNEGY INC. FOR APPROVAL OF MERGER  
AND REQUEST FOR EXPEDITED CONSIDERATION

VOLUME I: APPLICATION AND EXHIBITS

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July 23, 1999



TABLE OF CONTENTS

JOINT APPLICATION OF ILLINOVA CORPORATION  
AND DYNEGY INC. FOR APPROVAL OF MERGER  
AND REQUEST FOR EXPEDITED CONSIDERATION

VOLUME I

I.	INTRODUCTION.....	1
II.	DESCRIPTION OF THE MERGER PARTIES.....	2
	A. Illinova Corporation and Relevant Subsidiaries.....	2
	1. Illinova Corporation.....	2
	2. Illinois Power Company.....	3
	3. Illinova Generating Company.....	6
	4. Illinova Energy Partners, Inc.....	6
	B. Dynegy Inc. and Relevant Subsidiaries.....	7
	1. Wholesale Gas and Power.....	8
	a. Energy Marketing.....	8
	b. Power Generation Facilities.....	9
	2. Natural Gas, Natural Gas Liquids, and Crude Oil Assets.....	10
	a. Natural Gas Gathering and Processing.....	10
	b. Natural Gas Transportation.....	11
	c. NGL and Crude Oil Transportation.....	12
	d. NGL Fractionation and Storage.....	13
III.	OVERVIEW OF THE PROPOSED MERGER.....	13
	A. Plan of Merger.....	13
	B. Commission Jurisdiction and Standard of Review.....	16
IV.	THE COMMISSION'S FILING REQUIREMENTS.....	17
	A. Applicants' Names and Addresses of Principal Business Offices....	17
	B. Names and Addresses of Persons Authorized to Receive Notices and Communications with Respect to the Application.....	17

C.	Designation of Territories Served, by Counties and States.....	19
D.	Description of Jurisdictional Facilities.....	20
E.	Description of the Transaction and Statement as to Consideration.	21
F.	Description of the Facilities to Be Disposed of, Consolidated or Merged.....	21
G.	Statement of the Cost of the Facilities Involved in the Transaction.....	21
H.	Statement as to the Effect of the Sale or Transfer upon any Contract for the Purchase, Sale or Interchange of Electric Energy.....	22
I.	Statement as to Other Required Regulatory Approvals.....	22
J.	Facts Showing That the Proposed Merger Will Be Consistent with the Public Interest.....	23
K.	Brief Statement of Franchises Held.....	23
L.	Form of Notice.....	23
V.	THE PROPOSED MERGER IS CONSISTENT WITH THE PUBLIC INTEREST.....	23
A.	The Proposed Merger Will Have No Effect on Competition.....	24
1.	The Proposed Merger Presents No Horizontal Market Power Concerns.....	25
a.	Generation market power.....	25
i.	Total Capacity.....	27
ii.	Uncommitted Capacity.....	27
iii.	Economic Capacity.....	29
iv.	Available Economic Capacity.....	29
b.	Transmission market power.....	30
2.	The Proposed Merger Presents No Vertical Market Power Concerns.....	30
B.	The Proposed Merger Will Have No Adverse Impact on Rates.....	32
1.	Effect on Wholesale Sales Rates.....	32
2.	Effect on Wholesale Transmission Rates.....	36
C.	The Proposed Merger Will Have No Adverse Effect on Regulation....	37
VI.	MERGER ACCOUNTING.....	38
VII.	REQUEST FOR EXPEDITION.....	39
VIII.	EXHIBITS REQUIRED PURSUANT TO 18 C.F.R. (S)33.3.....	40
IX.	CONCLUSION.....	41

ATTACHMENT 1.....	1-1
Illinova Generating Company Description of Facilities.....	1-1
ATTACHMENT 2.....	2-1
Dynegy Inc. Description of Facilities.....	2-1
Existing Power Generation Facilities.....	2-1
Generation Facilities Under Development.....	2-8
ATTACHMENT 3	
Direct Testimony of William H. Hieronymus	

EXHIBITS

- Exhibit A: Copies of Resolutions of Applicant's Board of Directors
- Exhibit B: Description of Applicant's Corporate Structure
- Exhibit C: Actual and Pro Forma Balance Sheets and Plant Schedules
- Exhibit D: Statement of All Known and Contingent Liabilities
- Exhibit E: Actual and Pro Forma Income Statements
- Exhibit F: Actual and Pro Forma Analysis of Retained Earnings
- Exhibit G: Other Required Regulatory Filings
- Exhibit H. [Volume II]
- Exhibit I: Map

VOLUME II

- Exhibit H: Contracts Related to Sale

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Illinova Corporation )  
Dynergy Inc. )  
)

Docket No. EC99-\_\_-000

JOINT APPLICATION OF ILLINOVA CORPORATION  
AND DYNEGY INC. FOR APPROVAL OF MERGER  
AND REQUEST FOR EXPEDITED CONSIDERATION

I. INTRODUCTION.

Pursuant to Section 203 of the Federal Power Act, 16 U.S.C. (S)824b (1994 & Supp. 1998) ("FPA") and Part 33 of the Commission's Regulations, 18 C.F.R. (SS)33.1 et seq. (1999), Illinova Corporation ("Illinova"), an Illinois corporation, and Dynergy Inc. ("Dynergy"), a Delaware corporation (collectively "Applicants"), hereby submit this joint application ("Application") on behalf of their public utility subsidiaries seeking all authorizations from the Federal Energy Regulatory Commission ("FERC" or the "Commission") necessary for the completion of a series of transactions (collectively the "Proposed Merger") pursuant to which Energy Convergence Holding Company ("Newco"), an Illinois corporation, will: (1) acquire control of, and the entire equity interest in, all of the issued and outstanding shares of the common stock of Illinova and Dynergy, through the merger of each entity into distinct subsidiaries of Newco, with Illinova and Dynergy emerging as the surviving corporations; and (2) by means of the acquisition of Illinova and Dynergy indirectly acquire control of, and the entire equity interest in, their public utility subsidiaries.(1)

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(1) Upon consummation of the Proposed Merger, Newco will be renamed Dynergy Inc.

Completion of the Proposed Merger is expected to occur not later than the end of the first quarter of 2000, and Applicants therefore request that the Commission act to approve this Application by the end of 1999. The Commission undertook such prompt review and approved substantially similar transactions recently filed by Central Illinois Light Company and The AES Corporation, Central Illinois Light Co., et. al., 87 FERC (P)61,293 (1999) ("CILCO/AES"), and by MidAmerican Energy Company and MidAmerican Energy Holdings Company, MidAmerican Energy Company, et. al., 85 FERC (P)61,354 (1998) ("MidAmerican"). The Proposed Merger is very similar to the CILCO and MidAmerican merger transactions, as it involves the merger of a traditional utility company with an independent power producer/energy marketer. As demonstrated below, the Proposed Merger satisfies fully the standard set forth in Order No. 592, Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement, FERC Stats. & Regs. (Regulations Preambles) (P)31,044 (1996), on reconsideration, Order No. 592-A, 79 FERC (P)61,321 (1997) ("Merger Policy Statement"). Thus, Applicants respectfully request that the Commission approve this Application without evidentiary hearing and on the same expedited basis as the Commission's proceedings with regard to the MidAmerican and CILCO/AES transactions.

II. DESCRIPTION OF THE MERGER PARTIES.

A. Illinova Corporation and Relevant Subsidiaries.

1. Illinova Corporation.

Illinova is an Illinois corporation and a public utility holding company exempt from registration under Section 3(a)(1) of the Public Utility Holding Company Act of 1935, 15 U.S.C. (S)79c(a)(1) ("PUHCA"). Illinova does not directly own, operate, or control any facilities used for the generation, transmission, and distribution of electric energy and power in interstate com-

merce. Illinova has three public utility subsidiaries, which are described further below. (2) Illinova and its subsidiaries are described collectively herein as the "Illinova Parties." An organizational chart depicting the principal entities within the Illinova holding company system is attached hereto in Exhibit B.

## 2. ILLINOIS POWER COMPANY

Illinois Power Company ("Illinois Power"), a direct wholly-owned subsidiary of Illinova, is an electric and natural gas public utility operating company that owns electric generation, transmission and distribution facilities and natural gas distribution facilities located in the State of Illinois. Illinois Power provides retail electric service to approximately 570,000 customers and retail natural gas service to approximately 400,000 customers, who are located throughout portions of northern, central, and southern Illinois. Illinois Power's retail operations are subject to the jurisdiction of the Illinois Commerce Commission ("ICC"). Illinois Power also transmits and sells electric energy and capacity at wholesale subject to the Commission's jurisdiction's under Part II of the FPA. Illinois Power has no natural gas facilities subject to the Commission's jurisdiction under the Natural Gas Act ("NGA").

Currently, Illinois Power owns eight fossil-fired generating facilities with an aggregate capacity of approximately 3,812 MW. These facilities are: (a) the Baldwin Power Station, a 1751 MW generating facility located near Baldwin, Illinois; (b) the Havana Power Station, a 666 MW generating station located near Havana, Illinois; (c) the Hennepin Power Station, a 289 MW generating facility located near Hennepin, Illinois; (d) the Oglesby Gas Turbines, a 60 MW gen-

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(2) Illinova has two additional principal subsidiaries, Illinova Insurance Company (IIC) and Illinova Business Enterprises, Inc. (IBE). IIC was licensed in August of 1996 by the State of Vermont as a captive insurance company. ICC's primary business is to insure the risks of the subsidiaries of Illinova and risks related to or associated with their business enterprises. IBE was incorporated in 1998. Its primary business is to be the intermediate holding company for miscellaneous business activities not regulated by the Illinois Commerce Commission or the FERC that do not fall within the business scope of other Illinova subsidiaries.

erating facility located in LaSalle County, Illinois; (e) the Stallings Gas Turbines, a 77 MW generating station located in Madison County, Illinois; (f) the Vermilion Power Station, a 185 MW generating station located near Oakwood, Illinois; (g) the Wood River Power Station, a 607 MW generating facility located near Alton, Illinois; and (h) the Tilton Energy Center, a 176 MW generating plant located in Tilton, Illinois. Illinois Power also owns a 50-percent in three combustion turbines with a combined net capacity of 5.25 MW located in Bloomington, Illinois.

On June 29, 1999, Illinois Power, Illinova Power Marketing, Inc. ("WESCO") and Illinova requested Commission authorization pursuant to Section 203 of the FPA for Illinois Power to divest all of its fossil-fired generation assets by transferring those assets to WESCO, a newly-formed affiliate/<sup>3/</sup> that will generate and market electric energy at wholesale.<sup>4/</sup> This matter is pending before the Commission in Docket No. EC99-99-000. At the outset, WESCO's primary responsibility will be to continue to meet the electric supply needs of Illinois Power's customers. This task will be accomplished through a proposed power purchase agreement ("PPA") between WESCO and Illinois Power, which is currently pending before the Commission in Docket No. ER99-3208-000. The initial term of the PPA extends through December 31, 2004, the end of the so-called "Mandatory Transition Period" established by the Illinois Restructuring Law,<sup>5/</sup> with

<sup>3/</sup> The name "WESCO" (an acronym for "Wholesale Energy Services Company") was originally used by Illinova Corporation for internal discussion purposes. The affiliate will eventually be given a different name because Illinova Corporation has discovered that the name "WESCO" is currently used by several existing energy companies. For convenience, and as a "placeholder," the company is currently incorporated in Illinois under the name "Illinova Power Marketing, Inc."

<sup>4/</sup> In separate filings related to the June 29 filing, WESCO is seeking: (1) approval under FPA Section 205 to make wholesale sales to non-affiliates at market-based rates, as well as approval to sell capacity and energy to Illinois Power under a proposed Power Purchase Agreement (see Docket No. ER99-3208-000); and (2) approval under FPA Section 205 for an interconnection agreement between itself and Illinois Power. WESCO has not filed the WESCO-Illinois Power interconnection agreement, but plans to do so as soon as the agreement is finalized.

<sup>5/</sup> During this period, the Illinois Restructuring Law, Illinois Electric Service Customer Choice and Rate Relief Law of 1997, 220 ILL. COMP. STAT. 5/16-101-150 (West 1997), will introduce retail competition and customer choice to electricity consumers in Illinois.

provisions for annual renewal thereafter. On July 8, 1999, the Illinois Commerce Commission approved the proposed transfer of the fossil plants to WESCO./6/

In addition to its fossil generation, Illinois Power owns a direct 100-percent interest in a 930 MW nuclear generating facility located near Clinton, Illinois ("Clinton Power Station"). In late 1998, the Illinova and Illinois Power Boards of Directors voted to exit nuclear operations at the Clinton Power Station./7/ On April 15, 1999, Illinois Power announced that it had entered into an interim agreement pursuant to which it planned to sell the Clinton Power Station to AmerGen Energy Company, L.L.C. ("AmerGen"), a joint venture owned by PECO Energy Company and British Energy. Subsequently, on June 30, 1999, Illinois Power and AmerGen signed definitive agreements for the sale of the Clinton Power Station. The parties intend to close the sale of the Clinton Power Station on or before December 31, 1999./8/ Sale of the Clinton Power Station to AmerGen or another third party is a condition to the closing of the Proposed Merger.

In addition to its generating assets, Illinois Power owns approximately 2,829 miles of transmission facilities with ratings from 69 to 345 kilovolts. These facilities are interconnected with the following entities: Ameren Corp., American Electric Power Service Company ("AEP"),

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/6/ Illinois Commerce Comm'n v. Illinois Power Co., Proceeding Pursuant to Section 16-111(g) of the Public Utilities Act Concerning Proposed Sale of Fossil Fuel Fired Generating Plants, No. 99-0209 (July 8, 1999).

/7/ As part of its strategy to exit nuclear operations, and in order to make Illinova more competitive in the restructured electric utility industry, Illinois Power has implemented a quasi-reorganization pursuant to which it took a substantial impairment loss through a write-down of the Clinton Power Station's depreciated original cost ("Clinton Impairment"). The Clinton Impairment resulted in a deficit of approximately \$1.4 billion in Illinois Power's retained earnings. This deficit in retained earnings has been eliminated through the restatement of Illinois Power's existing assets and liabilities to their current market value. The Commission approved the accounting treatment used by Illinois Power to record the Clinton Impairment and quasi-reorganization in a letter order issued pursuant to delegated authority on April 5, 1999, in Docket No. AC99-35-000. The Applicants note that the Clinton Impairment and quasi-reorganization are disclosed in Illinois Power's FERC Form 1 (Annual Report of Major Electric Utilities, Licensees and Others), which was filed with the Commission on April 30, 1999, pursuant to 18 C.F.R. (S) 141.1.

/8/ The parties intend to apply for authorization to transfer the Clinton Power Station from Illinois Power to AmerGen in a separate application under Section 203 of the FPA that will be filed with the Commission in the near future.



Central Illinois Light Company, City of Springfield, Illinois, Commonwealth Edison Company ("ComEd"), Electric Energy, Inc., Louisville Gas and Electric Company ("LG&E"), MidAmerican Energy Company, Southern Illinois Power Cooperative, Soyland Power Cooperative, Inc., Tennessee Valley Authority, and Western Illinois Power Cooperative. Illinois Power is a member of the Mid-America Interconnected Network, Inc., is a participant in the Illinois-Missouri Power Pool, and is a participant in the Midwest Independent Transmission System Operator, Inc. ("Midwest ISO").

The Commission authorized Illinois Power to transact sales of electric energy and power at market rates in Docket No. ER96-185-000. Illinois Power Co., Illinova Power Marketing, Inc., 73 FERC(P)61,371(1995) (Illinois Power). Recently, the Commission accepted for filing Illinois Power's three-year updated generation market power study in a letter order issued pursuant to delegated authority on January 29, 1999, in Docket No. ER96-185-002.

### 3. Illinova Generating Company.

Illinova Generating Company ("Illinova Generating") is a direct wholly-owned subsidiary of Illinova that indirectly owns equity interests in a number of generation facilities and marketing companies located in North America, Europe, Latin America and Asia.<sup>/9/</sup> Illinova Generating's ownership interests in generating facilities and power marketing companies located in North America are described in Attachment 1.

### 4. Illinova Energy Partners, Inc.

Illinova Energy Partners, Inc. ("IEP") is a direct wholly-owned subsidiary of Illinova that is engaged in the brokering and marketing of electric energy and power, natural gas, and other

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<sup>/9/</sup> In addition to its ownership interests in generation facilities, Illinova Generating owns a 100% interest in North American Energy Services Company ("NAES"), which supplies a broad range of operations, maintenance and support services to the independent power generation industry. NAES is the operator of certain generation facilities jointly owned by Illinova Generating and Tenaska, Inc.

energy commodities at wholesale and retail throughout North America. The Commission authorized IEP to transact wholesale sales of electric energy and power at market rates in Docket No. ER94-1475-000. Illinois Power Company, Illinova Power Marketing, Inc., 71 FERC(P)61,172(1995) (Illinova Marketing)./10/ The Commission accepted for filing IEP's three-year updated generation market power study in a letter order issued pursuant to delegated authority on June 19, 1998, in Docket No. ER98-3053-000.

IEP also owns interests in various natural gas marketers. IEP owns a 100-percent interest in Energy Dynamics, Inc., a natural gas marketer serving large-volume commercial and industrial natural gas users located in the Chicago area. In addition, IEP owns a 50-percent interest in Tenaska Marketing Ventures, which focuses on natural gas marketing in the Midwestern United States./11/ IEP also owns a 51-percent interest in EMC Gas Transmission Company, a retail gas marketer operating in the State of Michigan./12/

B. Dynegey Inc. and Relevant Subsidiaries.

Dynegey, a Delaware corporation, is a holding company that, through subsidiaries, is primarily engaged in the wholesale marketing of natural gas, electricity, coal, natural gas liquids, crude oil, liquid petroleum gas and related energy services. Dynegey also owns interests in a number of power generation facilities. The issued and outstanding common stock of Dynegey is principally owned by three entities: BG plc ("BG"), Chevron Corporation ("Chevron") and

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/10/ IEP was formerly named Illinova Power Marketing, Inc. A notice of succession stating that Illinova Power Marketing, Inc. changed its name to IEP was accepted for filing by the Commission in a letter order issued pursuant to delegated authority on May 28, 1997, in Docket No. ER97-2833-000.

/11/ IEP and Tenaska Marketing Ventures have formed a separate entity, Tenaska Marketing Canada, to market natural gas in Canada.

/12/ Energy Dynamics, Inc. and EMC Gas Transmission Company have previously been subject to regulation as public utilities as a result of Commission acceptance of market-rate tariffs filed by these entities. However, on June 23, 1999, Energy Dynamics, Inc. and EMC Gas Transmission Company filed notices of termination of these market rate schedules in Docket Nos. ER99-3345-000 and ER99-3344-000, respectively.

NOVA Chemicals Corp. ("NOVA"), which each own approximately 26 percent of the issued and outstanding common stock of Dynegy. In addition, Chevron owns approximately 8 million shares of Dynegy preferred stock. Ten percent of the common stock of Dynegy is held by senior management, and the remaining shares are publicly traded on the New York Stock Exchange ("NYSE").

Dynegy is not presently affiliated with any traditional utility companies. However, Dynegy owns interests in power marketers and generation-owning entities that are "public utilities" as that term is defined under Section 201(e) of the FPA, 16 U.S.C. (S)824(e). Upon consummation of the Proposed Merger, Dynegy and its public utility subsidiaries will become affiliates of Illinois Power. Dynegy's operations are divided into two primary business units: (1) Wholesale Gas and Power; an (2) Natural Gas Liquids. Each business unit and its respective operations are described below.

1. Wholesale Gas and Power.

a. Energy Marketing.

Dynegy owns a direct 100-percent interest in three energy marketers, described below:/13/

1. Dynegy Marketing and Trade ("Dynegy Marketing") is a wholly-owned subsidiary of Dynegy engaged in the marketing and trading of natural gas, coal, natural gas liquids, crude oil, and liquid petroleum gas. As part of its operation, Dynegy Marketing controls the domestic marketing of natural gas for certain Chevron subsidiaries.

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/13/ In addition to the activities of its wholly-owned marketing companies, Dynegy is also a party to certain retail marketing alliances. Through its subsidiary Dynegy Marketing Trade, Dynegy owns a 50-percent interest in NICOR Energy, L.L.C. ("NICOR"), which offers a variety of energy services to industrial, commercial and residential customers in the Midwest. The remaining 50-percent in NICOR is owned by NICOR Energy Management Services. Further, through its subsidiary Dynegy Hub Services, Inc., Dynegy owns a 20-percent interest in Southstar Energy Services L.L.C. ("Southstar"), which offers a variety of energy services to industrial, commercial and residential customers in the Southeast. The remaining interest in Southstar is owned by Piedmont Energy Company and Georgia Natural Gas Company.

2. Electric Clearinghouse, Inc. ("ECI") is a wholly-owned subsidiary of Dynegy engaged in the marketing of electric energy and power and other energy commodities at wholesale throughout North America. The Commission granted ECI authority to transact sales of electric energy and power at wholesale in a letter order issued pursuant to delegated authority on April 7, 1994, in Docket No. ER94-968-000./14/

3. Dynegy Power Services, Inc. ("DPS") is a wholly-owned subsidiary of Dynegy engaged in the brokering and marketing of electric energy, natural gas, and other energy commodities at wholesale and retail throughout North America. The Commission granted DPS authority to transact wholesale sales of electric energy and power at market rates in a letter order issued pursuant to delegated authority on January 20, 1995, in Docket No. ER94-1612-000./15/

b. Power Generation Facilities.

Aside from its ownership interests in the energy marketers described above, Dynegy, through intermediate subsidiaries, indirectly owns interests in a number of generating facilities located or to be constructed throughout North America. Dynegy's indirect ownership interests in these facilities are described in Attachment 2. In several instances, Dynegy's combined ownership interest with other public utility owners in certain qualifying facilities under PURPA may exceed 50 percent. Prior to the closing of the Proposed Merger, Dynegy will take such action

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/14/ On June 21, 1999, in Docket No. ER99-3322-000, ECI and Illinois Power filed amendments to their market-rate tariffs authorizing them to sell energy and capacity to each other. The filing was required as a result of Applicants' announcement of their intention to merge, which caused the Applicants (along with their respective subsidiaries) to be treated as affiliates under Commission precedent. As part of the June 21 filing, ECI also submitted a proposed Code of Conduct as a supplement to its market-rate tariff.

/15/ DPS was formerly named Destec Power Services, Inc. See Notice of Succession Letter Order issued November 28, 1998, in Docket No. ER99-318-000. DPS is engaged almost exclusively in power marketing activities in Texas and California. DPS neither sells nor markets power to Illinois Power or its affiliates. DPS commits not to engage in any power marketing transactions with the Illinova Parties.

with regard to these qualifying facilities as is necessary to continue to comply with the requirements of the Commission's regulations under PURPA or the Energy Policy Act of 1992.

## 2. Natural Gas, Natural Gas Liquids, and Crude Oil Assets.

Operating through various indirect subsidiaries, Dynege engages in the gathering, processing, and transportation of natural gas; the transportation, fractionation and storage of natural gas liquids ("NGLs"); and the transportation of crude oil in the United States and Canada.

In addition to these assets, Dynege also owns a 100-percent interest in Gasification Services, Inc. ("GSI"). GSI is the lessee of a coal gasification facility owned by Wabash River Assets Partnership, L.P. located in W. Terre Haute, Indiana (the "Wabash Facility"). The Wabash Facility converts coal (supplied by PSI Energy, Inc. ("PSI")) into fuel for PSI's 262 MW "Wabash River Coal Gasification Repowering Project." Currently, GSI is providing that service for PSI pursuant to a long-term contract. However, pending approval by Indiana regulatory authorities, that contract will be bought out by PSI. Regulatory approval is expected as early as September, which could result in the closing of the buyout as early as October. At that time, it is anticipated that Dynege would sell the Wabash Facility to a third party.

### a. Natural Gas Gathering and Processing.

Through Dynege Midstream Services, Limited Partnership ("Midstream Services"), an indirect, wholly-owned subsidiary, Dynege engages in the gathering and processing of natural gas in the United States. Midstream Services has ownership interests in and operates natural gas processing and related gathering facilities in Kansas, Oklahoma, Texas, Louisiana, Arkansas, and Wyoming and offshore Louisiana in the Gulf of Mexico. Dynege also owns and operates two processing plants in Alberta, Canada, under an indirect, wholly-owned subsidiary, Dynege Canada, Inc.

The gathering facilities deliver raw natural gas from small diameter gathering systems to processing facilities that are used to remove NGLs from the raw gas stream for their economic value, and to refine raw natural gas into marketable, pipeline quality natural gas. Dynegy's processing facilities consist of both field plants, which process volumes aggregated from upstream gathering systems, and straddle plants situated on interstate natural gas pipelines. Dynegy's processing facilities are not subject to the Commission's jurisdiction under the NGA./16/

b. Natural Gas Transportation.

Dynegy indirectly owns and operates various intrastate and interstate pipelines that transport natural gas. Unless otherwise stated, these facilities are not subject to the Commission's jurisdiction.

1. Dynegy indirectly owns a 100-percent interest in Kansas Gas Supply Corporation ("KGS"), an intrastate natural gas pipeline located in Kansas. KGS is regulated by the Kansas Corporation Commission as a natural gas utility in Kansas, and is subject to the FERC's jurisdiction to the extent that it provides transportation service pursuant to Section 311 of the Natural Gas Policy Act. In 1998, KGS had an average throughput of approximately 61 MMcf per day.

2. Dynegy indirectly owns a 100-percent interest in Dynegy Intrastate Gas Supply, Inc. ("DIGS"), an intrastate natural gas pipeline located in Texas and regulated by the Texas Railroad Commission. In 1998, DIGS had an average throughput of 6 MMcf per day.

3. Dynegy indirectly owns a 100-percent interest in Dynegy Midstream Pipeline, Inc. ("DMP"), a natural gas pipeline located in Oklahoma that operates as an open-access pipeline subject to NGA regulation by the Commission. In 1998, DMP had an average throughput of approximately 34 MMcf per day.

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/16/ See, e.g., Texas Eastern Gas Transmission Corp., 43 FERC(P)61,044(1988).

4. Dynegy indirectly owns a 23-percent interest in Venice Energy Services Company, L.L.C., which in turn owns 100 percent of Venice Gathering System, L.L.C. ("VGS"). VGS transports raw natural gas from various offshore production platforms in the Gulf of Mexico and delivers it onshore in Plaquemines Parish, Louisiana. VGS is an open access pipeline subject to NGA regulation by the Commission. In 1998, VGS had an average throughput of 435 MMcf per day.

c. NGL and Crude Oil Transportation.

1. Dynegy indirectly owns a 100-percent interest in Dynegy Crude Gathering Services, Inc. This company operates a crude oil pipeline facility in Oklahoma and a dual-phase crude oil/NGL line in Louisiana. In 1998, these facilities had an average throughput of approximately 27,000 barrels per day.

2. Dynegy indirectly owns a 100-percent interest in Dynegy NGL Pipeline Company ("NGL Pipeline Company"). NGL Pipeline Company owns NGL pipeline facilities located in Louisiana, Texas, Utah and Wyoming. In 1998, NGL Pipeline Company had an average throughput of approximately 27,000 barrels per day. The rates and practices of NGL Pipeline Company are subject to regulation by the Commission under the Interstate Commerce Act and the Energy Policy Act of 1992.

3. Dynegy indirectly owns a 39-percent interest in the West Texas LPG Pipeline. The rates and practices of the West Texas LPG Pipeline are subject to regulation by the Commission under the Interstate Commerce Act. In 1998, the West Texas LPG system had an average throughput of 125,000 barrels per day.

4. Dynegey indirectly owns a 100-percent interest in Dynegey Oil Pipeline Company. This company owns a crude oil pipeline facility in Texas. In 1998, this facility had an average throughput of 5,000 barrels per day.

d. NGL Fractionation and Storage.

Through indirect, wholly-owned subsidiaries, Dynegey owns an interest in other entities that own NGL fractionation plants located in Texas. In addition, through Midstream Services, Dynegey owns an interest in a fractionation plant located in Louisiana. These facilities are used to separate the commingled stream of NGLs removed from a raw natural gas stream into marketable component products such as butane and propane. Dynegey also has ownership interests in and operates NGL product storage and terminal facilities located in Louisiana, Texas, Mississippi, Kentucky and Florida.

III. OVERVIEW OF THE PROPOSED MERGER.

A. Plan of Merger.

The Proposed Merger will be implemented in accordance with the Agreement and Plan of Merger by and among Illinova, Newco, Energy Convergence Acquisition Company, Dynegey Acquisition Company, and Dynegey, dated June 14, 1999 ("Plan of Merger"). A copy of the Plan of Merger is attached hereto as part of Exhibit H. Pursuant to the Delaware General Corporate Law ("DGCL") and the Illinois Business Corporation Act of 1983, as amended ("IBCA"), the Proposed Merger will take place through a series of transactions culminating with Newco's acquisition of the entire equity interest in Illinova and Dynegey and their respective public utility subsidiaries. In connection with the Proposed Merger, Illinova has created Newco as an Illinois corporation. Newco, in turn, has formed two wholly-owned subsidiaries, Energy Convergence



Acquisition Company ("IAC"), an Illinois corporation, and Dynegy Acquisition Company ("DAC"), a Delaware corporation.

The Proposed Merger will be accomplished by two concurrent mergers. In the first merger, IAC will be merged with and into Illinova, with Illinova as the surviving corporation ("IAC Merger"). Each outstanding share of the common stock of Illinova will be converted into one share of Newco Class A common stock. Concurrent with the first merger, DAC will be merged with and into Dynegy, with Dynegy as the surviving corporation ("DAC Merger"). Except as noted below with regard to BG, Chevron and NOVA, each outstanding share of the common stock of Dynegy will be converted into either: (a) \$16.50 in cash (subject to a cap on the total cash that may be received in the aggregate by Dynegy shareholders); or (b) 0.69 shares of Newco Class A common stock. Fractional shares will be cashed out. At the effective time of the Proposed Merger, IAC and DAC will cease to exist as corporate entities.

Upon consummation of the Proposed Merger, Newco will continue its existence as a corporation under Illinois law<sup>/17/</sup> and will directly own all of the issued and outstanding capital stock of Illinova and directly and indirectly own all of the issued and outstanding capital stock of Dynegy. Accordingly, Illinova and Dynegy will be wholly-owned subsidiaries of Newco. Illinova and Dynegy will continue to own all of their pre-merger assets and be liable for all of their respective liabilities. Illinova's debt and Dynegy's debt will remain the obligations of Illinova and Dynegy, respectively.<sup>/18/</sup>

Simultaneously with the execution of the Plan of Merger, Newco and British Gas Atlantic Holdings BV ("BGAH"), a Netherlands corporation and wholly-owned subsidiary of BG, en-

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<sup>/17/</sup> As noted above, upon consummation of the Proposed Merger, Newco will be renamed Dynegy Inc.

<sup>/18/</sup> Illinova and Dynegy have not yet determined whether Newco will provide guarantees of such debt.

tered into a Stock Purchase Agreement ("BG Stock Purchase Agreement")/19/  
pursuant to which Newco will purchase 100 percent of the issued and outstanding  
shares of capital stock of BG Holdings, Inc. (BG Holdings") from BGAH in  
exchange for a combination of cash and Series A Convertible Preferred Stock  
("Preferred Stock"). Under the BG Stock Purchase Agreement, BGAH will receive  
the same amount in a combination of cash and Preferred Stock in consideration  
for the capital stock of BG Holdings as BG Holdings would have received in the  
Proposed Merger by virtue of its ownership of shares of Dynegy common stock.  
Upon the consummation of the Proposed Merger, and depending on actual  
stockholder elections, BGAH will own a 3.5% to 5% equity interest in Newco.

Concurrently with the execution of the Plan of Merger and the BG Stock  
Purchase Agreement, Newco and Chevron entered into a Subscription Agreement  
pursuant to which Chevron will purchase a minimum of \$200 million and a maximum  
of \$240 million of Newco Class B common stock ("Class B Shares") concurrently  
with the closing of the Proposed Merger (the "Equity Investment"). Additionally,  
pursuant to the Plan of Merger, Chevron will receive Newco Class B Shares in the  
DAC Merger (rather than Class A common stock) in exchange for Chevron's equity  
interest in the common and preferred stock of Dynegy. By virtue of its  
acquisition of Class B Shares in the Proposed Merger and the Equity Investment,  
Chevron will own a 28% to 29% equity interest in Newco. Pursuant to the terms of  
the Class B Shares, Chevron will have certain minority shareholder protection  
rights with respect to Newco, including the right to appoint three members to  
the Newco Board of Directors.

Pursuant to the terms of the Plan of Merger, NOVA will receive in the  
DAC Merger a combination of cash and Preferred Stock in exchange for its entire  
equity interest in the common

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/19/ The Stock Purchase Agreement is attached hereto as part of Exhibit H.

stock of Dynegy. Upon the consummation of the Proposed Merger, and depending upon actual stockholder elections, NOVA will own a 3.5% to 5% equity interest in Newco.

The remainder of Newco Class A common stock will be owned, in part, by Newco management, and the remaining shares not owned by Newco management will be publicly traded on the NYSE.

B. Commission Jurisdiction and Standard of Review.

Commission precedent is clear that when a corporation that owns all of the voting securities of a public utility merges with another corporation, the merger results in a transfer of control over, and thus a disposition of, the public utility's jurisdiction facilities that requires prior Commission approval under Section 203 of the FPA. See Duke Power Co. and PanEnergy Corp. 79 FERC 61,236 (1997) ("Duke/PanEnergy"); Enova Corp. and Pacific Enterprises, 79 FERC (P)61,107 (1997) ("Enova/Pacific"); Central Vermont Public Service Corp., 39 FERC (P)61,295 (1987). The indirect merger of Illinova's and Dynegy's public utility assets involves, inter alia, the disposition of facilities subject to Commission jurisdiction under Section 203 of the FPA.

Under Section 203 of the FPA, the Commission will approve a merger if it will be "consistent with the public interest." 16 U.S.C. (S)824b(a). The Commission's policy for determining whether a proposed transaction will be consistent with the public interest under Section 203 of the FPA is to apply the three-part test established in the Merger Policy Statement. Although other aspects of the Proposed Merger may relate to facilities outside of the Commission's jurisdiction, in order to assist the Commission in its evaluation of the Proposed Merger, this Application demonstrates that the entire Proposed Merger is consistent with the public interest and satisfies the Merger Policy Statement standard.

IV. THE COMMISSION'S FILING REQUIREMENTS.

The following information is provided in compliance with 18 C.F. R. (S)33.2 (1998).

A. Applicants' Names and Addresses of Principal Business Offices.

Illinova Corporation

Illinova is an Illinois corporation with its principal place of business at 500 S. 27th Street, Decatur, Illinois 62525-1805.

Dynegy Inc.

Dynegy is a Delaware corporation with its principal place of business at 1000 Louisiana, Suite 5800, Houston, Texas 77002.

B. Names and Addresses of Persons Authorized to Receive Notices and Communications with Respect to the Application.

Applicants request that notices, correspondence, and other communications concerning this Application be directed to the following persons:

For Illinova Corporation:

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R. Michael Sweeney, Jr.  
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The Applicants also request that the foregoing persons be placed on the official service list for this proceeding./20/

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/20/ The Applicants request that, to the extent necessary, the Commission waive the limitations of Rule 203(b)(3), 18 C.F.R. (S)385.203(b)(3), so that each person named above may be placed on the official service list. Such waiver will avoid potential delays by Applicants in responding to official documents and communications.

C. Designation of Territories Served, by Counties and States.

The Illinova Parties

Illinois Power is an investor-owned public utility operating company principally engaged in the business of furnishing retail electric service to approximately 570,000 customers and retail natural gas service to approximately 400,000 customers, who are located throughout portions of northern, central, and southern Illinois. Illinois Power's service territory includes approximately 2,829 circuit miles of interconnected transmission lines operated at voltages from 69 to 345 kilovolts.

Described below are the municipal electric franchises currently held by Illinois Power: Abington; Alexis; Atkinson; Avon; Beckemeyer, Belleville; Benld; Bethalto; Bloomington; Brighton; Brooklyn; Bunker Hill; Cahokia; Cambridge; Carlinville; Caseyville, Central City; Centralia; Centreville; Cerro Gordo; Champaign; Chenoa; Chester; Chrisman; Coulterville; Danville; De Pue; Decatur; DuQuoin; Dupo; E. Alton; Edwardsville; El Paso; Eldorado; Fairview Heights; Farmer City; Forsyth; Freeburg; Galesburg; Galva; Georgetown; Germantown; Gillespie; Glen Carbon; Granite City; Granville; Greenville; Gridley; Harristown; Hegeler; Hillsboro; Illiopolis; Jacksonville; Kewanee; Kirkwood; Knoxville; La Harpe; La Salle; LeRoy; Lebanon; Lexington; Litchfield; Mackinaw; Madison; Mahomet; Marissa; Maroa; Marseilles; Maryville; Millstadt; Monmouth; Monticello; Morrisonville; Mount Olive; New Athens; New Baden; Normal; O'Fallon; Odin; Okawville; Oquawka; Ottawa; Percy; Peru; Pinckneyville; Pontoon Beach; Princeton; Ramsey; Ridge Farm; Ridgway; Roxana; South Jacksonville; South Roxana; Salem; Sandoval; Savoy; Shawneetown; Sheffield; Shiloh; Smithton; Sparta; Spring Valley; Staunton; Steeleville; Swansea; Thomasboro; Tilden; Tilton; Trenton; Troy; Urbana; Vandalia; Venice; Viola; Wamac; Warrensburg; Westville; Witt; Wood River; and Wyanet.

Other than Illinois Power, the remaining Illinova Parties do not have any designated services territories.

Dynergy Inc.

Dynergy's only subsidiary with designated service territories is KGS, which has designated franchise areas in Kiowa, Edwards, Pawness, Stafford, Barton and Ford Counties in the State of Kansas.

D. Description of Jurisdictional Facilities.

The Illinova Parties

Illinois Power owns books and records and has on file with the Commission numerous agreements, rate schedules, and tariffs pursuant to which it provides transmission service and engages in sales of electricity at wholesale. The Physical FERC-jurisdictional facilities that are the subject of this filing consist of Illinois Power's interconnected transmission facilities, including transmission lines, substations, generation step-up transformers, meters, related high voltage circuit breakers and associated protective and control equipment, and generation tie lines that connect Illinois Power's generation facilities to the transmission grid to be operated by the Midwest Independent Transmission System Operator ("Midwest ISO").

In addition, IEP and the other power marketers and independent power producer subsidiaries of Illinova described above own books and records and have numerous agreements, rate schedules, and tariffs on file with the Commission pursuant to which they engage in sales of electricity at wholesale.

Dynergy Inc.

Through its subsidiaries with market-based pricing authority, Dynergy indirectly owns jurisdictional facilities consisting of rate schedules and contracts pursuant to which it engages in

sales of electricity at wholesale and sales of ancillary services as well as related books and records. Other than through the ownership of these subsidiaries, Dynegy does not own or control any facilities subject to the Commission's jurisdiction under the FPA.

E. Description of the Transaction and Statement as to Consideration.

As described in detail in Subpart III.A., supra, pursuant to the Proposed Merger, Newco will: (1) acquire control of, and own the entire equity interest in, all of the issued and outstanding shares of the common stock of Illinova and Dynegy, through the merger of each entity into distinct subsidiaries of Newco, with Illinova and Dynegy emerging as the surviving corporations; and (2) indirectly acquire control of, and the entire equity interest in, the public utility subsidiaries of Illinova and Dynegy. Total consideration for the Proposed merger is approximately \$2 billion.

F. Description of the Facilities to Be Disposed of, Consolidated or Merged.

A description of the facilities to be disposed of, consolidated or merged is contained in Section IV.D, supra, and is incorporated herein by reference. Under the Plan of Merger, the Proposed Merger between Illinova and Dynegy will include all jurisdictional facilities owned by the Applicants. Upon consummation of the Proposed Merger, the jurisdictional facilities subject to this transaction will be operated in substantially the same manner as they are currently operated or planned to be operated by WESCO.

G. Statement of the Cost of the Facilities Involved in the Transaction.

As described above, the Proposed Merger will involve all of the Applicants' jurisdictional facilities. The costs of these facilities are included in the "Actual and Pro Forma Balance Sheets and Plant Schedules" attached hereto as part of Exhibit C.



H. Statement as to the Effect of the Sale or Transfer upon any Contract for the Purchase, Sale or Interchange of Electric Energy.

No existing contracts for the purchase, sale, interchange or transmission of electricity at wholesale will be affected by the Proposed Merger. Subject to further applications under Section 203 of the FPA as may be made in the future, all of the existing obligations and rights of the Illinova Parties and of Dynegy and its subsidiaries will each continue to meet their respective rights and obligations.

I. Statement as to Other Required Approvals.

The following are the other regulatory approvals required in conjunction with the indirect transfer of jurisdictional assets described in this Application./21/

- . Illinois Power's filing of a notice of the Proposed Merger with the Illinois Commerce Commission pursuant to 220 ILL. COMP. STAT. 5/16-111(g). In addition, Illinois Power will voluntarily file an application with the Illinois Commerce Commission for approval of the Proposed Merger with respect to Illinois Power's gas utility pursuant to 220 ILL. COMP. STAT. 5/7-204.
- . Any Securities and Exchange Commission approvals required for Newco to be exempt from registration under PUHCA.
- . Any Securities and Exchange Commission approvals required for Chevron to be exempt from registration under PUHCA.
- . Any approvals required under Delaware and Illinois law for Newco to acquire, finance, or own the assets to be acquired in the Proposed Merger.

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/21/ As noted above, the proposed sale of the Clinton Power Station by Illinois Power to AmerGen will be the subject of a separate application for approval under FPA Section 203, as well as other regulatory filings. The Section 203 application will be filed with the Commission in the near future.

. The filings required to be made by Illinova, Dynegey, and certain Dynegey management under the Hart-Scott-Rodino Act ("HSR Act") and the early termination of all waiting periods under the HSR Act.

J. Facts Showing That the Proposed Merger Will Be Consistent with the Public Interest.

See Section V. *infra*.

K. Brief Statement of Franchises Held.

See Section IV.C., *supra*.

L. Form of Notice.

A form of notice suitable for publication in the Federal Register is attached to the Transmittal Letter accompanying this Application. In addition, an electronic version of this notice on a 3.5-inch computer diskette in WordPerfect format is enclosed with this filing.

V. THE PROPOSED MERGER IS CONSISTENT WITH THE PUBLIC INTEREST.

Pursuant to Section 203 of the FPA, the Commission must approve a merger if it finds that the transaction "will be consistent with the public interest."/22/ In order to determine whether a specific merger transaction satisfies this statutory standard, the Commission applies the three-pronged test set forth in its Merger Policy Statement, examining the proposed transaction's effect

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/22/ Section 203(a) of the FPA, 16 U.S.C. (S) 824b(a), states that:

No public utility shall sell, lease, or otherwise dispose of its facilities subject to the jurisdiction of the Commission...or by any means whatsoever, directly or indirectly, merge or consolidate such facilities or any part thereof with those of any other person, or purchase, acquire, or take any security of any other public utility, without first having secured an order of the Commission authorizing it to do so...After notice and opportunity for hearing, if the Commission finds that the proposed disposition, consolidation, acquisition or control will be consistent with the public interest, it shall approve the same.

on competition, on rates, and on regulation. See, e.g., NorAm Energy Services, Inc., 80 FERC 61,120, at 61,379-83 (1997); Duke/PanEnergy at 62,036-42; Enova/Pacific at 62,559-60.

As described in this Application and in the supporting exhibits and other materials included herein, the merger of Dynegy and Illinova and the resulting transfer of the operations, assets, and liabilities relating to the companies' respective jurisdictional facilities will have no adverse effect on competition, rates or regulation. Accordingly, the Commission should promptly approve this Application.

A. The Proposed Merger Will Have No Effect on Competition.

As detailed in the attached testimony of Dr. William H. Hieronymus (appended hereto as Attachment 3), the Proposed Merger will have no impact on competition because it will not create or enhance market power in any relevant market. This result is to be expected because, other than with respect to energy marketing, Illinova and Dynegy, with only limited exceptions, do not transact business in common geographic markets. Where, as is the case here, the parties to a merger generally do not have facilities or sell relevant products in the same geographic markets, the Commission has concluded that the merger will have no adverse impact on competition. Merger Policy Statement at 30,113. While further analysis may not therefore be required in this case, the Applicants submit Dr. Hieronymus' testimony to document more fully the negligible impact on competition of the Proposed Merger./23/

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/23/ As discussed in Dr. Hieronymus' testimony, Chevron, which will own 28% to 29% of the merged entity, owns various generation and natural gas assets, which are located primarily in California. Dr. Hieronymus concludes that the Chevron-owned generation is not relevant to his analysis of the effect of the Proposed Merger on competition because: (a) the capacity is located in California, where Illinova owns only a de minimis amount (5 MW) of capacity; and (b) Chevron's own cogeneration plants are committed to supply power for internal use with the remainder committed under long-term contract. Moreover, as Dr. Hieronymus notes, Chevron is not an Applicant, and will not be controlled by an Applicant.

1. The Proposed Merger Presents No Horizontal Market Power Concerns.

The Commission has consistently held that the risk of a merger creating or enhancing horizontal market power can only exist where both merger parties own facilities or make generation sales in the same region. See, e.g., CILCO/AES, slip op. at 9-10; PG&E Corp. and Valero Energy Corp., 80 FERC(P) 61,041, at 61,129-30 (1997) ("PG&E/Valero"); Destec Energy, Inc. and NGC Corp., 79 FERC(P) 61,373, at 62,570 (1997) ("Destec/NGC"). With regard to the Proposed Merger between Illinova and Dynegy, there are only few, limited instances in which the Applicants own facilities or make sales in a common geographic market. Thus, Dr. Hieronymus' analysis concludes that there will be no adverse effect on competition as a result of the Proposed Merger./24/

a. Generation market power.

In his testimony, Dr. Hieronymus identifies the common geographic markets in which the Illinova Parties and Dynegy each own or propose to construct generation facilities. These consist principally of the Illinois Power destination market and adjacent utility control areas in which all of Illinois Power's generation assets, Illinova Generating's EEI Facility and Dynegy's Rocky Road plant are located. Dynegy's three proposed plants in Kentucky, North Carolina and Georgia can also sell into these markets.

Dynegy and the Illinova Parties also own generation in common geographic markets in Texas, Massachusetts and California. However, Dr. Hieronymus concludes that further analysis of these markets is unnecessary. In Texas, all of the Illinova Parties' generation capacity is currently under long term contract, thus making it impossible for the Proposed Merger to increase

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/24/ Dr. Hieronymus also concludes that the Proposed Merger will have no effect on competition with regard to power marketing, explaining that Applicants do not possess unique skills raising market power concerns and that power marketing is a competitive business characterized by ease of entry.

market concentration. In Massachusetts, Illinova and Dynegy indirectly own, through the Indeck North American Power Fund, L.P., approximately 8% and 7.4% respectively of the 39 MW Pepperell Facility. Thus in Massachusetts the generation facility in question is of such a small size that it cannot reasonably be expected to convey market power, and in any case the Applicants do not control the facility. In California, Illinova and Dynegy indirectly own, through the Indeck North American Power Fund, L.P., approximately 6% and 6.9% respectively of the 79 MW Harbor Facility. While Dynegy owns other generation facilities in the California market, the Harbor Facility is sufficiently small in size that it is not likely to convey market power, and in any case neither of the Applicants controls the facility.

After determining the geographic markets of potential concern, Dr. Hieronymus examines the effect of the Proposed Merger in each of these markets on the following product measures: Total Capacity, Uncommitted Capacity, Economic Capacity, and Available Economic Capacity. As Dr. Hieronymus explains, Appendix A of the Merger Policy Statement adopts the DOJ/FTC Guidelines for determining acceptable levels of market concentration resulting from a merger. Changes in market concentration levels are measured using the Herfindahl-Hirschman Index ("HHI"). Attached to and in support of his testimony Dr. Hieronymus has prepared an Appendix A analysis showing the changes to HHI levels that will result from the Proposed Merger for each product measure in each relevant geographic market. On the basis of his analysis Dr. Hieronymus concludes that the Proposed Merger will result in changes to market concentration that fall well within the acceptable levels set out in the Merger Policy Statement and thus will have a de minimus effect on competition in any of the relevant markets.

i. Total Capacity.

Total Capacity, which reflects installed capacity less firm purchases and sales, is used by the Commission as a proxy for energy and shorter-term capacity supply. With regard to the Total Capacity measure, Dr. Hieronymus performs a traditional "hub and spoke" analysis, including for each destination market all of the first tier interconnections. He examines each of the markets in which both Applicants' generation (existing or planned) is first tier to the hub. They include the Illinois Power, AEP, ComEd and LG&E markets. These are the only markets that could possibly evidence an impact of the Proposed Merger on the Total Capacity measure. Dr. Hieronymus' analysis demonstrates that the impact of the Proposed Merger on Total Capacity is de minimus; the increase in HHI attributable to the Proposed Merger is 5 points or less.

ii. Uncommitted Capacity.

Uncommitted Capacity, which reflects total resources less peak load and an allowance for reserves, is used by the Commission as a proxy for the short-term capacity product. With regard to the Uncommitted Capacity measure, Dr. Hieronymus estimates the amount of generation that is available in the relevant first-tier markets above the amount committed to native load and other firm obligations and reserve margin requirements. He notes that measurement of Uncommitted Capacity is becoming increasingly difficult, given ongoing restructuring and asset divestiture, including such restructuring now underway in Illinois. For example, the Illinois Restructuring Law will allow customers with a demand greater than 4 MW at a single site to select their electricity provider beginning in October of 1999, and will provide retail choice to all non-residential customers by the end of 2000. Further, ComEd has divested its fossil-fired generation assets, and various new entrants have announced plans to construct and operate new generation within the relevant geographic market.

The Commission has also recognized the difficulty of measuring Uncommitted Capacity in markets -- such as Illinois -- that are implementing retail access. In EME Homer City Generation, L.P., 86 FERC(P)61,016(1999), the Commission explained:

[R]etail access programs...are premised on the release of native load obligations and the concomitant release of capacity from committed to uncommitted. As retail access becomes a reality, any capacity currently committed to serve the released retail loads will become uncommitted as soon as the customer decides to switch. While Homer City has attempted to prepare an uncommitted capacity analysis based on a number of possible retail access scenarios, it is too uncertain and we do not rely on it.

Id. at 61,039. In such circumstances, the Commission has relied on other measures of potential market power as providing "more relevant information about generation dominance." See Wisvest-Connecticut, L.L.C., 86 FERC(P)61,133, at 61,464(1999) (relying upon installed capacity measure to support finding that applicant for market rate authority lacked generation dominance; uncommitted capacity analysis not relied upon because it was considered "too uncertain"); EME Homer City, 86 FERC at 61,039(relying upon installed capacity measure to conclude that applicant met market power standard for approval of market based rates).

Notwithstanding these uncertainties, Dr. Hieronymus conducts the analysis for the same market hubs as in his Total Capacity analysis and finds that the Proposed Merger has an acceptably small impact on market concentration. In the moderately concentrated ComEd market, the increase in HHI is 71 points, well below the Merger Policy Statement's threshold. Similarly, for the Illinois Power, AEP and LG&E Energy markets, the increase in HHI attributable to the Proposed Merger for the Uncommitted Capacity product measure ranges from 0 to 33 points, again well below the level raising competitive concerns. Moreover, these levels, which reflect the markets for 2000, are projected to decline as the market becomes less concentrated as new mer-

chant capacity is built in the relevant markets, even before taking into consideration further generation divestiture for incumbent utilities.

iii. Economic Capacity.

Economic Capacity is a measure of the non-firm energy market that only considers those suppliers that could deliver energy to a relevant market, after paying all transmission and ancillary services costs, at a price close to the competitive price in the relevant market. With regard to the Economic Capacity product measure, Dr. Hieronymus examines each of the relevant destination markets at different time periods and assuming different market prices. The time periods of particular relevance for his analysis are relatively high-priced time periods given that Dynegy's existing and planned generation within the relevant markets consists of gas-fired peakers. Dr. Hieronymus determines that for the Illinois Power destination market, which is moderately concentrated, the change in HHI resulting from the merger is 33 points. In the LG&E market which is highly concentrated, the HHI change resulting from the merger is 21 points. In the other destination markets analyzed (CINergy, ComEd, Duke, TVA and AEP), which are moderately to highly concentrated, the change in HHI resulting from the Proposed Merger is never more than 5 points. These results are well below the competitive screen levels set out in the Merger Policy Statement.

iv. Available Economic Capacity.

Available Economic Capacity, which is defined as Economic Capacity less the capacity needed to serve native load, calculates the amount of Economic Capacity a supplier may actually sell into a market. With regard to the Available Economic Capacity measure, the results of Dr. Hieronymus' analysis are quite similar to the Economic Capacity results: in no instance does the Proposed Merger result in an increase in market concentration that exceeds the Appendix A



screens. Dr. Hieronymus examines each of the seven relevant destination markets and concludes that for Available Economic Capacity the change in HHI resulting from the Proposed Merger does not exceed 58 points in any market.

Thus, Dr. Hieronymus concludes that the combination of Applicants' generation assets does not significantly affect the concentration in any relevant market and that there are no horizontal market power concerns presented by the Proposed Merger.

b. Transmission market power.

The Proposed Merger presents no opportunity for the Applicants to create or enhance transmission market power. Dynegy owns no electric transmission facilities other than those incident to its generation facilities and the proposed merger therefore cannot lead to increased control of transmission assets. See, e.g., PG&E/Valero at 61,131; Duke/PanEnergy, at 62,038.

Further, the transmission assets owned by Illinois Power are subject to a Commission-approved open-access tariff such that customers have non-discriminatory access to Illinois Power's transmission system. The Commission has routinely held that such access mitigates any potential exercise of market power. See, e.g., PG&E/Valero at 61,131. Illinois Power's membership in the Midwest ISO further mitigates any potential exercise of transmission market power because the ISO will control Illinois Power's transmission facilities and will provide open access to those facilities on a non-discriminatory basis. Midwest Independent Transmission System Operator, Inc. 84 FERC (P) 61,231, 62,161-62, order on reh'g, 85 FERC (P) 61,372 (1998).

2. The Proposed Merger Presents No Vertical Market Power Concerns.

In reviewing proposed mergers, the Commission has expressed concerns with respect to vertical market power only as between the natural gas and electric power markets. For a vertical

merger to adversely affect electric competition, it must provide the merged firm with the ability and the incentive to restrict, or to raise the price of, delivered gas to generating facilities that compete in the same markets as generation that is owned or controlled by the merged firm. See, e.g., Duke/PanEnergy, 79 FERC at 62,038-39. In this case, the Proposed Merger involves the combination of an owner of natural gas gathering, processing and transportation facilities with an owner of electric generation facilities. As detailed below and in Dr. Hieronymus' testimony, the Proposed Merger will not enable the merged entity to engage in any type of anticompetitive behavior, and therefore raises no concerns regarding vertical market power.

In his analysis, Dr. Hieronymus describes the relevant upstream markets as: (a) control over gas resources; (b) transportation of these resources from the producing areas to interstate pipelines serving the market area; and (c) the delivery of these gas supplies to gas-fired electric generating facilities. The relevant downstream product market is wholesale electric energy. With regard to the geographic markets, Dr. Hieronymus describes the upstream market as the natural gas producing region located in Texas, Louisiana, the Gulf of Mexico and other adjoining locations. The downstream geographic markets are those in which Illinova's and Dynegy's electric generation are most likely to compete.

Dr. Hieronymus concludes that Dynegy's ownership and control of upstream natural gas supplies and transportation facilities cannot be used to enable the combined company to deny competitors access to upstream inputs or to raise the cost of access to such inputs. With regard to the market for natural gas, the Commission has determined that the upstream wellhead market is workably competitive. Similarly, with regard to natural gas transmission markets, there is a large number of interstate pipeline systems serving the Midwestern markets where Illinova's and Dynegy's generation is or will be located. As Dr. Hieronymus explains, given Dynegy's limited

natural gas transportation system, it is very unlikely that it could use its facilities to raise prices or restrict access in upstream markets to disadvantage potential competitors of the merged company in downstream electric markets. Indeed, given the competitive market for natural gas gathering and processing services, any attempt by Dynegy to withhold or increase the costs of gas supplies to be delivered into downstream markets would be thwarted by competitors eager to serve that same market. See, e.g., Duke/PanEnergy at 62,039. Further, Dynegy cannot use its control of the upstream natural gas supply or transportation markets to favor Illinova's generation because a large portion of such generation facilities is coal-fired.

As a result, Dr. Hieronymus concludes that the Proposed Merger raises no vertical market power concerns.

B. The Proposed Merger Will Have No Adverse Impact on Rates.

Under the Merger Policy Statement, the Commission must determine that the merging utilities' wholesale sales and transmission customers will be protected from adverse rate impacts attributable to the merger. Merger Policy Statement at 30,123. In this case, no such adverse effects will result from the Proposed Merger.

1. Effect on Wholesale Sales Rates.

The Proposed Merger will have no adverse effect on wholesale sales rates. All wholesale sales service provided by Dynegy's public utility subsidiaries and all wholesale sales services provided by Illinova's public utility subsidiaries (other than those specifically addressed below) consists of sales at negotiated rates made pursuant to Commission-approved market-rate tariffs, which rates will not be adversely affected by the Proposed Merger. See, e.g., Destec/NGC at 62,574-75; Enron Corp., et al., 78 FERC (P)61,179 at 61,737 (1997). Further, rates for wholesale sales made by Applicants through affiliates that own qualifying facilities under PURPA will not

be adversely affected by the Proposed Merger because the Applicants have no ability to amend the rate terms of the governing contracts to reflect merger-related costs.

In particular, there will be no adverse impacts from the Proposed Merger on Illinois Power's wholesale sales customers. Illinois Power currently does not provide traditional requirements service to any wholesale customers, and has no active wholesale rate schedules that contain wholesale fuel adjustment clauses. Illinois Power serves all of its municipal and cooperative wholesale power customers under its market-rate power sales tariff/25/ with the exception of one wholesale municipal customer that takes service under a pre-Order No. 888, bundled, interchange contract. That contract is the 1994 Coordination and Interchange Agreement ("CIA") between Illinois Power and the Illinois Municipal Electric Agency ("IMEA")./26/ Total sales under this contract in 1998 were \$111,957. The CIA is not a requirements contract. Indeed, under the CIA, as revised in 1994, IMEA discontinued partial requirements service from Illinois Power. Under the CIA, the rates for various services provided to IMEA are specified in the agreement. Illinois Power herein commits to hold IMEA harmless by agreeing not to seek to pass merger-related costs through the CIA./27/

It should be noted that on Illinois Power's FERC Form 1 for 1998 Illinois Power reported that it made certain sales to Ameren Corporation (an investor-owned utility) under Illinois Power's Rate Schedule FERC No. 88. Illinois Power reported these sales as "RQ," i.e.,

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/25/ Illinois Power Company, 73 FERC (P)61,371 (1995) (accepting market-based power sales tariff for filing in Docket No. ER96-185-000, designated as FERC Electric Tariff, Original Volume No. 7 (Original Sheet Nos. 1 through 11)).

/26/ The CIA with IMEA was accepted in Docket Nos. ER92-809-000, et al. pursuant to a settlement. Illinois Power Company, 62 FERC (P)61,147 (1993), order approving settlement, 66 FERC (P)61,364 (1994). In accordance with the terms of the February 4, 1999 settlement in Docket No. EL99-2-000, Illinois Power has the authority to terminate the CIA after January 1, 2000, subject to Commission approval, if certain conditions are met. If the CIA is terminated, IMEA will be served under Illinois Power's Open Access Transmission Tariff.

/27/ Counsel for Applicants has spoken with IMEA's counsel concerning this hold-harmless commitment.

"requirements service." (See FERC Form 1 page 310). Total sales for 1998 for this service amounted to \$49,348. Illinois Power identified sales under Rate Schedule FERC No. 88 as "RO" because these sales technically fall within the Form 1 definition of "requirements service." However, Rate Schedule FERC No. 88 is not a traditional requirements contract; instead it is a so-called "boundary line agreement" between two, neighboring investor-owned utilities. Under the agreement, Illinois Power and Ameren Corporation serve certain of one another's customers that are geographically located in certain areas such that it is most economic for Illinois Power to serve Ameren Corporation customers through line extensions, and vice versa. Pursuant to the boundary line agreement, energy delivered under the agreement is billed at 110% of the average price per kWh paid by certain third parties pursuant to separate wholesale transactions with Ameren, which prevents the pass-through of merger-related costs./28/ Nonetheless, Illinois Power herein commits to hold Ameren harmless by agreeing not to seek to pass through merger-related costs through this agreement.

Finally, Illinois Power has investigated all of its existing wholesale rate schedules as reported on the Commission's Rates and Tariffs Indexing System ("RATIS"). Illinois Power notes that RATIS identifies the following superseded rate schedules as providing for requirements services, or as containing fuel adjustment clauses:

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/28/ Paragraph 4 of the February 5, 1982 Boundary Line Agreement between Illinois Power and Union Electric Company, Ameren's predecessor in interest, states:

Energy delivered under this Agreement will be billed at 110% of the average cost per kilowatthour of the average price paid per kilowatthour, by Arkansas Power & Light Company and the City of Farmington, Missouri in each respective wholesale agreement with [Union Electric Company] for the billing period. Ten percent of said average cost per kilowatthour is to compensate for transmission losses and administrative costs.

RATE SCHEDULE NO.	CUSTOMER	EFFECTIVE DATE
52	Clinton County Electric Cooperative	1/1/1973
53	Corn Belt Electric Cooperative	1/1/1973
54	Farmers Mutual Electric	1/1/1973
55	Central Illinois Public Service Union Electric Illinois Valley Electric Cooperative	1/1/1973
56	McDonough Power Cooperative	1/1/1973
57	Monroe County Electric Cooperative	1/1/1973
58	Southwestern Electric Cooperative	1/1/1973
59	Tri-County Electric Cooperative	1/1/1973
92	Western Illinois Power Cooperative	5/24/1983
102	Carlyle, Ill./Farmer City, Ill.	1/1/1984
115	Mt. Carmel	10/1/1986
Tariff No. 1 Rev. 1 Svc. Agreement No. 4	Cedar Point Light & Water	3/1/1984 11/15/1981

Each of these rate schedules has been superseded and, accordingly, on June 16, 1999, Illinois Power filed notices of termination of these rate schedules in Docket No. ER99-3276-000. In the case of the municipal customers (Carlyle, Farmer City), such customers are currently served by IMEA and are no longer directly served by Illinois Power. In the case of the distribution cooperatives listed above, such cooperatives are now served either by Soyland Power Cooperative, Inc. (a generation and transmission cooperative), or other power sellers (or by Illinois Power pursuant to its wholesale market-rate tariff). In the case of Mt. Carmel, a small investor-owned utility, that customer is now served by a wholesale power seller other than Illinois Power. Cedar Point Light and Water, a small, family-owned system, was purchased by Illinois Power in the late 1980s.

## 2. Effect on Wholesale Transmission Rates.

The proposed merger transaction will have no adverse effect on Illinois Power's wholesale transmission rates./29/ The Commission has previously held that Illinois Power had adequately mitigated any transmission market power that it may possess by filing an open access transmission tariff. See Illinois Power, 73 FERC at 62,161. In addition, the Order No. 888 compliance tariff filed by Illinois Power in Docket No. OA96-66-000 has been approved and accepted by the Commission. Atlantic City Electric Company, et al., 77 FERC (P)61,144 (1996) (order approving non-rate terms and conditions); Allegheny Power System, Inc. et al., 80 FERC (P)61,143 (1997) (order on compliance tariff rates).

Furthermore, Illinois Power is a participant in the Midwest ISO./30/ See Midwest Independent Transmission System Operator, Inc., 84 FERC (P)61,231 at 62,138 n.2 (1998). On January 15, 1998, the Midwest ISO Participants filed an application in Docket No. ER98-1438-000, asking the Commission for authority to transfer operational control over their jurisdictional transmission facilities to the Midwest ISO. At the same time, the Participants requested Commission approval of a single, system-wide transmission tariff. On September 16, 1998, the Commission issued an order in Docket Nos. ER98-1438-000 and EC98-24-000, approving the transfer of operational control, accepting the tariff for filing, suspending it for a nominal period and setting certain features of it for hearing. Midwest Independent Transmission System Operator, 84 FERC (P)61,231 (1998).

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/29/ Dynegy, which does not own any transmission facilities other than those incident to its generation facilities, does not provide wholesale transmission service.

/30/ Under the Illinois Restructuring Law, Illinois Power is required to be a member of a regional ISO or to participate in an Illinois ISO. Accordingly, approval of the Proposed Merger will not affect Illinois Power's membership in the Midwest ISO or in any regional transmission organization that may succeed it.

Thus, Illinois Power's jurisdictional transmission rates will be subject to review by the Commission in the above-referenced proceedings or in future proceedings involving transmission rate filings by Illinois Power. Further, to ensure that Illinois Power's transmission rates do not recover merger-related costs, the Applicants hereby commit that Illinois Power will hold its wholesale transmission customers harmless from any adverse rate effects resulting from the Proposed Merger and will not seek to pass through any merger-related costs in its jurisdictional transmission rates for a period of five years commencing on the Closing Date of the Proposed Merger. This commitment satisfies fully the ratepayer protection requirements set forth in the Merger Policy Statement. See, e.g., Duke/PanEnergy at 62,039-40.

C. The Proposed Merger Will Have No Adverse Effect on Regulation.

Under the Merger Policy Statement, the Commission requires parties to evaluate the effect on regulation of a merger or other proposed transaction, both at the federal level and state level. Merger Policy Statement at 30,124-25. In particular, the Commission has indicated that it may set a Section 203 application for hearing if: (1) the merged entity would be part of a registered holding company and the applicants do not commit to abide by the Commission's policies on the pricing of non-power goods and services between affiliates; or (2) the affected state commissions do not have authority to act on the transactions. *Id.* Neither of these concerns are raised by this Application.

Upon consummation of the Proposed Merger, Illinois Power will continue to function as it does today. Specifically, with respect to its sale of electric energy at wholesale and the provision of transmission service in interstate commerce, Illinois Power will continue to be subject to the jurisdiction of this Commission under Part II of the Federal Power Act. In addition, the Pro-



posed Merger will not result in the creation of a registered holding company./31/ Newco will be formed as an Illinois corporation and will obtain an exemption from registration as a public utility holding company under Section 3(a)(1) of PUHCA./32/ Because the merger will not result in the formation of a registered holding company and the Commission's jurisdiction over Illinois Power will be unaffected, no Ohio Power/33/ concerns are raised by this transaction and further inquiry into this issue is unwarranted. See PG&E/Valero at 61,138; Enova/Pacific at 62,567.

As regards "affected State commissions," it is evident from the context of the Commission's discussion in the Merger Policy Statement that the Commission was concerned about the possible absence of state jurisdiction over the merger of traditional, vertically integrated utilities having captive retail and wholesale customers. See Merger Policy Statement at 30,124-25. In the instant case, the Proposed Merger does not involve the merger of two vertically integrated utilities, and in any case there will be no gap in the state regulation over this transaction or over the merged entity on a going forward basis. Upon consummation of the Proposed Merger, Illinois Power will continue to be subject to the jurisdiction of the ICC with respect to the retail rates charged by Illinois Power either as a provider of electricity, as a provider of electric delivery services for unbundled retail electricity sales, and or as a provider of natural gas sales and distribution service.

#### VI. MERGER ACCOUNTING.

Because the Proposed Merger will take place at the holding company level, Illinova and Dynegy will become wholly-owned subsidiaries of Newco and will continue to own all of their

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/31/ Chevron, as a minority owner of more than 10 percent of Newco, will seek an exemption from registration under PUHCA.

/32/ At a point in time subsequent to the Proposed Merger, the Applicants anticipate that Illinova's corporate existence will be extinguished and Illinois Power will become a direct, wholly-owned subsidiary of Newco.

/33/ See Ohio Power Co. v. FERC. 954 F.2d 779 (D.C. Cir.), cert. denied, 498 U.S. 73 (1992).

pre-acquisition assets and be liable for all of their liabilities. As a result, the Proposed Merger will have no effect on Illinois Power's account balances and financial statements, which will continue to be maintained in accordance with the Commission's Uniform System of Accounts. In such cases, the Commission does not require a more detailed description of the accounting treatment associated with a merger and will waive the applicable reporting requirements. See, e.g., CILCO/AES, slip op. at 15-16. Applicants respectfully request waiver of any requirement to provide more detailed accounting entries concerning the Proposed Merger.

#### VII. REQUEST FOR EXPEDITION.

The Proposed Merger is scheduled to close by the end of the first quarter of 2000. In order to permit reasonable time for closing documentation, the Applicants respectively request that the Commission approve this Application expeditiously and without condition, modification or a trial-type hearing, by the end of 1999.

The Commission should expedite its action in the case for the following reasons. First, the Proposed Merger will enhance competition in the Nation's wholesale energy services markets. By building on the respective strengths of Dynegy and Illinova, the Proposed Merger will produce a diversified energy services company well positioned to respond to market forces in the rapidly evolving national markets for electricity, natural gas and comprehensive energy services. Second, the Proposed Merger will benefit both consumers and shareholders of the merged company by improving the reliability of Applicants' services, by enhancing efficiencies and revenue opportunities and by optimizing the value of the merged company's assets and expertise. Third, this transaction is substantially similar to other merger transactions previously approved by the Commission on an expeditious basis and without a trial-type hearing. See e.g., CILCO/AES; MidAmerican; PG&E/Valero. In sum, the Proposed Merger is in the public interest and further fa-

ilitates the increasing efforts to restructure and bring competition to the Nation's electric utility industry.

VIII. EXHIBITS REQUIRED PURSUANT TO 18 C.F.R. (S)33.3.

Applicants hereby submit the required Exhibits (or specific requests for waiver of those requirements) in accordance with Section 33.3 of the Commission's regulations.

IX. CONCLUSION.

WHEREFORE, for the foregoing reasons, the Applicants respectfully urge the Commission to approve this Application on an expedited basis and without modification, condition, or trial-type hearing.

Respectfully submitted,

/s/ Merrill L. Kramer, P.C.

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Dated: July 23, 1999  
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/s/ James C. Beh

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## VERIFICATIONS

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Illinova Corporation )  
Dynegy Inc. ) Docket No. EC99- -000  
)  
)

VERIFICATION

James C. Beh, being first duly sworn, deposes and states: That he is a representative legally authorized to bind Illinova Corporation; that he has read the attached Joint Application of Illinova Corporation and Dynegy Inc. for Approval of Merger and Request for Expedited Consideration; that he knows the contents thereof; and that the statements therein pertaining to Illinova Corporation are true and correct to the best of his knowledge, information, and belief.

/s/ James C. Beh  
-----  
James C. Beh

subscribed and sworn before me this 22nd day of July, 1999.

/s/ Kathleen Ventre  
-----  
Notary Public

My Commission expires:

Kathleen Ventre  
Notary Public District of  
Columbia  
My Commission Expires: 10/31/02



NOTICE OF FILING



UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

Illinova Corporation )  
Dynegy Inc. ) Docket No. EC99- -000  
)  
)

NOTICE OF FILING

Take notice that on July 23, 1999, Illinova Corporation (Illinova) and Dynegy Inc. (Dynegy), tendered for filing with the Federal Energy Regulatory Commission (Commission) pursuant to Section 203 of the Federal Power Act, 16 U.S.C. (S)824b (1994 & Supp. 1998) and Part 33 of the Commission's Regulations, 18 C.F.R (SS)33.1, et seq. (1999), a Joint Application for Approval of Merger and Request for Expedited Consideration.

Any person desiring to be heard or to protest such filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions and protests should be filed on or before \_\_\_\_\_, 1999. Protests will be considered by the Commission to determine the appropriate action to be taken, but will not serve to make protestants parties to the proceedings. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection. This filing may also be viewed on the Internet at <http://www.ferc.fed.us/online/rims.htm> (call 202-208-2222 for assistance).

David P. Boergers  
Secretary

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY )  
 )  
Application pursuant to Sections 7-204 and ) Docket No. 99-\_\_\_\_\_  
7-101 of the Public Utilities Act for approval )  
of a reorganization of the gas utility )

APPLICATION OF ILLINOIS POWER COMPANY  
FOR EXPEDITED APPROVAL OF A  
REORGANIZATION OF THE GAS UTILITY  
AND APPROVAL OF  
AN INTERIM SERVICES AND FACILITIES AGREEMENT

Illinois Power Company ("Illinois Power" or the "Company") seeks an order pursuant to Section 7-204 of the Public Utilities Act (the "Act") (220 ILCS 5/7-204), approving a reorganization of its gas business, an order pursuant to Section 7-101 of the Act (220 ILCS 5/7-101) for approval of an Interim Service and Facilities Agreement between Illinois Power and its affiliated interests, and for other related relief. For the reasons stated below, Illinois Power requests that this Application be considered on an expedited basis.

1. Illinois Power is in the business of generating, transmitting, distributing and selling electricity to the public at retail in the State of Illinois, and is a public utility as that term is defined in Section 3-105 of the Act and an electric utility as that term is defined in Section 16-102 of the Act. Illinois Power is also in the business of transmitting, distributing and selling natural gas to the public at retail in the State of Illinois. Illinois Power is subject to the jurisdiction of the Illinois Commerce Commission ("Commission"). Illinois Power is a direct subsidiary of Illinova Corporation ("Illinova"), an Illinois corporation.

2. On June 14, 1999, Illinova entered into an Agreement and Plan of Merger with Energy Convergence Holding Company, Energy Convergence Acquisition Company, Dynege Acquisition Company, and Dynege Inc. ("Plan of Merger"), which constitutes a reorganization under Section 7-204 of the Act. A copy of the Plan of Merger is attached hereto as Exhibit A. The Plan of Merger is as follows:

a. The reorganization will involve the merger of Energy Convergence Acquisition Company, an Illinois corporation, all of whose common stock is owned by Energy Convergence Holding Company, an Illinois corporation, with and into Illinova, with the result that all of the common stock of Illinova will be owned by Energy Convergence Holding Company. Each outstanding share of the common stock of Illinova will be converted into one share of Energy Convergence Holding Company Class A common stock. Contemporaneous with this transaction, Dynege Acquisition Company, a Delaware corporation, all of whose common stock is owned by Energy Convergence Holding Company, will be merged with and into Dynege Inc., a Delaware corporation, with the result that all of the common stock of Dynege Inc. will be owned by Energy Convergence Holding Company. Except as described below with respect to shares of Dynege Inc. owned by BG Holdings, Inc. ("BG Holdings"), NOVA Chemicals Corp. ("NOVA"), and Chevron U.S.A., Inc. ("Chevron"), each outstanding share of Dynege Inc. stock will be converted into a combination of cash and/or 0.69 shares of Energy Convergence Holding Company Class A common stock, in an amount to be determined based upon the individual election of each shareholder of Dynege Inc.

Concurrently with the merger of Energy Convergence Acquisition Company into Illinova

and the merger of Dynegy Acquisition Company into Dynegy Inc. (the "Mergers"), Energy Convergence Holding Company will purchase 100 percent of the issued and outstanding shares of capital stock of BG Holdings from its parent, British Gas Atlantic Holdings BV ("BGAH"), in exchange for a combination of cash and Series A Convertible Preferred Stock of Energy Convergence Holding Company ("Preferred Stock"). BGAH will receive the same amount and combination of cash and Preferred Stock in consideration for the capital stock of BG Holdings as BG Holdings would have received in the merger by virtue of its ownership of shares of Dynegy common stock. Following this purchase, BGAH will own a 3.5% to 5% equity interest in Energy Convergence Holding Company.

Concurrently with the Mergers, Chevron will purchase a minimum of \$200 million and a maximum of \$240 million of Class B common stock ("Class B Share") of Energy Convergence Holding Company. Additionally, Chevron will receive Class B Shares (rather than Class A common stock) in exchange for Chevron's equity interest in the common and preferred stock of Dynegy Inc. By virtue of its acquisition of Class B Shares, Chevron will own an approximate 29% equity interest in Energy Convergence Holding Company.

Finally, concurrently with the Mergers, NOVA will receive a combination of cash and Preferred Stock in exchange for its entire equity interest in the common stock of Dynegy. Upon the consummation of the merger, NOVA will own an approximate 3.5%-5% equity interest in Energy Convergence Holding Company.

b. Following the reorganization described in subparagraph a. above, a further reorganization may take place in which Illinova will be merged into Energy Convergence Holding Company. The result of the subsequent reorganization will be that Illinova Corporation will cease

to exist, and Energy Convergence Holding Company, which will be renamed Dynegy Inc., will become the owner of all of the voting capital stock of Illinois Power.

3. Dynegy Inc. ("Dynegy") is a holding company which, through subsidiaries, is primarily engaged in the wholesale marketing of natural gas, electricity, coal, natural gas liquids, crude oil, liquid petroleum gas and related energy services. Dynegy also owns interests in a number of power generation facilities, power marketers and generation-owning entities. Dynegy is one of the leading marketers of energy products and services in North America.

4. The proposed reorganization is substantially similar to two reorganizations recently considered and approved by the Commission, one involving the merger of Central Illinois Light Company with The AES Corporation, Docket 98-0882 ("CILCO/AES"), and the other involving the merger of MidAmerican Energy Company with CalEnergy Company (Docket 98-0853) ("MidAmerican"). These reorganizations are very similar to the proposed reorganization since they each involved the merger of the holding company for a traditional utility company with an independent power producer/power marketer. Thus, Illinois Power respectfully requests that the Commission approve this Application on the same expedited basis as the Commission's proceedings with regard to the MidAmerican and CILCO/AES transactions. Completion of the Plan of Merger is expected to occur no later than the end of the first quarter of 2000, and Illinois Power therefore requests that the Commission act to approve this Application expeditiously, but no later than by the end of 1999.

5. Section 16-111(g) of the Act states that an electric utility may implement a reorganization during the "mandatory transition period" without prior Commission approval "notwithstanding any other provision of this Act or any rule or regulation of the Commission that

would require such approval." 220 ILCS 5/16-111(g). Thus, the exemption provided by Section 16-111(g) from the need for Commission approval under Section 7-204 applies to the proposed reorganizations that are the subject of this Application. However, in the CILCO and MidAmerican cases the Commission questioned whether the exemption provided by Section 16-111(g) applies to the entirety of the transaction or just the electric utility portion of the transaction. The Commission has not questioned the applicability of the exemption of the electric utility portion of the transaction in either the CILCO or MidAmerican cases. Consequently, Commission approval of the electric portion of the transaction is not required. While it is Illinois Power's position that the exemption provided by Section 16-111(g) is applicable to the entire transaction, in light of the Commission's apparent contrary interpretation of the statute and Illinois Power's desire for an expeditious approval process, without waiving the argument that such approval is not needed, Illinois Power hereby seeks approval of the reorganizations with respect to the gas utility portion of its business pursuant to Section 7-204.

6. The proposed reorganization will not have any impact on Illinois Power's gas utility other than a change in the ownership of its capital stock. There will be no change in Illinois Power's assets, gas operations or capital structure as a result of the reorganization. Therefore, in accordance with Section 7-204(b)(1) of the Act, the reorganization will not have an adverse impact upon Illinois Power's ability to provide adequate, reliable, efficient, safe and least-cost gas utility service in Illinois. (See Altenbaumer testimony, IP Exhibit 1.0, pp. 9-13; Clarke Testimony, IP Exhibit 2.0, P.8)

7. Transactions in which Illinois Power provides any services or thing of value to its affiliates are covered by accounting and cost allocation procedures approved by and on file with the

Commission. Those provisions ensure Illinois Power's retail gas customers will not subsidize its unregulated affiliates. Illinois Power will continue to utilize the same accounting and cost allocation procedures after the reorganization for all transactions between it and its affiliates. Moreover, the Commission's guidelines to account for non-utility business of the gas utility, 83 Ill. Admin. Code Part 506, will continue to be applicable after the reorganization. IP is in compliance with Part 506. Therefore, in accordance with Section 7-204(b)(2) of the Act, the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the regulated gas utility or by Illinois retail gas customers. With respect to transactions with affiliates, Illinois Power is seeking in this Application authorization pursuant to Section 7-101 of the Act of an Interim Services and Facilities Agreement, a copy of which is provided as IP Exhibit 4.2, which is being sponsored by IP witness Steward and attached hereto. The Interim Services and Facilities Agreement would be effective pending approval of a permanent Services and Facilities Agreement approval of which is currently pending before the Commission in Docket 99-0114. In addition, IP is seeking a Commission determination in this proceeding that the Services and Facilities Agreement which is ultimately approved by the Commission in Docket 99-0114 would be deemed to be effective as to IP and Dynegy after the merger. (See Steward testimony, IP Exhibit 4.0, pp. 3-10)

8. As described above, Illinois Power is in compliance with the Commission's rules regarding accounting for non-utility transactions by gas utilities. The reorganizations will not result in any change in that accounting. Therefore, in accordance with Section 7-204(b)(3) of the Act, costs and facilities will be fairly and reasonably allocated between the gas utility and non-utility activities in such a manner that the Commission may identify those costs and facilities which are properly included by the gas utility for ratemaking purposes. (See Steward testimony, IP Exhibit 4.0, pp. 3-6)

9. The proposed reorganizations will not change the capital structure or the gas operations of Illinois Power in any way and, therefore, will not impair Illinois Power's ability to raise necessary capital for its gas operations on reasonable terms or to maintain a reasonable capital structure for its gas operations, in accordance with Section 7-204(b)(4) of the Act. Illinois Power's ability to issue debt and preferred stock will not be impaired and will in fact be improved with a larger and stronger parent as a result of the reorganizations. (See Schultz testimony, IP Exhibit 3.0, pp. 2-5)

10. The proposed reorganizations will not in any manner change Illinois Power's status as a gas public utility subject to the jurisdiction of the Commission. Therefore, Illinois Power's gas utility operations will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities, in accordance with Section 7-204(b)(5) of the Act. (See Altenbaumer testimony, IP Exhibit 1.0, pp. 11; Clarke Testimony, IP Exhibit 2.0, P.9)

11. While Dynegy and certain subsidiaries provide unregulated gas sales service in Illinois Power's gas service territory, such service is provided to an immaterial share of the market. Moreover, Dynegy and its subsidiaries will continue to offer such services after the proposed reorganizations. Therefore, in accordance with Section 7-204(b)(6) of the Act, the proposed reorganizations are not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction. (See Altenbaumer testimony, IP Exhibit 1.0, p. 14; Clarke Testimony, IP Exhibit 2.0, pp. 2-6,8)

12. To the extent there are any cost impacts associated with the merger, the result will be cost reductions which should serve to delay any future requests for gas rate increases by Illinois Power, and this will be shown in the Company's cost of service. Therefore, in accordance with



Section 7-204(b)(7) of the Act, the proposed reorganizations are not likely to result in any adverse rate impacts on Illinois Power's retail gas customers. (See Altenbaumer testimony, IP Exhibit 1.0, p. 12-13; Steward Testimony, IP Exhibit 4.0, pp. 10-12)

13. For the reasons described in the foregoing paragraphs, the proposed reorganizations will not adversely affect Illinois Power's ability to perform its duties as a gas public utility under this Act. (See Altenbaumer testimony, IP Exhibit 1.0, pp. 11-13)

14. While savings are expected to be achieved as a result of the merger, since Dynegy and its subsidiaries do not provide "public utility" services, the reorganizations will not result in the achievement of significant operational synergies or efficiencies that typically occur through the combination and elimination of duplicative resources, functions and personnel. However, other savings are anticipated as a result of revenue enhancements. To the extent there are savings resulting from the proposed reorganization, they will be allocated fairly to Illinois Power's gas utility operations and will be reflected in any future cost of service studies. (See Altenbaumer testimony, IP Exhibit 1.0, pp. 9; Steward Testimony, IP Exhibit 4.0, pp. 3-6)

15. Illinova and Dynegy have incurred and continue to incur significant transaction costs associated with the proposed reorganizations, including investment banking fees, financial consulting costs, accountants' charges, printing, postage, proxy solicitation, filing fees and legal fees. In addition, Illinova and Dynegy will incur costs associated with employee separations, system integration, employee relocation, and internal and external communications related to the merger. These are necessary expenses to accomplish the reorganizations, a portion of which would be properly recoverable from Illinois Power's gas utility customers, at least as an offset to any savings

from the reorganizations that would accrue to Illinois Power's retail gas utility customers as a result of the reorganizations. However, Illinois Power has determined to forego recovery of these costs from its retail gas customers. (See Altenbaumer testimony, IP Exhibit 1.0, pp. 12-13)

16. As described in more detail below, and in the testimony and exhibits filed in support of this Application, Illinois Power has provided to the Commission the information required by Section 7-204A of the Act. Exhibit B, attached hereto, identifies where the information required by Section 7-204A can be found.

17. The names and corporate relationships of all companies which are affiliated interests of Illinois Power on the date of this application for reorganizations and the name of any parent or subsidiary corporation of Illinois Power are attached hereto as Exhibit C, pursuant to Section 7-204A(a)(1) of the Act.

18. Copies of filings, including securities filings, related to the reorganizations made with the federal government are provided as Exhibit D, pursuant to Section 7-204A(a)(2). No other filings have been made with any Illinois agency.

19. A description of the plan to reorganize is also included with Exhibit D, as well as copies of the organizational documents associated with the reorganizations, including articles of incorporation or amendments to the articles of incorporation of all companies including Illinois Power and any affiliated interests, pursuant to Section 7-204A(a)(2) of the Act.

20. An estimate of the costs and fees attributable to the reorganizations has been provided pursuant to Section 7-204A(a)(3). (See Altenbaumer testimony, IP Exhibit 1.0, p.13)

21. The method by which management, personnel, property, income, losses, costs and expenses will be allocated between the gas utility operations and any affiliated interest has been

provided, pursuant to Section 7-204A(a)(4). (See Steward testimony, IP Exhibit 4.2)

22. Copies of any proposed agreements between Illinois Power and any person with which it will be an affiliated interest at the time of the application for approval of the reorganizations have been provided as Ms. Steward's IP Exhibit 4.2, pursuant to Section 7-204A(a)(5).

23. No Illinois Power gas utility assets or information in existence, such as customer lists, will be transferred to or used by an affiliate as part of these reorganizations. To the extent those plans change, Illinois Power will comply with any applicable provisions of the Act at that time.

24. A copy of Illinois Power's forecast for 2000-2004 showing the projected capital requirements of Illinois Power's gas utility operations at the time of the proposed reorganizations has been filed with this Application, pursuant to Section 7-204A(a)(7) of the Act. Also filed were the gas utility projected capital requirements, sources of capital, the range of the projected capital structure, and the assumptions underlying the information included in the forecast. (See Schultz testimony, IP Exhibits 3.1 through 3.4)

25. Consistent with the requirements of Section 7-204A(b) of the Act, the services of Illinois Power's gas utility employees will not be used by any affiliated interest as a consequence of the proposed reorganizations, except by contract or arrangement. No Illinois Power gas property will be sold, leased, transferred to or exchanged with any affiliated interest except by contract or arrangement, including any required regulatory approval. (See Steward testimony, IP Exhibit 4.0, pp. 3-10)

26. Approval of the proposed reorganizations will produce a diversified energy services company well poised to respond to market forces in the rapidly evolving energy markets. The new company will be well positioned to shape the changes taking place in the energy market, which are

being driven by restructuring and the convergence of the natural gas and electric industries. The reorganizations will also enhance efficiencies and revenue opportunities by optimizing the constituent companies' assets and expertise.

27. In further support of this Application, Illinois Power is submitting herewith the prepared testimonies of Larry F. Altenbaumer; Illinois Power's Senior Vice President and Chief Financial Officer; John U. Clarke, Dynegy's Senior Vice President and Chief Financial Officer; Robert A. Schultz, Illinois Power's Vice President - Finance; and Cynthia G. Steward, Illinois Power's Controller.

WHEREFORE, for the foregoing reasons, Illinois Power Company respectfully requests the Illinois Commerce Commission set this matter for hearing on an expedited basis and following such hearing enter an order:

- (1) Pursuant to Section 7-204 of the Act, approving the proposed reorganizations with respect to the gas utility operations of Illinois Power;
- (2) Pursuant to Section 7-101 of the Act, authorization to utilize the Interim Services and Facilities Agreement, a copy provided as IP Exhibit 4.2, for use until such time as the Commission enters an order approving a Services and Facilities Agreement in Docket 99-0114, and finding that the permanent Services and Facilities Agreement will be effective as to IP and Dynegy after the merger; and

(3) granting such further relief as the Commission deems appropriate.

Respectfully submitted,

ILLINOIS POWER COMPANY

By: LARRY F. ALTENBAUMER

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Larry F. Altenbaumer

Senior Vice President and Chief Financial Officer

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STATE OF ILLINOIS        )  
                              )  
COUNTY OF MACON         )

V E R I F I C A T I O N

I, Larry F. Altenbaumer, being first duly sworn upon oath depose and say that I am the Senior Vice President and Chief Financial Officer for Illinois Power Company, an Illinois corporation; that I am authorized to make this Verification on its behalf; that I have read the above and foregoing Application by me subscribed and know the contents thereof; and that said contents are true and correct to the best of my knowledge, information and belief.

/s/ LARRY F. ALTENBAUMER

-----  
Larry F. Altenbaumer,  
Senior Vice President and Chief Financial Officer  
Illinois Power Company

Subscribed and Sworn  
to before me this  
August 12, 1999

/s/ BEVERLY A. McCallister

-----  
Notary Public

[SEAL APPEARS HERE]

EXHIBIT E

DYNEGY-ILLINOVA MERGER  
POST-MERGER ORGANIZATION

"NEW DYNEGY"  
(ILLINOIS HOLDING COMPANY)

DMT	OPEN RETAIL ALLIANCES & ILLINOVA ENERGY PARTNERS	LIQUID BUSINESS	FINANCIAL & CORPORATE	CHIEF ADMIN. OFFICER	LEGAL	REGULATED BUSINESS (ILLINOIS POWER)	GENERATION OPERATIONS
Energy Trading		Processing	Treasury	Human Resources	Regulatory	Transmission	Illinova Generation (Utility)
Energy Marketing & Origination		Marketing Assets	Illinova Insurance	Public Relations	Legislative	Electric Distribution	ILN Generating
Commercial Asset & Management		Development (Gas Assets)	Accounting	Strategic Sourcing/Purchasing	Contract Administration	Gas Distribution	Destec Generating
Project Development		Liquids Marketing	Corporate Development	Facilities Management		Nuclear Operations (sale/shut down)	N.A. Energy Services D.O.C.
Strategy & Planning		Global Liquids	Investor Relations	Financial Planning/Audit			Project Engineer
International			IT				
Process Redesign & Commercial Services							

HISTORIC AND PROJECTED ILLINOIS POWER PUBLIC UTILITY OPERATIONS  
EXCLUDING GENERATION TO BE DIVESTED BY ILLINOIS POWER

This Exhibit contains forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, financial forecasts and projections, statements concerning the impact of regulatory changes, plans for the Clinton facility, divesting fossil-fired generation and success in addressing Year 2000 issues. Although Illinova and Illinois Power (collectively "Illinova") believe these forward-looking statements are reasonable projections for their business planning purposes and to inform regulatory agencies concerning the scope of Illinova's public utility operations excluding generation to be divested by Illinois Power, these projections are made for the latter purpose only. Illinova's public utility business is dependent on various regulatory issues, general economic conditions and future trends, and these factors can cause actual results to differ materially from the forward-looking statements.



ILLINOIS POWER COMPANY  
BALANCE SHEET  
EXCLUDING ELECTRIC POWER GENERATION  
(MILLIONS OF DOLLARS)

	HISTORICAL			FORECAST		
	1996	1997	1998	2000	2001	2002
<b>ASSETS - GAS</b>						
Utility Plant						
Gross Plant in Service	\$ 672	\$ 712	\$ 728	\$ 781	\$ 810	\$ 839
Plus Capital Additions	35	20	24	-	-	-
	-----	-----	-----	-----	-----	-----
Total Utility Plant	707	732	752	781	810	839
Total Accumulated Depreciation	290	312	331	385	413	442
	-----	-----	-----	-----	-----	-----
	418	420	421	396	397	397
Gas Underground Storage -						
Noncurrent	17	17	17	17	17	17
Other Property and Investments	0	0	0	0	0	0
Temporary Cash Investments	-	-	-	-	-	-
Notes Receivable - Asset Transfer	-	-	-	-	-	-
Cash	3	3	3	3	3	3
Other Current Assets	170	113	133	133	133	133
Deferred Charges	80	80	64	64	64	64
	-----	-----	-----	-----	-----	-----
Total Assets	\$ 687	\$ 633	\$ 637	\$ 613	\$ 613	\$ 614
<b>ASSETS - TRANSMISSION &amp; DISTRIBUTION</b>						
Utility Plant						
Gross Plant in Service	\$ 1,508	\$ 1,610	\$ 1,880	\$ 1,990	\$ 2,032	\$ 2,163
Plus Capital Additions	94	78	57	47	103	63
	-----	-----	-----	-----	-----	-----
Total Accumulated Depreciation	1,602	1,687	1,938	2,037	2,135	2,226
	-----	-----	-----	-----	-----	-----
Net Utility Plant	963	1,008	1,222	1,190	1,265	1,330
Gas Underground Storage -						
Noncurrent	-	-	-	-	-	-
Other Property and Investments	11	3	2	97	96	95
Temporary Cash Investments	-	11	-	-	-	-
Notes Receivable - Asset Transfer	-	-	-	-	-	-
Cash	9	4	7	7	8	8
Other Current Assets	168	149	192	111	135	167
Deferred Charges	42	49	63	85	77	64
	-----	-----	-----	-----	-----	-----
Total Assets	\$ 1,194	\$ 1,225	\$ 1,487	\$ 1,491	\$ 1,581	\$ 1,664
<b>ASSETS - TOTAL</b>						
Utility Plant						
Gross Plant in Service	\$ 2,181	\$ 2,322	\$ 2,608	\$ 2,771	\$ 2,841	\$ 3,002
Plus Capital Additions	129	97	81	47	103	63
	-----	-----	-----	-----	-----	-----
Total Accumulated Depreciation	2,309	2,419	2,689	2,818	2,944	3,065
	-----	-----	-----	-----	-----	-----
Net Utility Plant	1,381	1,428	1,643	1,586	1,661	1,727
Gas Underground Storage -						
Noncurrent	17	17	17	17	17	17
Other Property and Investments	12	4	2	97	96	95
Temporary Cash Investments	-	11	-	-	-	-
Notes Receivable - Asset Transfer	-	-	-	-	-	-
Cash	12	7	10	11	11	11
Other Current Assets	338	262	325	244	268	300
Deferred Charges	122	129	127	149	141	128
	-----	-----	-----	-----	-----	-----
Total Assets	\$ 1,882	\$ 1,858	\$ 2,124	\$ 2,103	\$ 2,194	\$ 2,277

HISTORIC AND PROJECTED ILLINOIS POWER PUBLIC UTILITY OPERATIONS  
EXCLUDING GENERATION TO BE DIVESTED BY ILLINOIS POWER

This Exhibit contains forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, financial forecasts and projections, statements concerning the impact of regulatory changes, plans for the Clinton facility, divesting fossil-fired generation and success in addressing Year 2000 issues. Although Illinova and Illinois Power (collectively "Illinova") believe these forward-looking statements are reasonable projections for their business planning purposes and to inform regulatory agencies concerning the scope of Illinova's public utility operations excluding generation to be divested by Illinois Power, these projections are made for the latter purpose only. Illinova's public utility business is dependent on various regulatory issues, general economic conditions and future trends, and these factors can cause actual results to differ materially from the forward-looking statements.

ILLINOIS POWER COMPANY  
NET REVENUES  
EXCLUDING ELECTRIC POWER GENERATION  
(MILLIONS OF DOLLARS)

	HISTORICAL			FORECAST		
	1996	1997	1998	2000	2001	2002
<b>GAS REVENUES:</b>						
Total Gas Revenues	\$ 348	\$ 354	\$ 288	\$ 351	\$ 355	\$ 356
Less: Gas Purchased for Resale	203	208	150	195	198	199
	-----	-----	-----	-----	-----	-----
Net Gas Revenues	146	146	138	156	157	157
<b>ELECTRIC REVENUES:</b>						
Total Electric Revenues	1,203	1,244	1,224	1,154	1,154	1,138
Less: Fuel for Electric Plant	248	232	250	-	-	-
Less: Power Purchased	55	62	69	29	16	16
Less: Transfer Price from WESCO / Nuclear	-	-	-	572	500	509
Less: Transition Charges	-	-	-	108	183	140
	-----	-----	-----	-----	-----	-----
Net Electric Revenues	900	950	905	445	455	473
Total Net Revenues	\$ 1,046	\$ 1,096	\$ 1,043	\$ 601	\$ 612	\$ 630

MARKET SHARES FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT N-6

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

----- Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,136	1	18.4%	18.4%
American Electric Power Co., Inc.	7,054	2	18.2%	36.5%
Cinergy Corp.	5,002	3	12.9%	49.4%
Ameren Corp.	3,186	4	8.2%	57.6%
Northern States Power Co.	2,641	5	6.8%	64.4%
ILLINOVA CORP.	1,781	6	4.6%	69.0%
Wisconsin Energy Corp.	1,679	7	4.3%	73.3%
Alliant Energy Corp.	1,576	8	4.1%	77.4%
LG&E Energy Corp.	1,469	9	3.8%	81.1%
MidAmerican Energy Holdings Co.	1,170	10	3.0%	84.1%
NiSource, Inc.	1,076	11	2.8%	86.9%
Kansas City Power & Light Co.	939	12	2.4%	89.3%
IPALCO Enterprises, Inc.	786	13	2.0%	91.4%
UtiliCorp United, Inc.	617	14	1.6%	92.9%
WPS Resources Corp.	548	15	1.4%	94.4%
Minnesota Power, Inc.	512	16	1.3%	95.7%
Ohio Valley Electric Corp.	460	17	1.2%	96.9%
Cilcorp, Inc.	360	18	0.9%	97.8%
SIGCORP, Inc.	298	19	0.8%	98.5%
Empire District Electric Co.	239	20	0.6%	99.2%
Madison Gas & Electric Co.	170	21	0.4%	99.6%
St. Joseph Light & Power Co.	89	22	0.2%	99.8%
Consolidated Water Power Co.	37	23	0.1%	99.9%
Northwestern Wisconsin Electric Co.	11	24	0.0%	100.0%
Mount Carmel Public Utility Co.	10	25	0.0%	100.0%
Wisconsin River Power Co.	5	26	0.0%	100.0%
North Central Power Co., Inc.	2	27	0.0%	100.0%
Pioneer Power & Light Co.	2	28	0.0%	100.0%
Total	38,854			

## EXHIBIT N-6

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	26,223	1	23.3%	23.3%
American Electric Power Co., Inc.	16,847	2	15.0%	38.3%
Cinergy Corp.	9,878	3	8.8%	47.1%
Ameren Corp.	8,755	4	7.8%	54.9%
Northern States Power Co.	7,457	5	6.6%	61.6%
ILLINOVA CORP.	7,150	6	6.4%	67.9%
Wisconsin Energy Corp.	4,839	7	4.3%	72.2%
Alliant Energy Corp.	4,313	8	3.8%	76.1%
LG&E Energy Corp.	4,056	9	3.6%	79.7%
NiSource, Inc.	3,769	10	3.4%	83.0%
MidAmerican Energy Holdings Co.	3,574	11	3.2%	86.2%
UtiliCorp United, Inc.	3,078	12	2.7%	89.0%
Kansas City Power & Light Co.	2,845	13	2.5%	91.5%
IPALCO Enterprises, Inc.	2,123	14	1.9%	93.4%
Minnesota Power, Inc.	2,074	15	1.8%	95.2%
WPS Resources Corp.	1,504	16	1.3%	96.6%
Cilcorp, Inc.	1,058	17	0.9%	97.5%
SIGCORP, Inc.	951	18	0.8%	98.3%
Empire District Electric Co.	674	19	0.6%	98.9%
Madison Gas & Electric Co.	488	20	0.4%	99.4%
Ohio Valley Electric Corp.	357	21	0.3%	99.7%
St. Joseph Light & Power Co.	243	22	0.2%	99.9%
Consolidated Water Power Co.	37	23	0.0%	99.9%
Northwestern Wisconsin Electric Co.	22	24	0.0%	100.0%
Wisconsin River Power Co.	18	25	0.0%	100.0%
Mount Carmel Public Utility Co.	13	26	0.0%	100.0%
North Central Power Co., Inc.	7	27	0.0%	100.0%
Pioneer Power & Light Co.	2	28	0.0%	100.0%
Total	112,354			

## EXHIBIT N-6

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Unicom Corp.	3,445	1	19.4%	19.4%
American Electric Power Co., Inc.	2,955	2	16.7%	36.1%
Northern States Power Co.	1,547	3	8.7%	44.8%
Ameren Corp.	1,506	4	8.5%	53.3%
Cinergy Corp.	1,424	5	8.0%	61.3%
Wisconsin Energy Corp.	1,005	6	5.7%	67.0%
Alliant Energy Corp.	902	7	5.1%	72.0%
LG&E Energy Corp.	832	8	4.7%	76.7%
MidAmerican Energy Holdings Co.	651	9	3.7%	80.4%
ILLINOVA CORP.	568	10	3.2%	83.6%
Kansas City Power & Light Co.	448	11	2.5%	86.1%
WPS Resources Corp.	440	12	2.5%	88.6%
IPALCO Enterprises, Inc.	423	13	2.4%	91.0%
NiSource, Inc.	418	14	2.4%	93.4%
UtiliCorp United, Inc.	370	15	2.1%	95.4%
Cilcorp, Inc.	195	16	1.1%	96.5%
Empire District Electric Co.	143	17	0.8%	97.3%
Minnesota Power, Inc.	139	18	0.8%	98.1%
SIGCORP, Inc.	123	19	0.7%	98.8%
Madison Gas & Electric Co.	123	20	0.7%	99.5%
St. Joseph Light & Power Co.	62	21	0.3%	99.9%
Northwestern Wisconsin Electric Co.	11	22	0.1%	99.9%
Mount Carmel Public Utility Co.	6	23	0.0%	100.0%
North Central Power Co., Inc.	4	24	0.0%	100.0%
Pioneer Power & Light Co.	2	25	0.0%	100.0%
Consolidated Water Power Co.	1	26	0.0%	100.0%
Ohio Valley Electric Corp.	0	27	0.0%	100.0%
Wisconsin River Power Co.	0	28	0.0%	100.0%
Total	17,743			

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT N-7

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Columbia Energy Group, Inc.	2,282	1	18.6%	18.6%
Nicor, Inc.	1,731	2	14.1%	32.6%
Peoples Energy Corp.	1,238	3	10.1%	42.7%
Southern Union Co.	882	4	7.2%	49.9%
NiSource, Inc.	772	5	6.3%	56.1%
Wicor, Inc.	537	6	4.4%	60.5%
MidAmerican Energy Holdings Co.	536	7	4.4%	64.9%
Indiana Energy, Inc.	528	8	4.3%	69.2%
Northern States Power Co.	505	9	4.1%	73.3%
Atmos Energy Corp.	502	10	4.1%	77.3%
Cinergy Corp.	496	11	4.0%	81.4%
Alliant Energy Corp.	408	12	3.3%	84.7%
ILLINOVA CORP.	354	13	2.9%	87.6%
UtiliCorp United, Inc.	276	14	2.2%	89.8%
Ameren Corp.	250	15	2.0%	91.8%
LG&E Energy Corp.	231	16	1.9%	93.7%
Cilcorp, Inc.	219	17	1.8%	95.5%
WPS Resources Corp.	211	18	1.7%	97.2%
Madison Gas & Electric Co.	108	19	0.9%	98.1%
SIGCORP, Inc.	86	20	0.7%	98.8%
Wisconsin Fuel & Light Co.	51	21	0.4%	99.2%
Delta Natural Gas Co., Inc.	39	22	0.3%	99.5%
Minnesota Power, Inc.	14	23	0.1%	99.6%
Midwest Bottle Gas Co.	9	24	0.1%	99.7%
Illinois Gas Co.	9	25	0.1%	99.8%
St. Joseph Light & Power Co.	6	26	0.0%	99.8%
Consumers Gas Co.	5	27	0.0%	99.9%
Master Gas Service Co.	4	28	0.0%	99.9%
St. Croix Valley Natural Gas Co., Inc.	4	29	0.0%	99.9%
Indiana Utilities Corp.	3	30	0.0%	100.0%
Mount Carmel Public Utility Co.	3	31	0.0%	100.0%
Natural Gas, Inc.	2	32	0.0%	100.0%
Fidelity Natural Gas, Inc.	1	33	0.0%	100.0%
Total	12,299			

## EXHIBIT N-7

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

-----	Assets		Share of	Cumulative
Holding Company	(millions of \$)	Rank	Total	Share
-----	-----	-----	-----	-----
Nicor, Inc.	2,956	1	15.8%	15.8%
Columbia Energy Group, Inc.	2,424	2	13.0%	28.8%
Peoples Energy Corp.	2,083	3	11.2%	40.0%
Southern Union Co.	1,518	4	8.1%	48.1%
NiSource, Inc.	1,230	5	6.6%	54.7%
UtiliCorp United, Inc.	954	6	5.1%	59.8%
Indiana Energy, Inc.	847	7	4.5%	64.4%
Wicor, Inc.	787	8	4.2%	68.6%
MidAmerican Energy Holdings Co.	769	9	4.1%	72.7%
Cinergy Corp.	739	10	4.0%	76.6%
Atmos Energy Corp.	684	11	3.7%	80.3%
ILLINOVA CORP.	634	12	3.4%	83.7%
Northern States Power Co.	608	13	3.3%	87.0%
Alliant Energy Corp.	495	14	2.7%	89.6%
Ameren Corp.	447	15	2.4%	92.0%
Cilcorp, Inc.	383	16	2.1%	94.1%
LG&E Energy Corp.	335	17	1.8%	95.9%
WPS Resources Corp.	231	18	1.2%	97.1%
Madison Gas & Electric Co.	167	19	0.9%	98.0%
SIGCORP, Inc.	134	20	0.7%	98.7%
Delta Natural Gas Co., Inc.	106	21	0.6%	99.3%
Wisconsin Fuel & Light Co.	57	22	0.3%	99.6%
Midwest Bottle Gas Co.	15	23	0.1%	99.7%
Minnesota Power, Inc.	14	24	0.1%	99.7%
Illinois Gas Co.	12	25	0.1%	99.8%
St. Joseph Light & Power Co.	7	26	0.0%	99.8%
Consumers Gas Co.	6	27	0.0%	99.9%
Fidelity Natural Gas, Inc.	5	28	0.0%	99.9%
Master Gas Service Co.	5	29	0.0%	99.9%
Indiana Utilities Corp.	4	30	0.0%	99.9%
Mount Carmel Public Utility Co.	4	31	0.0%	100.0%
St. Croix Valley Natural Gas Co., Inc.	4	32	0.0%	100.0%
Natural Gas, Inc.	2	33	0.0%	100.0%
Total	18,665			

## EXHIBIT N-7

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Columbia Energy Group, Inc.	1,940	1	15.7%	15.7%
Nicor, Inc.	1,848	2	15.0%	30.7%
Southern Union Co.	988	3	8.0%	38.7%
Peoples Energy Corp.	963	4	7.8%	46.5%
UtiliCorp United, Inc.	786	5	6.4%	52.9%
NiSource, Inc.	688	6	5.6%	58.5%
MidAmerican Energy Holdings Co.	612	7	5.0%	63.4%
Wicor, Inc.	513	8	4.2%	67.6%
Atmos Energy Corp.	501	9	4.1%	71.7%
Indiana Energy, Inc.	477	10	3.9%	75.5%
Cinergy Corp.	453	11	3.7%	79.2%
Northern States Power Co.	443	12	3.6%	82.8%
ILLINOVA CORP.	394	13	3.2%	86.0%
Alliant Energy Corp.	380	14	3.1%	89.1%
Ameren Corp.	294	15	2.4%	91.4%
LG&E Energy Corp.	281	16	2.3%	93.7%
WPS Resources Corp.	218	17	1.8%	95.5%
Cilcorp, Inc.	200	18	1.6%	97.1%
Madison Gas & Electric Co.	106	19	0.9%	98.0%
SIGCORP, Inc.	106	20	0.9%	98.8%
Wisconsin Fuel & Light Co.	48	21	0.4%	99.2%
Delta Natural Gas Co., Inc.	37	22	0.3%	99.5%
Minnesota Power, Inc.	11	23	0.1%	99.6%
Illinois Gas Co.	10	24	0.1%	99.7%
Midwest Bottle Gas Co.	10	25	0.1%	99.8%
St. Joseph Light & Power Co.	6	26	0.1%	99.8%
Consumers Gas Co.	6	27	0.0%	99.9%
St. Croix Valley Natural Gas Co., Inc.	5	28	0.0%	99.9%
Master Gas Service Co.	4	29	0.0%	99.9%
Mount Carmel Public Utility Co.	4	30	0.0%	100.0%
Indiana Utilities Corp.	2	31	0.0%	100.0%
Natural Gas, Inc.	2	32	0.0%	100.0%
Fidelity Natural Gas, Inc.	0	33	0.0%	100.0%
Total	12,335			

MARKET SHARES FOR COMBINED GAS AND ELECTRIC COMPANIES IN  
ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT N-8

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Cinergy Corp.	5,498	1	22.0%	22.0%
Ameren Corp.	3,436	2	13.8%	35.8%
Northern States Power Co.	3,146	3	12.6%	48.4%
ILLINOVA CORP.	2,135	4	8.5%	56.9%
Alliant Energy Corp.	1,984	5	7.9%	64.9%
NiSource, Inc.	1,848	6	7.4%	72.3%
MidAmerican Energy Holdings Co.	1,706	7	6.8%	79.1%
LG&E Energy Corp.	1,700	8	6.8%	85.9%
UtiliCorp United, Inc.	892	9	3.6%	89.5%
WPS Resources Corp.	759	10	3.0%	92.5%
Cilcorp, Inc.	579	11	2.3%	94.8%
Minnesota Power, Inc.	526	12	2.1%	96.9%
SIGCORP, Inc.	383	13	1.5%	98.5%
Madison Gas & Electric Co.	277	14	1.1%	99.6%
St. Joseph Light & Power Co.	95	15	0.4%	99.9%
Mount Carmel Public Utility Co.	13	16	0.1%	100.0%
Total	24,978			

## EXHIBIT N-8

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Cinergy Corp.	10,617	1	16.2%	16.2%
Ameren Corp.	9,203	2	14.0%	30.3%
Northern States Power Co.	8,065	3	12.3%	42.6%
ILLINOVA CORP.	7,784	4	11.9%	54.4%
NiSource, Inc.	4,999	5	7.6%	62.1%
Alliant Energy Corp.	4,808	6	7.3%	69.4%
LG&E Energy Corp.	4,391	7	6.7%	76.1%
MidAmerican Energy Holdings Co.	4,342	8	6.6%	82.7%
UtiliCorp United, Inc.	4,032	9	6.2%	88.9%
Minnesota Power, Inc.	2,089	10	3.2%	92.1%
WPS Resources Corp.	1,734	11	2.6%	94.7%
Cilcorp, Inc.	1,440	12	2.2%	96.9%
SIGCORP, Inc.	1,085	13	1.7%	98.6%
Madison Gas & Electric Co.	655	14	1.0%	99.6%
St. Joseph Light & Power Co.	250	15	0.4%	100.0%
Mount Carmel Public Utility Co.	17	16	0.0%	100.0%
Total	65,512			

## EXHIBIT N-8

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN  
ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Northern States Power Co.	1,990	1	13.9%	13.9%
Cinergy Corp.	1,877	2	13.1%	27.1%
Ameren Corp.	1,801	3	12.6%	39.7%
Alliant Energy Corp.	1,281	4	9.0%	48.6%
MidAmerican Energy Holdings Co.	1,262	5	8.8%	57.5%
UtiliCorp United, Inc.	1,157	6	8.1%	65.6%
LG&E Energy Corp.	1,113	7	7.8%	73.4%
NiSource, Inc.	1,106	8	7.7%	81.1%
ILLINOVA CORP.	962	9	6.7%	87.8%
WPS Resources Corp.	658	10	4.6%	92.4%
Cilcorp, Inc.	395	11	2.8%	95.2%
Madison Gas & Electric Co.	229	12	1.6%	96.8%
SIGCORP, Inc.	229	13	1.6%	98.4%
Minnesota Power, Inc.	150	14	1.0%	99.5%
St. Joseph Light & Power Co.	68	15	0.5%	99.9%
Mount Carmel Public Utility Co.	9	16	0.1%	100.0%
Total	14,287			

MARKET SHARES FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT N-9

MARKET SHARE FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,136	1	14.0%	14.0%
American Electric Power Co., Inc.	7,054	2	13.8%	27.7%
Cinergy Corp.	5,498	3	10.7%	38.5%
Ameren Corp.	3,436	4	6.7%	45.2%
Northern States Power Co.	3,146	5	6.1%	51.4%
Columbia Energy Group, Inc.	2,282	6	4.5%	55.8%
ILLINOVA CORP.	2,135	7	4.2%	60.0%
Alliant Energy Corp.	1,984	8	3.9%	63.9%
NiSource, Inc.	1,848	9	3.6%	67.5%
Nicor, Inc.	1,731	10	3.4%	70.9%
MidAmerican Energy Holdings Co.	1,706	11	3.3%	74.2%
LG&E Energy Corp.	1,700	12	3.3%	77.5%
Wisconsin Energy Corp.	1,679	13	3.3%	80.8%
Peoples Energy Corp.	1,238	14	2.4%	83.2%
Kansas City Power & Light Co.	939	15	1.8%	85.1%
UtiliCorp United, Inc.	892	16	1.7%	86.8%
Southern Union Co.	882	17	1.7%	88.5%
IPALCO Enterprises, Inc.	786	18	1.5%	90.1%
WPS Resources Corp.	759	19	1.5%	91.5%
Cilcorp, Inc.	579	20	1.1%	92.7%
Wicor, Inc.	537	21	1.0%	93.7%
Indiana Energy, Inc.	528	22	1.0%	94.8%
Minnesota Power, Inc.	526	23	1.0%	95.8%
Atmos Energy Corp.	502	24	1.0%	96.8%
Ohio Valley Electric Corp.	460	25	0.9%	97.7%
SIGCORP, Inc.	383	26	0.7%	98.4%
Madison Gas & Electric Co.	277	27	0.5%	99.0%
Empire District Electric Co.	239	28	0.5%	99.4%
St. Joseph Light & Power Co.	95	29	0.2%	99.6%
Wisconsin Fuel & Light Co.	51	30	0.1%	99.7%
Delta Natural Gas Co., Inc.	39	31	0.1%	99.8%
Consolidated Water Power Co.	37	32	0.1%	99.9%
Mount Carmel Public Utility Co.	13	33	0.0%	99.9%
Northwestern Wisconsin Electric Co.	11	34	0.0%	99.9%
Midwest Bottle Gas Co.	9	35	0.0%	99.9%
Illinois Gas Co.	9	36	0.0%	99.9%
Wisconsin River Power Co.	5	37	0.0%	100.0%
Consumers Gas Co.	5	38	0.0%	100.0%
Master Gas Service Co.	4	39	0.0%	100.0%
St. Croix Valley Natural Gas Co., Inc.	4	40	0.0%	100.0%
Indiana Utilities Corp.	3	41	0.0%	100.0%
Natural Gas, Inc.	2	42	0.0%	100.0%
North Central Power Co., Inc.	2	43	0.0%	100.0%
Pioneer Power & Light Co.	2	44	0.0%	100.0%
Fidelity Natural Gas, Inc.	1	45	0.0%	100.0%
Total	51,153			

## EXHIBIT N-9

MARKET SHARE FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	26,223	1	20.0%	20.0%
American Electric Power Co., Inc.	16,847	2	12.9%	32.9%
Cinergy Corp.	10,617	3	8.1%	41.0%
Ameren Corp.	9,203	4	7.0%	48.0%
Northern States Power Co.	8,065	5	6.2%	54.2%
ILLINOVA CORP.	7,784	6	5.9%	60.1%
NiSource, Inc.	4,999	7	3.8%	63.9%
Wisconsin Energy Corp.	4,839	8	3.7%	67.6%
Alliant Energy Corp.	4,808	9	3.7%	71.3%
LG&E Energy Corp.	4,391	10	3.4%	74.6%
MidAmerican Energy Holdings Co.	4,342	11	3.3%	77.9%
UtiliCorp United, Inc.	4,032	12	3.1%	81.0%
Nicor, Inc.	2,956	13	2.3%	83.3%
Kansas City Power & Light Co.	2,845	14	2.2%	85.4%
Columbia Energy Group, Inc.	2,424	15	1.9%	87.3%
IPALCO Enterprises, Inc.	2,123	16	1.6%	88.9%
Minnesota Power, Inc.	2,089	17	1.6%	90.5%
Peoples Energy Corp.	2,083	18	1.6%	92.1%
WPS Resources Corp.	1,734	19	1.3%	93.4%
Southern Union Co.	1,518	20	1.2%	94.6%
Cilcorp, Inc.	1,440	21	1.1%	95.7%
SIGCORP, Inc.	1,085	22	0.8%	96.5%
Indiana Energy, Inc.	847	23	0.6%	97.2%
Wicor, Inc.	787	24	0.6%	97.8%
Atmos Energy Corp.	684	25	0.5%	98.3%
Empire District Electric Co.	674	26	0.5%	98.8%
Madison Gas & Electric Co.	655	27	0.5%	99.3%
Ohio Valley Electric Corp.	357	28	0.3%	99.6%
St. Joseph Light & Power Co.	250	29	0.2%	99.8%
Delta Natural Gas Co., Inc.	106	30	0.1%	99.8%
Wisconsin Fuel & Light Co.	57	31	0.0%	99.9%
Consolidated Water Power Co.	37	32	0.0%	99.9%
Northwestern Wisconsin Electric Co.	22	33	0.0%	99.9%
Wisconsin River Power Co.	18	34	0.0%	99.9%
Mount Carmel Public Utility Co.	17	35	0.0%	100.0%
Midwest Bottle Gas Co.	15	36	0.0%	100.0%
Illinois Gas Co.	12	37	0.0%	100.0%
North Central Power Co., Inc.	7	38	0.0%	100.0%
Consumers Gas Co.	6	39	0.0%	100.0%
Fidelity Natural Gas, Inc.	5	40	0.0%	100.0%
Master Gas Service Co.	5	41	0.0%	100.0%
Indiana Utilities Corp.	4	42	0.0%	100.0%
St. Croix Valley Natural Gas Co., Inc.	4	43	0.0%	100.0%
Natural Gas, Inc.	2	44	0.0%	100.0%
Pioneer Power & Light Co.	2	45	0.0%	100.0%
Total	131,019			

## EXHIBIT N-9

MARKET SHARE FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Unicom Corp.	3,445	1	11.5%	11.5%
American Electric Power Co., Inc.	2,955	2	9.8%	21.3%
Northern States Power Co.	1,990	3	6.6%	27.9%
Columbia Energy Group, Inc.	1,940	4	6.5%	34.3%
Cinergy Corp.	1,877	5	6.2%	40.6%
Nicor, Inc.	1,848	6	6.1%	46.7%
Ameren Corp.	1,801	7	6.0%	52.7%
Alliant Energy Corp.	1,281	8	4.3%	57.0%
MidAmerican Energy Holdings Co.	1,262	9	4.2%	61.2%
UtiliCorp United, Inc.	1,157	10	3.8%	65.0%
LG&E Energy Corp.	1,113	11	3.7%	68.7%
NiSource, Inc.	1,106	12	3.7%	72.4%
Wisconsin Energy Corp.	1,005	13	3.3%	75.7%
Southern Union Co.	988	14	3.3%	79.0%
Peoples Energy Corp.	963	15	3.2%	82.2%
ILLINOVA CORP.	962	16	3.2%	85.4%
WPS Resources Corp.	658	17	2.2%	87.6%
Wicor, Inc.	513	18	1.7%	89.3%
Atmos Energy Corp.	501	19	1.7%	91.0%
Indiana Energy, Inc.	477	20	1.6%	92.6%
Kansas City Power & Light Co.	448	21	1.5%	94.1%
IPALCO Enterprises, Inc.	423	22	1.4%	95.5%
Cilcorp, Inc.	395	23	1.3%	96.8%
Madison Gas & Electric Co.	229	24	0.8%	97.5%
SIGCORP, Inc.	229	25	0.8%	98.3%
Minnesota Power, Inc.	150	26	0.5%	98.8%
Empire District Electric Co.	143	27	0.5%	99.3%
St. Joseph Light & Power Co.	68	28	0.2%	99.5%
Wisconsin Fuel & Light Co.	48	29	0.2%	99.7%
Delta Natural Gas Co., Inc.	37	30	0.1%	99.8%
Northwestern Wisconsin Electric Co.	11	31	0.0%	99.8%
Illinois Gas Co.	10	32	0.0%	99.9%
Midwest Bottle Gas Co.	10	33	0.0%	99.9%
Mount Carmel Public Utility Co.	9	34	0.0%	99.9%
Consumers Gas Co.	6	35	0.0%	99.9%
St. Croix Valley Natural Gas Co., Inc.	5	36	0.0%	100.0%
Master Gas Service Co.	4	37	0.0%	100.0%
North Central Power Co., Inc.	4	38	0.0%	100.0%
Indiana Utilities Corp.	2	39	0.0%	100.0%
Pioneer Power & Light Co.	2	40	0.0%	100.0%
Natural Gas, Inc.	2	41	0.0%	100.0%
Consolidated Water Power Co.	1	42	0.0%	100.0%
Ohio Valley Electric Corp.	0	43	0.0%	100.0%
Fidelity Natural Gas, Inc.	0	44	0.0%	100.0%
Wisconsin River Power Co.	0	45	0.0%	100.0%
Total	30,078			

## MARKET SHARES FOR ELECTRIC COMPANIES IN THE U.S.

Parameter	Units	Illinova's Statistics	Illinova's Share	Number of Larger Companies	Portion of Market Served by Illinova and Larger Companies
Customers	thousands	568	0.6%	48	87.9%
Assets	\$millions	7,150	1.2%	30	73.3%
Revenues	\$millions	1,781	0.9%	36	79.8%

## COMPARISON OF ILLINOVA CORP. TO LARGE ELECTRIC UTILITIES

Parameter	Units	Number of Utilities Necessary for 50% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	17	2,718	5
Assets	\$millions	17	18,027	3
Revenues	\$millions	17	6,091	3

Parameter	Units	Number of Utilities Necessary for 80% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	39	1,892	3
Assets	\$millions	38	12,449	2
Revenues	\$millions	38	4,268	2

## EXHIBIT N-10

MARKET SHARES FOR ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Southern Company	9,763	1	4.9%	4.9%
Edison International	7,383	2	3.7%	8.5%
PG&E Corp.	7,245	3	3.6%	12.1%
Entergy Corp.	7,205	4	3.6%	15.7%
Unicom Corp.	7,136	5	3.5%	19.3%
American Electric Power Co., Inc.	7,054	6	3.5%	22.8%
TXU	6,556	7	3.3%	26.0%
FPL Group, Inc.	6,132	8	3.0%	29.1%
Public Service Enterprise Group, Inc.	5,870	9	2.9%	32.0%
Consolidated Edison, Inc.	5,728	10	2.8%	34.8%
FirstEnergy Corp.	5,264	11	2.6%	37.5%
Cinergy Corp.	5,002	12	2.5%	40.0%
PECO Energy Co.	4,866	13	2.4%	42.4%
PacifiCorp	4,834	14	2.4%	44.8%
Dominion Resources, Inc.	4,628	15	2.3%	47.1%
Duke Energy Corp.	4,529	16	2.3%	49.3%
Reliant Energy, Inc.	4,350	17	2.2%	51.5%
Northeast Utilities	4,257	18	2.1%	53.6%
GPU, Inc.	4,028	19	2.0%	55.6%
DTE Energy Co.	3,861	20	1.9%	57.5%
PP&L Resources, Inc.	3,571	21	1.8%	59.3%
Central & South West Corp.	3,564	22	1.8%	61.1%
Niagara Mohawk Holdings, Inc.	3,262	23	1.6%	62.7%
Ameren Corp.	3,186	24	1.6%	64.3%
Carolina Power & Light Co.	3,167	25	1.6%	65.9%
New England Electric System	2,774	26	1.4%	67.2%
Florida Progress Corp.	2,648	27	1.3%	68.6%
Northern States Power Co.	2,641	28	1.3%	69.9%
Allegheny Energy, Inc.	2,614	29	1.3%	71.2%
CMS Energy Corp.	2,604	30	1.3%	72.5%
New Century Energies, Inc.	2,590	31	1.3%	73.8%
Conectiv	2,311	32	1.1%	74.9%
Constellation Energy Group, Inc.	2,221	33	1.1%	76.0%
Potomac Electric Power Co.	2,064	34	1.0%	77.0%
Pinnacle West Capital Corp.	1,911	35	1.0%	78.0%
Sempra Energy	1,867	36	0.9%	78.9%
ILLINOVA CORP.	1,781	37	0.9%	79.8%
Everyone else combined	40,614		20.2%	100.0%
Total	201,080			

## EXHIBIT N-10

MARKET SHARES FOR ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	26,223	1	4.4%	4.4%
Southern Company	25,367	2	4.3%	8.7%
PG&E Corp.	23,879	3	4.0%	12.8%
Entergy Corp.	21,348	4	3.6%	16.4%
Edison International	21,121	5	3.6%	20.0%
TXU	20,540	6	3.5%	23.4%
FirstEnergy Corp.	20,311	7	3.4%	26.9%
Duke Energy Corp.	17,692	8	3.0%	29.9%
American Electric Power Co., Inc.	16,847	9	2.8%	32.7%
FPL Group, Inc.	16,643	10	2.8%	35.5%
Public Service Enterprise Group, Inc.	15,239	11	2.6%	38.1%
Consolidated Edison, Inc.	14,599	12	2.5%	40.6%
Dominion Resources, Inc.	14,545	13	2.5%	43.0%
Niagara Mohawk Holdings, Inc.	14,542	14	2.5%	45.5%
GPU, Inc.	13,361	15	2.3%	47.7%
PECO Energy Co.	12,531	16	2.1%	49.9%
DTE Energy Co.	11,671	17	2.0%	51.8%
PacifiCorp	11,624	18	2.0%	53.8%
Northeast Utilities	11,486	19	1.9%	55.7%
Reliant Energy, Inc.	10,333	20	1.7%	57.5%
Cinergy Corp.	9,878	21	1.7%	59.2%
Central & South West Corp.	9,752	22	1.6%	60.8%
PP&L Resources, Inc.	9,275	23	1.6%	62.4%
Carolina Power & Light Co.	9,139	24	1.5%	63.9%
Ameren Corp.	8,755	25	1.5%	65.4%
Western Resources, Inc.	8,543	26	1.4%	66.9%
Constellation Energy Group, Inc.	8,170	27	1.4%	68.2%
CMS Energy Corp.	7,709	28	1.3%	69.5%
New Century Energies, Inc.	7,553	29	1.3%	70.8%
Northern States Power Co.	7,457	30	1.3%	72.1%
ILLINOVA CORP.	7,150	31	1.2%	73.3%
Everyone else combined	157,876		26.7%	100.0%
Total	591,161			

## EXHIBIT N-10

MARKET SHARES FOR ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
PG&E Corp.	4,536	1	5.0%	5.0%
Edison International	4,284	2	4.7%	9.6%
Southern Company	3,761	3	4.1%	13.8%
FPL Group, Inc.	3,615	4	4.0%	17.7%
Unicom Corp.	3,445	5	3.8%	21.5%
Consolidated Edison, Inc.	3,031	6	3.3%	24.8%
American Electric Power Co., Inc.	2,955	7	3.2%	28.0%
TXU	2,517	8	2.8%	30.8%
Entergy Corp.	2,482	9	2.7%	33.5%
FirstEnergy Corp.	2,161	10	2.4%	35.8%
DTE Energy Co.	2,062	11	2.3%	38.1%
GPU, Inc.	2,030	12	2.2%	40.3%
Dominion Resources, Inc.	1,977	13	2.2%	42.5%
Duke Energy Corp.	1,968	14	2.2%	44.6%
Public Service Enterprise Group, Inc.	1,911	15	2.1%	46.7%
Central & South West Corp.	1,735	16	1.9%	48.6%
Northeast Utilities	1,729	17	1.9%	50.5%
CMS Energy Corp.	1,628	18	1.8%	52.3%
Reliant Energy, Inc.	1,596	19	1.7%	54.0%
Niagara Mohawk Holdings, Inc.	1,551	20	1.7%	55.7%
Northern States Power Co.	1,547	21	1.7%	57.4%
New Century Energies, Inc.	1,545	22	1.7%	59.1%
Ameren Corp.	1,506	23	1.6%	60.7%
PECO Energy Co.	1,488	24	1.6%	62.4%
PacifiCorp	1,454	25	1.6%	64.0%
Cinergy Corp.	1,424	26	1.6%	65.5%
Allegheny Energy, Inc.	1,410	27	1.5%	67.1%
Florida Progress Corp.	1,341	28	1.5%	68.5%
PP&L Resources, Inc.	1,250	29	1.4%	69.9%
Sempra Energy	1,190	30	1.3%	71.2%
Carolina Power & Light Co.	1,169	31	1.3%	72.5%
Constellation Energy Group, Inc.	1,117	32	1.2%	73.7%
New England Electric System	1,009	33	1.1%	74.8%
Wisconsin Energy Corp.	1,005	34	1.1%	75.9%
Conectiv	939	35	1.0%	76.9%
Alliant Energy Corp.	902	36	1.0%	77.9%
Puget Sound Energy, Inc.	882	37	1.0%	78.9%
LG&E Energy Corp.	832	38	0.9%	79.8%
Energy East Corp.	813	39	0.9%	80.7%
Pinnacle West Capital Corp.	778	40	0.9%	81.5%
OGE Energy Corp.	694	41	0.8%	82.3%
Enron Corp.	691	42	0.8%	83.0%
Potomac Electric Power Co.	690	43	0.8%	83.8%
BEC Energy	667	44	0.7%	84.5%
MidAmerican Energy Holdings Co.	651	45	0.7%	85.2%

## EXHIBIT N-10

MARKET SHARES FOR ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Eastern Utilities Associates	641	46	0.7%	85.9%
Western Resources, Inc.	620	47	0.7%	86.6%
DQE, Inc.	581	48	0.6%	87.2%
ILLINOVA CORP.	568	49	0.6%	87.9%
Everyone else combined	11,105		12.1%	100.0%
Total	91,480			



## MARKET SHARES FOR GAS COMPANIES IN THE U.S.

Parameter	Units	Illinova's Statistics	Illinova's Share	Number of Larger Companies	Portion of Market Served by Illinova and Larger Companies
Customers	thousands	394	0.8%	38	83.4%
Assets	\$millions	634	0.8%	39	81.0%
Revenues	\$millions	354	0.8%	40	81.5%

## COMPARISON OF ILLINOVA CORP. TO LARGE GAS UTILITIES

Parameter	Units	Number of Utilities Necessary for 50% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	12	2,075	5
Assets	\$millions	14	2,787	4
Revenues	\$millions	15	1,601	5

Parameter	Units	Number of Utilities Necessary for 80% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	34	1,157	3
Assets	\$millions	38	1,642	3
Revenues	\$millions	38	981	3

## EXHIBIT N-11

MARKET SHARES FOR GAS COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Sempra Energy	3,196	1	6.9%	6.9%
Columbia Energy Group, Inc.	2,282	2	4.9%	11.7%
Consolidated Natural Gas Co.	2,027	3	4.3%	16.1%
Public Service Enterprise Group, Inc.	1,937	4	4.2%	20.2%
PG&E Corp.	1,892	5	4.1%	24.3%
Nicor, Inc.	1,731	6	3.7%	28.0%
Houston Industries, Inc.	1,695	7	3.6%	31.6%
MarketSpan Corp.	1,310	8	2.8%	34.5%
Peoples Energy Corp.	1,238	9	2.7%	37.1%
MCN Energy Group, Inc.	1,227	10	2.6%	39.7%
CMS Energy Corp.	1,195	11	2.6%	42.3%
AGL Resources, Inc.	1,120	12	2.4%	44.7%
Consolidated Edison, Inc.	1,096	13	2.3%	47.1%
Washington Gas Light Co.	1,079	14	2.3%	49.4%
National Fuel Gas Co.	986	15	2.1%	51.5%
TXU	969	16	2.1%	53.6%
Southern Union Co.	882	17	1.9%	55.4%
Piedmont Natural Gas Co., Inc.	784	18	1.7%	57.1%
NiSource, Inc.	772	19	1.7%	58.8%
Eastern Enterprises	756	20	1.6%	60.4%
Niagara Mohawk Holdings, Inc.	659	21	1.4%	61.8%
New Century Energies, Inc.	637	22	1.4%	63.2%
ONEOK, Inc.	600	23	1.3%	64.5%
New Jersey Resources Corp.	574	24	1.2%	65.7%
Wicor, Inc.	537	25	1.2%	66.9%
MidAmerican Energy Holdings Co.	536	26	1.1%	68.0%
Indiana Energy, Inc.	528	27	1.1%	69.1%
Constellation Energy Group, Inc.	522	28	1.1%	70.3%
Northern States Power Co.	505	29	1.1%	71.3%
Atmos Energy Corp.	502	30	1.1%	72.4%
Cinergy Corp.	496	31	1.1%	73.5%
NUI Corp.	455	32	1.0%	74.4%
PECO Energy Co.	451	33	1.0%	75.4%
Questar Corp.	448	34	1.0%	76.4%
Bay State Gas Co.	442	35	0.9%	77.3%
Equitable Resources, Inc.	410	36	0.9%	78.2%
Puget Sound Energy, Inc.	409	37	0.9%	79.1%
Alliant Energy Corp.	408	38	0.9%	80.0%
UGI Corp.	368	39	0.8%	80.7%
ILLINOVA CORP.	354	40	0.8%	81.5%
Everyone else combined	8,627		18.5%	100%
Total	46,642			

## EXHIBIT N-11

MARKET SHARES FOR GAS COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Sempra Energy	6,652	1	8.6%	8.6%
PG&E Corp.	5,985	2	7.7%	16.2%
Nicor, Inc.	2,956	3	3.8%	20.0%
Consolidated Natural Gas Co.	2,705	4	3.5%	23.5%
Public Service Enterprise Group, Inc.	2,697	5	3.5%	27.0%
MCN Energy Group, Inc.	2,541	6	3.3%	30.3%
Columbia Energy Group, Inc.	2,424	7	3.1%	33.4%
Peoples Energy Corp.	2,083	8	2.7%	36.1%
CMS Energy Corp.	1,926	9	2.5%	38.5%
AGL Resources, Inc.	1,885	10	2.4%	41.0%
Washington Gas Light Co.	1,832	11	2.4%	43.3%
MarketSpan Corp.	1,827	12	2.3%	45.7%
Houston Industries, Inc.	1,764	13	2.3%	47.9%
Consolidated Edison, Inc.	1,740	14	2.2%	50.2%
TXU	1,677	15	2.2%	52.3%
Southern Union Co.	1,518	16	2.0%	54.3%
NiSource, Inc.	1,230	17	1.6%	55.9%
Piedmont Natural Gas Co., Inc.	1,227	18	1.6%	57.4%
National Fuel Gas Co.	1,187	19	1.5%	59.0%
Puget Sound Energy, Inc.	1,169	20	1.5%	60.5%
Niagara Mohawk Holdings, Inc.	1,132	21	1.5%	61.9%
NW Natural (Northwest Natural Gas Co.)	1,129	22	1.5%	63.4%
New Century Energies, Inc.	1,124	23	1.4%	64.8%
Eastern Enterprises	955	24	1.2%	66.0%
UtiliCorp United, Inc.	954	25	1.2%	67.3%
PECO Energy Co.	878	26	1.1%	68.4%
Constellation Energy Group, Inc.	847	27	1.1%	69.5%
Indiana Energy, Inc.	847	28	1.1%	70.6%
Questar Corp.	836	29	1.1%	71.7%
ONEOK, Inc.	826	30	1.1%	72.7%
New Jersey Resources Corp.	810	31	1.0%	73.8%
Wicor, Inc.	787	32	1.0%	74.8%
MidAmerican Energy Holdings Co.	769	33	1.0%	75.8%
Southwest Gas Corp.	747	34	1.0%	76.7%
Cinergy Corp.	739	35	0.9%	77.7%
Atmos Energy Corp.	684	36	0.9%	78.5%
PSC of North Carolina, Inc.	671	37	0.9%	79.4%
UGI Corp.	638	38	0.8%	80.2%
ILLINOVA CORP.	634	39	0.8%	81.0%
Everyone else combined	14,743		19.0%	100%
Total	77,777			

## EXHIBIT N-11

MARKET SHARES FOR GAS COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Sempra Energy	5,508	1	11.2%	11.2%
PG&E Corp.	3,680	2	7.5%	18.7%
Houston Industries, Inc.	2,075	3	4.2%	22.9%
Columbia Energy Group, Inc.	1,940	4	3.9%	26.9%
Nicor, Inc.	1,848	5	3.8%	30.6%
Consolidated Natural Gas Co.	1,786	6	3.6%	34.3%
Public Service Enterprise Group, Inc.	1,531	7	3.1%	37.4%
CMS Energy Corp.	1,511	8	3.1%	40.5%
AGL Resources, Inc.	1,361	9	2.8%	43.2%
TXU	1,355	10	2.8%	46.0%
MCN Energy Group, Inc.	1,178	11	2.4%	48.4%
MarketSpan Corp.	1,132	12	2.3%	50.7%
Consolidated Edison, Inc.	1,033	13	2.1%	52.8%
New Century Energies, Inc.	1,006	14	2.0%	54.8%
Southern Union Co.	988	15	2.0%	56.9%
Peoples Energy Corp.	963	16	2.0%	58.8%
Washington Gas Light Co.	790	17	1.6%	60.4%
UtiliCorp United, Inc.	786	18	1.6%	62.0%
ONEOK, Inc.	744	19	1.5%	63.5%
National Fuel Gas Co.	712	20	1.4%	65.0%
NiSource, Inc.	688	21	1.4%	66.4%
Questar Corp.	626	22	1.3%	67.7%
MidAmerican Energy Holdings Co.	612	23	1.2%	68.9%
Eastern Enterprises	570	24	1.2%	70.1%
Constellation Energy Group, Inc.	565	25	1.2%	71.2%
Niagara Mohawk Holdings, Inc.	526	26	1.1%	72.3%
Wicor, Inc.	513	27	1.0%	73.3%
Puget Sound Energy, Inc.	510	28	1.0%	74.4%
Atmos Energy Corp.	501	29	1.0%	75.4%
Indiana Energy, Inc.	477	30	1.0%	76.4%
Southwest Gas Corp.	468	31	1.0%	77.3%
Cinergy Corp.	453	32	0.9%	78.2%
NW Natural (Northwest Natural Gas Co.)	443	33	0.9%	79.1%
Northern States Power Co.	443	34	0.9%	80.0%
Piedmont Natural Gas Co., Inc.	440	35	0.9%	80.9%
PECO Energy Co.	405	36	0.8%	81.8%
PSC of New Mexico	401	37	0.8%	82.6%
ILLINOVA CORP.	394	38	0.8%	83.4%
Everyone else combined	8,164		16.6%	100%
Total	49,129			

## MARKET SHARES FOR COMBINED GAS &amp; ELECTRIC COMPANIES IN THE U.S.

Parameter	Units	Illinova's Statistics	Illinova's Share	Number of Larger Companies	Portion of Market Served by Illinova and Larger Companies
Customers	thousands	962	1.5%	22	87.7%
Assets	\$millions	7,784	2.8%	14	72.2%
Revenues	\$millions	2,135	2.1%	15	75.2%

## COMPARISON OF ILLINOVA CORP. TO LARGE UTILITIES

Parameter	Units	Number of Utilities Necessary for 50% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	7	4,569	5
Assets	\$millions	9	16,372	2
Revenues	\$millions	8	6,386	3

Parameter	Units	Number of Utilities Necessary for 80% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	19	2,671	3
Assets	\$millions	19	11,660	1
Revenues	\$millions	19	4,294	2

## EXHIBIT N-12

MARKET SHARES FOR COMBINED GAS AND ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
PG&E Corp.	9,137	1	9.1%	9.1%
Public Service Enterprise Group, Inc.	7,806	2	7.8%	16.8%
TXU	7,525	3	7.5%	24.3%
Consolidated Edison, Inc.	6,824	4	6.8%	31.1%
Cinergy Corp.	5,498	5	5.5%	36.6%
PECO Energy Co.	5,317	6	5.3%	41.8%
Sempra Energy	5,063	7	5.0%	46.9%
Niagara Mohawk Holdings, Inc.	3,921	8	3.9%	50.8%
CMS Energy Corp.	3,799	9	3.8%	54.5%
PP&L Resources, Inc.	3,630	10	3.6%	58.1%
Ameren Corp.	3,436	11	3.4%	61.6%
New Century Energies, Inc.	3,227	12	3.2%	64.8%
Northern States Power Co.	3,146	13	3.1%	67.9%
Constellation Energy Group, Inc.	2,742	14	2.7%	70.6%
Conectiv	2,464	15	2.4%	73.1%
ILLINOVA CORP.	2,135	16	2.1%	75.2%
Everyone else combined	24,977		24.8%	100%
Total	100,649			

## EXHIBIT N-12

MARKET SHARES FOR COMBINED GAS AND ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
PG&E Corp.	29,864	1	10.8%	10.8%
TXU	22,216	2	8.0%	18.8%
Public Service Enterprise Group, Inc.	17,936	3	6.5%	25.3%
Consolidated Edison, Inc.	16,339	4	5.9%	31.3%
Niagara Mohawk Holdings, Inc.	15,674	5	5.7%	36.9%
PECO Energy Co.	13,408	6	4.9%	41.8%
Sempra Energy	11,660	7	4.2%	46.0%
Cinergy Corp.	10,617	8	3.8%	49.8%
CMS Energy Corp.	9,635	9	3.5%	53.3%
PP&L Resources, Inc.	9,367	10	3.4%	56.7%
Ameren Corp.	9,203	11	3.3%	60.0%
Constellation Energy Group, Inc.	9,017	12	3.3%	63.3%
New Century Energies, Inc.	8,677	13	3.1%	66.4%
Northern States Power Co.	8,065	14	2.9%	69.4%
ILLINOVA CORP.	7,784	15	2.8%	72.2%
Everyone else combined	76,875		27.8%	100%
Total	276,339			

## EXHIBIT N-12

MARKET SHARES FOR COMBINED GAS AND ELECTRIC COMPANIES IN THE UNITED STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
PG&E Corp.	8,217	1	13.1%	13.1%
Sempra Energy	6,697	2	10.7%	23.8%
Consolidated Edison, Inc.	4,064	3	6.5%	30.3%
TXU	3,872	4	6.2%	36.5%
Public Service Enterprise Group, Inc.	3,442	5	5.5%	42.0%
CMS Energy Corp.	3,139	6	5.0%	47.0%
New Century Energies, Inc.	2,551	7	4.1%	51.1%
Niagara Mohawk Holdings, Inc.	2,077	8	3.3%	54.4%
Northern States Power Co.	1,990	9	3.2%	57.6%
PECO Energy Co.	1,893	10	3.0%	60.6%
Cinergy Corp.	1,877	11	3.0%	63.6%
Ameren Corp.	1,801	12	2.9%	66.5%
Constellation Energy Group, Inc.	1,682	13	2.7%	69.1%
Puget Sound Energy, Inc.	1,392	14	2.2%	71.4%
Alliant Energy Corp.	1,281	15	2.0%	73.4%
MidAmerican Energy Holdings Co.	1,262	16	2.0%	75.4%
PP&L Resources, Inc.	1,250	17	2.0%	77.4%
UtiliCorp United, Inc.	1,157	18	1.8%	79.3%
LG&E Energy Corp.	1,113	19	1.8%	81.1%
NiSource, Inc.	1,106	20	1.8%	82.8%
Energy East Corp.	1,052	21	1.7%	84.5%
Conectiv	1,041	22	1.7%	86.2%
ILLINOVA CORP.	962	23	1.5%	87.7%
Everyone else combined	7,706		12.3%	100%
Total	62,622			



## MARKET SHARES FOR UTILITY COMPANIES IN THE U.S.

Parameter	Units	Illinova's Statistics	Illinova's Share	Number of Larger Companies	Portion of Market Served by Illinova and Larger Companies
Customers	thousands	962	0.7%	51	79.2%
Assets	\$millions	7,784	1.2%	31	69.6%
Revenues	\$millions	2,135	0.9%	35	69.9%

## COMPARISON OF ILLINOVA CORP. TO LARGE UTILITIES

Parameter	Units	Number of Utilities Necessary for 50% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	22	3,218	3
Assets	\$millions	19	18,098	2
Revenues	\$millions	21	6,079	3

Parameter	Units	Number of Utilities Necessary for 80% of U.S.	Average Size of These Utilities	Ratio of These Utilities to Illinova
Customers	thousands	54	2,092	2
Assets	\$millions	45	11,894	2
Revenues	\$millions	50	3,972	2

## EXHIBIT N-13

MARKET SHARE FOR UTILITIES IN THE U.S.  
COMPANIES SORTED BY REVENUE

----- Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Southern Company	9,763	1	3.9%	3.9%
PG&E Corp.	9,137	2	3.7%	7.6%
Public Service Enterprise Group, Inc.	7,806	3	3.2%	10.8%
TXU	7,525	4	3.0%	13.8%
Edison International	7,383	5	3.0%	16.8%
Entergy Corp.	7,205	6	2.9%	19.7%
Unicom Corp.	7,136	7	2.9%	22.6%
American Electric Power Co., Inc.	7,054	8	2.8%	25.4%
Consolidated Edison, Inc.	6,824	9	2.8%	28.2%
FPL Group, Inc.	6,132	10	2.5%	30.7%
Cinergy Corp.	5,498	11	2.2%	32.9%
PECO Energy Co.	5,317	12	2.1%	35.0%
FirstEnergy Corp.	5,264	13	2.1%	37.2%
Sempra Energy	5,063	14	2.0%	39.2%
PacifiCorp	4,834	15	2.0%	41.2%
Dominion Resources, Inc.	4,628	16	1.9%	43.0%
Duke Energy Corp.	4,529	17	1.8%	44.8%
Reliant Energy, Inc.	4,350	18	1.8%	46.6%
Northeast Utilities	4,257	19	1.7%	48.3%
GPU, Inc.	4,028	20	1.6%	49.9%
Niagara Mohawk Holdings, Inc.	3,921	21	1.6%	51.5%
DTE Energy Co.	3,861	22	1.6%	53.1%
CMS Energy Corp.	3,799	23	1.5%	54.6%
PP&L Resources, Inc.	3,630	24	1.5%	56.1%
Central & South West Corp.	3,564	25	1.4%	57.5%
Ameren Corp.	3,436	26	1.4%	58.9%
New Century Energies, Inc.	3,227	27	1.3%	60.2%
Carolina Power & Light Co.	3,167	28	1.3%	61.5%
Northern States Power Co.	3,146	29	1.3%	62.8%
New England Electric System	2,774	30	1.1%	63.9%
Constellation Energy Group, Inc.	2,742	31	1.1%	65.0%
Florida Progress Corp.	2,648	32	1.1%	66.1%
Allegheny Energy, Inc.	2,614	33	1.1%	67.1%
Conectiv	2,464	34	1.0%	68.1%
Columbia Energy Group, Inc.	2,282	35	0.9%	69.0%
ILLINOVA CORP.	2,135	36	0.9%	69.9%
Everyone else combined	74,576		30.1%	100.0%
Total	247,722			

## EXHIBIT N-13

MARKET SHARE FOR UTILITIES IN THE U.S.  
COMPANIES SORTED BY ASSETS

----- Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
PG&E Corp.	29,864	1	4.5%	4.5%
Unicom Corp.	26,223	2	3.9%	8.4%
Southern Company	25,367	3	3.8%	12.2%
TXU	22,216	4	3.3%	15.5%
Entergy Corp.	21,348	5	3.2%	18.7%
Edison International	21,121	6	3.2%	21.8%
FirstEnergy Corp.	20,311	7	3.0%	24.9%
Public Service Enterprise Group, Inc.	17,936	8	2.7%	27.6%
Duke Energy Corp.	17,692	9	2.6%	30.2%
American Electric Power Co., Inc.	16,847	10	2.5%	32.7%
FPL Group, Inc.	16,643	11	2.5%	35.2%
Consolidated Edison, Inc.	16,339	12	2.4%	37.7%
Niagara Mohawk Holdings, Inc.	15,674	13	2.3%	40.0%
Dominion Resources, Inc.	14,545	14	2.2%	42.2%
PECO Energy Co.	13,408	15	2.0%	44.2%
GPU, Inc.	13,361	16	2.0%	46.2%
DTE Energy Co.	11,671	17	1.7%	47.9%
Sempra Energy	11,660	18	1.7%	49.7%
PacifiCorp	11,624	19	1.7%	51.4%
Northeast Utilities	11,486	20	1.7%	53.1%
Cinergy Corp.	10,617	21	1.6%	54.7%
Reliant Energy, Inc.	10,333	22	1.5%	56.3%
Central & South West Corp.	9,752	23	1.5%	57.7%
CMS Energy Corp.	9,635	24	1.4%	59.1%
PP&L Resources, Inc.	9,367	25	1.4%	60.6%
Ameren Corp.	9,203	26	1.4%	61.9%
Carolina Power & Light Co.	9,139	27	1.4%	63.3%
Constellation Energy Group, Inc.	9,017	28	1.3%	64.6%
New Century Energies, Inc.	8,677	29	1.3%	65.9%
Western Resources, Inc.	8,543	30	1.3%	67.2%
Northern States Power Co.	8,065	31	1.2%	68.4%
ILLINOVA CORP.	7,784	32	1.2%	69.6%
Everyone else combined	203,466		30.4%	100%
	668,938			

## EXHIBIT N-13

MARKET SHARE FOR UTILITIES IN THE U.S.  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
PG&E Corp.	8,217	1	5.8%	5.8%
Sempra Energy	6,697	2	4.8%	10.6%
Edison International	4,284	3	3.0%	13.7%
Consolidated Edison, Inc.	4,064	4	2.9%	16.5%
TXU	3,872	5	2.8%	19.3%
Southern Company	3,761	6	2.7%	22.0%
FPL Group, Inc.	3,615	7	2.6%	24.5%
Unicom Corp.	3,445	8	2.4%	27.0%
Public Service Enterprise Group, Inc.	3,442	9	2.4%	29.4%
CMS Energy Corp.	3,139	10	2.2%	31.7%
American Electric Power Co., Inc.	2,955	11	2.1%	33.8%
New Century Energies, Inc.	2,551	12	1.8%	35.6%
Entergy Corp.	2,482	13	1.8%	37.4%
FirstEnergy Corp.	2,161	14	1.5%	38.9%
Niagara Mohawk Holdings, Inc.	2,077	15	1.5%	40.4%
Houston Industries, Inc.	2,075	16	1.5%	41.8%
DTE Energy Co.	2,062	17	1.5%	43.3%
GPU, Inc.	2,030	18	1.4%	44.8%
Northern States Power Co.	1,990	19	1.4%	46.2%
Dominion Resources, Inc.	1,977	20	1.4%	47.6%
Duke Energy Corp.	1,968	21	1.4%	49.0%
Columbia Energy Group, Inc.	1,940	22	1.4%	50.4%
PECO Energy Co.	1,893	23	1.3%	51.7%
Cinergy Corp.	1,877	24	1.3%	53.0%
Nicor, Inc.	1,848	25	1.3%	54.4%
Ameren Corp.	1,801	26	1.3%	55.6%
Consolidated Natural Gas Co.	1,786	27	1.3%	56.9%
Central & South West Corp.	1,735	28	1.2%	58.1%
Northeast Utilities	1,729	29	1.2%	59.4%
Constellation Energy Group, Inc.	1,682	30	1.2%	60.6%
Reliant Energy, Inc.	1,596	31	1.1%	61.7%
PacifiCorp	1,454	32	1.0%	62.7%
Allegheny Energy, Inc.	1,410	33	1.0%	63.7%
Puget Sound Energy, Inc.	1,392	34	1.0%	64.7%
AGL Resources, Inc.	1,361	35	1.0%	65.7%
Florida Progress Corp.	1,341	36	1.0%	66.6%
Alliant Energy Corp.	1,281	37	0.9%	67.6%
MidAmerican Energy Holdings Co.	1,262	38	0.9%	68.5%
PP&L Resources, Inc.	1,250	39	0.9%	69.3%
MCN Energy Group, Inc.	1,178	40	0.8%	70.2%
Carolina Power & Light Co.	1,169	41	0.8%	71.0%
UtiliCorp United, Inc.	1,157	42	0.8%	71.8%
MarketSpan Corp.	1,132	43	0.8%	72.6%
LG&E Energy Corp.	1,113	44	0.8%	73.4%
NiSource, Inc.	1,106	45	0.8%	74.2%

MARKET SHARE FOR UTILITIES IN THE U.S.  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

----- Holding Company -----	Customers (thousands)	Rank	Share of Total	Cumulative Share
Energy East Corp.	1,052	46	0.7%	75.0%
Conectiv	1,041	47	0.7%	75.7%
New England Electric System	1,009	48	0.7%	76.4%
Wisconsin Energy Corp.	1,005	49	0.7%	77.1%
Southern Union Co.	988	50	0.7%	77.8%
Peoples Energy Corp.	963	51	0.7%	78.5%
ILLINOVA CORP.	962	52	0.7%	79.2%
Everyone else combined	29,233		20.8%	100.0%
Total	140,609			

MARKET SHARES FOR ELECTRIC COMPANIES IN ILLINOIS  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT N-14

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,136	1	57.2%	57.2%
Ameren Corp.	3,186	2	25.5%	82.8%
ILLINOVA CORP.	1,781	3	14.3%	97.0%
Cilcorp, Inc.	360	4	2.9%	99.9%
Mount Carmel Public Utility Co.	10	5	0.1%	100.0%
Total	12,473			

## EXHIBIT N-14

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	26,223	1	60.7%	60.7%
Ameren Corp.	8,755	2	20.3%	81.0%
ILLINOVA CORP.	7,150	3	16.6%	97.5%
Cilcorp, Inc.	1,058	4	2.4%	100.0%
Mount Carmel Public Utility Co.	13	5	0.0%	100.0%
Total	43,199			



## EXHIBIT N-14

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Unicom Corp.	3,445	1	60.2%	60.2%
Ameren Corp.	1,506	2	26.3%	86.6%
ILLINOVA CORP.	568	3	9.9%	96.5%
Cilcorp, Inc.	195	4	3.4%	99.9%
Mount Carmel Public Utility Co.	6	5	0.1%	100.0%
Total	5,720			

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

[GRAPH APPEARS HERE]

## EXHIBIT N-15

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Nicor, Inc.	1,731	1	45.5%	45.5%
Peoples Energy Corp.	1,238	2	32.5%	78.1%
ILLINOVA CORP.	354	3	9.3%	87.4%
Ameren Corp.	250	4	6.6%	93.9%
Cilcorp, Inc.	219	5	5.8%	99.7%
Illinois Gas Co.	9	6	0.2%	99.9%
Mount Carmel Public Utility Co.	3	7	0.1%	100.0%
Total	3,803			

## EXHIBIT N-15

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Nicor, Inc.	2,956	1	45.3%	45.3%
Peoples Energy Corp.	2,083	2	32.0%	77.3%
ILLINOVA CORP.	634	3	9.7%	87.0%
Ameren Corp.	447	4	6.9%	93.9%
Cilcorp, Inc.	383	5	5.9%	99.8%
Illinois Gas Co.	12	6	0.2%	99.9%
Mount Carmel Public Utility Co.	4	7	0.1%	100.0%
Total	6,519			

## EXHIBIT N-15

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Nicor, Inc.	1,848	1	49.8%	49.8%
Peoples Energy Corp.	963	2	25.9%	75.7%
Illinova Corp.	394	3	10.6%	86.3%
Ameren Corp.	294	4	7.9%	94.2%
Cilcorp, Inc.	200	5	5.4%	99.6%
Illinois Gas Co.	10	6	0.3%	99.9%
Mount Carmel Public Utility Co.	4	7	0.1%	100.0%
Total	3,714			

MARKET SHARES FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

[GRAPH APPEARS HERE]

## EXHIBIT N-16

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Ameren Corp.	3,436	1	55.8%	55.8%
ILLINOVA CORP.	2,135	2	34.6%	90.4%
Cilcorp, Inc.	579	3	9.4%	99.8%
Mount Carmel Public Utility Co.	13	4	0.2%	100.0%
Total	6,163			

EXHIBIT N-16

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
COMPANIES SORTED BY ASSETS

----- Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Ameren Corp.	9,203	1	49.9%	49.9%
ILLINOVA CORP.	7,784	2	42.2%	92.1%
Cilcorp, Inc.	1,440	3	7.8%	99.9%
Mount Carmel Public Utility Co.	17	4	0.1%	100.0%
Total	18,444			



EXHIBIT N-16

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
 COMPANIES SORTED BY NUMBER OF CUSTOMERS

----- Holding Company -----	Customers (thousands)	Rank	Share of Total	Cumulative Share
Ameren Corp.	1,801	1	56.9%	56.9%
ILLINOVA CORP.	962	2	30.4%	87.2%
Cilcorp, Inc.	395	3	12.5%	99.7%
Mount Carmel Public Utility Co.	9	4	0.3%	100.0%
Total	3,167			

MARKET SHARES FOR UTILITIES IN ILLINOIS  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT N-17

MARKET SHARE FOR UTILITIES IN ILLINOIS  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,136	1	43.8%	43.8%
Ameren Corp.	3,436	2	21.1%	65.0%
ILLINOVA CORP.	2,135	3	13.1%	78.1%
Nicor, Inc.	1,731	4	10.6%	88.7%
Peoples Energy Corp.	1,238	5	7.6%	96.3%
Cilcorp, Inc.	579	6	3.6%	99.9%
Mount Carmel Public Utility Co.	13	7	0.1%	99.9%
Illinois Gas Co.	9	8	0.1%	100.0%
Total	16,276			

## EXHIBIT N-17

MARKET SHARE FOR UTILITIES IN ILLINOIS  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	26,223	1	52.7%	52.7%
Ameren Corp.	9,203	2	18.5%	71.3%
ILLINOVA CORP.	7,784	3	15.7%	86.9%
Nicor, Inc.	2,956	4	5.9%	92.9%
Peoples Energy Corp.	2,083	5	4.2%	97.0%
Cilcorp, Inc.	1,440	6	2.9%	99.9%
Mount Carmel Public Utility Co.	17	7	0.0%	100.0%
Illinois Gas Co.	12	8	0.0%	100.0%
Total	49,718			

## EXHIBIT N-17

MARKET SHARE FOR UTILITIES IN ILLINOIS  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Unicom Corp.	3,445	1	36.5%	36.5%
Nicor, Inc.	1,848	2	19.6%	56.1%
Ameren Corp.	1,801	3	19.1%	75.2%
Peoples Energy Corp.	963	4	10.2%	85.4%
ILLINOVA CORP.	962	5	10.2%	95.6%
Cilcorp, Inc.	395	6	4.2%	99.8%
Illinois Gas Co.	10	7	0.1%	99.9%
Mount Carmel Public Utility Co.	9	8	0.1%	100.0%
Total	9,433			

MARKET SHARES FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT O-1

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,151	1	19.6%	19.6%
American Electric Power Co., Inc.	6,109	2	16.8%	36.4%
Cinergy Corp.	4,762	3	13.1%	49.5%
Ameren Corp.	3,094	4	8.5%	57.9%
Northern States Power Co.	2,146	5	5.9%	63.8%
ILLINOVA CORP.	1,781	6	4.9%	68.7%
Wisconsin Energy Corp.	1,664	7	4.6%	73.3%
Alliant Energy Corp.	1,567	8	4.3%	77.6%
LG&E Energy Corp.	1,465	9	4.0%	81.6%
MidAmerican Energy Holdings Co.	1,170	10	3.2%	84.8%
NiSource, Inc.	1,000	11	2.7%	87.6%
Kansas City Power & Light Co.	939	12	2.6%	90.1%
IPALCO Enterprises, Inc.	735	13	2.0%	92.1%
UtiliCorp United, Inc.	617	14	1.7%	93.8%
Minnesota Power, Inc.	560	15	1.5%	95.4%
WPS Resources Corp.	550	16	1.5%	96.9%
Cilcorp, Inc.	360	17	1.0%	97.9%
SIGCORP, Inc.	298	18	0.8%	98.7%
Empire District Electric Co.	218	19	0.6%	99.3%
Madison Gas & Electric Co.	170	20	0.5%	99.8%
St. Joseph Light & Power Co.	90	21	0.2%	100.0%
Total	36,443			

Source: 1998 10-K for each company.

## EXHIBIT O-1

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
UtiliCorp United, Inc.	?			
Ameren Corp.	?			
Unicom Corp.	12,567	1	17.7%	17.7%
American Electric Power Co., Inc.	11,730	2	16.6%	34.3%
Cinergy Corp.	9,222	3	13.0%	47.3%
Northern States Power Co.	7,200	4	10.2%	57.5%
Alliant Energy Corp.	4,866	5	6.9%	64.3%
Wisconsin Energy Corp.	4,152	6	5.9%	70.2%
ILLINOVA CORP.	3,959	7	5.6%	75.8%
LG&E Energy Corp.	3,485	8	4.9%	80.7%
MidAmerican Energy Holdings Co.	2,898	9	4.1%	84.8%
NiSource, Inc.	2,515	10	3.5%	88.3%
Kansas City Power & Light Co.	2,166	11	3.1%	91.4%
IPALCO Enterprises, Inc.	1,658	12	2.3%	93.7%
WPS Resources Corp.	1,117	13	1.6%	95.3%
Minnesota Power, Inc.	772	14	1.1%	96.4%
SIGCORP, Inc.	741	15	1.0%	97.4%
Cilcorp, Inc.	732	16	1.0%	98.5%
Empire District Electric Co.	551	17	0.8%	99.3%
Madison Gas & Electric Co.	312	18	0.4%	99.7%
St. Joseph Light & Power Co.	218	19	0.3%	100.0%
Total	70,859			

Source: 1998 10-K for each company.



## EXHIBIT O-1

MARKET SHARE FOR ELECTRIC COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

-----	-----	-----	-----	-----
Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Unicom Corp.	3,500	1	20.3%	20.3%
American Electric Power Co., Inc.	3,023	2	17.5%	37.8%
Ameren Corp.	1,479	3	8.6%	46.4%
Northern States Power Co.	1,459	4	8.5%	54.8%
Cinergy Corp.	1,400	5	8.1%	63.0%
Wisconsin Energy Corp.	1,009	6	5.8%	68.8%
Alliant Energy Corp.	908	7	5.3%	74.1%
MidAmerican Energy Holdings Co.	653	8	3.8%	77.8%
ILLINOVA CORP.	581	9	3.4%	81.2%
Kansas City Power & Light Co.	451	10	2.6%	83.8%
WPS Resources Corp.	429	11	2.5%	86.3%
IPALCO Enterprises, Inc.	427	12	2.5%	88.8%
NiSource, Inc.	421	13	2.4%	91.2%
UtiliCorp United, Inc.	373	14	2.2%	93.4%
LG&E Energy Corp.	360	15	2.1%	95.5%
Cilcorp, Inc.	189	16	1.1%	96.6%
Empire District Electric Co.	143	17	0.8%	97.4%
Minnesota Power, Inc.	138	18	0.8%	98.2%
SIGCORP, Inc.	124	19	0.7%	98.9%
Madison Gas & Electric Co.	124	20	0.7%	99.6%
St. Joseph Light & Power Co.	62	21	0.4%	100.0%
Total	17,254			

Source: 1998 10-K for each company.

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT O-2

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
 COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Minnesota Power, Inc.	?			
Columbia Energy Group, Inc.	1,870	1	18.2%	18.2%
Nicor, Inc.	1,031	2	10.0%	28.2%
Peoples Energy Corp.	913	3	8.9%	37.1%
Atmos Energy Corp.	713	4	6.9%	44.0%
UtiliCorp United, Inc.	623	5	6.1%	50.1%
Southern Union Co.	605	6	5.9%	56.0%
NiSource, Inc.	574	7	5.6%	61.6%
Indiana Energy, Inc.	466	8	4.5%	66.1%
Cinergy Corp.	435	9	4.2%	70.3%
MidAmerican Energy Holdings Co.	430	10	4.2%	74.5%
Wicor, Inc.	429	11	4.2%	78.7%
Northern States Power Co.	412	12	4.0%	82.7%
Alliant Energy Corp.	296	13	2.9%	85.5%
ILLINOVA CORP.	288	14	2.8%	88.3%
Wisconsin Energy Corp.	272	15	2.6%	91.0%
Ameren Corp.	217	16	2.1%	93.1%
LG&E Energy Corp.	192	17	1.9%	95.0%
Cilcorp, Inc.	172	18	1.7%	96.6%
WPS Resources Corp.	165	19	1.6%	98.2%
Madison Gas & Electric Co.	80	20	0.8%	99.0%
SIGCORP, Inc.	67	21	0.6%	99.7%
Delta Natural Gas Co., Inc.	29	22	0.3%	100.0%
St. Joseph Light & Power Co.	5	23	0.0%	100.0%
Total	10,280			

Source: 1998 10-K for each company.

## EXHIBIT O-2

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

----- Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
-----	-----	-----	-----	-----
UtiliCorp United, Inc.	?			
Ameren Corp.	?			
Minnesota Power, Inc.	?			
St. Joseph Light & Power Co.	?			
Columbia Energy Group, Inc.	4,096	1	24.9%	24.9%
Nicor, Inc.	1,618	2	9.8%	34.7%
Peoples Energy Corp.	1,447	3	8.8%	43.5%
Atmos Energy Corp.	1,042	4	6.3%	49.8%
Indiana Energy, Inc.	938	5	5.7%	55.5%
NiSource, Inc.	930	6	5.7%	61.2%
Northern States Power Co.	884	7	5.4%	66.6%
Cinergy Corp.	786	8	4.8%	71.3%
Southern Union Co.	744	9	4.5%	75.9%
MidAmerican Energy Holdings Co.	672	10	4.1%	79.9%
Wicor, Inc.	651	11	4.0%	83.9%
Alliant Energy Corp.	515	12	3.1%	87.0%
ILLINOVA CORP.	496	13	3.0%	90.1%
Wisconsin Energy Corp.	422	14	2.6%	92.6%
LG&E Energy Corp.	333	15	2.0%	94.6%
Cilcorp, Inc.	287	16	1.7%	96.4%
WPS Resources Corp.	246	17	1.5%	97.9%
SIGCORP, Inc.	141	18	0.9%	98.7%
Madison Gas & Electric Co.	112	19	0.7%	99.4%
Delta Natural Gas Co., Inc.	95	20	0.6%	100.0%
Total	16,456			

Source: 1998 10-K for each company.

## EXHIBIT O-2

MARKET SHARES FOR GAS COMPANIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers	Share of Cumulative		
	(thousands)	Rank	Total	Share
Nicor, Inc.	1,875	1	14.1%	14.1%
Columbia Energy Group, Inc.	1,763	2	13.3%	27.4%
Atmos Energy Corp.	1,042	3	7.8%	35.2%
Southern Union Co.	1,011	4	7.6%	42.9%
Peoples Energy Corp.	958	5	7.2%	50.1%
UtiliCorp United, Inc.	852	6	6.4%	56.5%
NiSource, Inc.	739	7	5.6%	62.1%
MidAmerican Energy Holdings Co.	622	8	4.7%	66.7%
Wicor, Inc.	529	9	4.0%	70.7%
Indiana Energy, Inc.	489	10	3.7%	74.4%
Northern States Power Co.	475	11	3.6%	78.0%
Cinergy Corp.	470	12	3.5%	81.5%
ILLINOVA CORP.	409	13	3.1%	84.6%
Alliant Energy Corp.	388	14	2.9%	87.5%
Wisconsin Energy Corp.	379	15	2.9%	90.4%
Ameren Corp.	296	16	2.2%	92.6%
LG&E Energy Corp.	289	17	2.2%	94.8%
WPS Resources Corp.	224	18	1.7%	96.5%
Cilcorp, Inc.	197	19	1.5%	97.9%
Madison Gas & Electric Co.	110	20	0.8%	98.8%
SIGCORP, Inc.	108	21	0.8%	99.6%
Delta Natural Gas Co., Inc.	37	23	0.3%	99.9%
Minnesota Power, Inc.	11	24	0.1%	100.0%
St. Joseph Light & Power Co.	6	25	0.0%	100.0%
Total	13,280			

Source: 1998 10-K for each company.

MARKET SHARES FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT O-3

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS  
AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Cinergy Corp.	5,197	1	20.4%	20.4%
Ameren Corp.	3,311	2	13.0%	33.3%
Northern States Power Co.	2,558	3	10.0%	43.4%
ILLINOVA CORP.	2,069	4	8.1%	51.5%
Wisconsin Energy Corp.	1,935	5	7.6%	59.1%
Alliant Energy Corp.	1,863	6	7.3%	66.4%
LG&E Energy Corp.	1,656	7	6.5%	72.8%
MidAmerican Energy Holdings Co.	1,600	8	6.3%	79.1%
NiSource, Inc.	1,574	9	6.2%	85.3%
UtiliCorp United, Inc.	1,239	10	4.9%	90.1%
WPS Resources Corp.	715	11	2.8%	92.9%
Minnesota Power, Inc.	560	12	2.2%	95.1%
Cilcorp, Inc.	532	13	2.1%	97.2%
SIGCORP, Inc.	365	14	1.4%	98.7%
Madison Gas & Electric Co.	250	15	1.0%	99.6%
St. Joseph Light & Power Co.	95	16	0.4%	100.0%
Total	25,518			

Source: 1998 10-K for each company.

## EXHIBIT O-3

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS AND  
 BORDERING STATES  
 COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Cinergy Corp.	10,009	1	17.1%	17.1%
Ameren Corp.	8,594	2	14.7%	31.7%
Northern States Power Co.	8,084	3	13.8%	45.5%
Alliant Energy Corp.	5,381	4	9.2%	54.7%
Wisconsin Energy Corp.	4,574	5	7.8%	62.5%
ILLINOVA CORP.	4,455	6	7.6%	70.1%
LG&E Energy Corp.	3,818	7	6.5%	76.6%
MidAmerican Energy Holdings Co.	3,570	8	6.1%	82.7%
NiSource, Inc.	3,445	9	5.9%	88.5%
UtiliCorp United, Inc.	2,041	10	3.5%	92.0%
WPS Resources Corp.	1,364	11	2.3%	94.3%
Cilcorp, Inc.	1,019	12	1.7%	96.1%
SIGCORP, Inc.	882	13	1.5%	97.6%
Minnesota Power, Inc.	772	14	1.3%	98.9%
Madison Gas & Electric Co.	423	15	0.7%	99.6%
St. Joseph Light & Power Co.	218	16	0.4%	100.0%
Total	58,648			

Source: 1998 10-K for each company.



## EXHIBIT O-3

MARKET SHARE FOR COMBINED GAS AND ELECTRIC COMPANIES IN ILLINOIS AND  
 BORDERING STATES  
 COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers		Share of Cumulative	
	(thousands)	Rank	Total	Share
Northern States Power Co.	1,934	1	12.7%	12.7%
Cinergy Corp.	1,870	2	12.2%	24.9%
Ameren Corp.	1,775	3	11.6%	36.5%
Wisconsin Energy Corp.	1,389	4	9.1%	45.6%
Alliant Energy Corp.	1,296	5	8.5%	54.1%
MidAmerican Energy Holdings Co.	1,274	6	8.3%	62.4%
UtiliCorp United, Inc.	1,225	7	8.0%	70.4%
NiSource, Inc.	1,160	8	7.6%	78.0%
ILLINOVA CORP.	989	9	6.5%	84.5%
WPS Resources Corp.	653	10	4.3%	88.8%
LG&E Energy Corp.	649	11	4.2%	93.0%
Cilcorp, Inc.	386	12	2.5%	95.5%
Madison Gas & Electric Co.	234	13	1.5%	97.1%
SIGCORP, Inc.	233	14	1.5%	98.6%
Minnesota Power, Inc.	149	15	1.0%	99.6%
St. Joseph Light & Power Co.	68	16	0.4%	100.0%
Total	15,286			

Source: 1998 10-K for each company.

MARKET SHARES FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
(COMPANIES LISTED IN ORDER OF CUSTOMERS SERVED)

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## EXHIBIT O-4

MARKET SHARE FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY REVENUE

Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,151	1	15.3%	15.3%
American Electric Power Co., Inc.	6,109	2	13.1%	28.4%
Cinergy Corp.	5,197	3	11.1%	39.5%
Ameren Corp.	3,311	4	7.1%	46.6%
Northern States Power Co.	2,558	5	5.5%	52.1%
ILLINOVA CORP.	2,069	6	4.4%	56.5%
Wisconsin Energy Corp.	1,935	7	4.1%	60.6%
Columbia Energy Group, Inc.	1,870	8	4.0%	64.6%
Alliant Energy Corp.	1,863	9	4.0%	68.6%
LG&E Energy Corp.	1,656	10	3.5%	72.2%
MidAmerican Energy Holdings Co.	1,600	11	3.4%	75.6%
NiSource, Inc.	1,574	12	3.4%	79.0%
UtiliCorp United, Inc.	1,239	13	2.7%	81.6%
Nicor, Inc.	1,031	14	2.2%	83.8%
Kansas City Power & Light Co.	939	15	2.0%	85.8%
Peoples Energy Corp.	913	16	2.0%	87.8%
IPALCO Enterprises, Inc.	735	17	1.6%	89.4%
WPS Resources Corp.	715	18	1.5%	90.9%
Atmos Energy Corp.	713	19	1.5%	92.4%
Southern Union Co.	605	20	1.3%	93.7%
Minnesota Power, Inc.	560	21	1.2%	94.9%
Cilcorp, Inc.	532	22	1.1%	96.0%
Indiana Energy, Inc.	466	23	1.0%	97.0%
Wicor, Inc.	429	24	0.9%	98.0%
SIGCORP, Inc.	365	25	0.8%	98.7%
Madison Gas & Electric Co.	250	26	0.5%	99.3%
Empire District Electric Co.	218	27	0.5%	99.7%
St. Joseph Light & Power Co.	95	28	0.2%	99.9%
Delta Natural Gas Co., Inc.	29	30	0.1%	100.0%
Total	46,723			

Source: 1998 10-K for each company.

## EXHBIT O-4

MARKET SHARE FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
COMPANIES SORTED BY ASSETS

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	12,567	1	12.8%	12.8%
American Electric Power Co., Inc.	11,730	2	12.0%	24.8%
Cinergy Corp.	10,009	3	10.2%	35.0%
Ameren Corp.	8,594	4	8.8%	43.8%
Northern States Power Co.	8,084	5	8.3%	52.1%
Alliant Energy Corp.	5,381	6	5.5%	57.5%
Wisconsin Energy Corp.	4,574	7	4.7%	62.2%
ILLINOVA CORP.	4,455	8	4.5%	66.8%
Columbia Energy Group, Inc.	4,096	9	4.2%	70.9%
LG&E Energy Corp.	3,818	10	3.9%	74.8%
MidAmerican Energy Holdings Co.	3,570	11	3.6%	78.5%
NiSource, Inc.	3,445	12	3.5%	82.0%
Kansas City Power & Light Co.	2,166	13	2.2%	84.2%
UtiliCorp United, Inc.	2,041	14	2.1%	86.3%
IPALCO Enterprises, Inc.	1,658	15	1.7%	88.0%
Nicor, Inc.	1,618	16	1.7%	89.6%
Peoples Energy Corp.	1,447	17	1.5%	91.1%
WPS Resources Corp.	1,364	18	1.4%	92.5%
Atmos Energy Corp.	1,042	19	1.1%	93.6%
Cilcorp, Inc.	1,019	20	1.0%	94.6%
Indiana Energy, Inc.	938	21	1.0%	95.6%
SIGCORP, Inc.	882	22	0.9%	96.5%
Minnesota Power, Inc.	772	23	0.8%	97.3%
Southern Union Co.	744	24	0.8%	98.0%
Wicor, Inc.	651	25	0.7%	98.7%
Empire District Electric Co.	551	26	0.6%	99.2%
Madison Gas & Electric Co.	423	27	0.4%	99.7%
St. Joseph Light & Power Co.	218	28	0.2%	99.9%
Delta Natural Gas Co., Inc.	95	29	0.1%	100.0%
Total	97,950			

Source: 1998 10-K for each company.

## EXHIBIT O-4

MARKET SHARE FOR UTILITIES IN ILLINOIS AND BORDERING STATES  
 COMPANIES SORTED BY NUMBER OF CUSTOMERS

Holding Company	Customers (thousands)	Rank	Share of Total	Cumulative Share
Unicom Corp.	3,500	1	11.5%	11.5%
American Electric Power Co., Inc.	3,023	2	9.9%	21.4%
Northern States Power Co.	1,934	3	6.3%	27.7%
Nicor, Inc.	1,875	4	6.1%	33.8%
Cinergy Corp.	1,870	5	6.1%	40.0%
Ameren Corp.	1,775	6	5.8%	45.8%
Columbia Energy Group, Inc.	1,763	7	5.8%	51.5%
Wisconsin Energy Corp.	1,389	8	4.5%	56.1%
Alliant Energy Corp.	1,296	9	4.2%	60.3%
MidAmerican Energy Holdings Co.	1,274	10	4.2%	64.5%
UtiliCorp United, Inc.	1,225	11	4.0%	68.5%
NiSource, Inc.	1,160	12	3.8%	72.3%
Atmos Energy Corp.	1,042	13	3.4%	75.7%
Southern Union Co.	1,011	14	3.3%	79.1%
ILLINOVA CORP.	989	15	3.2%	82.3%
Peoples Energy Corp.	958	16	3.1%	85.4%
WPS Resources Corp.	653	17	2.1%	87.6%
LG&E Energy Corp.	649	18	2.1%	89.7%
Wicor, Inc.	529	19	1.7%	91.4%
Indiana Energy, Inc.	489	20	1.6%	93.0%
Kansas City Power & Light Co.	451	21	1.5%	94.5%
IPALCO Enterprises, Inc.	427	22	1.4%	95.9%
Cilcorp, Inc.	386	23	1.3%	97.2%
Madison Gas & Electric Co.	234	24	0.8%	97.9%
SIGCORP, Inc.	233	25	0.8%	98.7%
Minnesota Power, Inc.	149	26	0.5%	99.2%
Empire District Electric Co.	143	27	0.5%	99.7%
St. Joseph Light & Power Co.	68	28	0.2%	99.9%
Delta Natural Gas Co., Inc.	37	30	0.1%	100.0%
Total	30,533			

Source: 1998 10-K for each company.