

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

FORM U-1

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AMENDMENT NO. 4

(POST-EFFECTIVE AMENDMENT NO. 1)

TO

APPLICATION

UNDER

THE PUBLIC UTILITY HOLDING COMPANY ACT OF 1935

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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)

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None

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

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Amendment No. 3 to the Application previously filed in this proceeding is hereby amended and restated to read as follows:

#### INTRODUCTION AND REQUEST FOR ADDITIONAL COMMISSION ACTION

Chevron Corporation ("Chevron Corp."), its wholly-owned subsidiary, Chevron U.S.A. Inc. ("Chevron USA"), n1 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"), Chevron Corp. and Chevron USA shall be exempt from all provisions of the Public Utility Holding Company Act of 1935 (the "Act") other than Section 9(a)(2), pursuant to Section 3(a)(3) of the Act.

#### ITEM 1. DESCRIPTION OF PROPOSED TRANSACTION

For purposes of the relief requested herein, Applicants provide the following description of the Transaction.

##### A. THE PARTICIPANTS

The Transaction involves merging a company with energy-related operations, exempt operations, and no public-utility company operations (Dynegy 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 Dynegy 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. n2 Chevron Corp.'s stock is listed on the New York, Chicago and Pacific Stock Exchanges, and it is a reporting company under the Securities Exchange Act of 1934, as amended.

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n1 Except where the context otherwise requires, Chevron Corp. and Chevron USA are collectively referred to herein as "Chevron."

n2 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.

Chevron Corp. owns 100% of Chevron USA, a Pennsylvania corporation, which conducts operations worldwide through its various divisions. Chevron USA's principal business activity is in its domestic upstream division that engages in the exploration and production of crude oil, natural gas liquids, and natural gas in the United States, and its domestic downstream division that engages in the business of refining, marketing and transporting gasoline and other refined products in the United States. Chevron USA's net income for 1998 for United States operations was approximately \$1 billion. Chevron USA 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.

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. n3

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

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n3 Chevron Chemical Company ("Chemical"), a wholly-owned subsidiary of Chevron USA, is considering the purchase from Entergy Gulf States ("Entergy") of its Bunch Gully (138 KV) Substation, currently dedicated to supplying the power load at Chemical's Orange, Texas plant. This purchase would eliminate monthly added facilities payments and enable Chemical to control the substation supplying the Orange plant. Entergy would require unrestricted use of the through bus at no cost, which could result in Chemical's receiving adjustments to certain fees charged by Entergy to the extent Entergy's use of the bus increases maintenance costs or limits Chemical's use. As the substation is integral to the Entergy grid, Entergy is likely to condition the sale to Chemical on Entergy being able to flow power from time-to-time from one Entergy transmission line through Chemical's 138 KV substation to a second Entergy transmission line in order to supply other Entergy customers, without imposition of any wheeling fee by Chemical. The documents are also likely to include a "regulatory-out" provision requiring that, should any governmental authority find the sale not in the public interest, the sale must be reversed or other arrangements made.

- (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) Quarterly Report on Form 10-Q of Chevron Corporation (Commission File No. 1-368-2) for the quarterly period ended September 30, 1999, filed on November 4, 1999.

## 2. DYNEGY INC.

Dynegy, a Delaware corporation, is actively engaged in the marketing and trading of natural gas, natural gas liquids, electricity and coal. It also owns subsidiaries that develop, own and operate power generation 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 has no public-utility company operations, subsidiaries or affiliates.

Dynegy maintains its principal place of business in Houston, 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. n4 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 refineries and chemical plants in the United States. n5

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n4 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.

n5 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. Registration Statement on Form S-4 under the Securities Act of 1933 of Midstream Combination Corp. (Registration No. 333-09419) at 25, 53, filed with the Commission on August 1, 1996.

Chevron understands that, as is the case with other industry participants, 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 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 No. 1-11156) for the fiscal year ended December 31, 1998, filed on March 30, 1999;
- (ii) Current Report on Form 8-K of Dynegy Inc. (Commission File No. 1-11156), filed on June 14, 1999;
- (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 on September 7, 1999 (the "New Dynegy Registration Statement"); and
- (iv) Quarterly Report on Form 10-Q of Dynegy Inc. (Commission File No. 1-11156) for the quarterly period ended September 30, 1999, filed on November 15, 1999.

### 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 active 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, but resulted in a net loss of \$1.38 billion, largely attributable to a loss sustained by Illinois Power. 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 an Illinois corporation and Illinova's principal public-utility company subsidiary. It is engaged in the generation, transmission and distribution of electric energy and the sale of electric energy at wholesale and retail in the State of Illinois. 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. n6

Illinova Marketing is an Illinois corporation and a wholly-owned electric public-utility company subsidiary of Illinois. It owns and operates 3,812 MW of fossil-fired electric power generating capacity located in the State of Illinois, formerly owned by Illinois Power. This generation will be utilized predominantly to meet the power requirements of Illinois Power during a competition transition period established by Illinois law. On July 8, 1999, the ICC approved the restructuring of Illinois Power in this fashion. n7 The FERC authorized these asset transfers and wholesale power sales in two recent orders. n8 Illinova intends to convert Illinova Marketing to an EWG within the year following closing of the Transaction.

Illinova Generating is Illinova's wholly-owned independent power subsidiary and is not a public-utility company under the Act. Illinova Generating currently owns interests in EWGs and in qualifying facilities located throughout North America, as well as interests in several

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n6 Illinois Power recently completed the sale to Amergen Energy Company, L.L.C. of the 930 MW nuclear generating facility located in Clinton, Illinois (the "Clinton Facility") referred to in Amendment No. 3 to this Application. See Amendment No. 3 to Application on Form U-1/A under the Public Utility Holding Company Act of 1935 of Chevron Corporation, Chevron U.S.A. Inc. and Illinova Corporation (Dec. 23, 1999) at 4.

n7 ICC Docket No. 99-0209 (July 8, 1999).

n8 Illinova Corp., 88 FERC (P) 62,229 (Sept. 10, 1999) (FERC jurisdictional facilities transfer approval); Illinova Power Marketing, 88 FERC (P) 61,189 (Aug. 24, 1999) (effectiveness of wholesale power contracts).

generation facilities located outside of North America. The North American facilities total 821 MW with an 830 MW plant under construction.

Illinova Generating owns 20% of the stock of Electric Energy Incorporated ("EEInc"), which the Commission has classified as a public-utility company for certain purposes under the Act. 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. Its principal place of business is Joppa, Illinois. 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." n9

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. It is not a public-utility company under the Act. n10

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. n11 The legislation adopts a comprehensive approach to creating a market mechanism to provide electric energy to consumers. The law contains the following key provisions:

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.

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. The restructuring of

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n9 Union Elec. 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).

n10 The other two, active subsidiaries of Illinova are minor and are not public-utility companies. 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, the primary business of which is to account for miscellaneous energy management software and hardware sales not regulated by the ICC or FERC and not falling within the business scope of other Illinova subsidiaries.

n11 220 Ill. Comp. Stat. 5/16-101A (West 1999).

Illinova approved by the ICC n12 to separate power generation from power delivery was designed to be consistent, and is consistent, with the new Illinois and FERC policies requiring separation of these functions.

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 (or "stranded" costs) minus statutorily prescribed mitigation factors during the transition period established by Illinois law. Thus, the rates of Illinois Power under the rate freeze include fuel, purchased power and transition cost recovery.

Retail Choice: Since October 1, 1999, the following categories of retail customers have been 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-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 were 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.

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 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 n13 to \$2.8 billion in 2000 n14 and its electric revenues from the 1998 level of \$1.781 billion n15 to \$1.154 billion in 2000. n16 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 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 No. 1-11327) and Illinois Power Company (Commission File No. 1-3004) for the fiscal year ended December 31, 1998, filed on March 29, 1999;

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n13 See Consolidated Balance Sheets, Annual Report on Form 10-K of Illinova Corporation and Illinois Power Company for the fiscal year ended December 31, 1998, filed with the Commission on March 29, 1999.

n14 See Projected pro forma Balance Sheet of Illinois Power, 1996-2002 reflecting sale of Clinton Facility, attached hereto as Exhibit L-1.

n15 See Market Shares for Electric Companies in Illinois and Bordering States, at 2, attached hereto as Exhibit N-6.

n16 See Projected pro forma Net Revenue Statement of Illinois Power, 1996-2002 reflecting sale of Clinton Facility, attached hereto as Exhibit L-2.

- (ii) Current Report on Form 8-K of Illinova Corporation (Commission File No. 1-11327) and Illinois Power Company (Commission File No. 1-3004), filed on June 18, 1999;
- (iii) New Dynegy Registration Statement; and
- (iv) Quarterly Report on Form 10-Q of Illinova Corporation (Commission File No. 1-11327) and Illinois Power Company (Commission File No. 1-3004) for the quarterly period ended September 30, 1999, filed on November 15, 1999.

4. ENERGY CONVERGENCE HOLDING COMPANY ("NEW DYNEGY")

Energy Convergence Holding Company ("New Dynegy") is an Illinois corporation formed for the purposes of effectuating the Transaction. n17 New Dynegy currently has no material assets and no public-utility assets, subsidiaries, or affiliates. Additional information regarding New Dynegy is set forth in the New Dynegy Registration Statement, which is incorporated herein by reference.

B. THE TRANSACTION

The Transaction involves a combination of Dynegy and Illinova through a series of mergers, resulting in the formation of New Dynegy as an Illinois public-utility holding company. Chevron and Illinova understand that New Dynegy separately filed, 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. n18 New Dynegy currently has two wholly-owned subsidiaries, an Illinois corporation n19 and a Delaware corporation, n20 that will serve as acquisition companies. In the Transaction, Illinova will be merged with the Illinois acquisition company with Illinova surviving the merger, and Dynegy will be merged with the Delaware acquisition company with Dynegy surviving the merger. As a result, upon completion of the Transaction, Illinova and Dynegy will be wholly-owned subsidiaries of New Dynegy. The parties intend to simplify the New Dynegy holding company structure after the Transaction by eliminating one tier in the holding company structure. n21

In the Transaction, each shareholder of Dynegy (except Chevron USA) will elect to receive either (i) cash in the amount of \$16.50 or (ii) 0.69 shares of New Dynegy Class A

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n17 New Dynegy was incorporated in Illinois as Energy Convergence Holding Company and is a wholly-owned subsidiary of Illinova.

n18 See, e.g., Roanoke Gas Co., Holding Co. Act Release No. 26996 (Apr. 1, 1999).

n19 Energy Convergence Acquisition Corporation.

n20 Dynegy Acquisition Corporation.

n21 The post-merger organizational chart of New Dynegy is attached hereto as Exhibit E.

Common Stock n22 for each share of Dynegy common stock. n23 Chevron has agreed to receive all stock in the Transaction. BG's parent corporation and NOVA have, directly or indirectly, elected to receive all cash. 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 Common Stock or Series A Preferred Stock. n24 This will result in conversion of a maximum of approximately 67.6 million shares of Dynegy common stock into cash. The amount of cash available will be insufficient to satisfy completely cash elections, and the cash will be prorated among shareholders electing to receive cash. For each 100 shares of Dynegy common stock for which Dynegy shareholders elect to receive cash, they will receive cash consideration with respect to no less than 63 shares of Dynegy common stock and no more than 84 shares of Dynegy common stock. The consideration for the balance of the Dynegy common stock will be New Dynegy Class A Common Stock. 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's parent corporation 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 Series A Preferred 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's parent corporation 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's parent corporation 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

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n22 The New Dynegy Common Stock consists of Class A Common Stock and Class B Common Stock. As used herein, the term "Common Stock" refers to the New Dynegy Class A and Class B Common Stock collectively.

n23 Each such Dynegy shareholder will receive cash for any fractional share regardless of the shareholder's election.

n24 NOVA and BG will each receive New Dynegy Series A Preferred Stock. The management and the public shareholders of Dynegy will receive New Dynegy Class A Common Stock that will be registered under the Securities Act of 1933, as amended (the "Securities Act"), and listed on the New York Stock Exchange. Chevron USA will receive only Class B Common Stock and will own no Class A Common Stock unless and until its Class B Common Stock is converted in accordance with the New Dynegy Articles of Incorporation. The issuance of Class B Common Stock to Chevron USA will be a transaction exempt from registration under the Securities Act and the New Dynegy Class B Common stock is otherwise subject to the federal securities laws. The terms of all of the issuances of New Dynegy securities in the Transaction have been disclosed to the public and to the shareholders of Dynegy and Illinois in the New Dynegy Registration Statement filed with the Commission.

entitled to elect of three of the fourteen members of the New Dynegy Board of Directors as Chevron USA's representatives (the "Chevron Directors") through voting its Class B Common Stock. 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. n25

Under New Dynegy's Articles of Incorporation, Chevron USA will not be entitled to any more than three representatives on New Dynegy's Board as long as it does not own more than 40% of the outstanding shares of New Dynegy. The Shareholder Agreement provides that Chevron USA may not seek to acquire more than 40% of the outstanding Common Stock of New Dynegy 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 Dynegy's Common Stock if it offers to acquire all of the outstanding voting securities of New Dynegy. Any such offer by Chevron USA is subject to a detailed process which gives the New Dynegy 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 Dynegy 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 Dynegy.

To protect its strategic investment in New Dynegy, Chevron has negotiated for certain provisions in the Articles of Incorporation of New Dynegy. The Articles of Incorporation of New Dynegy carry forward and contain provisions in Illinova'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. n26 In addition, if all Chevron Directors present at a meeting vote to do so, they will have the ability under New Dynegy's Bylaws to prevent New Dynegy from entering into certain transactions, so long as Chevron USA owns New Dynegy Class B Common Stock, including (i) a sale of all or substantially all of the liquids business or the gas marketing business of New Dynegy so long as Chevron USA's long-term sale contracts with New Dynegy 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 Dynegy's market capitalization, whichever is greater.

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n25 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 and could not in such event reasonably expect to elect more than three of the fourteen directors.

n26 This will include, pursuant to Article 4 of the Articles of Incorporation of New Dynegy, the preservation of certain ongoing strategic relationships under the Caltex Operating Agreement, referenced in note 5, supra.

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 Dynegy which would materially affect such rights), New Dynegy will have certain rights to purchase Chevron USA's shares or require Chevron USA either to sell its shares of New Dynegy to a third party or to give up any future blocking rights.

All requisite corporate and shareholder approvals for the Transaction have been obtained. Specifically, the Illinova Board of Directors approved the Transaction on June 13, 1999, the Dynegy Board of Directors approved the Transaction on June 14, 1999, and the shareholders of Illinova and Dynegy approved the Transaction on October 11, 1999.

#### C. REASONS FOR THE TRANSACTION

Applicants wish to complete the Transaction in order to enhance the efficiency of their operations consistent with applicable state and federal law, and particularly state and federal regulatory changes implementing competitive power generation and energy services and nondiscriminatory power delivery services on an open access basis. n27

Illinova seeks this business combination with Dynegy and to conduct its public-utility operations as described herein in order to achieve a number of financial, managerial and operating benefits that will position Illinova and Illinois Power to compete in the increasingly competitive wholesale and retail energy markets that have developed as a result 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 and the formation by the merged firm of a robust 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-

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n27 Each of Dynegy 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 Dynegy Registration Statement at 47-68, and Appendices III, IV and V thereto.

related operations of New Dynegy 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. n28

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. n29

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

Following the Transaction, Chevron USA will own more than 10% of the voting securities of New Dynegy, raising the issue of whether Chevron Corp. and Chevron USA are holding companies within the meaning of Section 2(a)(7) of the Act absent an appropriate exemption.

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 will 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. Accordingly, Chevron is entitled to an exemption from all the provisions of the Act, except Section 9(a)(2), pursuant to Section 3(a)(3).

A. THE SECTION 3(A)(3) EXEMPTION

Following the Transaction, Chevron will 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

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n28 An expanded discussion of Illinova's reasons for entering into the Transaction is set forth in the New Dynegy Registration Statement at pages 39-41.

n29 An expanded discussion of Dynegy's reasons for entering into the Transaction is set forth in the New Dynegy Registration Statement at pages 37-39.

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 . . . . n30

Chevron's interest in New Dynegy will fit comfortably 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 engage directly or indirectly 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.

Compelling support for this Application - confirmation that Chevron fits comfortably and squarely within the category of companies for which Congress intended Section 3(a)(3) - is found in the Report to the Senate of the Committee on Interstate Commerce, accompanying the bill that became the Act. n31 In the Senate Report, the Section 3(a)(3) exemption is described as applicable where:

[T]he company is not essentially in the utility field and either (A) gets no appreciable income from utilities, or (B) if it gets an appreciable income from utilities, it owns all the outstanding securities of those utilities so that they are not financed by the public but are essentially departments, rather than subsidiaries, of the parent company. n32

Chevron's position in New Dynegy will satisfy this test. For these reasons, and as more fully discussed below, Chevron satisfies the requirements of the exemption set forth in Section 3(a)(3) of the Act.

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n30 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.

n31 S. Rep. No. 74-621 (May 13, 1935) [hereinafter the "Senate Report"].

n32 Id. at 24 (emphasis added).

B. CHEVRON IS ONLY INCIDENTALLY A HOLDING COMPANY, BEING PRIMARILY ENGAGED AND INTERESTED IN BUSINESSES OTHER THAN THAT OF A PUBLIC-UTILITY COMPANY.

1. 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, 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 Dynegey 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 Dynegey, 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 Dynegey for the purpose of creating a long-term alliance with a major energy trading company and to participate through its equity ownership interest in Dynegey in gas and liquids marketing, midstream services, and wholesale electric generation. Subsequent to Chevron's acquisition of its interest, Dynegey 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 Dynegey to proceed with the Transaction, Chevron is facilitating Dynegey's strategic expansion.

This circumstance has nothing in common with an attempt to acquire a public-utility company or its holding company. Chevron's post-Transaction involvement in New Dynegey 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 Dynegey 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) appears in the context of efforts by applicants purposefully to assemble and maintain vast holding company systems with many

majority controlled, public-utility company subsidiaries. n33 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 to block its use by large companies seeking to participate in the utility business. In this case, Chevron's minority ownership in New Dynege arises through the merger of Dynege and Illinova, whose public-utility company activities have long been the subject of effective state regulation. That merger is a result of the independently developed business purposes of Illinova and Dynege. In the context of that merger, although Chevron for its own independent reasons, (unrelated to ownership of a public-utility), has maintained a strategic investment in Dynege, it is only coincidental that Dynege's combination with Illinova results in ownership by Chevron of a minority interest in a newly formed public-utility holding company, New Dynege. However, Chevron's maintaining its strategic investment (i) will permit an otherwise beneficial Transaction to occur, and (ii) as a result of Chevron's functional relationship with the energy marketing business of Dynege, will continue to serve the interests and complement the operations of New Dynege, including Illinova.

2. THERE WILL EXIST A FUNCTIONAL RELATIONSHIP BETWEEN CHEVRON'S BUSINESS AND THE PUBLIC-UTILITY OPERATIONS OF NEW DYNEGE.

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. n34 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 exploiting affiliate relationships with

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n33 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 Senate Report 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." Senate Report at 6 (emphasis added). 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."

n34 The origin of the functional relationship test can be traced to remarks made by Senator Wheeler which, importantly, were made in reference to a proposed, but rejected, change in the wording "only incidentally a holding company" to "only incidentally interested in a public-utility company." 79 Cong. Rec. 8843-44 (1935). See also *Cities Serv.*, 8 SEC 318; *Standard Oil*, 10 SEC at 1129. The Commission has never held that the examples used by Senator Wheeler were exclusive, and in all events, the courts have held that Senator Wheeler's explanations during the floor debate do not supplant the plain meaning of the language of the Act. See *Pacific Gas & Elec. Co. v. SEC*, 127 F.2d 378, 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).

public-utilities. 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 the unregulated, multi-state 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." n35

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 (i) the Illinois Power public-utility system essentially operates in a single state and is subject to effective state regulation, and (ii) transforming changes in the industry have rendered an overly restrictive interpretation of the exemption both unnecessary and retrogressive in light of such state regulation. In this context, the Commission need only read the statute as Congress intended to grant this Application. n36

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n35 Standard Oil, 10 SEC at 1129. See also Electric Bond & Share Co., Holding Co. Act Release No. 11004 33 SEC 21 (Feb. 6, 1952) [hereinafter "EBASCO"]. Standard Oil, Cities Serv., and EBASCO each involved ownership of multiple public-utility companies formed prior to the Act which were sprawled across multiple states, some not subject to even minimal state regulation, and others which, by their nature, could not be the subject of effective regulation. The Commission characterized Cities Serv. as a 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 direct control over the public-utility operations of its subsidiary.

n36 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., Holding Co. Act Release No. 18368, 45 SEC 489, n.52 (Apr. 10, 1974).

Indeed, the intrastate size and scope of the Illinois Power system reflects decades of effective regulation, not an absence of regulation. The Illinois Power system is protected by law from abusive affiliate relationships, and Chevron is seeking neither to obtain nor to maintain any such relationship with 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. n37 The Commission has consistently recognized that it must at times 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. n38 In this regard, the Commission may articulate alternatives to, or amplify upon, the functional relationship test in recognition of the ongoing convergence 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. n39 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. n40 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.

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n37 In circumstances where the Commission has developed a 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.

n38 See, e.g., Union Elec., 45 SEC at 503 & n.52.

n39 Haliburton Co., SEC No-Action Letter, 1983 Fed. Sec. L. Rep. (CCH) (P) 77,518 at 78,669 (Aug. 1, 1983).

n40 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).

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, a worldwide energy company, to Dynegy (and, post-merger, to New Dynegy), will 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 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 public-utility's power generation business;
- (iv) The investment was not made and will not be 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. However, 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.

Granting this Application does not open the door to the indiscriminate acquisition of public-utility holding company systems. 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."

C. CHEVRON WILL NOT DERIVE A MATERIAL PART OF ITS INCOME FROM THE PUBLIC-UTILITY COMPANY SUBSIDIARIES OF NEW DYNEGY.

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. Even though Illinova's revenues and assets are small in relation to Chevron's, they are inconsequential when considered on the basis of Chevron's 28% indirect interest in New Dynegy. Chevron's 28% equity interest in New Dynegy corresponds to (i) public-utility revenues representing less than 2% of Chevron's revenues, and (ii) utility operating income representing less than 1% of Chevron's operating income and less than 1.5% of Chevron's net income.

Set forth below is a comparison (Chart A) and percentage computation (Chart B) of the respective total revenues, operating income, net income and assets of Chevron and Illinova's utility operations, in each case based on the most recent available data (the 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) n41 as a percentage of Chevron Total Assets (c)
6.8%	Operating Income: 3.1% Net Income: 5.2%	0%	16.9%

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. n42

Immediately following the Transaction, Chevron's equity ownership in New Dynegy will be 28%. When computed on the basis of an assumed Chevron 28% ownership interest in New Dynegy, Chevron's status under Section 3(a)(3) is even more compelling.

n41 Prior to any reclassification of Illinois Power generation assets as an EWG and prior to disposition of the Clinton Facility. See Item 3.D infra.

n42 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).

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 Dynegy:

Chart C

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Chevron's Equity Ownership of New Dynegy	Portion of Illinova Utility Revenue, Income and Assets Attributable to Chevron on Equity Consolidation Principles	Illinova Utility Revenue, Income and Assets as a percentage based on equity of Chevron's Revenue, Income and Assets
	Utility Revenue: \$0.579 billion	1.9%
28%	Utility Operating Income: \$0.020 billion	0.90%
	Utility Assets: \$1.727 billion	4.7%

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 less than 1.5% of its net income directly or indirectly from the total utility revenues and utility operating income of Illinois Power.

D. 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. n43 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." n44 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

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n43 Cities Serv., 8 SEC 318.

n44 Standard Oil, 10 SEC at 1128.

several different regions. n45 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) has had a dramatic effect upon Illinois Power's investment in public-utility assets and the character of its revenues. Illinois Power's rate base has been reduced by approximately 50%. Although Illinois Power's customer base is expected to remain stable, this merely reflects a power delivery service obligation imposed by regulation. Customers will be free, however, 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 costs and purchased power costs constituting approximately 50% of revenues. Illinois Power's revenues will, therefore, make a reduced contribution to net-earnings, as shown on its projected pro forma 2000-2004 Income Statement. n46

Exhibits N and L specifically address the issue of size. The comparisons on Exhibit N are on an equivalent actual basis using the most recent available electric and gas utility data, including power generation, transmission and distribution. n47 Illinova's electric utility revenues (including bundled generation, transmission and distribution service) are compared to the other regional electric utilities. In other words, Exhibit N makes no downward adjustment to Illinova's electric revenue or assets based on the severing of generation from power delivery or the expected EWG status of the fossil-fired generation owned by Illinova. n48

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n45 In contrast, in Standard Oil, the applicant's public-utility operations encompassed substantial portions of three states, and in Cities Serv. the applicant had a "far-flung" utility empire with eighty-nine public utility subsidiaries operating in numerous states and Canada.

n46 See Illinois Power Company pro forma Net Revenues Statement, 1996 to 2002, attached hereto as Exhibit L-2.

n47 The page enumeration of Exhibit N corresponds to the corresponding pages of the data presented in Exhibit K to the 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 (Mar. 5, 1999) (the "AES Application"). The AES Application was approved in AES Corp., Holding Co. Act Release No. 27063, 70 SEC Docket 972 (Aug. 20, 1999). Applicants are presenting updated data from the same data source as was presented in the AES Application.

n48 Exhibit N also makes no adjustment to account for the now completed sale of the Clinton Facility by Illinois Power to a non-affiliate. The data also does not reflect the sale of Commonwealth Edison's fossil generation. The purchaser, Mission Energy, is a large generator of power utilizing exempt generation assets and is affiliated with a large utility system. Despite the divestiture, Commonwealth Edison will continue to be a large utility system, significantly larger than Illinois Power, due to its retention of a large base of nuclear power generation, its power delivery system and a large customer base. No adjustment is made for the two pending mergers involving Northern States Power (with New Century) and Commonwealth Edison (with PECO). These

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." n49 The Illinois scheme of retail access harnesses the competition created by the availability of transmission service on an open access basis to protect consumers and reward investors. Illinova is interconnected and provides transmission service to numerous regional utilities that provide transmission service and compete with Illinois Power, in addition to facilitating the entry of other competitors. n50

Exhibit N-6 shows the revenue ranking and share of cumulative revenue of investor-owned electric utility companies for Illinois and bordering states. As shown therein, Illinova's electric utility revenue is a small percentage (4.6%) of the region studied and is lower than the same percentage for three registered holding companies (American Electric Power: 18.2%, Cinergy: 12.9%, Ameren: 8.2%) and two exempt holding companies (Unicom: 18.4%, NSP: 6.8%). In short, 64.4% of the regional electric revenue is received by investor-owned electric utilities with greater revenues than Illinova. n51

As Exhibit N-6 demonstrates, Illinois Power's regional asset ranking is consistent with its revenue ranking. Illinova represents only a small percentage (6.4%) of regional electric utility assets. Exhibit N-6 also illustrates that Illinois Power's electric power customer base is small (3.2%). Moreover, as shown by Exhibit N-7, the same is also true for Illinois Power's natural gas service revenues (3.9%), assets (4.4%), and customers (3.3%) on a regional basis.

Comparing the combined utility operations of Illinova with the combined utility operations of regional companies does not alter these conclusions. Exhibit N-9 demonstrates that Illinova's utility revenue (4.5%), asset (6.1%) and customer (3.2%) shares are small in comparison with those of other regional companies. On a national basis, too, Illinova is small, as

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pending mergers, and the pending American Electric Power Company merger (with CSW), confirm the evolution of power supply by being dominated by large regional multi-state systems, as opposed to small single-state utilities such as Illinois Power.

n49 220 Ill. Comp. Stat. 5/15-101A(b) (1997 Cum. Supp.).

n50 Illinois Power has 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 TVA, 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.

n51 This analysis excludes the Tennessee Valley Authority ("TVA") and other public power agencies and cooperatives. TVA is larger in all relevant respects than any of the investor-owned utilities in the Illinova region, and has exchange power relationships with Illinois Power, American Electric Power, Ameren, and Cinergy, all of which compete in the Illinova region. TVA was not a significant source of power during the early years of the administration of the Act.

is shown by Exhibit N-10. For example, Exhibit N-10 shows that Illinova represents 0.9% of the national revenue of electric companies.

Of utilities with operations based in Illinois, two utilities, Unicom and Ameren, are significantly larger than Illinova in terms of revenue rank, asset size, and number of customers. Those two utilities represent the clear majority of the revenues, assets and customers of utility operations in Illinois. Illinova's percentage shares of revenues (13.5%), assets (15.6%), and customers (10.2%) are significantly smaller than those previously found in Section 3(a)(3) cases to be "too large."

As shown 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, Illinova's utility plant (net of depreciation and excluding capitalized nuclear fuel leases) for 1998 was \$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. The asset base of Illinova's public-utility operations will be halved by the process of restructuring.

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 2000, Illinois Power's estimated purchased power costs will equal \$601 million - approximately half its total revenues - revenues that include pass-through recovery of purchased gas costs of \$195 million. Illinois Power estimates that it will recover \$55 million in transition costs within its frozen retail electric 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, because the regulatory system uses those services to recover transition costs, similar to tax collection. 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 N-9, regional firms with public-utility revenues in excess of \$600 million are responsible for in excess of 90% of the public-utility revenues in the region.

The pervasive regulation and service obligations imposed by Illinois law upon the delivery function retained by Illinois Power and the rigorous competition introduced to electric power generation and energy supply by the FERC and Illinois law have dealt effectively with the concerns over arbitrary and monopolistic behavior that were raised by the sprawling and ineffectively regulated systems dealt with in EBASCO, Standard Oil, and Cities Serv.

Illinois Power's retained public-utility system is small in any relevant sense today, and, in any event, its size is not a proxy for economic power or threat to the public interest. n52 To the extent size analysis plays any legitimate role in considering the availability of an exemption under Section 3(a)(3), 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, are regulated in a thorough and comprehensive fashion, and constitute only a small share of a large and growing regional marketplace. Indeed, the relative size data further suggest that the notion of an "absolute size test," as a regulatory gloss, may serve no meaningful regulatory purpose in an era of effective state regulation and industry-wide consolidation.

The Commission has both the authority and the duty to continue to adjust its interpretations (and regulatory tests) under the statutes it administers to reflect the changing environment of utility operations, structure and state regulation. It is respectfully submitted that the Commission has ample tools with which to deal with that environment within the plain meaning of Section 3(a)(3), and that the size of a utility may, at best, be a secondary factor in making a determination under the exemption.

E. 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. n53 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

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n52 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 Corp., 70 SEC Docket at 55-59 & n.23. (recognizing effectiveness of the ICC). The size and scope of Illinois Power's operations are the result of years of effective state and federal regulation and do not represent either private commercial power or the ability to evade regulation. Of course, regulation itself 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, 464 U.S. 891 (1983); *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).

n53 Senate Report at 5-6, 24; *Union Elec.*, 45 SEC at n.52

economic and social sense in the light of contemporary realities." n54 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." n55

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 continue to 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. n56

Further, the interest that Chevron will hold 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 Dynegy's current exempt utility company operations. The operations which Dynegy is contributing to New Dynegy 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.

F. 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. n57 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

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n54 Union Elec., 45 SEC 489, 1974 WL 11418 at \*13.

n55 WPL Holdings, Inc., Holding Co. Act Release No. 24590 (Feb. 26, 1988).

n56 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).

n57 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.

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. . . ." n58

The State of Illinois, through the ICC, closely regulates the capitalization of public-utilities n59 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. n60 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 that could occur between Chevron and Illinois Power. n61 The Commission has recognized that a "comprehensive state system," such as that in effect in Illinois, n62 "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." n63 In addition, FERC regulations associated with market-based wholesale rate transactions will operate to further guard against affiliate abuse following the Transaction. n64 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 effective state regulation of public-utility company subsidiaries or of the exertion of control over such subsidiaries through disproportionately small investment. The State of Illinois has a

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n58 Southern Co., Holding Co. Act Release No. 25639 (Sept. 23, 1992).

n59 220 Ill. Comp. Stat. 5/6-101-108 (West 1999).

n60 220 Ill. Comp. Stat. 5/7-103.

n61 220 Ill. Comp. Stat. 5/7-101, 16-121.

n62 AES Corp., 70 SEC Docket 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.

n63 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.

n64 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 apply to Illinois Power and its affiliates. See Illinova Power Marketing, 79 FERC (P) 61,010 (Feb. 1997) and cases cited therein.

comprehensive regulatory apparatus in place that is not affected by the Transaction. n65 And here, Chevron's minority voting stock interest in New Dynege is proportional to its equity investment in New Dynege.

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 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 with respect to public-utility operations.

#### ITEM 4. REGULATORY APPROVAL

The Transaction has been reviewed and approved by the FERC under the Federal Power Act ("FPA"). On July 23, 1999, Dynege and Illinova filed a joint application with the FERC requesting that it approve the Transaction under Section 203 of the FPA. Under Section 203, FERC approves mergers if it finds that they are "consistent with the public interest." In reviewing a merger, the FERC evaluates whether the merger will (i) adversely affect competition; (ii) adversely affect rates to captive wholesale customers; or (iii) impair the effectiveness of regulation. The FERC found the merger would have none of these effects and approved the Transaction on November 10, 1999. n66 Following the Transaction, the FERC will have continuing jurisdiction over New Dynege's power marketing business and over Illinois Power and Illinova Marketing with respect to, inter alia, rates, terms, and conditions for wholesale sales and transmission transactions (including those with affiliates), and continuing jurisdiction over the 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. The required approval was obtained on November 23, 1999. n67 Following the Transaction, the ICC will retain its applicable authority over the retail rates, services provided by, and dividends of the public-utility subsidiaries of Illinova, and their transactions with affiliates.

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n65 See 220 Ill. Comp. Stat. 5/1-101 et seq.; AES Corp., 70 SEC Docket at n.23 & Section III (discussing authority of ICC over public-utilities).

n66 FERC Docket No. EC99-99-000, attached hereto as Exhibit D-1.

n67 ICC Docket No. 99-0419, attached hereto as Exhibit D-2.

Chevron Corp., 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.

On December 27, 1999, the Commission issued its Order under Section 9(a)(2) of the Act authorizing the Transaction. n68

#### 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 exempt holding companies under Section 3(a)(3) of the Act.

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 Dynegy (previously filed with the Commission as Exhibit A.1 to Amendment No. 2 to Application on Form U-1/A of Chevron Corporation (Commission File No. 1-368-2), Illinova Corporation (Commission File No. 1-11327) and Chevron U.S.A. Inc., filed on November 19, 1999 and incorporated herein by reference)

A-2: Attachment to Articles of Incorporation of New Dynegy (previously filed with the Commission as Exhibit A.2 to Amendment No. 2 to Application on Form U-1/A of Chevron Corporation (Commission File No. 1-368-2), Illinova Corporation (Commission File No. 1-11327) and Chevron U.S.A. Inc., filed on November 19, 1999 and incorporated herein by reference)

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

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n68 Order Authorizing the Acquisition of Common Stock of a Public Utility Holding Company, Holding Co. Act Release No. 27122 (Dec. 27, 1999), attached hereto as Exhibit D-3.

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 Inc. (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 Inc. (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 Inc. (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 Inc. (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B-5: Registration Rights Agreement among New Dynegey, British Gas Atlantic Holdings BV and NOVA (previously filed with the Commission as Exhibit 10.7 to Current Report on Form 8-K of Dynegey Inc. (Commission File No. 1-11156), filed June 14, 1999 and incorporated by reference herein)
- B-6: Registration Rights Agreement between New Dynegey and Chevron USA (previously filed with the Commission as Exhibit 10.8 to Current Report on Form 8-K of Dynegey 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 Dynegey Inc. (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 Dynegey Inc. (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 Dynegey Inc. (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 Item 4

- D-1: Order Approving Merger, FERC Docket No. EC99-99-000, 89 FERC (P) 61,163 (Nov. 10, 1999)
- D-2: Illinois Commerce Commission Order, ICC Docket No. 99-0419 (Nov. 23, 1999)
- D-3: Order Authorizing the Acquisition of Common Stock of a Public Utility Holding Company, Holding Co. Act Release No. 27122 (Dec. 27, 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: Quarterly Report on Form 10-Q of Chevron Corporation (Commission File No. 1-368-2) for the quarterly period ended September 30, 1999 (previously filed with the Commission on November 4, 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 September 30, 1999 (previously filed with the Commission on November 15, 1999 and incorporated by reference herein)

Exhibit H: Joint Press Release of Dynegy and Illinova (previously filed with the Commission as Exhibit 99.2 to Current Report on Form 8-K of Dynegy Inc. (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 Energy Convergence Holding Company (Registration No. 333-84965) (previously filed with the Commission on September 7, 1999 and incorporated by reference herein)

Exhibit J: Intentionally omitted

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 United States

N-11: Market Shares for Gas Companies in the United States

N-12: Market Shares for Combined Gas and Electric Companies in the  
United States

N-13: Market Shares for Utility Companies in the United States

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

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 No. 1-368-2) for the fiscal year ended December 31, 1998, filed on March 31, 1999; (ii) Quarterly Report on Form 10-Q of Chevron Corporation (Commission File No. 1-368-2) for the quarterly period ended September 30, 1999, filed on November 4, 1999; (iii) Annual Report on Form 10-K of Illinova Corporation (Commission File No. 1-11327) and Illinois Power Company (Commission File No. 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

No. 1-11327) and Illinois Power Company (Commission File No. 1-3004) for the quarterly period ended September 30, 1999, filed on November 15, 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 No. 1-11156) for the quarterly period ended September 30, 1999, filed on November 15, 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 amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Date: January 27, 2000

CHEVRON CORPORATION

ILLINOVA CORPORATION

By: /s/ George L. Kirkland  
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George L. Kirkland  
Vice-President

By: /s/ Larry F. Altenbaumer  
-----  
Larry F. Altenbaumer  
President

CHEVRON U.S.A. INC.

By: /s/ George L. Kirkland  
-----  
George L. Kirkland  
Executive Vice-President

ORDER APPROVING MERGER

(Issued November 10, 1999)

Before Commissioners: James J. Hoecker, Chairman; Vicky A. Bailey,  
William L. Massey, Linda Breathitt, and Curt Hebert, Jr.

I. Introduction

On July 23, 1999, as completed on September 13, 1999, Illinova Corporation (Illinova), an Illinois corporation, and Dynegy, Inc. (Dynegy) (collectively, Applicants), filed a joint application under Section 203 of the Federal Power Act (FPA) n1 requesting Commission approval of a series of transactions (collectively, the Proposed Merger) culminating with Energy Convergence Holding Company (Newco) acquiring Illinova and Dynegy and their respective public utility subsidiaries. We will approve the Proposed Merger as consistent with the public interest.

II. Background

A. The Parties to the Merger

1. Illinova Corporation and Relevant Subsidiaries

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 (PUHCA). n2 According to the application, Illinova does not directly own, operate, or control any facilities used for the generation, transmission, and distribution of electric energy and power in interstate commerce. Illinova wholly owns three public utility subsidiaries, each of which is described below.

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n1 16 U.S.C. (S) 824b (1994).

n2 15 U.S.C. (S) 79c(a)(1) (1994).

a. Illinois Power Company

Illinois Power Company (Illinois Power) is an electric and natural gas public utility operating company that owns electric generation, n3 transmission, and distribution facilities and natural gas distribution facilities located in Illinois. Illinois Power provides retail electric service to approximately 570,000 customers and retail natural gas service to 400,000 customers located throughout portions of northern, central, and southern Illinois. Illinois Power's retail operations are subject to the jurisdiction of the Illinois Commerce Commission (Illinois Commission). Applicants state that Illinois Power has no natural gas facilities subject to the Commission's jurisdiction under the Natural Gas Act (NGA).

Currently, Illinois Power wholly owns eight fossil-fired generating facilities located throughout Illinois with an aggregate capacity of approximately 3,812 megawatts (MW). Illinois Power also owns a 50 percent interest in three combustion turbines with a combined net capacity of 5.25 MW located in Bloomington, Illinois. n4 In addition to its fossil generation, Illinois Power wholly owns a 930 MW nuclear generation facility located near Clinton, Illinois (Clinton Nuclear Unit). n5 Finally, Illinois Power owns approximately 2,829 miles of transmission facilities with ratings from 69 to 345 kilovolts.

b. Illinova Generating Company

Illinova Generating Company (Illinova Generating) indirectly owns equity interests in a number of generation facilities and marketing companies located in North America, Europe, Latin America, and Asia. In addition, Illinova Generating wholly owns North American Energy Services Company, a company which supplies operations, maintenance, and support services to the independent power generation industry.

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n3 By an order dated December 26, 1995, the Commission granted Illinois Power authorization to transact wholesale sales of electric energy at market-based rates. See Illinois Power Co., 73 FERC P61,371 (1995).

n4 On June 29, 1999, in Docket No. EC99-90-000, Illinois Power, Illinova Power Marketing, Inc. (Illinova Marketing), and Illinova jointly 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 Illinova Marketing, a newly-formed subsidiary of Illinova that will generate and market electric energy at wholesale. Applicants state that at the outset, Illinova Marketing's primary responsibility will be to continue to meet the electric supply needs of Illinois Power's customers through a proposed long-term purchase power agreement (PPA). Illinova Marketing filed the PPA in Docket No. ER99-3208-000. The Commission subsequently approved the proposed divestiture and accepted the PPA by letter orders dated September 10, 1999, and August 24, 1999, respectively. See Illinois Power Co., 88 FERC P62,229 (1999); Illinova Power Marketing, Inc., 88 FERC P61,129 (1999).

n5 On August 9, 1999, in Docket No. EC99-104-000, Illinois Power and AmerGen Energy Company, L.L.C. (AmerGen Energy) filed a joint application under Section 203 of the FPA requesting Commission authorization for the sale by Illinois Power of jurisdictional facilities associated with its 930 MW Clinton nuclear power station to AmerGen Energy. That application will be addressed by the Commission in a separate order.

c. Illinova Energy Partners, Inc.

Illinova Energy Partners, Inc. (Illinova Energy) is engaged in the brokering and marketing of electric energy and power, n6 natural gas, and other energy commodities. Illinova Energy owns a 100 percent interest in Energy Dynamics Inc., a natural gas marketer that serves large-volume commercial and industrial natural gas users located in the Chicago area. Illinova Energy also owns a 50 percent interest in Tenaska Marketing Ventures, which focuses on natural gas marketing in the Midwestern United States, as well as a 51 percent interest in EMC Gas Transmission Company, a retail gas marketer operating in Michigan.

2. Dynegy, Inc., and Relevant Subsidiaries

Dynegy, 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 (NGLs), crude oil, liquid petroleum gas (LPG), and related energy services. Dynegy also owns interest in a number of power generation facilities. Dynegy is principally owned by three entities: BG Holdings, Inc. (BG Holdings), Chevron U.S.A., Inc. (Chevron), and NOVA Gas Services (U.S.), Inc. (NOVA), which each own approximately 26 percent of Dynegy's issued and outstanding stock. In addition, Chevron owns approximately eight million shares of Dynegy preferred stock. Ten percent of Dynegy's common stock is held by senior management, and the remaining shares are publicly traded on the New York Stock Exchange (NYSE).

a. Wholesale Gas and Power

Dynegy wholly owns three energy marketing subsidiaries: (1) Dynegy Marketing and Trade, which is engaged in the marketing and trading of natural gas, coal, NGLs, crude oil, and petroleum liquid and gas, and which also controls the domestic marketing of natural gas for certain Chevron subsidiaries; (2) Electric Clearinghouse, Inc. (Electric Clearinghouse), which is engaged in the marketing of electric energy and power n7 and other energy commodities at wholesale throughout North America; and (3) Dynegy Power Services, Inc. (Dynegy Power), which is engaged in the brokering and marketing of electric energy, n8 natural gas, and other energy commodities at wholesale and retail throughout North America.

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n6 By an order dated May 18, 1995, the Commission granted Illinova Energy authorization to transact wholesale sales of electric energy at market-based rates. See Illinois Power Co., 71 FERC P61,172 (1995).

n7 By an unpublished Letter Order dated April 7, 1994, in Docket No. ER94-968-000, the Commission granted Electric Clearinghouse authorization to transact wholesale sales of electric energy at market-based rates. On June 21, 1999, in Docket No. ER99-3322-000, Electric Clearinghouse and Illinois Power jointly filed amendments to their respective market-based rate tariffs for the purpose of allowing them to sell energy and power to one another as affiliates, as well as a proposed Code of Conduct in order to account for their post-merger affiliate relationship. The Commission accepted the filing in Docket No. ER99-3322-000 by an unpublished Letter Order dated September 10, 1999.

n8 By an unpublished Letter Order dated January 20, 1995, in Docket No. ER94-1612-000, the Commission granted Dynegy Power authorization to transact wholesale sales of electric energy and power at market-based rates. Applicants indicate that Dynegy Power is engaged almost exclusively in power marketing activities in Texas and California, and neither sells nor markets power to Illinois Power or its affiliates. Applicants also state that Dynegy Power commits not to engage in any power marketing transactions with the Illinova parties. Application at 9, n.15.

Furthermore, Dynegy, through intermediate subsidiaries, indirectly owns interests in 24 generating facilities (totaling 5,732 MW) of which all are either qualifying facilities (QFs) or Exempt Wholesale Generators (EWGs) located throughout North America (primarily in Texas and California) and interests in six generating facilities (totaling 2,684 MW) to be constructed in Arizona, Louisiana, Georgia, Kentucky and North Carolina. n9 Applicants state that in several instances, Dynegy's combined ownership interest with other public utility owners in certain qualifying QFs may exceed 50 percent. Applicants also state that prior to closing of the Proposed Merger, Dynegy will take such action with regard to these QFs as is necessary to continue to comply with the requirements of the Commission's regulations implementing the Public Utility Regulatory Policies Act of 1978 or the Energy Policy Act of 1992.

b. Natural Gas, NGLs, and Crude Oil Assets

Dynegy owns either direct or indirect interests in the following: (1) natural gas gathering and processing facilities located in Kansas, Oklahoma, Texas, Louisiana, Arkansas, Wyoming and offshore Louisiana in the Gulf of Mexico, as well as the province of Alberta, Canada; n10 (2) intrastate natural gas transportation facilities located in Kansas and Oklahoma; (3) an open access natural gas transportation facility primarily located in Oklahoma; (4) an open access natural gas transportation facility primarily located at offshore Louisiana in the Gulf of Mexico; (5) crude oil transportation facilities located in Oklahoma and Texas; (6) a dual-phase crude oil and NGL transportation facility located in Louisiana; (7) NGL transportation facilities located in Louisiana, Texas, Utah, and Wyoming; (8) an LPG transportation facility primarily located in Texas; (9) NGL fractionation (processing) plants located in Texas and Louisiana; (10) NGL storage and terminal facilities located in Louisiana, Texas, Mississippi, Kentucky, and Florida; and (11) lessee rights to a coal gasification plant located in Indiana.

B. Description of the Proposed Merger

The Proposed Merger will be implemented in accordance with an Agreement and Plan of Merger dated June 14, 1999 (Plan of Merger). n11 The Proposed Merger will take place through a series of transactions culminating with Newco's acquisition of the entire equity interest in Illinova and Dynegy 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 (Energy Acquisition), an Illinois corporation, and Dynegy Acquisition Company (Dynegy Acquisition), a Delaware corporation.

The Proposed Merger will be accomplished by two concurrent mergers. In the first merger, Energy Acquisition will be merged with and into Illinova, with Illinova as the surviving corporation (Illinova Merger). Each outstanding share of Illinova common stock will be converted into one share of Newco Class A common stock. Concurrent, with the

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n9 Application at Attachment 2.

n10 According to the application, Dynegy's processing facilities are not subject to the Commission's jurisdiction under the NGA.

n11 Application at Exhibit H.

Illinova Merger, Dynegey Acquisition will be merged with and into Dynegey, with Dynegey as the surviving corporation (Dynegey Merger). As noted below, with the exception of BG Holdings, Chevron, and NOVA, each outstanding share of Dynegey common stock will be converted into either \$16.50 in cash (subject to a cap on the total cash that may be received in the aggregate by Dynegey shareholders) or 0.69 shares of Newco Class A common stock (with fractional shares to be cashed out). At the effective time of the Proposed Merger, Energy Acquisition and Dynegey Acquisition will cease to exist as corporate entities.

Upon consummation of the Proposed Merger, Newco will continue its existence as a corporation under Illinois Law n12 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 Dynegey. Accordingly, Illinova and Dynegey will be wholly-owned subsidiaries of Newco. Illinova and Dynegey will continue to own all of their pre-merger assets and be liable for all of their respective liabilities. Illinova's debt and Dynegey's debt will remain the obligation of Illinova and Dynegey, respectively.

Newco and British Gas Atlantic Holdings BV (BG Atlantic), a Netherlands corporation and direct corporate parent of BG Holdings, have entered into a Stock Purchase Agreement (BG Stock Purchase Agreement) pursuant to which Newco will purchase 100 percent of the issued and outstanding shares of BG Holdings from BG Atlantic in exchange for a combination of cash and Series A Convertible Preferred Stock (Preferred Stock). Under the BG Stock Purchase Agreement, BG Atlantic 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 shares of Dynegey common stock. Upon the consummation of the Proposed Merger, and depending on actual stockholder elections, BG Atlantic will own a 3.5 percent to 5 percent equity interest in Newco.

Newco and Chevron have 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) concurrent with the closing of the Proposed Merger (Equity Investment). Additionally, pursuant to the Plan of Merger, Chevron will receive Newco Class B Shares in the Dynegey Merger (rather than Class A common stock) in exchange for Chevron's equity interest in Dynegey common and preferred stock. By virtue of its acquisition of Class B Shares in the Proposed Merger and the Equity Investment, Chevron will own a 28 percent to 29 percent equity interest in Newco. n13

Pursuant to the terms of the Plan of Merger, NOVA will receive in the Dynegey Merger a combination of cash and Preferred Stock in exchange for its entire equity interest in Dynegey common stock. Upon consummation of the Proposed Merger, and depending on actual stockholder elections, NOVA will own a 3.5 percent to 5 percent 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.

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n12 According to the application, Newco will be renamed Dynegey Inc. upon consummation of the Proposed Merger.

n13 According to the application, 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.

### III. Notice of Filing and Interventions

Notice of the Applicants' filing was published in the Federal Register, n14 with motions to intervene and protests due on or before September 21, 1999. The Illinois Municipal Electric Agency filed a timely motion to intervene in support of the merger. MidAmerican Energy Company, Natural Gas Pipeline Company of America, and Chevron U.S.A., Inc. each filed a timely motion to intervene raising no substantive issues.

### IV. Discussion

#### A. Procedural Matters

Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. (S) 385.214 (1999), the timely, unopposed motions to intervene of the Illinois Municipal Electric Agency, MidAmerican Energy Company, Natural Gas Pipeline Company of America, and Chevron U.S.A., Inc. serve to make them parties to this proceeding.

#### B. Standard of Review

Section 203(a) of the FPA provides, in relevant part, as follows:

No public utility shall sell, lease, or otherwise dispose of the whole of its facilities subject to the jurisdiction of the Commission, or any part thereof of a value in excess of \$50,000, 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.

16 U.S.C. (S) 824b(a) (1994). Under Section 203(a), the Commission must approve a proposed merger if it finds that the merger "will be consistent with the public interest." Id.

In 1996, the Commission issued its Merger Policy Statement updating and clarifying its procedures, criteria and policies applicable to public utility mergers. n15 The Merger Policy Statement provides that the Commission will generally take account of three factors in analyzing proposed mergers: (a) the effect on competition; (b) the effect on rates; and (c) the effect on regulation.

For the reasons discussed below, we find that Applicants' proposed merger, as conditioned below, is consistent with the public interest. Accordingly, we will approve the merger without further investigation.

#### C. Effect on Competition

##### 1. Applicants' Analysis

Applicants evaluate the horizontal and vertical competitive implications of the Proposed Merger. In regard to horizontal effects, Applicants identify non-firm energy and short-term capacity as the relevant product and use, among

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n14 64 Fed. Reg. 49,936 (1999).

n15 See Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act: Policy Statement, Order No. 592, 61 Fed. Reg. 68,595 (1996), FERC P 31,044 at 30,117-18 (1996), order on reconsideration, Order No. 592-A, 62 Fed. Reg. 33,341 (1997), 79 FERC P61,321 (1997) (Merger Policy Statement).

other measures, economic capacity as a proxy for a suppliers' ability to participate in the relevant product market. In their analysis of economic capacity, Applicants identify and define seven relevant geographic ("destination") markets using the approach described by Appendix A of the Merger Policy Statement. n16 Applicants' results show that pre- to post-merger increases in concentration in several highly concentrated relevant markets are negligible (e.g., 1,836 to 5,352 HHI with increases of 6 HHI or less). The results are higher in the moderately concentrated post-merger Illinois Power market (1,154 to 1,558 HHI with increases less than 45) and the highly concentrated LG&E markets (2,108 to 2,503 HHI with increases less than 23). n17 However, in no relevant market do pre- to post-merger increases in concentration exceed acceptable thresholds. Applicants conclude from their analysis that the Proposed Merger raises no market power concerns related to the horizontal aspects of consolidating generation.

Applicants maintain that there are no vertical competitive concerns as to whether the merged company could use gas transportation facilities they own and/or control to raise their generation rivals' costs or to create entry barriers. Applicants explain that Dynegy holds some firm transportation rights on pipelines into the Midwest and its subsidiary Kansas Gas Supply serves, on an interruptible basis, two of Western Resources' generation plants (totaling 821 MW). n18 According to Applicants, these two plants are geographically remote (i.e., two wheels away) from the Illinois Power market and the full needs of the plants are met from an interstate pipeline connected to Western Resources. Therefore, Applicants state that "Western Resources generation is not competitively significant in the areas where Illinois Power generation is competitively significant." n19 Moreover, Applicants state that the upstream delivered gas market is "workably competitive" because there are a large number of interstate long-haul pipelines serving the Midwest markets and that potential entrants can locate new power plants that could be served by any of the region's pipelines. n20

Stating that they have de minimis generation capacity in the downstream electricity market, the Applicants perform an abbreviated downstream market analysis to evaluate the vertical aspects of the Proposed Merger. Based on this limited analysis, Applicants conclude that the Proposed Merger raises no competitive concerns resulting from the vertical aspects of the consolidation.

## 2. Discussion

We find that the Proposed Merger poses no competitive concerns arising from the horizontal or vertical aspects of the consolidation. No intervenor protests or argues otherwise. We note that, as indicated by Applicants' analysis, the

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n16 The seven markets are American Electric Power, CINergy, Commonwealth Edison, Duke Power, Illinois Power, Louisville Gas & Electric and the Tennessee Valley Authority.

n17 Applicants evaluate pre- to post-merger increases in market concentration under a number of different time periods and market prices. The time periods are summer peak, off-peak and super peak; winter peak and off-peak; and shoulder peak and off-peak. Market prices (taken from Power Markets Week) range from \$28 in summer off-peak to \$60 in summer super-peak.

n18 Illinois Power delivers gas to competing generation totaling one MW in its own service territory. Application, Attachment 3 at 24.

n19 Application, Attachment 3 at 28.

n20 Application, Attachment 3 at 27.

combination of Illinova's and Dynegy's ownership and/or control of generation does not increase concentration in the reasonably defined relevant markets so as to raise significant horizontal competitive concerns.

In regard to vertical competitive issues, for a merger to adversely affect competition in downstream electricity markets, the merged firm must have the incentive and ability to affect prices or output in upstream delivered gas and downstream electricity markets (e.g., by raising rivals' costs) and those markets must be conducive to the exercise of market power. n21 We note that in this particular case, the data contained in the application indicates two considerations that ameliorate any competitive concern. First, there is insufficient "overlap" between relevant upstream delivered gas and downstream electricity markets (i.e., in which gas transportation facilities owned or controlled by the merged company serve competing generators) to raise significant competitive concerns. Second, the Proposed Merger does not enhance the merged company's incentive (i.e., it would not be profitable) to raise its rivals' costs because it has a relatively small share of the relevant downstream electricity markets. Given the particular facts and circumstances presented here, therefore, the Commission believes that the Proposed Merger raises no significant vertical competitive concerns.

#### D. Effect of the Merger on Rates

The Merger Policy Statement explains our concern that there be adequate ratepayer protection from adverse rate effects as a result of a merger. It describes various commitments that may be acceptable means of protecting ratepayers, such as hold harmless provisions, open seasons for wholesale customers, rate freezes, and rate reductions. n22

According to the application, the Proposed Merger will have no adverse effect on rates. With respect to wholesale generation rates, Applicants state that all wholesale sales service provided by Dynegy's public utility subsidiaries and all wholesale sales service provided by Illinova's public utility subsidiaries (other than those specifically addressed below) consist of sales at negotiated rates made pursuant to Commission-approved market-based rate tariffs. Applicants also state that any rates for wholesale sales made through affiliates that own qualifying facilities will not be adversely affected by the Proposed Merger because Applicants have no ability to amend the rate terms of the governing contracts.

Furthermore, Applicants assert that there will be no adverse impacts from the Proposed Merger on Illinois Power's wholesale customers. In support, Applicants indicate that Illinois Power currently does not provide traditional requirements service to any wholesale customer and it has no active wholesale rate schedules that contain wholesale fuel adjustment clauses. Applicants also indicate that Illinois Power provides non-market-based wholesale sales services to only two wholesale customers, n23 both of which Applicants commit that Illinois Power will hold harmless by agreeing not to pass merger-related costs through the respective agreements. n24

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n21 San Diego Gas & Electric Company and Enova Energy, Inc., 79 FERC P61,372 at p. 62,561 (1997), reh'g denied, 83 FERC P61,199 (1998).

n22 Merger Policy Statement, FERC Statutes and Regulations at pp. 30,123-24.

n23 That service is provided to (1) Illinois Municipal Electric Agency (IMEC) under a pre-Order No. 888 Coordination and Interchange Contract between Illinois Power and IMEC (Illinois Power Rate Schedule FERC No.

Finally, with respect to wholesale transmission rates, Applicants note that Dynegy does not own any transmission facilities other than those incident to its generation facilities and thus does not provide wholesale transmission service. Applicants also note that Illinois Power's transmission rates will be subject to review by the Commission since Illinois Power is a participant in the Midwest Independent Transmission System Operator (Midwest ISO) and since the Commission has, among other things, accepted the Midwest ISO's system-wide transmission tariff for filing and set certain features of that tariff for hearing. n25 In any event, Applicants 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. n26

Intervenors raise no rate or ratepayer protection issues.

Upon consideration of the above, we conclude that the Proposed Merger will not adversely affect rates.

#### E. Effect on Regulation

As explained in the Merger Policy Statement, the Commission's primary concern with the effect on regulation of a proposed merger involves possible changes in the Commission's jurisdiction when a registered holding company is formed, thus invoking the jurisdiction of the Securities and Exchange Commission (SEC). We are also concerned with the effect on state regulation where a state does not have authority to act on a merger and the state raises concerns about the effect of the merger on regulation. n27

According to the application, the Proposed Merger will have no adverse effect on regulation. With respect to Federal regulation, Applicants contend that upon consummation of the Proposed Merger, Illinois Power will continue to be subject to Commission jurisdiction under the FPA and that the Proposed Merger will not result in the creation of a registered holding company. n28 With respect to state regulation, Applicants observe that upon consummation of the Proposed Merger, Illinois Power will continue to be subject to the jurisdiction of the Illinois Commission 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.

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122) and (2) Ameren Corporation under a Boundary Line Agreement between Illinois Power and Union Electric Company (Illinois Power Rate Schedule FERC No. 88).

n24 Application at 33-34.

n25 Midwest Independent Transmission System Operator, Inc., 84 FERC P61,231 (1998).

n26 Application at 37.

n27 Merger Policy Statement, FERC Stats. & Regulations. at pp. 30,124-25.

No intervenor raises any concerns regarding Federal or state regulation.

Upon consideration of the above, we conclude that the Proposed Merger will not adversely affect regulation.

F. Accounting Issues

Applicants state that the Proposed Merger will take place at the holding company level, with no effect on account balances and financial statements of the jurisdictional utility, Illinois Power. For this reason, Applicants request a waiver of the requirement to file their accounting for the merger. Based on Applicants' assertion that Illinois Power's account balances and financial statements will not be affected by the merger and the understanding that Illinois Power will continue to maintain its accounts in accordance with the Commission's Uniform System of Accounts, we will grant the waiver of the requirement to file accounting related to the merger.

The Commission orders:

(A) Applicants' proposed merger is hereby approved subject to the commitments discussed in the body of this order.

(B) The request for waiver of the requirement to file accounting related to the merger is hereby granted.

(C) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, services, accounts, valuation, estimates or determinations of cost, or any other matter whatsoever now pending or which may come before the Commission.

(D) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted.

(E) The Commission retains authority under section 203(b) of the FPA to issue supplemental orders as appropriate.

(F) Applicants shall notify the Commission that the merger has occurred within 10 days of the date the merger is consummated.

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n28 In support of the latter contention, Applicants state that 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. Applicants also state that at a point in time subsequent to the Proposed Merger, Illinova's corporate existence will be extinguished and Illinois Power will become a direct, wholly-owned subsidiary of Newco.

STATE OF ILLINOIS  
ILLINOIS COMMERCE COMMISSION

ILLINOIS POWER COMPANY :  
: :  
APPLICATION PURSUANT TO SECTIONS 7-204 AND 7-101 : 99-0419  
OF THE PUBLIC UTILITIES ACT FOR APPROVAL OF A :  
REORGANIZATION OF THE GAS UTILITY :

ORDER

By the Commission:

I. PROCEDURAL HISTORY

On August 13, 1999, Illinois Power Company ("IP" or "Company") filed an application with the Illinois Commerce Commission ("Commission"), pursuant to Section 7-204 of the Public Utilities Act ("Act") (220 ILCS 5/7-204), seeking an expedited order approving a reorganization with respect to IP's gas utility business, and 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 IP and its affiliated interests, and for other related relief. The reorganization results from a transaction by which Dynegy, Inc. ("Dynegy") will acquire control of Illinova Corporation ("Illinova"), the parent of IP. IP is a combination gas and electric utility providing retail gas and electric service to customers in Illinois.

Local Union No. 51, International Brotherhood of Electrical Workers, AFL-CIO ("Local No. 51, IBEW") filed a petition to intervene. That petition was granted by the Hearing Examiner. Local Union No. 51, IBEW, however, did not participate in this proceeding. No other petitions to intervene were received.

Pursuant to proper legal notice, status hearings were held in this matter on September 3 and 30, 1999, and an evidentiary hearing was held on October 18, 1999, at the Commission's offices in Springfield, Illinois. Appearances were entered by counsel on behalf of IP and Commission Staff. At the hearing on October 18, 1999, IP submitted the testimony of Larry F. Altenbaumer, IP's Senior Vice President and Chief Financial Officer; John U. Clarke, Dynegy's Senior Vice President and Chief Financial Officer; Robert A. Schultz, IP's Vice President - Finance; and Cynthia G. Steward, IP's Controller. Mr. Thomas Q. Smith, an Accounting Supervisor in the Accounting Department of the Financial Analysis Division of the Commission, submitted testimony on behalf of Staff. At the conclusion of the hearing on October 18, 1999, the record was marked "Heard and Taken." IP and Staff waived the filing of initial and reply briefs and the service of a Hearing Examiner's proposed order.

## II. DESCRIPTION OF THE PROPOSED REORGANIZATION

IP's Petition states that on June 14, 1999, Illinova entered into a Plan of Merger with Energy Convergence Holding Company, Energy Convergence Acquisition Company, Dynegy Acquisition Company, and Dynegy Inc. The proposed merger 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. Concurrent with this transaction, Dynegy Acquisition Company, a Delaware corporation, all of whose common stock is owned by Energy Convergence Holding Company, will be merged with and into Dynegy Inc., a Delaware corporation, with the result that all of the common stock of Dynegy Inc. will be owned by Energy Convergence Holding Company. As a result of these mergers, Illinova and Dynegy will continue to exist, but rather than being independent, publicly traded companies will instead be subsidiaries of Energy Convergence Holding Company. Further, Energy Convergence Holding Company will be renamed Dynegy Inc., and the current Dynegy will be renamed. Following this reorganization, a second reorganization is contemplated in which Illinova is merged into Energy Convergence Holding Company. After the second reorganization, Illinova will cease to exist, and the new Dynegy will become the owner of all of the common stock of IP. It is not certain at this time when that second reorganization will occur. These transactions are referred to throughout this Order as the "Reorganization" or the "Merger." The Merger is expected to close no earlier than December 31, 1999, and no later than the end of the first quarter 2000.

Dynegy's Senior Vice President and Chief Financial Officer, Mr. Clarke, testified that although Illinova and Dynegy view this transaction as a merger of equals, the Merger will be accounted for as a purchase of Illinova by Dynegy. The board of directors of the new holding company will be comprised equally of seven members from Illinova's current board and seven members from Dynegy's current board. Chuck Watson, Dynegy's current Chief Executive Officer, will be the Chairman of the Board and Charles Bayless, Illinova's current Chairman, President, and Chief Executive Officer, will be a non-executive member of the Board. Mr. Altenbaumer will serve as President of IP and will be directly involved in the strategic management of IP after the Merger.

Mr. Altenbaumer explained that the new company will consist of eight functional operation divisions, including Marketing, Trading, Generation Operations, Midstream Services, Dynegy Energy Services, Commercial Power, IP, and U.K./Europe. He explained the reasons for the proposed Merger. He stated that the proposed Merger is the next step in the evolution of Illinova into a multi-regional, diversified energy services company. The Board of Directors and Senior Management of Illinova and IP concluded that the Illinova family of companies needed to enlarge its financial and skill base in order to remain a viable competitor in the energy markets. He stated that

Dynegy has a strong management team that will provide IP knowledge and expertise it does not now have. In addition, the increased size provided by the Merger brings financial strength and scale to Illinova and IP. He testified that the Merger will provide Illinova access to the extensive experience of Dynegy in the energy markets in the United States and around the world, and thus will bring added national and international connections to the Illinois economy in the U.S. and global markets. IP believes that the combination of these two companies will create a balanced and strong company that will enhance IP's ability to provide service to both large and small natural gas customers. Mr. Altenbaumer concluded that the Merger will maximize the value of both Illinova's and Dynegy's assets and strengths while at the same time maintaining and enhancing IP's ability to meet its regulated service obligations.

Mr. Clarke described the reasons for the proposed Merger from Dynegy's perspective. A primary reason for Dynegy entering into the Merger was its desire to obtain a presence in the Midwest power market. Illinova has strategically positioned generating facilities as well as a developing national energy services business. In addition, both companies are leading independent power developers and producers. IP's retail distribution expertise, coupled with Dynegy's natural gas marketing expertise, provides a broad spectrum of value opportunities. He testified that the combined company will be a national leader in the rapidly changing energy industry and will be well positioned to capitalize on opportunities created by energy convergence. Mr. Clarke stated that the combination of Illinova and Dynegy will result in a highly diversified but strategically focused energy company. The combined company will have the scale, scope, and skills to compete effectively in the emerging national energy marketplace and will benefit from advantages not available to either of the Merger partners on a stand-alone basis. He stated that both of the merging companies believe the Merger will result in greater value to their customers and shareholders while creating the size and scale necessary to be successful in a restructured energy market.

### III. DESCRIPTION OF DYNEGY

Mr. Altenbaumer testified that Dynegy is a major North American marketer of natural gas, natural gas liquids, crude oil, coal, electricity, liquid petroleum gas, and related services. It also engages in natural gas gathering, processing and transportation, and electric power generation. Its corporate headquarters is located in Houston, Texas. In 1998, Dynegy was ranked fourth nationally for wholesale power marketing and trading, based on volume. It was ranked fifth for gas marketing during the same period. Mr. Altenbaumer stated that Dynegy does not own any incumbent local gas distribution facilities. However, Dynegy or its affiliates sells natural gas in the unregulated retail markets throughout the country, including in Illinois. With regard to Illinois, Dynegy Marketing and Trade and NICOR Energy L.L.C., in which Dynegy owns a 50% interest, both sell gas at retail in Illinois to end use customers. Sales to end use customers in IP's retail gas service territory by these companies account for less than 2% of the throughput on IP's system.

Mr. Clarke described Dynegy's Marketing and Trade business unit. Dynegy owns a direct 100-percent interest in Dynegy Marketing and Trade, Electric Clearinghouse, Inc. ("ECI") and Dynegy Power Services, Inc. ("Dynegy Power"). Dynegy Marketing is engaged in the marketing and trading of natural gas, coal, natural gas liquids, crude oil, and liquid petroleum gas. As part of its operations, Dynegy Marketing controls the domestic marketing of natural gas for certain subsidiaries of Chevron Corporation. ECI is engaged in the marketing of electric energy and power and other energy commodities at wholesale and retail throughout North America. Dynegy Power is engaged in the brokering and marketing of electric energy, natural gas, and other energy commodities at wholesale and retail throughout North America. In addition to its ownership interests in the energy marketers described above, Dynegy, through intermediate subsidiaries, indirectly owns interests in several generating facilities located throughout North America.

Mr. Clarke also described Dynegy's natural gas liquids business. Operating primarily through Dynegy Mid-Stream Services, L.P., a wholly-owned subsidiary, Dynegy engages in the gathering and processing of natural gas and the transportation, fractionalization, and storage of natural gas liquids. Mr. Clarke testified that Dynegy also markets natural gas, natural gas liquids, and crude oil through its affiliated marketers, including Dynegy Marketing and Trade. Dynegy also has ownership interests in and operates natural gas processing facilities located in the states of Oklahoma, Utah, Texas, Louisiana, New Mexico, and Arkansas. Dynegy also owns and operates two natural gas processing facilities located in Alberta, Canada. These facilities are used to refine raw natural gas into marketable pipeline quality natural gas by extracting various natural gas liquids, and consist of both field plants, which aggregate volumes from multiple producing wells, and straddle plants, which are situated on mainline natural gas pipelines. Dynegy also owns and operates various gathering systems and interstate and intrastate pipelines that transport natural gas, crude oil, and liquids. Through subsidiaries, Dynegy owns interests in three natural gas fractionalization facilities located in the states of Texas and Louisiana. These facilities are used to separate the commingled stream of liquid hydrocarbons removed from the natural gas stream at natural gas processing plants into marketable component products. Incident to its natural gas liquids transportation operations, Dynegy also has ownership interests in and operates product storage and terminal facilities located in the states of Louisiana, Texas, Mississippi, Kentucky, and Florida.

Mr. Clarke testified that Dynegy's issued and outstanding common stock is principally owned by three entities: British Gas plc ("BG"), Chevron Corporation ("Chevron") and NOVA Chemicals Corp. ("NOVA"), which each own approximately 26% of the issued and outstanding common stock of Dynegy. Ten percent of the common stock of Dynegy is held by senior management, and the remaining shares are publicly traded. After the Merger, it is expected that the issued and outstanding common stock of the new Dynegy will be owned as follows: 28% by Chevron, 5% by Dynegy senior management and 60% by the public (which includes current Illinova shareholders). BG

and NOVA will each retain less than a 5% interest in the Dynegy in the form of Series A Convertible Preferred Stock.

#### IV. APPLICABLE LAW

The action of the Commission in this proceeding is governed by Section 7-204 of the Act relating to the approval of reorganizations. Under Section 7-204, the term "reorganization" is defined as "any transaction which, regardless of the means by which it is accomplished, results in a change in the ownership of a majority of the voting capital stock of an Illinois public utility; or the ownership or control of any entity which owns or controls a majority of the voting capital stock of a public utility . . . ." This section further provides that the "Commission shall not approve any proposed reorganization if the Commission finds, after notice and hearing, that the reorganization will adversely affect the utility's ability to perform its duties under this Act."

In reviewing the proposed reorganization, the Commission is required by Section 7-204 to find that:

- (1) the proposed reorganization will not diminish the utility's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service;
- (2) the proposed reorganization will not result in the unjustified subsidization of non-utility activities by the utility or its customers;
- (3) costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities which are properly included by the utility for ratemaking purposes;
- (4) the proposed reorganization will not significantly impair the utility's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure;
- (5) the utility will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities;
- (6) the proposed reorganization is not likely to have a significant adverse effect on competition in those markets over which the Commission has jurisdiction; and
- (7) the proposed reorganization is not likely to result in any adverse rate impacts on retail customers.

Section 7-204(c) provides that the Commission shall not approve a reorganization without ruling on:

- (i) the allocation of any savings resulting from the proposed reorganization; and
- (ii) whether the companies should be allowed to recover any costs incurred in accomplishing the proposed reorganization and, if so, the amount of costs eligible for recovery and how the costs will be allocated.

Section 7-204(f) provides that "in approving any proposed reorganization pursuant to this Section the Commission may impose such terms, conditions or requirements as, in its judgment, are necessary to protect the interests of the public utility and its customers."

Mr. Smith, Case Manager for Staff, testified that Staff had no objection to the proposed reorganization since IP satisfied the requirements of Section 7-204 and, therefore, Staff does not oppose the granting of the application.

#### V. REQUEST FOR EXPEDITED TREATMENT

In its application initiating this docket, IP requested that the Commission expedite its consideration of the proposed Reorganization and issue an order in this docket by December 31, 1999. In support of its request, IP pointed out that the proposed Merger is substantially similar to two reorganizations recently considered and approved by the Commission, Central Illinois Light Company with AES Corporation (Docket 98-0882) and MidAmerican Energy Company with CalEnergy Company (Docket 98-0853), each of which involved the merger of a traditional utility company with an independent power producer/power marketer. Each was approved on a procedural schedule substantially shorter than that allowed under Section 7-204. Thus, IP sought Commission review and approval of its application on the same expedited basis as the Commission's proceedings with regard to the MidAmerican and CILCO transactions, such that an order would be issued no later than the end of 1999.

In supplemental testimony filed by Mr. Altenbaumer, the Commission was informed that the Securities and Exchange Commission ("SEC") elected to forego review of Illinova's preliminary S-4 registration/proxy statement. Subject to minor amendments, this is the document that will be mailed to shareholders to announce the special shareholders' meeting and to solicit their votes for approval of the Merger. This decision by the SEC allowed IP to move up the date of the shareholder meeting for approval of the Merger to October 11, 1999. The waiting period for the Hart-Scott-Rodino Antitrust Improvements Act filing was also ended early, on August 24, 1999, meaning the Company is free to proceed with the merger under that law. Federal Energy Regulatory Commission ("FERC") approvals are expected in November 1999.

Mr. Altenbaumer also described related approvals that are necessary in order for the Merger to take place. In particular, closing of the sale of the Clinton Power Station ("Clinton") is a condition of the Merger. Therefore, all regulatory approvals required for the Clinton sale are required prior to completion of the Merger. Approval of the Clinton

sale is expected by early October 1999 from the Federal Trade Commission and the U.S. Department of Justice under the Hart-Scott-Rodino Anti-trust Improvement Act. FERC approval is expected the first week of November 1999. An Internal Revenue Service ruling regarding tax issues surrounding the sale of Clinton is expected the second week of November 1999. The Nuclear Regulatory Commission is expected to approve the Clinton sale the last week in November. The Commission approved IP's 16-111(g) filing concerning the sale of Clinton on October 26, 1999.

It was Mr. Altenbaumer's expectation that all regulatory approvals, other than the approval of the Commission herein, would be obtained by the end of November. Illinova's and Dynegy's shareholders were scheduled to meet to approve the Merger at shareholder meetings on October 11, 1999. Consequently, given the quick pace at which it has been able to obtain regulatory clearances and approvals, IP now expects the Merger to close by December 31, 1999. Closing on this date is also convenient from an accounting perspective, since it is the actual year end.

#### VI. SECTION 7-204 CRITERIA

- A. IP's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service.

Mr. Altenbaumer stated that the Merger will enhance IP's ability to serve its customers by enabling IP to address customers' total energy needs. In addition, the Merger will make IP a more experienced, innovative, and competitive company. This should result in the provision of more diverse and reliable services. IP's current efforts to support economic development in Illinois will continue after the merger.

Mr. Altenbaumer testified that the Merger will not have an adverse impact upon IP's ability to provide adequate, reliable, efficient, safe, and least-cost gas utility service in Illinois. IP will remain as a separate corporation, and there will be no change in IP's assets or gas operations as a result of the Merger. Any work force reductions are not expected to affect gas utility operating personnel. The Merger will not adversely affect IP's ability to perform its duties related to its regulated gas operations under the Act. Therefore, in accordance with Section 7-204(b)(1) of the Act, the Merger will not have an adverse impact upon IP's ability to provide adequate, reliable, efficient, safe, and least-cost gas utility service in Illinois. In fact, if anything, the Merger will enhance IP's ability to provide adequate, reliable, efficient, safe, and least-cost gas utility service in Illinois, by providing a stronger financial base and access to a broader base of skills and experience in the energy markets.

Mr. Clarke confirmed that there will be no change in the manner in which IP provides retail gas service in Illinois after the Merger. IP's assets, gas operations, and capital structure will remain the same after the Merger. The Company's corporate headquarters will remain in Decatur after the Merger as well. IP will continue to contribute to the community after the Merger in the manner and to the extent that it does today. If there is any impact of the Merger on IP, it will be an increase in the

quality and type of services IP provides to its retail natural gas customers as a result of the stronger financial base and increased base of skills and experience available to IP.

Staff witness Smith concluded that the proposed Merger will not adversely affect IP's ability to provide adequate, reliable, efficient, safe, and least-cost public utility service.

**B. UNJUSTIFIED SUBSIDIZATION OF NON-UTILITY ACTIVITIES BY IP OR ITS CUSTOMERS.**

Both Mr. Altenbaumer and Ms. Steward, IP's Controller, testified that the proposed Merger would not result in the unjustified subsidization of non-utility activities by IP's gas utility or its retail gas customers. The only direct effect of the Merger on IP will be a change in the ownership of the common stock of IP's parent corporation (Illinova) and, ultimately, a change in the ownership of IP's common stock.

IP has in place policies and procedures that comply with regulatory requirements related to non-utility activities of IP and to transactions between IP and its affiliated interests. Those policies and procedures will continue to be followed by the merged companies after the Merger, unless different procedures are approved by the Commission in Docket 99-0114, the proceeding in which a proposed new Services and Facilities Agreement among IP and its affiliates is being considered by the Commission. These existing policies and procedures, which have been established or approved by the Commission, are intended to prevent, among other things, unjustified subsidization of non-utility or affiliated interest activities by IP's gas utility operations or its retail gas customers. Thus, the proposed merger will not result in the unjustified subsidization of non-utility or affiliated interest activities by IP's gas utility operations or IP's retail gas customers, consistent with the requirement of Section 7-204(b)(2).

Mr. Altenbaumer also explained that IP's accounting policies or procedures will not change as a result of the Merger. IP will continue to utilize its existing accounting policies and procedures related to its regulated gas utility operations after the Merger, and will continue to use the FERC and ICC Uniform Systems of Accounts.

Staff witness Smith concluded that the proposed Merger will not result in the unjustified subsidization of non-utility activities by IP's gas utility or its retail gas customers.

**C. FAIR AND REASONABLE ALLOCATION OF COSTS AND FACILITIES BETWEEN IP'S ILLINOIS GAS UTILITY OPERATIONS AND NON-UTILITY ACTIVITIES.**

Ms. Steward testified that there will be no change in the method of charging employee time or any other expense to gas utility operations, electric utility operations, non-utility activities, or affiliates as a result of the Merger. IP employees are required to charge their time to the corporate business entity or activity receiving the benefit of their services. Monthly reports are produced showing the time and related costs which have been charged to affiliates, and invoices are generated based on these reports.

There will be no change in these procedures after the Merger except to the extent allowed by the Commission in its forthcoming order in Docket 99-0114.

Ms. Steward described the process through which corporate personnel and expenses are allocated between the gas and electric utility businesses. As described in IP's 1998 ILCC Form 21, expenses are allocated, when possible, directly to the utility that caused the expense to be incurred. Common costs (expenses attributable to both the electric and gas utilities) are allocated based on certain ratios, such as number of customers, revenues, or revenues plus expenses. This allocation process will not change after the Merger.

Ms. Steward testified that costs and facilities will be fairly and reasonably allocated between regulated gas utility operations and non-utility activities in such a manner that the Commission may identify those costs and facilities which are properly included for gas utility ratemaking purposes. IP has in place existing policies and procedures which comply with Commission requirements related to non-gas utility activities and to affiliate transactions. These policies and procedures assure that costs and facilities are fairly allocated. They will be adopted by the merged company. Thus, the requirements of Section 7-204(b)(3) of the Act will be met.

In addition, Ms. Steward explained that IP is currently in compliance with the Commission's rules for "Accounting for Non-Public Utility Business of Gas Utilities" (Part 506). IP performed an internal audit which determined that IP is operating in compliance with Part 506. IP submitted a report to the Commission on December 1, 1998 reporting the results of that audit, a copy of which was submitted in this Docket as IP Exhibit 4.1. Ms. Steward further stated that the merged companies will continue to comply with applicable Commission rules regarding affiliate transactions and relationships.

Staff witness Smith concluded that a fair and reasonable allocation of costs and facilities will occur after the Merger between IP's Illinois gas utility operations and non-utility activities.

D. IMPAIRMENT OF THE ABILITY OF IP'S GAS UTILITY OPERATIONS TO RAISE NECESSARY CAPITAL ON REASONABLE TERMS OR TO MAINTAIN A REASONABLE CAPITAL STRUCTURE.

Mr. Altenbaumer testified that the Merger will have a positive effect on the long term financial strength of IP as a result of being a part of a larger global entity and as a result of access to the additional skills and experience that will be provided by the merger. This will better position IP to compete in the energy markets. Mr. Schultz, IP's Vice President - Finance, provided additional information concerning the financial impacts of the Merger. He stated that the proposed Merger will not impair IP's ability to raise capital on reasonable terms, and will not impair IP's ability to maintain a reasonable capital structure. Those conclusions are based upon two facts, (1) IP's balance sheet and capitalization will not be changed by the proposed Merger, and (2) IP's financial ratios will not be changed as a result of the proposed Merger.

Mr. Schultz explained that IP will raise capital after the Merger in the same way it does today: through the issuance of short-term debt or bank lines of credit, and, with the Commission's approval, through the issuance of long-term debt. IP also raises capital through the issuance of preferred stock and will have the same ability to borrow and to issue preferred stock after the proposed Merger is complete. The overall financial strength of the utility is the primary factor, and is related to the utility's current and expected capital structure, interest and preferred dividend coverages, and business risk. The financial strength is normally reflected through ratings by agencies such as Moody's, Standard & Poor's, Duff & Phelps, and Fitch IBCA. IP's commercial paper is rated P-2 by Moody's, A-2 by Standard & Poor's, D-2 by Duff & Phelps, and F-2 by Fitch IBCA. The Company's mortgage bonds are currently rated Baa1 by Moody's, BBB by Standard & Poor's, BBB by Duff & Phelps, and BBB+ by Fitch IBCA. The ratings for IP's preferred stock are Baa2 by Moody's, BB+ by Standard & Poor's, BBB- by Duff & Phelps, and BBB by Fitch IBCA. All these ratings, with the exception of IP's preferred stock rating by Standard & Poor's, are within the "investment grade" category that permits utilities to realize the most favorable terms and widest investment audience when issuing securities. Mr. Schultz testified that it is expected that the ratings will remain at investment grade levels after the Merger is completed.

Mr. Schultz noted that IP received positive feedback from the rating agencies after the announcement of the Merger. Duff & Phelps placed the Company's ratings on Rating Watch - Up following the announcement of the Merger. Standard & Poor's placed IP on CreditWatch with positive implications. Moody's confirmed its credit ratings of IP. A press release from Fitch IBCA states that it expects the Merger to have little effect on the credit ratings of IP. This information establishes that IP's credit ratings will likely remain the same or improve after the Merger.

Mr. Schultz explained that IP obtains common equity through retained earnings. If greater common equity capital is required, IP can reduce the amount of dividends paid to its parent company. If common equity capital is required by IP in excess of the earnings on common equity, the parent corporation would have to invest additional capital, either out of cash flow, retained earnings, borrowings, or the issuance of common equity or preferred stock by the parent. IP has not required an investment of common equity capital beyond its own earnings since it became a subsidiary of Illinova, and does not anticipate the need for the investment of common equity capital for its retail natural gas operations within the foreseeable future. However, if investments of common equity were required in the future, the larger financial base of the combined companies would likely make it easier to obtain any needed capital.

Given these facts, Mr. Schultz concluded that the Merger may enhance IP's ability to finance on reasonable terms.

Staff witness Smith concluded that the proposed Merger will not impair IP's ability to raise capital on reasonable terms, and will not impair its ability to maintain a reasonable capital structure.

E. CONTINUED APPLICATION OF ALL APPLICABLE LAWS, REGULATIONS, RULES, DECISIONS, AND POLICIES GOVERNING THE REGULATION OF ILLINOIS PUBLIC UTILITIES TO IP'S GAS UTILITY OPERATIONS.

Messrs. Altenbaumer and Clarke both testified that the proposed Merger will not in any manner change IP's status as a gas public utility subject to the jurisdiction of the Commission. IP'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. Thus, Messrs. Altenbaumer and Clarke concluded that the Merger will cause no change affecting the regulation of IP as a public utility.

Staff witness Smith concluded that the proposed Merger will not result in a change in the regulation of IP, and that all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities will continue to apply to IP's gas utility operations after the Merger.

F. IMPACT OF PROPOSED REORGANIZATION ON COMPETITION IN THE NATURAL GAS UTILITY MARKET OVER WHICH THE COMMISSION HAS JURISDICTION.

Mr. Altenbaumer addressed the impact of the Merger on competition in the natural gas utility market over which the Commission has jurisdiction. He explained that while Dynegy or its affiliates provide unregulated gas sales service in IP's gas service territory, they serve an immaterial share of the market. Moreover, Dynegy and its affiliates will continue to offer such service after the proposed Merger. IP is required to provide non-discriminatory gas distribution services to all its retail customers and will not provide preferential treatment to Dynegy or to Dynegy's retail gas customers in the provision of retail gas distribution services. Dynegy does not own any gas transmission and distribution facilities and does not offer any gas distribution and transmission service in Illinois. IP does not provide retail gas service in Illinois outside of its regulated service territory. With regard to the Company's Best Efforts Gas Service, which is a competitive gas service offering provided to Service Classification 76 customers, IP intends to continue to offer this service after the Merger. Therefore, Mr. Altenbaumer concluded that, in accordance with Section 7-204(b)(6) of the Act, the proposed Merger is not likely to have an adverse effect on competition in those retail gas markets over which the Commission has jurisdiction.

Staff witness Smith concluded that the proposed Merger is not likely to have an adverse effect on competition in those retail gas markets over which the Commission has jurisdiction.

G. RATE IMPACT OF PROPOSED REORGANIZATIONS ON RETAIL CUSTOMERS.

Mr. Altenbaumer explained that the Merger is expected to result in cost reductions, a portion of which would be allocable to IP's gas utility operations, as well as operating efficiencies. These cost reductions and operating efficiencies would serve to delay, and ultimately reduce the level of, any future requests for gas rate increases.

IP will not seek treatment for these Merger-related cost savings that is different than the treatment of any other reduction in the cost of providing gas service. Thus, the Commission will be able to allocate these savings to IP's gas customers in any future rate case. Finally, IP's customers' gas costs will not be adversely affected by the reorganizations. Indeed, the Commission will have the opportunity to ensure that this is the case in its annual Gas Cost Adjustment proceedings. In fact, if anything, the Merger is likely to enhance IP's ability to purchase low cost gas supplies for system supply purposes. Therefore, Mr. Altenbaumer concluded that, in accordance with Section 7-204(b)(7) of the Act, the proposed Merger is not likely to result in any adverse rate impacts on IP's retail gas customers.

Ms. Steward testified that there is no expectation of higher gas rates caused by this Merger. In fact, the cost savings and operating efficiencies anticipated to result from the Merger would serve to delay, and ultimately reduce the level of, any request for a gas rate increase. She explained further that IP is currently earning less than its allowed gas rate of return. Even assuming an optimistic level of cost savings resulting from the Merger and a generous allocation of those savings to the gas utility, IP would continue to earn less than its allowed rate of return on gas operations after the Merger. IP is not currently planning to seek an increase in natural gas rates, although IP will continue to monitor its rate of return on gas operations. She concluded that, if anything, the proposed Merger will serve to delay any future request for a rate increase.

Staff witness Smith concluded that the proposed Merger is not likely to result in any adverse rate impacts on the Company's retail gas customers.

#### H. ALLOCATION OF SAVINGS AND COSTS ASSOCIATED WITH THE PROPOSED REORGANIZATIONS.

Section 7-204(c) of the Act requires the Commission to rule on the allocation of any savings resulting from the proposed Merger. This Section also requires the Commission to rule whether the reorganizing companies should be allowed to recover costs incurred in accomplishing the proposed Merger, and if so, the amount of costs eligible for recovery and how the costs will be allocated.

Mr. Altenbaumer testified that Dynegy and Illinova project annual Merger synergies of \$125 to \$165 million. Two-thirds of these synergies are expected to come from revenue enhancements through increased utilization of non-regulated electric generation, marketing, and trading based on the combined assets, and risk management and arbitrage opportunities. One-third is expected to come from cost efficiencies including elimination of duplicate activities, greater operating efficiencies, and lower capital costs. Mr. Altenbaumer emphasized that the objective of the Merger is growth, not cost cutting. He testified that an approximate 5% reduction is anticipated in the combined 6,500 person workforces of Dynegy and Illinova, mainly in those administrative functions where there is duplication between the two companies. The areas primarily affected will be corporate support and overhead functions, as opposed to operating personnel. A joint integration team will be identifying these

potentially duplicative functions over several months. IP and Dynegy expect that normal attrition, new employment opportunities at Dynegy and voluntary separation or early retirement will mitigate the impact of this reduction on IP employees.

IP's position in this case is that 100% of the actual gas utility-related Merger savings should be flowed through to its gas customers. IP proposes to do so through inclusion of those savings in its gas cost of service. This proposal will serve to delay the need for a rate increase or reduce any future requested rate increase. Mr. Altenbaumer explained that because IP is currently earning below its authorized rate of return, these savings will likely defer a request for a rate increase. He also pointed out that any synergies related to reduced gas commodity costs would also be flowed directly through in their entirety to IP's gas customers.

Mr. Altenbaumer testified that Illinova and Dynegy have incurred and continue to incur significant transaction costs associated with the proposed Merger, including investment banking fees, financial consulting costs, accountants' charges, printing, postage, proxy solicitation, filing fees, and legal fees. In addition, there will be costs associated with employee separations, system integration, employee relocation, and internal and external communications which will be necessary to achieve the expected savings. During 1999, Illinova expects to incur \$16 million of these costs. These are necessary expenses to accomplish the Merger, an allocated portion of which would be properly recoverable from IP's gas utility customers. Mr. Altenbaumer testified, however, that IP has committed to not seek to recover, in any future gas rate case, the costs incurred in accomplishing the Merger.

Staff witness Smith testified that IP's proposal satisfied the requirements of Section 7-204(c). He agreed that the result of IP's proposal is that 100% of the actual gas-related Merger savings will be passed on to IP's gas customers through inclusion in IP's gas cost of service and that no Merger costs will be passed on to IP's gas customers.

#### VII. SECTION 7-204A

Section 7-204A of the Act sets forth information to be furnished in connection with certain applications for approval of reorganizations under Section 7-204. As detailed in paragraphs 16 through 25 of IP's Petition and the related exhibits, IP provided to the Commission all the information required under Section 7-204A.

#### VIII. REQUEST FOR RELIEF UNDER SECTION 7-101

With respect to transactions with affiliates, IP is seeking in this application approval pursuant to Section 7-101 of the Act of an Interim Services and Facilities Agreement, which 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 originally sought 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.

A. INTERIM SERVICES AND FACILITIES AGREEMENT

With regard to the first request for approval of an Interim Services and Facilities Agreement, Ms. Steward testified that IP and Illinova have a Services and Facilities Agreement in place which was approved by the Commission in Docket 94-0005. An addendum was approved in a supplemental order in Docket 94-0005 in 1995, and that approval was extended to December 31, 2000 by a further supplemental order in 1998. This agreement was originally approved before electric industry restructuring was contemplated, and only allows for the one-way provision of services from IP to Illinova. In this agreement, charges for facilities and services provided by IP to Illinova are at IP's fully loaded cost, which includes direct labor expense, labor overheads, employee benefits participation/processing expenses, other administrative and general overheads and costs, and interest on cash advances.

Ms. Steward further explained that on February 26, 1999, IP filed a petition with the Commission requesting approval of a new Services and Facilities Agreement between and among Illinova, IP, and all other Illinova subsidiaries. Unlike the current agreement, the new agreement is reciprocal since it provides for services and facilities to be provided both by IP and to IP. The new Services and Facilities Agreement generally covers two types of transactions: transactions involving facilities and services, and those involving the sale of assets. Transactions for use of facilities may involve office space or various types of equipment. Services may include, but are not limited to, financial, personnel, purchasing, information technology, administrative, and engineering. Transactions involving sale of assets include Illinova stock, transfers of real property, tangible personal property, or intangible assets. Under the proposed Services and Facilities Agreement, charges for facilities and services would be set at fully distributed cost unless that cost is above market price. If fully distributed cost is above market price, then the charge would be set above incremental cost but at no more than market price. Costs charged on a fully distributed (embedded) cost basis reflect the direct labor, direct materials, direct purchased services and certain labor-related indirect costs associated with the related asset or service. In general, asset sales would be charged at the fair market value of the asset unless laws or regulations require a different price. As with services and facilities, the charge would be set symmetrically. Costs that are specifically attributable to a party would be charged directly to that party. Costs that have joint benefit to two or more parties (but not all) would be allocated according to cost causative or benefit derivation measures.

Ms. Steward explained that in the event that a new Services and Facilities Agreement is not approved prior to consummation of the Merger, IP has sought approval in its Petition for an Interim Services and Facilities Agreement, a copy of which was provided as IP Exhibit 4.2, in order to provide a basis for services and facilities and asset sales to be provided from Dynegy and its subsidiaries to IP and vice versa. This Interim Agreement incorporates all of the terms and conditions of the

proposed agreement pending in Docket 99-0114 and would be effective as to any services and facilities provided by IP to its affiliates, including new affiliates resulting from the Merger, or vice versa. The Interim Agreement will terminate and be superseded by the new agreement approved by the Commission when the new agreement is in fact approved in Docket 99-0114.

Ms. Steward stated that an Interim Services and Facilities Agreement for IP was previously approved in Docket 99-0209 and is applicable to services provided to IP by its new generation affiliate, Illinova Power Marketing, Inc. and the Interim Agreement is also identical to the Services and Facilities Agreement pending in Docket 99-0114. IP agreed to use the Interim Agreement only until the final order is issued in Docket 99-0114, and then to use the Services and Facilities Agreement approved by the Commission in that docket. Thus, IP's request in this case is identical to its request which was granted in Docket 99-0209.

Staff witness Smith filed testimony regarding the Company's request that the Commission authorize use of the terms in the Services and Facilities Agreement proposed in Docket 99-0114 for transactions between IP and its subsidiaries pending approval of an agreement in Docket 99-0114. It is Staff's position that an interim agreement is necessary in order for services to flow both to and from IP. It is further Staff's position that, rather than utilize all the terms of the as-yet-unapproved agreement submitted in Docket 99-0114, the Company should use the pricing terms of the existing Docket 94-0005 agreement until such time as a new agreement is approved in Docket 99-0114. In addition, Staff recommends that IP be directed to provide the names of all affiliated entities who will enter into business transactions with IP. Staff further recommends that during the period between consummation of the Merger and approval of an agreement in Docket 99-0114, the terms of the 94-0005 agreement should be applicable to transactions between IP and Dynegy as if Dynegy were inserted in place of Illinova in that agreement. No additional written agreement need be executed in order for such transactions to take place for this interim period. IP has accepted Staff's position on this issue.

As a result of a change in the procedural schedule in Docket 99-0114, the parties have further agreed that the pricing for services and facilities provided to and from IP pursuant to the interim arrangement approved in this Order will be trued up to comport with the pricing contained in the services and facilities agreement ultimately approved in Docket 99-0114. Specifically, within 45 days after approval of an agreement in Docket 99-0114 IP will make the necessary accounting adjustments to implement the pricing in the approved agreement with the result that all transactions entered into under the interim arrangement will be priced as if the permanent agreement's pricing terms had been in effect at the time the transactions took place. The parties also agreed, and the Commission concludes that the interim arrangement will expire June 30, 2000.

B. SUBSTITUTION OF DYNEGY FOR ILLINOVA IN AGREEMENT APPROVED IN DOCKET 99-0114

With regard to the other request for relief related to the Services and Facilities Agreement, Ms. Steward explained that the Services and Facilities Agreement pending in Docket 99-0114 was drafted and filed with the Commission for approval before the Merger was announced. The Agreement therefore is not between IP and Dynegy, but instead between IP and Illinova. IP requests in this docket that the Commission conclude that the Services and Facilities Agreement ultimately approved in Docket 99-0114 be deemed to be applicable to transactions between Dynegy and IP. In other words, IP is seeking the Commission's approval in this case of the substitution of Dynegy for Illinova in whatever agreement is approved in Docket 99-0114. IP stated that it would provide a revised version of such Agreement at the conclusion of Docket 99-0114.

Staff witness Smith filed testimony opposing this request. It is Staff's position that such a request should be considered by the Commission in Docket 99-0114. Based on Staff's position, IP has agreed to make its request to substitute Dynegy for Illinova in Docket 99-0114 and to withdraw that request in this Docket.

IX. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having considered the entire record, is of the opinion and finds that:

- (1) IP is an Illinois corporation providing natural gas service to customers in the State of Illinois and is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over IP and the subject matter of this proceeding;
- (3) the recitals of fact and conclusions reached in the prefatory portion of this Order are supported by the evidence of record, and are hereby adopted as findings of fact;
- (4) the proposed Reorganization meets the criteria set forth in Section 7-204 of the Act with respect to IP's gas operations, in that:
  - (a) the proposed Reorganization will not diminish IP's ability to provide adequate, reliable, efficient, safe, and least-cost gas public utility service;
  - (b) the proposed Reorganization will not result in the unjustified subsidization of non-utility activities by IP or its customers with respect to IP's gas operations;
  - (c) costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the

Commission may identify those costs and facilities which are properly included by IP for ratemaking purposes for its gas utility operations;

- (d) the proposed Reorganization will not significantly impair IP's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure with respect to its gas utility operations;
  - (e) IP will remain subject to all applicable laws, regulations, rules, decisions, and policies governing the regulation of Illinois public utilities with respect to IP's gas utility operations;
  - (f) the proposed Reorganization is not likely to have a significant adverse effect on competition in the Illinois gas utility markets over which the Commission has jurisdiction; and
  - (g) the proposed Reorganization is not likely to result in any adverse rate impacts on retail gas customers of IP;
- (5) IP has furnished to the Commission the information specified in Section 7-204A with respect for the proposed Reorganization;
- (6) the proposed Reorganization will not adversely affect the ability of IP to perform its duties under the Act with respect to its gas utility operations;
- (7) any savings resulting from the proposed Reorganization with respect to IP's gas utility operations shall be reflected in IP's cost of service for recognition in future rate proceedings;
- (8) transaction costs with respect to IP's gas utility operations portion of the Reorganization shall not be recovered from IP's gas utility customers;
- (9) IP will not seek to recover from its gas customers in any future gas rate case the costs incurred in accomplishing the Reorganization;
- (10) IP may provide services and facilities to or purchase services and facilities from Dynegy and all other affiliates in existence post-Reorganization during the period after the Reorganization is consummated but prior to the approval of a Services and Facilities Agreement in Docket 99-0114 under the pricing provisions and other terms and conditions of the Services and Facilities Agreement approved in Docket 94-0005, provided that this interim arrangement will terminate the earlier of the date the Services and Facilities Agreement is approved by the Commission in Docket 99-0114 or June 30, 2000; and provided that IP shall provide to Staff the names of all affiliated entities who will enter into business transactions with IP pursuant to this authority; and provided that IP will true up all amounts paid or received pursuant to this

interim arrangement with the pricing provisions ultimately approved in Docket 99-0114 in the manner described above;

- (11) IP's petition for approval of the proposed Reorganization with respect to IP's gas utility operations should be approved; and
- (12) the consent, authority, and approval of the Commission should be granted to IP to do any and all other things not contrary to law or to the rules and regulations of the Commission that are incidental, necessary, or appropriate to the performance of any and all acts specifically authorized by the Commission in this Order.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that approval is hereby granted to Illinois Power Company, with respect to its gas utility operations, for the Reorganization that is the result of the transactions in which Dynegy, Inc. will acquire ownership and control of Illinova Corporation and, at a future date, Energy Convergence Holding Company will acquire direct ownership of a majority of the voting capital stock of Illinois Power Company, as more fully described in Illinois Power Company's application and in Section II of this Order.

IT IS FURTHER ORDERED that Illinois Power Company shall file with the Commission written notice of completion of the Reorganization and the effective date thereof within 30 days after the effective date of the Reorganization.

IT IS FURTHER ORDERED that Illinois Power Company may provide services and facilities to or purchase services and facilities from Dynegy and all other affiliates in existence post-Reorganization during the period after the Reorganization is consummated but prior to approval of a Services and Facilities Agreement in Docket 99-0114 under the pricing provisions and other terms and conditions of the Services and Facilities Agreement approved in Docket 94-0005, provided that this interim arrangement will terminate the earlier of the date the Services and Facilities Agreement approved by the Commission in Docket 99-0114 or June 30, 2000; and provided further that Illinois Power Company shall provide to Staff the names of all affiliated entities who will enter into business transactions with Illinois Power Company pursuant to this authority; and provided further that Illinois Power company will true up all amounts paid or received pursuant to this interim arrangement with the pricing provisions ultimately approved in Docket 99-0114 in the manner described above.

IT IS FURTHER ORDERED that the consent, authority, and approval of the Commission are granted to Illinois Power Company to do any and all other things not contrary to law or to the rules and regulations of the Commission that are incidental, necessary, or appropriate to the performance of any and all acts specifically authorized by the Commission in this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 23rd day of November, 1999.

Chairman

SECURITIES AND EXCHANGE COMMISSION

(RELEASE NO. 35-27122; 70-9553)

CHEVRON CORPORATION, ET AL.  
ORDER AUTHORIZING THE ACQUISITION OF COMMON STOCK OF A PUBLIC UTILITY HOLDING  
COMPANY

DECEMBER 27, 1999

Chevron Corporation ("Chevron"), San Francisco, California; Chevron U.S.A. Inc. ("Chevron USA"), a wholly owned subsidiary of Chevron located in Houston, Texas; Illinova Corporation ("Illinova"), Decatur, Illinois, an Illinois public-utility holding company exempt from registration under section 3(a)(1) of the Public Utility Holding Company Act of 1935, as amended ("Act"); and Energy Convergence Holding Company ("New Dynegy"), a special purpose subsidiary of Illinova located in Houston, Texas (collectively "Applicants") have filed an application with this Commission under sections 9(a)(2) and 10 of the Public Utility Holding Company Act, as amended ("Act"). The Commission issued a notice of the filing of the application on November 19, 1999 (HCAR No. 27105).

In summary, applicants request authority to consummate a series of transactions that will result in (a) the affiliation of Illinova with Dynegy, Inc. ("Dynegy"), a nonutility company engaged, among other things, in energy commodities trading and owning and operating power generation projects and (b) the establishment of New Dynegy, which would be a subsidiary of Chevron USA,<sup>/1/</sup> as a holding company over Illinova and Dynegy.<sup>/2/</sup> New Dynegy states that it

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<sup>/1/</sup> Chevron USA currently owns approximately 29% of the outstanding common and preferred stock of Dynegy and, upon completion of the proposed transactions described below, will own approximately 28% of the common stock of New Dynegy.

<sup>/2/</sup> New Dynegy currently has no material assets and no public utility assets, subsidiaries, or affiliates.

will file for the exemption from registration provided for in section 3(a)(1) of the Act under rule 2 under the Act after it acquires Illinova. In addition, Chevron USA intends to apply for an exemption from registration under section 3(a)(3) of the Act.

#### Background

Chevron, a Delaware corporation, manages its investments in, and provides administrative, financial, and management support to, domestic and foreign subsidiaries and affiliates that engage in petroleum and chemical operations in the United States and approximately 90 other countries. Chevron USA is a Pennsylvania corporation which conducts operations worldwide through its various divisions. Its principal business activity is in its domestic upstream division that explores for and produces crude oil, natural gas liquids, and natural gas in the United States and its domestic downstream division that refines, markets, and transports gasoline and other refined products in the United States. Neither Chevron 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.

Dynegy is a Delaware corporation which markets and trades natural gas, natural gas liquids, electricity, and coal. Dynegy also owns power generation subsidiaries that develop, own, and operate projects that are not electric utility companies under the Act, including exempt wholesale generators ("EWGs"), as defined in section 32 of the Act, and companies with interests in qualifying facilities ("QFs") under the Public Utility Regulatory Policies Act of 1978. The majority of Chevron's natural gas production, as well as the natural gas liquids extracted from that gas, are committed to Dynegy under various commercial agreements. In addition to Chevron USA, Dynegy has two major industrial

shareholders: NOVA Gas Services (U.S.) Inc. ("NOVA") and BG Holdings, Inc. ("BG"), each of which owns approximately 25% of the outstanding voting stock of Dynegy. /3/ Dynegy has no public-utility company operations, subsidiaries or affiliates.

Illinova, an Illinois corporation, has three utility subsidiaries, i.e., Illinois Power Company ("Illinois Power"); Electric Energy Incorporated ("EEInc"); and Illinova Power Marketing, Inc. ("Illinova Marketing"). In addition Illinova has five active nonutility subsidiaries, i.e., Illinova Generating Company ("Illinova Generating"); Illinova Energy Partners, Inc. ("Illinova Energy"); Illinova Insurance Company ("Illinova Insurance"); and Illinova Business Enterprises ("Illinova Business").

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. Illinois Power also owns facilities for the distribution of natural gas and is engaged in the sale of natural gas at retail. It 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. All of Illinois Power's utility assets are located in Illinois. Illinois Power is regulated by the Illinois Commerce Commission ("ICC") and the Federal Energy Regulatory Commission ("FERC").

Illinova owns, through Illinova Generating, 20% of the Stock of EEInc, a public-utility company which generates electricity at a plant located in Joppa, Illinois for sale to the United States government nuclear processing plant near Paducah, Kentucky.

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/3/ Of the remaining outstanding voting stock of Dynegy, 11% is owned by management and the balance is publicly owned.

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 electric power from EEInc in excess of the federal government's requirements.

Illinova Marketing, a wholly owned subsidiary of Illinova, owns and operates 3,812 megawatts ("MW") of fossil-fired generating capacity in Illinois formerly owned by Illinois Power. Illinois Power transferred this capacity in order to comply with recent Illinois legislation calling for the functional separation of delivery services and generation services in connection with the restructuring of the electric utility industry in Illinois. Illinova Marketing will use this generating capacity primarily to meet the power requirements of Illinois Power during the period of transition to competition in the electric power industry established under Illinois law.

Illinova Generating, which is wholly owned by Illinova, is Illinova's independent power subsidiary. As noted above, it owns 20% of the stock of EEInc. It also owns interests in EWGs and QFs located throughout North America, as well as interests in several generation facilities located outside of North America.

Illinova Energy brokers and markets electric power and gas. It also develops and sells energy-related services in the United States and Canada and owns interests in several gas marketing companies. Illinova Insurance's primary business is to insure the risks related to or associated with the business enterprises of Illinova's subsidiaries. Illinova Business engages in unregulated energy management software and hardware sales that do fall within the business scope of Illinova's other subsidiaries.

Illinova's revenues for 1998 were \$2.43 billion, producing a net loss of \$1.38 billion. The public-utility income of Illinova derived from Illinois Power has been negative

recently 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./4/ Approximately 15% of Illinova's operating revenues in 1998 came from its other, diversified enterprises.

#### Proposed Transaction

The proposed transaction ("Transaction") involves a combination of Dynegy and Illinova through a series of mergers that will establish New Dynegy as a public-utility holding company. New Dynegy will initially have two wholly owned subsidiaries, an Illinois corporation and a Delaware corporation, that will serve as acquisition companies. Illinova will be merged with the Illinois acquisition company, with Illinova surviving the merger, and Dynegy will be merged with the Delaware acquisition company, with Dynegy surviving the merger. Upon completion of the Transaction, Illinova and Dynegy will continue to exist, retaining their respective historical assets and liabilities, but will be wholly owned subsidiaries of New Dynegy. The parties intend to eliminate Illinova as a tier in the holding company structure following the Transaction in order to simplify the New Dynegy holding company system.

In the Transaction, Dynegy shareholders, other than Chevron USA, will have the option to elect to receive either (i) .69 shares of New Dynegy Class A common stock, or (ii) \$16.50 in cash, in exchange for each share of Dynegy common stock. Each Dynegy shareholder will receive cash for any fractional share regardless of the shareholder's

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/4/ Applicants state that the revenues and net income of EEInc are not material to Illinova's total public-utility revenues and income.

election. However, New Dynegy will pay cash for only approximately 40% of the outstanding shares of Dynegy. This will result in conversion of a maximum of approximately 67.6 million shares of Dynegy common stock into cash. The amount of cash available will be insufficient to satisfy cash elections completely, and the cash will be prorated among shareholders electing to receive cash. For each 100 shares of Dynegy common stock for which Dynegy shareholders elect to receive cash, they will receive cash consideration with respect to no less than 63 shares of Dynegy common stock and no more than 84 shares of Dynegy common stock. The consideration for the balance of the Dynegy common stock will be New Dynegy common stock or Series A preferred stock.

BG and NOVA have elected to receive all cash for their Dynegy shares, but the 40% limit on the cash portion of the merger consideration will result in their receiving at least some portion of their consideration in New Dynegy stock, which BG and NOVA will receive in the form of Series A preferred stock. NOVA and BG intend to liquidate to liquidate their investment, and 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 in order to facilitate this divestment. 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%.

Chevron USA's equity interest in New Dynegy will be in the form of Class B common stock. These shares give Chevron USA the right to elect three of the fourteen

members of the New Dynegy Board of Directors./5/ They also give Chevron USA the right to block New Dynegy from entering into certain transactions ("Blocking Rights"), including (a) a sale of all or substantially all of the liquids business or the gas marketing business of New Dynegy so long as Chevron USA's long-term sale contracts with New Dynegy remain in effect, and (b) mergers, acquisitions, and other business combinations, sales of businesses or assets, and major transactions, including joint ventures, valued at over \$1 billion or one-quarter of New Dynegy's market capitalization, whichever is greater. If Chevron USA exercises these blocking 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 Dynegy which would materially affect these rights), New Dynegy will have certain rights to purchase Chevron USA's shares or require Chevron USA either to sell its shares of New Dynegy to a third party or to give up any future exercise of the Blocking Rights.

The acquisition of Illinova by New Dynegy will be accomplished by an exchange of New Dynegy Class A common stock for Illinova common stock. Specifically, Illinova shareholders will receive one share of New Dynegy Class A common stock for each share of Illinova common stock that they own.

Applicants state that all requisite corporate and shareholder approvals for the Transaction have been obtained. Specifically, the Illinova Board of Directors approved the Transaction on June 13, 1999, the Dynegy Board of Directors approved the Transaction on June 14, 1999, and the shareholders of Illinova and Dynegy approved the

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/5/ The remaining eleven members of the New Dynegy Board of Directors are elected by the holders of New Dynegy Class A common stock.

Transaction on October 11, 1999. In addition, Applicants note that each of Dynege and Illinova have been advised by professional investment advisors that the consideration to be paid in the Transaction is fair./6/ Applicants state that the Transaction does not affect the mortgage debt of Illinova Power, which continues to be secured by liens on its physical property, or the rights of the holders of that debt or of other debt issued by Illinois Power. Applicants further state that the Transaction does not affect the rights of holders of debt issued by Dynege.

Applicants identify a number of financial and organizational benefits that are expected to accrue from the Transaction./7/ Illinova states that it seeks this business combination with Dynege in order to achieve financial, managerial and operating benefits that will position Illinova and Illinois Power to compete in the increasingly competitive wholesale and retail energy markets that have developed as a result of state and federal regulatory change. In these restructured markets, Illinova expects that customers, whether wholesale or retail, will purchase generated electricity separately from 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. Illinova believes Dynege 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 Dynege. Applicants state that a broader slate of

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/6/ Lehman Brothers advised Dynege in an opinion dated June 14, 1999, and Berenson Minella & Company advised Illinova in an opinion dated June 13, 1999.

/7/ WPL Holdings, Inc., Holding Co. Act Release No. 25377 (September 18, 1991).

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.

Applicants assert that the existence of the New Dynegey Class B common stock will not result in an unnecessarily complicated capital structure or voting power that is unfairly or inequitably distributed among system security holders. Applicants state that the Class B common stock will be issued exclusively to Chevron USA to be responsive to the role of Chevron USA as a strategic investor in New Dynegey.

Applicants state that there will be no effect on the legal title to New Dynegey assets or the responsibilities for the liabilities of New Dynegey or its subsidiaries. The record also notes that the Class B common stock is identical in all respects to Class A common stock, except with respect to the Block Rights and with respect to certain restrictions on the transfer or conversion of the Class B common stock. Applicants further note that the terms of all of these securities have been disclosed to the public and to the shareholders of Dynegey and Illinova in the New Dynegey Registration Statement filed with the Commission.

Applicants state that the FERC, the ICC, the U.S. Department of Justice ("DOJ"), and the Federal Trade Commission ("FTC") have jurisdictions over the proposed transactions. Specifically, the FERC approved on November 10, 1999, among other things, the transfer of control of Illinova's utility assets to New Dynegey. On November 23, 1999, the ICC granted Illinois Power authorization to transfer control over its gas utility operations to New Dynegey. In addition, Chevron, Dynegey, and Illinova have each made the necessary filings with the DOJ and the FTC under the Hart Scott-Rodino

Antitrust Improvements Act of 1976, and on August 24, 1999 were informed by the FTC that early termination of the waiting periods under those filings had been granted.

Fees and expenses in the estimated amount of approximately \$46 million are expected to be incurred in connection with the proposed transactions.

Due notice of the filing of the application has been given in the manner prescribed in rule 23 under the Act, and no hearing has been ordered by the Commission. Upon the basis of the facts in the record, the Commission finds that the applicable standards of the Act and rules are satisfied, and that no adverse findings are necessary.

IT IS ORDERED, under the applicable provisions of the Act and rules under the Act, that the application, as amended, is granted, subject to the terms and conditions prescribed in rule 24 under the Act.

For the Commission, by the Division of Investment Management, under delegated authority.

Jonathan G. Katz  
Secretary

DYNEGY-ILLINOVA MERGER  
POST-MERGER ORGANIZATION

[ORGANIZATION CHART]

EXHIBIT L  
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	-	-	-
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Total Utility Plant	707	732	752	781	810	839
Total Accumulated Depreciation	290	312	331	386	413	442
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	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	84	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	67	47	103	63
	-----	-----	-----	-----	-----	-----
	1,602	1,687	1,938	2,037	2,135	2,226
Total Accumulated Depreciation	838	679	715	847	870	896
	-----	-----	-----	-----	-----	-----
Net Utility Plant	963	1,008	1,222	1,190	1,285	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
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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
	-----	-----	-----	-----	-----	-----
	2,309	2,419	2,689	2,818	2,944	3,065
Total Accumulated Depreciation	928	991	1,047	1,232	1,283	1,338
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Net Utility Plant	1,381	1,428	1,643	1,586	1,651	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
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Total Assets	\$1,882	\$1,858	\$2,124	\$2,103	\$2,194	\$2,277

EXHIBIT L  
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.

## EXHIBIT L-2

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
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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
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Net Electric Revenues	900	950	905	445	455	473
Total Net Revenues	\$1,048	\$1,096	\$1,043	\$ 601	\$ 612	\$ 630

## EXHIBIT N - 6

Market Shares 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 Shares for Electric Companies in Illinois and Bordering States  
Companies Sorted by Assets

-----	Assets		Share of	Cumulative
-----	(millions of \$)	Rank	Total	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 Shares 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			

## EXHIBIT N - 7

Market Shares for Gas Companies in Illinois and Bordering States  
Companies Sorted by Revenue

-----	Revenue	Rank	Share of	Cumulative
-----	(millions of \$)		Total	Share
-----	-----	-----	-----	-----
Nicor, Inc.	1,229	1	16.7%	16.7%
Peoples Energy Corp.	967	2	13.1%	29.8%
Columbia Energy Group, Inc.	613	3	8.3%	38.1%
NiSource, Inc.	604	4	8.2%	46.3%
Northern States Power Co.	446	5	6.1%	52.4%
MidAmerican Energy Holdings Co.	430	6	5.8%	58.2%
Wicor, Inc.	429	7	5.8%	64.0%
Indiana Energy, Inc.	420	8	5.7%	69.8%
Cinergy Corp.	404	9	5.5%	75.2%
Alliant Energy Corp.	311	10	4.2%	79.5%
Illinova Corp.	288	11	3.9%	83.4%
Ameren Corp.	217	12	2.9%	86.3%
Southern Union Co.	196	13	2.7%	89.0%
LG&E Energy Corp.	192	14	2.6%	91.6%
Cilcorp, Inc.	181	15	2.5%	94.0%
WPS Resources Corp.	165	16	2.2%	96.3%
Madison Gas & Electric Co.	87	17	1.2%	97.4%
SIGCORP, Inc.	67	18	0.9%	98.4%
Wisconsin Fuel & Light Co.	41	19	0.6%	98.9%
UtiliCorp United, Inc.	33	20	0.5%	99.4%
Minnesota Power, Inc.	11	21	0.2%	99.5%
Illinois Gas Co.	7	22	0.1%	99.6%
Midwest Bottle Gas Co.	7	23	0.1%	99.7%
St. Joseph Light & Power Co.	5	24	0.1%	99.8%
Consumers Gas Co.	4	25	0.1%	99.8%
St. Croix Valley Natural Gas Co., Inc.	4	26	0.0%	99.9%
Master Gas Service Co.	3	27	0.0%	99.9%
Indiana Utilities Corp.	3	28	0.0%	100.0%
Mount Carmel Public Utility Co.	2	29	0.0%	100.0%
Fidelity Natural Gas, Inc.	1	30	0.0%	100.0%
Total	7,365			

## EXHIBIT N - 7

Market Shares for Gas Companies in Illinois and Bordering States  
Companies Sorted by Assets

-----	Assets		Share of	Cumulative
-----	(millions of \$)	Rank	Total	Share
-----	-----	-----	-----	-----
Nicor, Inc.	3,040	1	20.3%	20.3%
Peoples Energy Corp.	2,160	2	14.4%	34.8%
NiSource, Inc.	1,280	3	8.6%	43.4%
Columbia Energy Group, Inc.	1,009	4	6.8%	50.1%
Indiana Energy, Inc.	862	5	5.8%	55.9%
Wicor, Inc.	812	6	5.4%	61.3%
MidAmerican Energy Holdings Co.	798	7	5.3%	66.6%
Cinergy Corp.	772	8	5.2%	71.8%
Illinova Corp.	654	9	4.4%	76.2%
Northern States Power Co.	653	10	4.4%	80.5%
Southern Union Co.	489	11	3.3%	83.8%
Ameren Corp.	469	12	3.1%	87.0%
Alliant Energy Corp.	443	13	3.0%	89.9%
Cilcorp, Inc.	394	14	2.6%	92.6%
UtiliCorp United, Inc.	295	15	2.0%	94.5%
WPS Resources Corp.	247	16	1.7%	96.2%
Madison Gas & Electric Co.	170	17	1.1%	97.3%
SIGCORP, Inc.	141	18	0.9%	98.3%
Delta Natural Gas Co., Inc.	120	19	0.8%	99.1%
Wisconsin Fuel & Light Co.	60	20	0.4%	99.5%
Midwest Bottle Gas Co.	16	21	0.1%	99.6%
Minnesota Power, Inc.	15	22	0.1%	99.7%
Illinois Gas Co.	13	23	0.1%	99.8%
St. Joseph Light & Power Co.	7	24	0.0%	99.8%
Consumers Gas Co.	6	25	0.0%	99.8%
Master Gas Service Co.	5	26	0.0%	99.9%
Fidelity Natural Gas, Inc.	5	27	0.0%	99.9%
Indiana Utilities Corp.	5	28	0.0%	99.9%
Mount Carmel Public Utility Co.	4	29	0.0%	100.0%
St. Croix Valley Natural Gas Co., Inc.	4	30	0.0%	100.0%
Total	14,947			

## 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
Nicor, Inc.	1,865	1	15.3%	15.3%
Columbia Energy Group, Inc.	1,763	2	14.4%	29.7%
Southern Union Co.	1,006	3	8.2%	37.9%
Peoples Energy Corp.	955	4	7.8%	45.7%
UtiliCorp United, Inc.	828	5	6.8%	52.5%
NiSource, Inc.	694	6	5.7%	58.2%
MidAmerican Energy Holdings Co.	620	7	5.1%	63.2%
Wicor, Inc.	518	8	4.2%	67.5%
Indiana Energy, Inc.	489	9	4.0%	71.5%
Northern States Power Co.	459	10	3.8%	75.2%
Cinergy Corp.	447	11	3.7%	78.9%
Atmos Energy Corp.	425	12	3.5%	82.4%
Illinova Corp.	400	13	3.3%	85.6%
Alliant Energy Corp.	385	14	3.2%	88.8%
Ameren Corp.	296	15	2.4%	91.2%
LG&E Energy Corp.	287	16	2.3%	93.6%
WPS Resources Corp.	224	17	1.8%	95.4%
Cilcorp, Inc.	201	18	1.6%	97.0%
Madison Gas & Electric Co.	108	19	0.9%	97.9%
SIGCORP, Inc.	107	20	0.9%	98.8%
Wisconsin Fuel & Light Co.	49	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%
Midwest Bottle Gas Co.	11	24	0.1%	99.7%
Illinois 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.	3	31	0.0%	100.0%
Total	12,221			



## EXHIBIT N - 8

Market Shares for Combined Gas and Electric Companies in Illinois and Bordering States  
Companies Sorted by Assets

-----	Assets		Share of	Cumulative
-----	(millions of \$)	Rank	Total	Share
-----	-----	-----	-----	-----
Cinergy Corp.	10,650	1	16.5%	16.5%
Ameren Corp.	9,225	2	14.3%	30.7%
Northern States Power Co.	8,110	3	12.5%	43.3%
Illinova Corp.	7,803	4	12.1%	55.3%
NiSource, Inc.	5,050	5	7.8%	63.1%
Alliant Energy Corp.	4,756	6	7.4%	70.5%
MidAmerican Energy Holdings Co.	4,371	7	6.8%	77.2%
LG&E Energy Corp.	4,056	8	6.3%	83.5%
UtiliCorp United, Inc.	3,374	9	5.2%	88.7%
Minnesota Power, Inc.	2,089	10	3.2%	91.9%
WPS Resources Corp.	1,751	11	2.7%	94.6%
Cilcorp, Inc.	1,452	12	2.2%	96.9%
SIGCORP, Inc.	1,092	13	1.7%	98.6%
Madison Gas & Electric Co.	657	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	64,703			





## EXHIBIT N - 9

Market Shares for Utilities in Illinois and Bordering States  
Companies sorted by Assets

-----	Assets		Share of	Cumulative
Holding Company	(millions of \$)	Rank	Total	Share
-----	-----	-----	-----	-----
Unicom Corp.	26,223	1	20.6%	20.6%
American Electric Power Co., Inc.	16,847	2	13.2%	33.8%
Cinergy Corp.	10,650	3	8.4%	42.2%
Ameren Corp.	9,225	4	7.2%	49.4%
Northern States Power Co.	8,110	5	6.4%	55.8%
Illinova Corp.	7,803	6	6.1%	61.9%
NiSource, Inc.	5,050	7	4.0%	65.9%
Wisconsin Energy Corp.	4,839	8	3.8%	69.7%
Alliant Energy Corp.	4,756	9	3.7%	73.5%
MidAmerican Energy Holdings Co.	4,371	10	3.4%	76.9%
LG&E Energy Corp.	4,056	11	3.2%	80.1%
UtiliCorp United, Inc.	3,374	12	2.7%	82.7%
Nicor, Inc.	3,040	13	2.4%	85.1%
Kansas City Power & Light Co.	2,845	14	2.2%	87.3%
Peoples Energy Corp.	2,160	15	1.7%	89.0%
IPALCO Enterprises, Inc.	2,123	16	1.7%	90.7%
Minnesota Power, Inc.	2,089	17	1.6%	92.3%
WPS Resources Corp.	1,751	18	1.4%	93.7%
Cilcorp, Inc.	1,452	19	1.1%	94.9%
SIGCORP, Inc.	1,092	20	0.9%	95.7%
Columbia Energy Group, Inc.	1,009	21	0.8%	96.5%
Indiana Energy, Inc.	862	22	0.7%	97.2%
Wicor, Inc.	812	23	0.6%	97.8%
Empire District Electric Co.	674	24	0.5%	98.4%
Madison Gas & Electric Co.	657	25	0.5%	98.9%
Southern Union Co.	489	26	0.4%	99.3%
Ohio Valley Electric Corp.	357	27	0.3%	99.5%
St. Joseph Light & Power Co.	250	28	0.2%	99.7%
Delta Natural Gas Co., Inc.	120	29	0.1%	99.8%
Wisconsin Fuel & Light Co.	60	30	0.0%	99.9%
Consolidated Water Power Co.	37	31	0.0%	99.9%
Northwestern Wisconsin Electric Co.	22	32	0.0%	99.9%
Wisconsin River Power Co.	18	33	0.0%	99.9%
Mount Carmel Public Utility Co.	17	34	0.0%	100.0%
Midwest Bottle Gas Co.	16	35	0.0%	100.0%
Illinois Gas Co.	13	36	0.0%	100.0%
North Central Power Co., Inc.	7	37	0.0%	100.0%
Consumers Gas Co.	6	38	0.0%	100.0%
Master Gas Service Co.	5	39	0.0%	100.0%
Fidelity Natural Gas, Inc.	5	40	0.0%	100.0%
Indiana Utilities Corp.	5	41	0.0%	100.0%
St. Croix Valley Natural Gas Co., Inc.	4	42	0.0%	100.0%
Pioneer Power & Light Co.	2	43	0.0%	100.0%
Total	127,301			

## EXHIBIT N - 9

Market Shares 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	9.9%	21.4%
Northern States Power Co.	2,006	3	6.7%	28.1%
Cinergy Corp.	1,871	4	6.2%	34.3%
Nicor, Inc.	1,865	5	6.2%	40.5%
Ameren Corp.	1,803	6	6.0%	46.5%
Columbia Energy Group, Inc.	1,763	7	5.9%	52.4%
Alliant Energy Corp.	1,287	8	4.3%	56.7%
MidAmerican Energy Holdings Co.	1,270	9	4.2%	60.9%
UtiliCorp United, Inc.	1,199	10	4.0%	64.9%
LG&E Energy Corp.	1,119	11	3.7%	68.7%
NiSource, Inc.	1,112	12	3.7%	72.4%
Southern Union Co.	1,006	13	3.4%	75.7%
Wisconsin Energy Corp.	1,005	14	3.4%	79.1%
Illinova Corp.	968	15	3.2%	82.3%
Peoples Energy Corp.	955	16	3.2%	85.5%
WPS Resources Corp.	664	17	2.2%	87.7%
Wicor, Inc.	518	18	1.7%	89.5%
Indiana Energy, Inc.	489	19	1.6%	91.1%
Kansas City Power & Light Co.	448	20	1.5%	92.6%
Atmos Energy Corp.	425	21	1.4%	94.0%
IPALCO Enterprises, Inc.	423	22	1.4%	95.4%
Cilcorp, Inc.	396	23	1.3%	96.7%
Madison Gas & Electric Co.	232	24	0.8%	97.5%
SIGCORP, Inc.	230	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.	49	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%
Midwest Bottle Gas Co.	11	32	0.0%	99.9%
Illinois 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.	3	39	0.0%	100.0%
Pioneer Power & Light Co.	2	40	0.0%	100.0%
Consolidated Water Power Co.	1	41	0.0%	100.0%
Ohio Valley Electric Corp.	0	42	0.0%	100.0%
Wisconsin River Power Co.	0	43	0.0%	100.0%
Total	29,964			

EXHIBIT N - 10

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 U.S.  
Companies Sorted by Revenue

-----	Revenue	Rank	Share of	Cumulative
-----	(millions of \$)		Total	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 U.S.  
Companies Sorted by Revenue

Holding Company	Revenue (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 U.S.  
Companies Sorted by Revenue

-----	Revenue	Rank	Share of	Cumulative
-----	(millions of \$)		Total	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%
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			

EXHIBIT N - 11

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	400	0.8%	37	83.4%
Assets	\$millions	654	1.1%	29	77.5%
Revenues	\$millions	288	0.9%	36	82.6%

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	2,098	5
Assets	\$millions	13	2,308	4
Revenues	\$millions	14	1,132	4

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	1,169	3
Assets	\$millions	33	1,437	2
Revenues	\$millions	35	721	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
PG&E Corp.	1,832	1	5.9%	5.9%
Public Service Enterprise Group, Inc.	1,559	2	5.0%	10.9%
Consolidated Natural Gas Co.	1,507	3	4.8%	15.7%
Houston Industries, Inc.	1,368	4	4.4%	20.1%
Nicor, Inc.	1,229	5	3.9%	24.0%
AGL Resources, Inc.	1,195	6	3.8%	27.8%
CMS Energy Corp.	1,044	7	3.3%	31.2%
MCN Energy Group, Inc.	980	8	3.1%	34.3%
Washington Gas Light Co.	970	9	3.1%	37.4%
Peoples Energy Corp.	967	10	3.1%	40.5%
Consolidated Edison, Inc.	962	11	3.1%	43.6%
National Fuel Gas Co.	801	12	2.6%	46.2%
TXU	771	13	2.5%	48.7%
Eastern Enterprises	661	14	2.1%	50.8%
New Century Energies, Inc.	659	15	2.1%	52.9%
Columbia Energy Group, Inc.	613	16	2.0%	54.8%
NiSource, Inc.	604	17	1.9%	56.8%
Niagara Mohawk Holdings, Inc.	566	18	1.8%	58.6%
ONEOK, Inc.	552	19	1.8%	60.4%
Sempra Energy	493	20	1.6%	61.9%
Questar Corp.	477	21	1.5%	63.5%
Constellation Energy Group, Inc.	451	22	1.4%	64.9%
Northern States Power Co.	446	23	1.4%	66.3%
MidAmerican Energy Holdings Co.	430	24	1.4%	67.7%
Wicor, Inc.	429	25	1.4%	69.1%
Indiana Energy, Inc.	420	26	1.3%	70.4%
Puget Sound Energy, Inc.	417	27	1.3%	71.8%
Cinergy Corp.	404	28	1.3%	73.1%
NW Natural (Northwest Natural Gas Co.)	404	29	1.3%	74.4%
PECO Energy Co.	400	30	1.3%	75.6%
Bay State Gas Co.	343	31	1.1%	76.7%
Equitable Resources, Inc.	333	32	1.1%	77.8%
UGI Corp.	314	33	1.0%	78.8%
Alliant Energy Corp.	311	34	1.0%	79.8%
Energy East Corp.	306	35	1.0%	80.8%
Commonwealth Energy System	289	36	0.9%	81.7%
Illinova Corp.	288	37	0.9%	82.6%
Everyone else combined	5,421		17.4%	100%
Total	31,216			

## 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
PG&E Corp.	6,217	1	10.6%	10.6%
Nicor, Inc.	3,040	2	5.2%	15.7%
MCN Energy Group, Inc.	2,662	3	4.5%	20.3%
Consolidated Natural Gas Co.	2,550	4	4.3%	24.6%
Peoples Energy Corp.	2,160	5	3.7%	28.3%
CMS Energy Corp.	2,007	6	3.4%	31.7%
AGL Resources, Inc.	1,946	7	3.3%	35.0%
Washington Gas Light Co.	1,940	8	3.3%	38.3%
Houston Industries, Inc.	1,855	9	3.2%	41.4%
Consolidated Edison, Inc.	1,837	10	3.1%	44.6%
Piedmont Natural Gas Co., Inc.	1,284	11	2.2%	46.7%
NiSource, Inc.	1,280	12	2.2%	48.9%
National Fuel Gas Co.	1,225	13	2.1%	51.0%
NW Natural (Northwest Natural Gas Co.)	1,222	14	2.1%	53.1%
Puget Sound Energy, Inc.	1,218	15	2.1%	55.1%
New Century Energies, Inc.	1,198	16	2.0%	57.2%
Niagara Mohawk Holdings, Inc.	1,180	17	2.0%	59.2%
Columbia Energy Group, Inc.	1,009	18	1.7%	60.9%
Eastern Enterprises	1,007	19	1.7%	62.6%
Constellation Energy Group, Inc.	921	20	1.6%	64.2%
Questar Corp.	897	21	1.5%	65.7%
PECO Energy Co.	878	22	1.5%	67.2%
Indiana Energy, Inc.	862	23	1.5%	68.7%
Wicor, Inc.	812	24	1.4%	70.0%
MidAmerican Energy Holdings Co.	798	25	1.4%	71.4%
Cinergy Corp.	772	26	1.3%	72.7%
ONEOK, Inc.	765	27	1.3%	74.0%
PSC of North Carolina, Inc.	718	28	1.2%	75.2%
UGI Corp.	665	29	1.1%	76.4%
Illinova Corp.	654	30	1.1%	77.5%
Everyone else combined	13,261		22.5%	100%
Total	58,840			

## EXHIBIT N - 11

Market Shares for Gas Companies in the United States  
Companies Sorted by Number of Customers

-----	Customers	Rank	Share of	Cumulative
-----	(thousands)		Total	Share
-----	-----	-----	-----	-----
Sempra Energy	5,583	1	11.2%	11.2%
PG&E Corp.	3,902	2	7.9%	19.1%
Houston Industries, Inc.	2,107	3	4.2%	23.3%
Nicor, Inc.	1,865	4	3.8%	27.1%
Columbia Energy Group, Inc.	1,763	5	3.6%	30.7%
Consolidated Natural Gas Co.	1,724	6	3.5%	34.1%
Public Service Enterprise Group, Inc.	1,576	7	3.2%	37.3%
CMS Energy Corp.	1,540	8	3.1%	40.4%
AGL Resources, Inc.	1,405	9	2.8%	43.2%
TXU	1,385	10	2.8%	46.0%
MCN Energy Group, Inc.	1,187	11	2.4%	48.4%
MarketSpan Corp.	1,143	12	2.3%	50.7%
Consolidated Edison, Inc.	1,038	13	2.1%	52.8%
New Century Energies, Inc.	1,034	14	2.1%	54.9%
Southern Union Co.	1,006	15	2.0%	56.9%
Peoples Energy Corp.	955	16	1.9%	58.8%
UtiliCorp United, Inc.	828	17	1.7%	60.5%
Washington Gas Light Co.	800	18	1.6%	62.1%
ONEOK, Inc.	749	19	1.5%	63.6%
National Fuel Gas Co.	697	20	1.4%	65.0%
NiSource, Inc.	694	21	1.4%	66.4%
Questar Corp.	648	22	1.3%	67.7%
MidAmerican Energy Holdings Co.	620	23	1.2%	69.0%
Eastern Enterprises	574	24	1.2%	70.1%
Puget Sound Energy, Inc.	532	25	1.1%	71.2%
Niagara Mohawk Holdings, Inc.	527	26	1.1%	72.3%
Constellation Energy Group, Inc.	519	27	1.0%	73.3%
Wicor, Inc.	518	28	1.0%	74.4%
Southwest Gas Corp.	500	29	1.0%	75.4%
Indiana Energy, Inc.	489	30	1.0%	76.3%
NW Natural (Northwest Natural Gas Co.)	465	31	0.9%	77.3%
Piedmont Natural Gas Co., Inc.	464	32	0.9%	78.2%
Northern States Power Co.	459	33	0.9%	79.1%
Cinergy Corp.	447	34	0.9%	80.0%
Atmos Energy Corp.	425	35	0.9%	80.9%
PECO Energy Co.	415	36	0.8%	81.7%
PSC of New Mexico	413	37	0.8%	82.6%
Illinova Corp.	400	38	0.8%	83.4%
Everyone else combined	8,259		16.6%	100%
Total	49,653			

EXHIBIT N - 12

Market Shares for Combined Gas & 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	968	1.5%	22	87.7%
Assets	\$millions	7,803	3.0%	13	69.7%
Revenues	\$millions	2,069	2.2%	15	75.0%

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 of Illinova
Customers	thousands	7	4,630	5
Assets	\$millions	9	15,687	2
Revenues	\$millions	8	6,084	3

Parameter	Units	Number of Utilities Necessary for 80% of U.S.	Average Size of These Utilities	Ratio of These Utilities of Illinova
Customers	thousands	19	2,697	3
Assets	\$millions	20	10,798	1
Revenues	\$millions	19	4,073	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.	9,077	1	9.5%	9.5%
Public Service Enterprise Group, Inc.	7,429	2	7.8%	17.3%
TXU	7,327	3	7.7%	25.0%
Consolidated Edison, Inc.	6,690	4	7.0%	32.0%
Cinergy Corp.	5,406	5	5.7%	37.7%
PECO Energy Co.	5,266	6	5.5%	43.2%
Niagara Mohawk Holdings, Inc.	3,828	7	4.0%	47.2%
CMS Energy Corp.	3,649	8	3.8%	51.0%
PP&L Resources, Inc.	3,624	9	3.8%	54.8%
Ameren Corp.	3,403	10	3.6%	58.4%
New Century Energies, Inc.	3,248	11	3.4%	61.8%
Northern States Power Co.	3,087	12	3.2%	65.0%
Constellation Energy Group, Inc.	2,672	13	2.8%	67.8%
Conectiv	2,461	14	2.6%	70.4%
Sempra Energy	2,360	15	2.5%	72.9%
Illinova Corp.	2,069	16	2.2%	75.0%
Everyone else combined	23,833		25.0%	100%
Total	95,428			

## 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.	30,096	1	11.4%	11.4%
TXU	20,540	2	7.8%	19.2%
Consolidated Edison, Inc.	16,436	3	6.2%	25.4%
Niagara Mohawk Holdings, Inc.	15,722	4	6.0%	31.3%
Public Service Enterprise Group, Inc.	15,239	5	5.8%	37.1%
PECO Energy Co.	13,409	6	5.1%	42.2%
Cinergy Corp.	10,650	7	4.0%	46.2%
CMS Energy Corp.	9,716	8	3.7%	49.9%
PP&L Resources, Inc.	9,373	9	3.5%	53.5%
Ameren Corp.	9,225	10	3.5%	56.9%
Constellation Energy Group, Inc.	9,091	11	3.4%	60.4%
New Century Energies, Inc.	8,751	12	3.3%	63.7%
Northern States Power Co.	8,110	13	3.1%	66.8%
Illinova Corp.	7,803	14	3.0%	69.7%
Everyone else combined	79,947		30.3%	100%
Total	264,108			

## 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.	8,438	1	13.3%	13.3%
Sempra Energy	6,772	2	10.7%	24.1%
Consolidated Edison, Inc.	4,068	3	6.4%	30.5%
TXU	3,902	4	6.2%	36.7%
Public Service Enterprise Group, Inc.	3,487	5	5.5%	42.2%
CMS Energy Corp.	3,167	6	5.0%	47.2%
New Century Energies, Inc.	2,579	7	4.1%	51.3%
Niagara Mohawk Holdings, Inc.	2,078	8	3.3%	54.6%
Northern States Power Co.	2,006	9	3.2%	57.7%
PECO Energy Co.	1,903	10	3.0%	60.8%
Cinergy Corp.	1,871	11	3.0%	63.7%
Ameren Corp.	1,803	12	2.9%	66.6%
Constellation Energy Group, Inc.	1,636	13	2.6%	69.1%
Puget Sound Energy, Inc.	1,414	14	2.2%	71.4%
Alliant Energy Corp.	1,287	15	2.0%	73.4%
MidAmerican Energy Holdings Co.	1,270	16	2.0%	75.4%
PP&L Resources, Inc.	1,250	17	2.0%	77.4%
UtiliCorp United, Inc.	1,199	18	1.9%	79.3%
LG&E Energy Corp.	1,119	19	1.8%	81.1%
NiSource, Inc.	1,112	20	1.8%	82.8%
Energy East Corp.	1,053	21	1.7%	84.5%
Conectiv	1,043	22	1.7%	86.2%
Illinova Corp.	968	23	1.5%	87.7%
Everyone else combined	7,786		12.3%	100%
Total	63,209			

EXHIBIT N - 13

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	968	0.7%	50	78.5%
Assets	\$millions	7,803	1.2%	30	69.3%
Revenues	\$millions	2,069	0.9%	34	71.8%

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	3,239	3
Assets	\$millions	18	18,233	2
Revenues	\$millions	19	6,198	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	2,099	2
Assets	\$millions	44	11,826	2
Revenues	\$millions	46	4,052	2

## EXHIBIT N - 13

Market Shares for Utilities in the United States  
Companies sorted by Revenue

-----				
-----	Revenue	Rank	Share of	Cumulative
-----	(millions of \$)		Total	Share
-----				
Southern Company	9,763	1	4.2%	4.2%
PG&E Corp.	9,077	2	3.9%	8.1%
Public Service Enterprise Group, Inc.	7,429	3	3.2%	11.3%
Edison International	7,383	4	3.2%	14.5%
TXU	7,327	5	3.2%	17.6%
Entergy Corp.	7,205	6	3.1%	20.7%
Unicom Corp.	7,136	7	3.1%	23.8%
American Electric Power Co., Inc.	7,054	8	3.0%	26.9%
Consolidated Edison, Inc.	6,690	9	2.9%	29.7%
FPL Group, Inc.	6,132	10	2.6%	32.4%
Cinergy Corp.	5,406	11	2.3%	34.7%
PECO Energy Co.	5,266	12	2.3%	37.0%
FirstEnergy Corp.	5,264	13	2.3%	39.2%
PacifiCorp	4,834	14	2.1%	41.3%
Dominion Resources, Inc.	4,628	15	2.0%	43.3%
Duke Energy Corp.	4,529	16	1.9%	45.3%
Reliant Energy, Inc.	4,350	17	1.9%	47.1%
Northeast Utilities	4,257	18	1.8%	49.0%
GPU, Inc.	4,028	19	1.7%	50.7%
DTE Energy Co.	3,861	20	1.7%	52.4%
Niagara Mohawk Holdings, Inc.	3,828	21	1.6%	54.0%
CMS Energy Corp.	3,649	22	1.6%	55.6%
PP&L Resources, Inc.	3,624	23	1.6%	57.1%
Central & South West Corp.	3,564	24	1.5%	58.7%
Ameren Corp.	3,403	25	1.5%	60.1%
New Century Energies, Inc.	3,248	26	1.4%	61.5%
Carolina Power & Light Co.	3,167	27	1.4%	62.9%
Northern States Power Co.	3,087	28	1.3%	64.2%
New England Electric System	2,774	29	1.2%	65.4%
Constellation Energy Group, Inc.	2,672	30	1.2%	66.6%
Florida Progress Corp.	2,648	31	1.1%	67.7%
Allegheny Energy, Inc.	2,614	32	1.1%	68.8%
Conectiv	2,461	33	1.1%	69.9%
Sempra Energy	2,360	34	1.0%	70.9%
Illinova Corp.	2,069	35	0.9%	71.8%
Everyone else combined	65,510		28.2%	100.0%
Total	232,297			

Market Shares for Utilities in the United States  
Companies sorted by Assets

Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
PG&E Corp.	30,096	1	4.6%	4.6%
Unicom Corp.	26,223	2	4.0%	8.7%
Southern Company	25,367	3	3.9%	12.6%
Entergy Corp.	21,348	4	3.3%	15.9%
Edison International	21,121	5	3.2%	19.1%
TXU	20,540	6	3.2%	22.3%
FirstEnergy Corp.	20,311	7	3.1%	25.4%
Duke Energy Corp.	17,692	8	2.7%	28.1%
American Electric Power Co., Inc.	16,847	9	2.6%	30.7%
FPL Group, Inc.	16,643	10	2.6%	33.3%
Consolidated Edison, Inc.	16,436	11	2.5%	35.8%
Niagara Mohawk Holdings, Inc.	15,722	12	2.4%	38.2%
Public Service Enterprise Group, Inc.	15,239	13	2.3%	40.6%
Dominion Resources, Inc.	14,545	14	2.2%	42.8%
PECO Energy Co.	13,409	15	2.1%	44.9%
GPU, Inc.	13,361	16	2.1%	46.9%
DTE Energy Co.	11,671	17	1.8%	48.7%
PacifiCorp	11,624	18	1.8%	50.5%
Northeast Utilities	11,486	19	1.8%	52.3%
Cinergy Corp.	10,650	20	1.6%	53.9%
Reliant Energy, Inc.	10,333	21	1.6%	55.5%
Central & South West Corp.	9,752	22	1.5%	57.0%
CMS Energy Corp.	9,716	23	1.5%	58.5%
PP&L Resources, Inc.	9,373	24	1.4%	59.9%
Ameren Corp.	9,225	25	1.4%	61.3%
Carolina Power & Light Co.	9,139	26	1.4%	62.7%
Constellation Energy Group, Inc.	9,091	27	1.4%	64.1%
New Century Energies, Inc.	8,751	28	1.3%	65.5%
Western Resources, Inc.	8,543	29	1.3%	66.8%
Northern States Power Co.	8,110	30	1.2%	68.1%
Illinova Corp.	7,803	31	1.2%	69.3%
Everyone else combined	199,832		30.7%	100%
	650,001			



EXHIBIT N-14

Market Shares for Electric Companies in Illinois  
Companies Sorted by Revenue

-----	Revenue	Rank	Share of	Cumulative
-----	(million of \$)		Total	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 Shares 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 Shares for Electric Companies in Illinois  
Companies Sorted by Number of Customers

----- Holding Company	Customers (thousands)	Ranks	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			

## EXHIBIT N-15

Market Shares for Gas Companies in Illinois  
Companies Sorted by Revenue

-----	Revenue		Share of	Cumulative
-----	(millions of \$)	Rank	Total	Share
-----	-----	-----	-----	-----
Nicor, Inc.	1,229	1	42.5%	42.5%
Peoples Energy Corp.	967	2	33.4%	76.0%
Illinova Corp.	288	3	10.0%	85.9%
Ameren Corp.	217	4	7.5%	93.4%
Cilcorp, Inc.	181	5	6.3%	99.7%
Illinois Gas Co.	7	6	0.3%	99.9%
Mount Carmel Public Utility Co.	2	7	0.1%	100.0%
Total	2,891			

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.	3,040	1	45.1%	45.1%
Peoples Energy Corp.	2,160	2	32.1%	77.2%
Illinova Corp.	654	3	9.7%	86.9%
Ameren Corp.	469	4	7.0%	93.9%
Cilcorp, Inc.	394	5	5.9%	99.8%
Illinois Gas Co.	13	6	0.2%	99.9%
Mount Carmel Public Utility Co.	4	7	0.1%	100.0%
Total	6,734			

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.	1,865	1	50.0%	50.0%
Peoples Energy Corp.	955	2	25.6%	75.6%
Illinova Corp.	400	3	10.7%	86.3%
Ameren Corp.	296	4	7.9%	94.2%
Cilcorp, Inc.	201	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	3,731			

EXHIBIT N-16

Market Shares for Combined Gas and Electric Companies in Illinois  
Companies Sorted by Revenue

-----	Revenue	Rank	Share of	Cumulative
-----	(millions of \$)		Total	Share
-----	-----	-----	-----	-----
Ameren Corp.	3,403	1	56.5%	56.5%
Illinova Corp.	2,069	2	34.3%	90.8%
Cilcorp, Inc.	541	3	9.0%	99.8%
Mount Carmel Public Utility Co.	12	4	0.2%	100.0%
Total	6,025			

EXHIBIT N-16

Market Shares 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.	9,225	1	49.9%	49.9%
Illinova Corp.	7,803	2	42.2%	92.1%
Cilcorp, Inc.	1,452	3	7.8%	99.9%
Mount Carmel Public Utility Co.	17	4	0.1%	100.0%
Total	18,497			

EXHIBIT N-16

Market Shares 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.	1,803	1	56.8%	56.8%
Illinova Corp.	968	2	30.5%	87.2%
Cilcorp, Inc.	396	3	12.5%	99.7%
Mount Carmel Public Utility Co.	9	4	0.3%	100.0%
Total	3,176			

EXHIBIT N-17

Market Shares for Utilities in Illinois  
Companies sorted by Revenue

----- Holding Company	Revenue (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	7,136	1	46.4%	46.4%
Ameren Corp.	3,403	2	22.1%	68.6%
Illinova Corp.	2,069	3	13.5%	82.1%
Nicor, Inc.	1,229	4	8.0%	90.1%
Peoples Energy Corp.	967	5	6.3%	96.4%
Cilcorp, Inc.	541	6	3.5%	99.9%
Mount Carmel Public Utility Co.	12	7	0.1%	100.0%
Illinois Gas Co.	7	8	0.0%	100.0%
Total	15,365			

EXHIBIT N-17

Market Shares for Utilities in Illinois  
Companies sorted by Assets

----- Holding Company	Assets (millions of \$)	Rank	Share of Total	Cumulative Share
Unicom Corp.	26,223	1	52.5%	52.5%
Ameren Corp.	9,225	2	18.5%	71.0%
Illinova Corp.	7,803	3	15.6%	86.6%
Nicor, Inc.	3,040	4	6.1%	92.7%
Peoples Energy Corp.	2,160	5	4.3%	97.0%
Cilcorp, Inc.	1,452	6	2.9%	99.9%
Mount Carmel Public Utility Co.	17	7	0.0%	100.0%
Illinois Gas Co.	13	8	0.0%	100.0%
Total	49,933			

