

Exhibit No.:
Issues: Merger Savings
Witness: Craig D. Nelson
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Union Electric Company
Case No.: EM-96-149

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EM-96-149

SURREBUTTAL TESTIMONY

OF

CRAIG D. NELSON

****DENOTES HIGHLY CONFIDENTIAL INFORMATION****

ST. LOUIS, MISSOURI
JUNE 3, 1996

Exhibit No. 33
Date 9-5-96 Case No. EM-96-149
Reporter KS

BEFORE THE PUBLIC SERVICE COMMISSION
STATE OF MISSOURI

In the matter of the Application of Union)
Electric Company for an order authorizing:)
(1) certain merger transactions involving)
Union Electric Company; (2) the transfer)
of certain Assets, Real Estate, Leased)
Property, Easements and Contractual)
Agreements to Central Illinois Public)
Service Company; and (3) in connection)
therewith, certain other related)
transactions.)

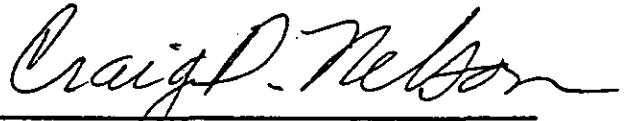
Case No. EM-96-149

AFFIDAVIT OF CRAIG D. NELSON

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)


Craig D. Nelson, being first duly sworn on his oath, states:

1. My name is Craig D. Nelson. I work in the City of Springfield, Illinois, and I am Treasurer and Assistant Secretary of Central Illinois Public Service Company.
2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony consisting of pages 1 through 21, inclusive, all of which testimony has been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.



Craig D. Nelson

Subscribed and sworn to before me this 15th day of June, 1996.



Notary Public

PATRICIA A. NUOFFER
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis City
My Commission Expires: April 23, 1998

**SURREBUTTAL TESTIMONY
OF CRAIG D. NELSON
Treasurer and Assistant Secretary
Central Illinois Public Service Company
MPSC Docket No. EM-96-149**

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

2 **A. My name is Craig D. Nelson, and my business address is 607 East**
3 **Adams Street, Springfield, Illinois 62739.**

4 **Q. By whom are you employed and in what position?**

5 **A. I am employed by Central Illinois Public Service Company as**
6 **Treasurer and Assistant Secretary.**

7 **Q. Please describe your education, professional credentials and**
8 **work experience.**

9 **A. I received a Bachelor of Science degree in Accounting, with**
10 **highest honors, from Southern Illinois University at Edwardsville in 1977. In**
11 **June 1984, I received a Master of Business Administration degree from Southern**
12 **Illinois University at Edwardsville. I am a certified public accountant in the state**
13 **of Illinois. My experience in the utility industry is as follows: In June 1979, I**
14 **accepted a position with CIPS as a tax accountant and in September of that year**
15 **I became Income Tax Supervisor. In January 1981, I was named Plant**
16 **Accounting and Taxes Supervisor. In January 1985, I was appointed Assistant**
17 **Treasurer, and in August 1989, I was elected to my current position as Treasurer**
18 **and Assistant Secretary of CIPS. Effective April 1, 1993, I was elected to my**
19 **current position as Treasurer, Assistant Secretary and Assistant Controller of**
20 **CIPSCO.**

**Surrebuttal Testimony
of Craig D. Nelson**

1 **Q. What is the purpose of your Surrebuttal Testimony?**

2 **A. My Surrebuttal Testimony responds to the Rebuttal Testimony of**
3 **Messrs. Oligschlaeger and Brubaker concerning the development of the**
4 **estimated savings to be realized from the merger of Union Electric Company and**
5 **CIPSCO, Inc.**

6 **Q. How is your Surrebuttal Testimony organized?**

7 **A. In order to respond to Messrs. Oligschlaeger and Brubaker in a**
8 **logical manner, I have organized this testimony into the following major sections:**

9 **I. Status of the Transition Process - This section introduces**
10 **the transition process, which among other things, has resulted in the**
11 **development of more definitive savings figures; and will explain my role in that**
12 **process.**

13 **II. Final Merger Savings and Related Costs - This section will**
14 **introduce the final figures on savings and costs associated with the merger.**

15 **III. Methodology - This section will explain how the transition**
16 **process proceeded from the initial Deloitte & Touche ("D & T") study through the**
17 **final approval of the Merger Implementation Plan, which includes the final**
18 **savings numbers.**

19 **IV. Next Steps - This section discusses where we go from here.**

20 **V. Benefit of Transferring Illinois Customers - This section**
21 **discusses one specific savings category that was discovered in the transition**
22 **process that applies to the transfer of UE's Illinois service territory and**

Surrebuttal Testimony
of Craig D. Nelson

1 customers to CIPS. This information was included in my Supplemental Direct
2 Testimony recently filed with the Illinois Commerce Commission.

3

4

5

I. Status of the Transition Process

6

7

Q. Where are the companies in the transition process?

8

**A. The planning is now complete. On April 25, 1996 the Merger
9 Steering Committee, including the CEO's of the two companies, approved the
10 Final Merger Implementation Plan. This plan is the road map to merge and then
11 run the companies. The Final Implementation Plan lists the activities necessary
12 to complete the merger, schedules those activities and identifies the associated
13 transition costs. This plan represents what we will do to merge the companies
14 and realize the savings.**

15

**Q. Please explain the planning transition process that was used
16 to develop the Implementation Plan and related merger savings.**

17

**A. The Implementation Plan process was a rigorous effort involving 20
18 teams and more than 400 people. The planning effort began in August, 1995
19 and extended through April, 1996 -- a period of about nine months. The end
20 products of this lengthy and comprehensive effort include (i) the detailed
21 Implementation Plan to integrate operations of UE and CIPS and (ii) projected
22 net merger savings of \$686 million.**

**Surrebuttal Testimony
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1 **Q. Please explain your role in this process.**

2 **A. My involvement in the planning and transition effort began with the**
3 **Deloitte & Touche savings study. I was a member of the CIPS team that worked**
4 **with the UE team, Mr. Flaherty and the D & T staff to analyze and quantify**
5 **information to estimate the D & T savings amount.**

6 **On August 22, 1995, I was appointed to serve on the Transition**
7 **Management Task Force ("Steering Committee"). The Steering Committee, as**
8 **shown on Schedule 1, is co-chaired by the two CEO's (Mr. Mueller and Mr.**
9 **Greenwalt), and consists of six officers, three from CIPS and three from UE. The**
10 **role of the Steering Committee is to manage the entire merger transition, which**
11 **includes the development of the Implementation Plan and the identification of**
12 **merger savings.**

13 **As a Steering Committee member, I also worked with the Project**
14 **Administration group throughout the nine-month period. Members of the Project**
15 **Administration group devoted most of their time to merger work. Project**
16 **Administration consisted of two managers, one from UE and one from CIPS, Jim**
17 **Reid of Planmetrics and four professional staff from Planmetrics. Project**
18 **Administration provided day-to-day assistance to the 20 teams commissioned to**
19 **look for solutions on how to combine operations and achieve savings. (See**
20 **Schedule 1.) Project Administration regularly reported to the Steering**
21 **Committee on team progress. Project Administration also worked with the**

Surrebuttal Testimony
of Craig D. Nelson

1 Steering Committee and the teams to facilitate the planning process and resolve
2 issues.

3 As Treasurer of CIPS, I served as co-chair, along with my UE counterpart,
4 of the Treasury Transition Team.

5 Finally, as Vice President of Merger Coordination for Ameren Services,
6 my role, among other duties, is to ensure that the merger implementation plan is
7 executed and completed as approved. Also, as suggested by my title, I will be
8 responsible for coordinating work among functions where necessary.

9

10 **II. Final Merger Savings and Related Costs**

11

12 **Q. Now that the Implementation Plan has been completed and**
13 **approved, what are the final savings that will result from this merger?**

14 **A. Through the Merger Implementation Planning process, teams**
15 **developed very detailed plans for achieving merger savings. Over 10 years, the**
16 **direct merger savings, net of transition costs, are projected to be \$644 million—**
17 **up from the original estimate of \$549 million. The teams also identified an**
18 **additional \$42 million in savings that were “enabled” (as defined by Mr. Flaherty**
19 **in his direct testimony) by combining best practices at both companies, bringing**
20 **total net savings to \$686 million.**

21 **Q. Please explain the savings in more detail.**

Surrebuttal Testimony
of Craig D. Nelson

1 A. Schedule 2 summarizes the 10-year merger savings identified
2 during the planning effort. Total labor savings amount to \$267.6 million. Non-
3 labor savings total \$491.6 million. Transition costs are \$73.1 million (\$21.8
4 million of pre-merger transaction costs and \$51.3 million of "costs to achieve" the
5 savings). This results in net merger savings equal to \$686.1 million. (Page 4 of
6 Schedule 2 shows the year-by-year net savings.) As mentioned previously,
7 \$42.5 million of these savings are enabled (made possible) by combining best
8 practices at both companies. Therefore, "created" savings (as defined by Mr.
9 Flaherty in his direct testimony) directly attributable to the merger equal \$643.6
10 million.

11 **Q. You mentioned that labor savings are \$267.6 million, how**
12 **many positions will be eliminated?**

13 A. The Implementation Plan will reduce the workforce of the combined
14 entity by 322 positions – a 3.7% reduction. In addition, UE and CIPS had other
15 staff reductions planned amounting to 95 positions. The total planned reduction
16 attributable to the merger and otherwise equals 417 positions – a 4.8%
17 decrease.

18 Schedule 3 shows the total Ameren headcount and planned reductions.
19 Page 3 of that exhibit shows the 322 reductions identified in the Implementation
20 Plan. This compares to the 295 reductions identified in the D & T study.
21 Attrition will be the primary means of reducing the workforce. In fact, good

**Surrebuttal Testimony
of Craig D. Nelson**

1 progress has been made to date since a hiring freeze was put in place at UE
2 and CIPS on September 8, 1995.

3 **Q. Aside from the 27 additional position reductions, how does**
4 **this new, 10-year savings amount differ from the Deloitte & Touche report?**

5 **A. As a result of the rigorous planning effort, we have reconfirmed the**
6 **original D & T savings estimates and, in fact, identified additional merger**
7 **savings. The total net savings resulting from our recent planning effort is \$137**
8 **million more than the \$549 million of net savings from the D & T report. The**
9 **planning process identified more savings in each major category of savings than**
10 **found in the D & T report.**

11 **Schedule 4 compares the 10-year savings identified in the recent**
12 **planning effort to the amounts previously estimated in the Deloitte & Touche**
13 **report. The exhibit compares each major category of savings and costs and**
14 **provides a reconciliation between the new amounts and the Deloitte & Touche**
15 **amounts. Please note that labor savings increased by \$71 million; non-labor**
16 **savings increased by \$98 million; the estimate for pre-merger transaction costs**
17 **remain unchanged at \$22 million; and transition costs increased by \$32 million.**
18 **The effect of these differences results in the \$137 million increase in net savings**
19 **mentioned above.**

20 **Q. What would be the effect of the additional savings on**
21 **Company's Shared Savings Plan?**

**Surrebuttal Testimony
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1 A. All of the additional net savings of \$137 million would be available
2 for customers. Based on the previous savings amount in the D & T report, \$158
3 million of savings was available to customers (see Schedule 8 of Mr. Rainwater's
4 Direct Testimony). Schedule 5 recalculates the shared savings, based on the
5 higher savings level, and shows that \$296 million in savings would be available
6 to customers. Please note that in calculating the \$137 million increase in the
7 "Net Available to Customer", the following adjustments were made:

8 (a) Total Savings increased from \$590 to \$759 million.

9 (b) Transaction costs increased from \$41 to \$73 million.

10 (c) Merger Premium remained unchanged at \$232 million.

11 These adjustments result in the entire net savings increase, \$137 million,
12 being allocated to customers.

13 **Q. Why have transition costs increased by \$32 million?**

14 A. Just as the original D & T savings included costs to achieve those
15 savings, the additional savings from our recent planning effort also have
16 associated costs.

17 **Q. Is the Company modifying their original Shared Savings Plan
18 to reflect these new higher savings and transaction costs?**

19 A. No. Schedule 5 has been included for illustrative purposes only.
20 The Company's proposal remains unchanged. Referring to Mr. Rainwater's
21 Schedule 8 in his Direct Testimony, the figures on the line entitled "Net Allocated
22 to Cost of Service" remain as the Company's proposed recovery. However, the

**Surrebuttal Testimony
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1 net savings actually available to customers will increase by the total increase in
2 savings identified in the Implementation Plan.

3 As indicated above, total savings have increased from \$590 to \$759
4 million. This means that the total increase in savings of \$169 million will be
5 available to customers.

6

7

III. Methodology

8

9 **Q. Mr. Nelson, please describe how the transition process**
10 **proceeded from the time of the D & T study through final approval of the**
11 **Implementation Plan.**

12 **A. The major steps in the process and the date each event occurred**
13 **are listed in Schedule 6. In order to describe the planning process and savings**
14 **study, I will use the Treasury Team as an example. I will explain each major**
15 **step in the process and trace an example of labor savings and non-labor savings**
16 **from initial identification in the D & T study to final inclusion in the**
17 **Implementation Plan.**

18 **As detailed in Schedule 6, the transition process began in late August,**
19 **1995 with the formation of the Steering Committee followed closely thereafter**
20 **with the hiring of Planmetrics. The Project Administration group was then**
21 **formed and helped organize the team kick-off meeting.**

Surrebuttal Testimony
of Craig D. Nelson

1 At the team kick-off meeting in early September, the two CEO's instructed
2 the 20 teams to develop plans to integrate operations of the two companies and
3 achieve savings of at least \$590 million. A packet of information was given to
4 each team during the meeting. The packet ("Charter") provided the team with an
5 overview of the merger transition effort. (The Charter for the Treasury Team is
6 labeled as Schedule 7.) In addition, the Charter included team organizational
7 structure and identified each team's co-leaders, one from UE and one from
8 CIPS. Information was also provided on targeted team merger savings, as
9 developed in the D & T study. Background information was also included to
10 provide teams with an understanding of how the targets were developed.

11 For example, on page 18 of Schedule 7, the D & T headcount analysis
12 identified 9 merger reductions from a combined base of 35 positions in the
13 "Financing and Treasury/Investor Relations" area. The analysis also identified 3
14 reductions out of a combined base of 13 in the "Financial Planning" area.
15 Therefore, the Treasury Team was given a target of 12 position reductions from
16 its combined workforce.

17 An example of non-labor savings can be found on page 31 of Schedule 7.
18 The D & T study assumed a 10% reduction in bank activity fees by combining
19 the two companies' treasury operations resulting in \$30,300 per year in savings.
20 This, along with other items, accumulated to Treasury's 10-year, non-labor
21 savings target of \$11.5 million. (See page 4 of Schedule 7.)

**Surrebuttal Testimony
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1 The Project Plan was the next step in the process. The Project Plan
2 completed by the Treasury Team is included as Schedule 8. The Project Plan
3 identifies major business processes to be addressed by the team, UE and CIPS
4 departments affected, the schedule to complete the recommendation, team
5 membership, current projects, known obstacles, and information systems which
6 would be impacted by the combination.

7 Late in September, Planmetrics conducted training for team members on
8 the subject of process redesign. This helped the teams plan necessary changes
9 in process when combining operations of the two companies.

10 In early November the teams completed an important step in the process
11 which we called the "As Is" reports, because they compared the existing
12 processes in each company. The Treasury "As Is" report is included as
13 Schedule 9. This report identified the processes to be examined, key business
14 requirements for those processes, information and other systems that
15 supported/enabled the process, key linkages to other processes, and the current
16 UE and CIPS annual labor and non-labor costs for the process. Teams also
17 identified any major differences in each process and why those major differences
18 exist.

19 The next step was development of the preliminary "Should Be"
20 recommendations. In this step teams analyzed alternatives for every process,
21 preparing detailed labor and non-labor cost estimates for each alternative. The
22 teams used these cost estimates to recommend which alternatives "should be"

**Surrebuttal Testimony
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1 implemented to meet the requirements of the merged companies. By comparing
2 the costs of the recommended alternatives to the "As Is" costs from the previous
3 step, teams also developed estimates of merger savings. Each team completed
4 a document that included the recommended alternatives and savings estimates.
5 These documents were submitted in mid-December.

6 Continuing with the Treasury example, Page 2 of Schedule 10 shows 18
7 preliminary position reductions which could be accomplished by combining the
8 various treasury functions and by achieving UE's January, 1997 staff reduction
9 goals. After further analysis, the team decreased the number of reductions from
10 18 to 15.

11 Page 53 of Schedule 10 shows the reduction in banking activity fees
12 identified in the preliminary "Should Be" analysis. The net savings in banking
13 fees amount to \$226,250 per year -- as compared to the \$30,300 identified in the
14 D & T study. The additional savings are primarily due to the fact that
15 incremental costs of processing CIPS customer payments on the UE lockbox
16 system are less than the fee paid by CIPS to a bank to process the payments.

17 Over a three-day period In January, 1996 the remaining 18 teams made
18 oral presentations to the Steering Committee summarizing the "Should Be"
19 recommendations. (Two of the original 20 teams were combined into other
20 teams with 18 teams remaining.) The Treasury team recommended that all the
21 processes within the Treasury function be combined. This resulted in 15
22 position reductions and total ten-year savings of \$24 million.

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of Craig D. Nelson**

1 On January 19, 1996 the Steering Committee presented a summary of the
2 "Should Be's" to the CEO's for final approval and resolution of outstanding
3 issues. As a result of this meeting, the new corporate structure was finalized
4 and subsequently approved by the boards of directors of both companies.

5 On February 12, 1996, UE President Charles Mueller and CIPS President
6 Clifford Greenwalt announced the overall corporate organizational structure and
7 leadership team for Ameren Corporation. The two CEO's named the officers for
8 Ameren's four subsidiary corporations.

9 Schedule 11 shows the corporate structure and those named. Soon after
10 this announcement, Messrs. Mueller and Greenwalt met with Ameren's officers
11 and team leaders to begin the final stage of Implementation Planning.

12 Based on guidance from the CEO's, the newly appointed officers became
13 the team leaders; teams were reformed along functional lines; and planning kick-
14 off meetings were conducted for each team.

15 The effect of the above on the Treasury Team was as follows:

- 16 • Mr. Jerre Birdsong, as Treasurer of Ameren Services, became the
17 team leader.
- 18 • The Customer Accounts function was moved from the Treasury Team
19 to Information Services.
- 20 • The Investor Relations function was consolidated within the
21 Controller's function.

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- 1 • The CIPS Mailing Services function was included in the
2 Finance/Administration area of CIPS.

3

4 Again, the moves were made to reflect where these processes would be
5 performed in the merged organization.

6 Each officer created a detailed organization chart for his/her function and
7 submitted that chart to the Steering Committee for approval. Schedule 12 is the
8 approved Treasury chart submitted by Mr. Birdsong. Please note that the 77
9 positions approved on the Treasury chart are the same number of positions
10 included on page 1 of Ameren's headcount summary, Schedule 3. The
11 authorized positions on each chart are the number of positions each function
12 head has agreed are needed.

13 The final "Should Be" reports were completed by the end of March.
14 These reports summarize the recommendations that are to be implemented for
15 the merged companies. Treasury's final "Should Be" is marked as Schedule 13.

16 On April 19, 1996, final 10-year merger savings from the Implementation
17 Plan were identified. A one-page summary of those savings is included in
18 Schedule 14. In addition, a three-page spreadsheet from each of the teams is
19 also included. These spreadsheets list the major items of savings and related
20 costs.

21 Pages 2 through 4 of Schedule 14 show the savings and costs for the
22 Treasury Team. Please note on page 2 that staffing is reduced by ** _**

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of Craig D. Nelson

1 positions – **_** due to the merger and **_** related to UE's staffing goals.
2 (There are **_** reductions rather than **_**, because **_** reductions were
3 transferred to other areas along with the transfer of the functions, as mentioned
4 above.) Also note that the **_** reductions are reflected on the Treasury line of
5 Ameren Corporation-Projected Headcount on Schedule 3.

6 Page 3 of Schedule 14 lists the non-labor savings for Treasury
7 Operations. Included there are the final annual savings amounts for the banking
8 activity fees, netting to **_____** in Year 1. Page 4 shows one-time costs
9 related to this savings in Year 0 totaling **_____**.

10 At the end of April each team submitted an Implementation Plan report.
11 The planning process was completed when the Steering Committee and CEO's
12 approved the overall integrated Implementation Plan, which is the compilation of
13 the team reports. The purpose of the Plan is to list activities necessary to
14 complete the merger, schedule those activities, and identify the associated
15 transition costs. The Treasury Implementation Plan is marked as Schedule 15.

16 **Q. You have described and attached to this testimony various**
17 **documents which were developed as part of the transition process. Are**
18 **there other documents that were developed which are not attached?**

19 **A. Yes, there are other workpapers and documents. For example, the**
20 **D & T workpapers have not been attached to this testimony but have been**
21 **previously supplied to the Staff and other parties. Also, many of my exhibits**

**Surrebuttal Testimony
of Craig D. Nelson**

1 were just from the Treasury Team; I did not include the reports and workpapers
2 from the other 17 teams. These documents are available for review.

3 **Q. When was this information available to the Staff and other**
4 **parties in this case?**

5 **A. Most of the documents have been supplied or made available for**
6 **some time. Other documents, such as the final savings summary and**
7 **Implementation Plan, were not completed and approved until late April. All**
8 **documents are now available for review.**

9

10 **IV. Next Steps**

11

12 **Q. Now that the Implementation Plan is complete, what happens**
13 **next?**

14 **A. The Steering Committee will remain in place through the merger**
15 **transition. The committee will deal with policy matters, resolve issues and**
16 **monitor the implementation of plans.**

17 **As Ameren Services' vice president of Merger Coordination, I have been**
18 **charged with ensuring that the plans the teams developed are executed. I will**
19 **be responsible for the day-to-day coordination of the merger, working with the**
20 **Steering Committee to resolve any merger-related issues.**

21 **The above information has been communicated by the CEO's to the**
22 **officers and managers of UE and CIPS. See Schedule 16.**

**Surrebuttal Testimony
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1 **Q. How do you intend to monitor the implementation of the**
2 **plans?**

3 **A. Since the planning phase is complete, an important next step in the**
4 **merger process is to develop approaches to monitor the implementation to**
5 **assure that savings are actually achieved at both the corporate and function**
6 **levels.**

7 The Plans identify milestones for completion of tasks in order to achieve
8 the overall goals. For example, key milestones for the overall Plan are identified
9 in the Merger Implementation Timeline (Schedule 17). Major implementation
10 milestones are identified for each team on Key Merger Implementation
11 Milestones (Schedule 18).

12 The Steering Committee and I will monitor progress against these
13 milestones in at least three ways:

14 1. A written progress report will be requested from function heads
15 reporting on the status of major activities.

16 2. Frequent oral discussions will take place between function heads
17 and myself regarding the status of activities in their areas.

18 3. Presentations by function heads to the Steering Committee will be
19 required from time to time.

20 Close monitoring will ensure that the plans are executed as stated which will
21 then cause the savings to be realized. In addition to monitoring implementation

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of Craig D. Nelson**

1 progress, we also plan to use the budgeting process to assure that savings are
2 actually achieved.

3

4

V. Benefit of Transferring Illinois Customers

5

6 **Q. Mr. Nelson, are you familiar with Mr. Rainwater's Rebuttal**
7 **Testimony regarding the transfer of UE's Metro East service area to CIPS?**

8

A. Yes.

9 **Q. Please summarize the Company's' position on the transfer**
10 **issue.**

11 **A. Our reason for proposing to transfer the Metro East area to CIPS is**
12 **that it would result in a more logical and rational business structure for the**
13 **combined companies. CIPS would become Ameren's Illinois operating**
14 **company, and UE would become Ameren's Missouri operating company. Both**
15 **UE and CIPS would have only one retail regulatory jurisdiction; whereas, without**
16 **the transfer, UE would remain regulated in both Missouri and Illinois.**

17 **Until now, we characterized this proposed transfer primarily as a matter of**
18 **convenience. From an economic viewpoint it would reduce the companies'**
19 **operating costs by about \$200,000 per year, but we agreed that is not a**
20 **significant savings. We also expressed concern about the growing potential for**
21 **conflicting regulatory requirements being imposed on UE, if it remains regulated**

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1 in both Missouri and Illinois. However, we also agreed that those concerns have
2 not materialized into real conflicts at this point in time.

3 In pre-filed testimony in the UE/CIPSCO merger case pending before the
4 Illinois Commerce Commission (Docket No. 95-0551), the Staff and the
5 industrial customers filed testimony objecting to the transfer for various reasons.
6 Our recommendation to the Illinois Commission, as filed in Surrebuttal Testimony,
7 had been essentially to approve the transfer if it gives greater weight to these
8 "convenience" benefits than to Staff's concerns regarding the System Support
9 Agreement and the IIEC's concerns regarding the potential movement of Metro
10 East customers to a uniform CIPS rate structure. We further stated that if the
11 Commission gives greater weight to Staff's and IIEC's concerns, it should
12 approve the merger but reject the property transfer.

13 **Q. Is there additional information you have presented in Illinois**
14 **and now wish to bring to the attention of this Commission?**

15 **A. Yes.** In completing this testimony, we found that savings due to the
16 property transfer are significantly greater than we previously stated. Therefore,
17 we now see a more substantial need to complete the property transfer as part of
18 the merger.

19 **Q. How much merger savings would be achieved by the property**
20 **transfer?**

21 **A. As Mr. Rainwater previously testified, the transfer would save**
22 **\$200,000 in regulatory expenses per year, or \$2 million over a 10-year period.**

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1 However, an additional savings of about \$1.9 million per year, or \$19 million
2 over a 10-year period, would also be possible due to a reduction in Illinois
3 invested capital tax. That would make the total savings from the transfer about
4 \$21 million, which we believe is a material amount.

5 Q. What is the basis for the reduction in invested capital tax?

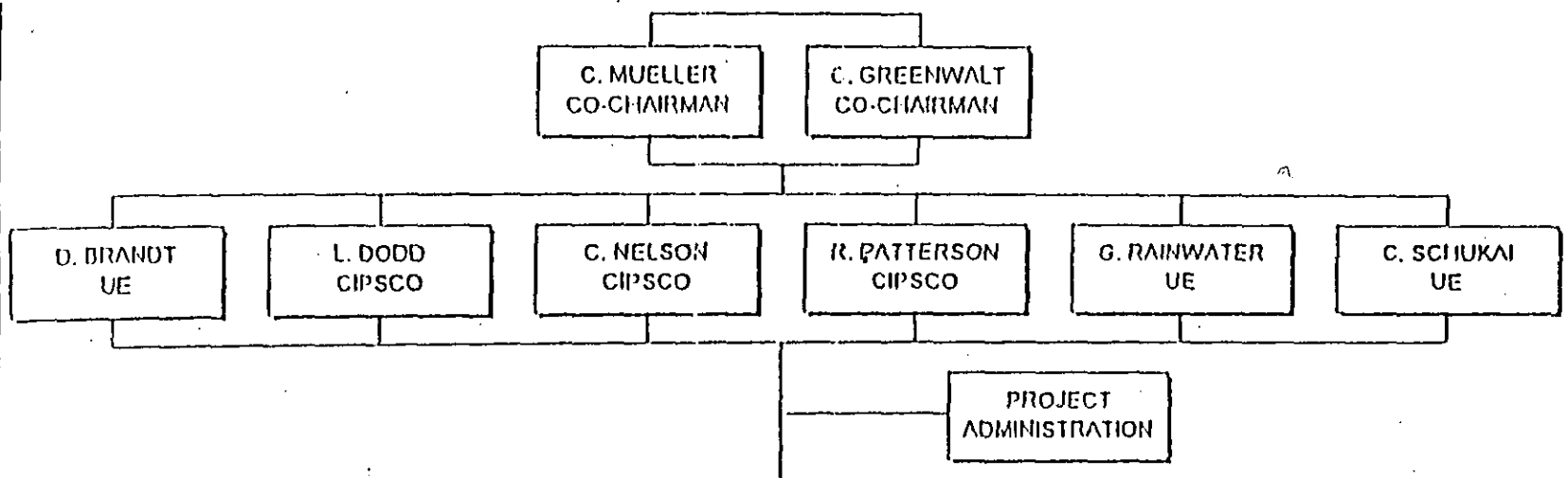
6 A. The Illinois invested capital tax is imposed on public utilities selling
7 electricity or gas at retail in Illinois. (See 35 ILCS 615/2a.1 and 35 ILCS
8 620/2a.) The tax rate is 0.8% of invested capital, as defined in Illinois law.
9 CIPS' entire invested capital base is subject to tax since it operates entirely in
10 Illinois. Since UE operates in Missouri and Illinois, the invested capital base
11 must be apportioned to arrive at the Illinois base. The apportionment factor
12 shown on the Illinois business income tax return is used to calculate the Illinois
13 tax base. (See 35 ILCS 615/1 and 620/1(ii).) UE's tax base, as shown on its
14 1995 Invested Capital Tax Return, line 8, is approximately \$290 million. (See
15 Schedule 19.)

16 Assuming that UE transfers the Metro East area to CIPS, it would no
17 longer be an Illinois public utility subject to invested capital tax. Therefore, UE
18 would not file a return or pay invested capital tax of approximately \$2,320,000
19 per year.

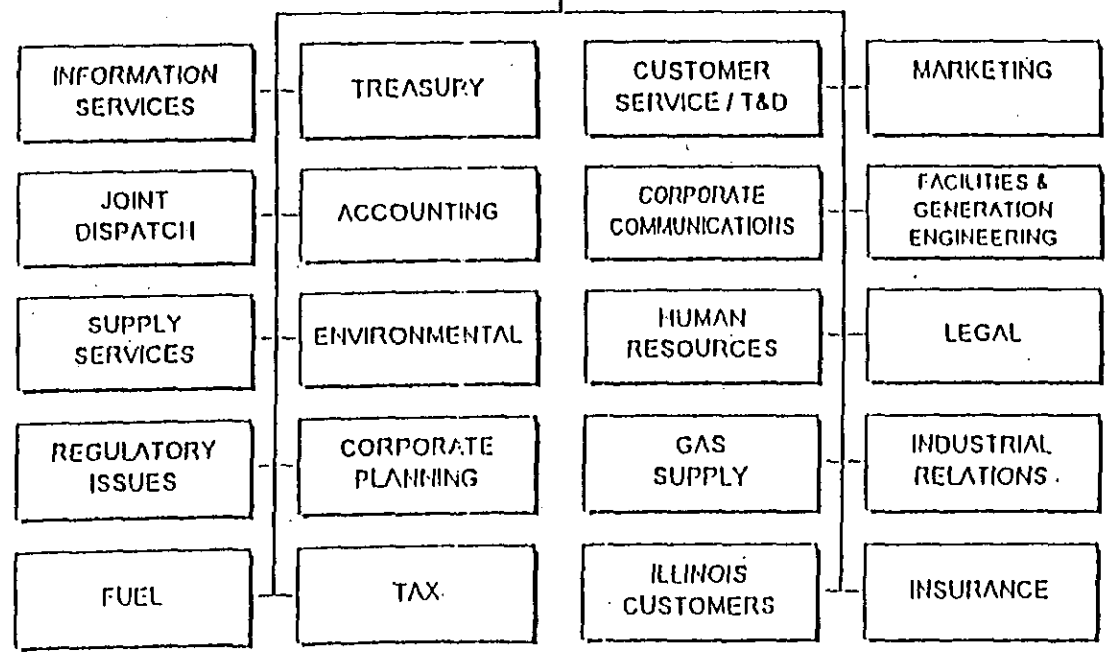
20 Again assuming the transfer of the Metro East property to CIPS, the
21 retained earnings of CIPS would increase by about \$55 million. (See Schedule

TRANSITION MANAGEMENT TASK FORCE

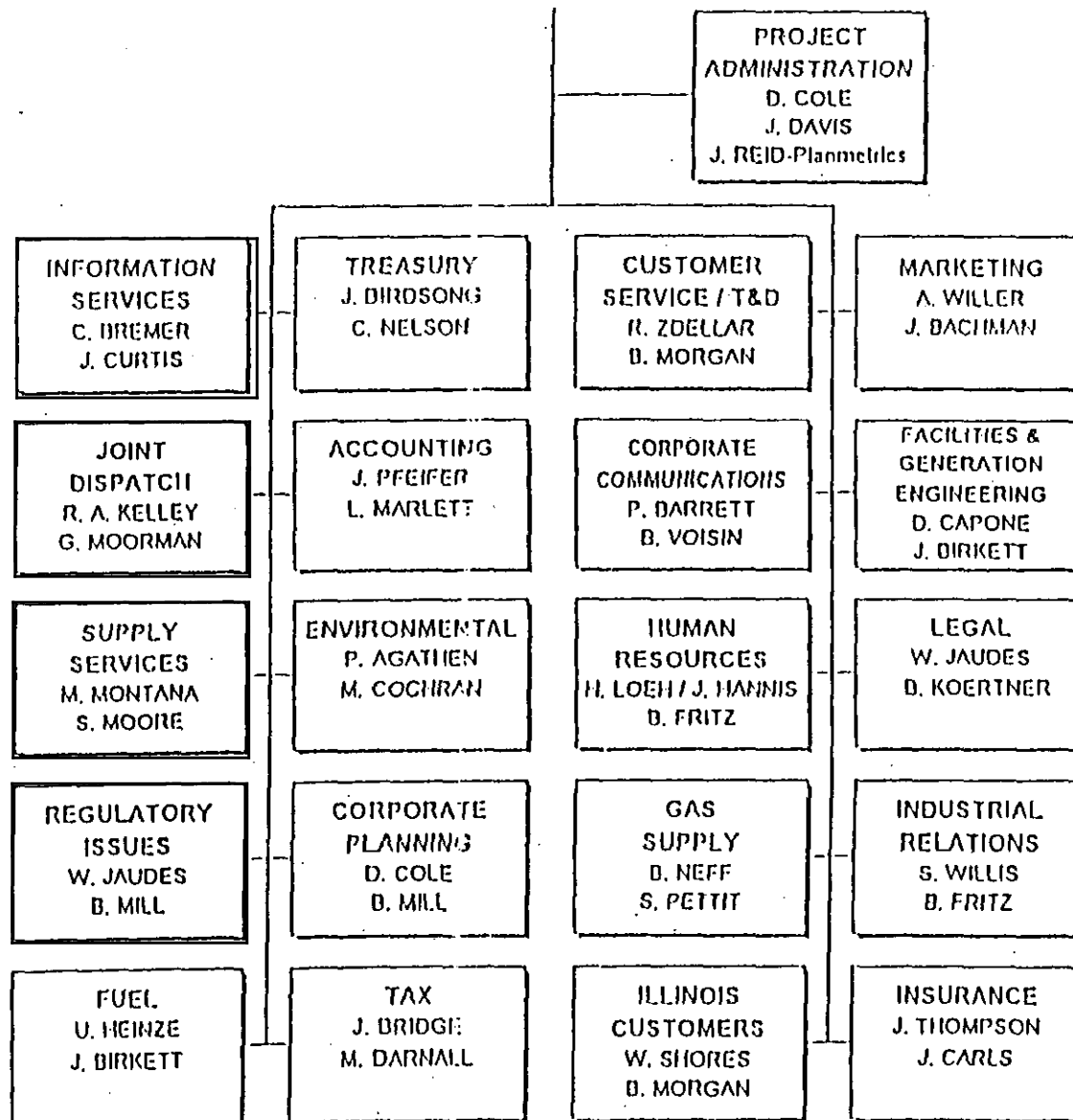
STEERING TEAM



TRANSITION TEAMS



TRANSITION TEAM LEADERS





10 Year Merger Savings Summary

	Total Labor Savings	Total Non-Labor Savings	Total Merger Savings	Total Transition Costs	Net Merger Savings Less Transition Costs
Team Savings Summaries	\$267.6	\$491.6	\$759.2	(\$73.1)	\$686.1
Less Enabled Savings	(\$12.8)	(\$29.6)	(\$42.5)	-	(\$42.5)
Net Merger Savings	\$254.8	\$461.9	\$716.7	(\$73.1)	\$643.6

Notes:

- 1 All savings in millions of dollars.
- 2 Transition costs include \$21.8 million of pre-merger transaction costs

SUMMARY OF TEN YEAR MERGER SAVINGS

(All costs stated in \$000)

SECTION	LAHOR SAVINGS		NON LAHOR SAVINGS		TRANSITION COSTS	
	Expensed	Requirements	Expensed	Requirements	Expensed	Requirements
FINANCIAL & CORPORATE SERVICES	22,568	1,982	11,677	11,677	148	148
Controllor's	-	-	-	-	-	-
Internal Audit	6,598	-	6,598	-	5	5
Tax	4,185	-	4,128	-	-	-
Treasury	3,663	-	8,539	-	-	-
Engineering & Construction	6,478	8,913	4,947	2,314	229	1,864
General Counsel and Secretary's	1,972	-	44,726	-	20	-
Total Fin & Corp Services	43,502	10,894	108,017	2,344	164,757	1,883
MERGER COORDINATION	(25,951)	-	-	-	21,834	-
CORPORATE PLANNING	13,195	-	1,091	-	188	-
ENERGY SUPPLY SERVICES	27,019	1,278	70,435	18,626	845	2,726
Supply Services	-	-	-	-	-	-
Energy Supply	41,501	972	89,944	2,420	1,896	1,896
Fuel Purchasing	3,128	-	17,411	-	10	-
Environmental Services	6,340	-	-	-	285	-
Gas Supply and Operations Support	2,983	1,173	40,753	-	1,215	-
Total Energy Supply Services	70,965	3,723	218,543	21,046	4,448	1,704
UTILITY RESOURCES	8,486	3,536	4,218	-	7,223	104
INDUSTRIAL RELATIONS	-	-	-	-	6	-
CUSTOMER SERVICES	7,899	-	3,918	-	918	-
Corporate Communications	-	-	263	-	561	-
Cost Services - Div Support (T&E)	9,133	2,502	11,635	-	-	-
Cost Services - Div Support (Ops Sv)	20,540	-	1,879	-	39	-
Call Centers	22,207	-	-	-	64	-
Information Services	54,102	5,259	45,454	48,917	6,657	31,313
Marketing	-	-	1,181	-	-	-
Economic Development	-	-	-	-	42	-
Total Customer Services	113,881	7,761	50,792	50,796	6,996	32,897
TOTAL AMERICAN SERVICES	224,079	25,915	382,661	74,186	8,887	20,670
LAHOR SAVINGS	249,994	121,642	50,792	50,796	101,588	224,230
NON LAHOR SAVINGS	-	-	156,846	-	706,840	-
TRANSITION COSTS	-	-	-	-	61,783	-
Savings Net of Transition Costs	249,994	121,642	382,661	74,186	8,887	20,670

SUMMARY OF TEN YEAR MERGER SAVINGS

(All costs stated in \$000)

SECTION	LABOR SAVINGS		NON-LABOR SAVINGS		TRANSITION COSTS		Savings Net of Transition Costs
	Expensed	Revenue	Expensed	Revenue	Expensed	Revenue	
MONITORING	Power Operations	1,177	1,177	1,177	1,177	118	1,059
	Customer Services	-	-	-	-	-	-
TOTAL MONITORING	Expensed	1,177	1,177	1,177	1,177	118	1,059
	Revenue	-	-	-	-	-	-
GENERAL ENGINEERING SERVICE	Power Operations	4,595	13,961	18,555	146	156	18,253
	Regions Operations	-	6,545	19,597	50	301	19,245
GENERAL ENGINEERING SERVICE	Expensed	4,595	13,961	18,555	146	156	18,253
	Revenue	-	6,545	19,597	50	301	19,245
FINANCE & ADMINISTRATION	Other	2,294	-	2,294	20	-	2,274
	Total	10,687	-	10,687	1,600	-	9,087
TOTAL OTHER	Expensed	10,687	-	10,687	1,600	-	9,087
	Revenue	-	-	-	-	-	-
TOTAL CHGS	Expensed	17,438	20,506	33,558	51,133	458	48,859
	Revenue	138	13,052	19,597	1,816	301	2,274
TOTAL AMEREN CORP.	Expensed	26,053	404,344	491,581	759,150	63,717	73,061
	Revenue	241,517	87,237	19,597	9,344	301	686,089

SUMMARY OF TEN YEAR MERGER SAVINGS
(All costs stated in \$000)

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
LABOR SAVINGS												
Expensed Labor Savings	-	5,571	14,875	24,423	25,278	26,161	27,078	28,026	29,007	30,022	31,073	241,517
Revenue Requirements Savings	-	126	866	1,322	1,794	2,284	2,788	3,312	3,851	4,414	4,994	26,054
Total Labor Savings		5,996	15,741	25,745	27,072	28,446	29,867	31,338	32,860	34,436	36,067	267,569
NON-LABOR SAVINGS												
O&M Non-Labor Savings	1,535	26,443	36,114	35,640	39,239	36,910	36,497	41,405	42,525	48,636	54,369	404,344
Revenue Requirements Savings	2,367	3,424	4,663	5,682	6,654	7,885	9,144	10,177	11,288	12,431	13,553	87,217
Total Non-Labor Savings	3,902	29,868	40,778	41,322	45,893	44,825	45,610	51,583	53,812	61,067	67,921	491,561
TOTAL MERGER SAVINGS	3,902	35,864	56,519	67,067	72,965	73,270	75,477	82,921	91,673	95,503	103,988	759,130
TRANSITION COSTS												
O&M Costs	42,825	19,188	1,559	115	30	-	-	-	-	-	-	63,717
Revenue Requirements	762	858	858	858	858	858	858	858	858	858	858	9,144
	43,586	20,047	2,417	973	888	858	858	858	858	858	858	73,061
MERGER SAVINGS NET OF TRANSITION COSTS	(39,684)	15,817	54,102	66,094	72,077	72,412	74,619	82,062	90,815	94,645	103,130	686,069



AMEREN CORPORATION — PROJECTED HEADCOUNT

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PROJECTED 1/97 HEADCOUNT	HEADCOUNT at 9/30/95				1995-96 PLANNED REDUCTIONS						PROJECTED HEADCOUNT at 1/1/97		
	UE	CIPS	Open Positions		Additional CIPS BPR	UE Staffing Goal	Additional Pre-Merger	Open Positions	Merger Reductions	Total (Net)	Target	Team	Spfld Metro Positions (Incl in Total)
			Combined	Org Charts (Total)									
AMEREN SERVICES													
FINANCIAL & CORPORATE SERVICES													
Controller's	93	51	3	147		(3)		(3)	(23)	(29)	118	118	9
Internal Audit	21	7		28					(6)	(6)	22	22	6
Tax	15	8		23					(4)	(4)	19	19	0
Treasury	74	12		86		(4)			(5)	(9)	77	77	7
Engineering & Construction	173	27	1	201		(2)		(1)	(17)	(20)	181	181	10
General Counsel	34	3		37		2			0	2	39	39	4
Secretary's	12	4		16					(2)	(2)	14	14	2
Other	2	0		2						0	2	2	0
Total Fin & Corp Services	424	112	4	540	0	(7)	0	(4)	(57)	(68)	472	472	38
MERGER COORDINATION	0	1		1					0	0	1	1	
CORPORATE PLANNING	25	13	6	44					(6)	(6)	32	32	7
ENERGY SUPPLY SERVICES													
Supply Services	470	110	1	581		(3)		(1)	(35)	(39)	542	542	33
Energy Supply	40	26	7	73		(1)		(7)	(24)	(32)	41	41	0
Fuel Purchasing	8	8		16		1			(3)	(2)	14	14	4
Environmental Services	34	12		46		(1)			(6)	(7)	39	39	3
Gas Supply & Operations Support	16	47		63					(5)	(5)	58	58	27
Other	1	0		1						0	1	1	0
Total Energy Supply Services	569	203	8	780	0	(4)	0	(8)	(73)	(85)	695	695	67
HUMAN RESOURCES	70	15	4	89		(2)		(4)	(11)	(17)	72	72	3
INDUSTRIAL RELATIONS	11	3		14						0	14	14	3
CUSTOMER SERVICES													
Corporate Communications	15	11		26		(2)			(8)	(10)	16	16	1
Cust Services - Div Support (T&D)	531	15	3	549		3		(3)	(10)	(10)	539	539	6
Cust Services - Div Support (Cus Sv)	150	46		196					(25)	(16)	180	180	19
Call Centers	165	76		241		(12)			(28)	(40)	201	201	65
Information Services	300	129	6	515		(13)		(6)	(62)	(81)	434	434	15
Marketing	33	17		50		13			0	13	63	63	10
Economic Development	3	10		13					0	0	13	13	2
Other	1	0		1						0	1	1	0
Total Customer Services	1,278	304	9	1,591	0	(2)	0	(9)	(133)	(144)	1,447	1,447	118
TOTAL AMEREN SERVICES	2,377	651	31	3,059	0	(15)	0	(31)	(280)	(326)	2,733	2,733	236

Schedule 3
Page 1 of 3

AMEREN CORPORATION — PROJECTED HEADCOUNT

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PROJECTED 1/97 HEADCOUNT	HEADCOUNT at 9/30/95				1995-96 PLANNED REDUCTIONS						PROJECTED HEADCOUNT at 1/1/97		
	UE	CIPS	Open Positions	Combined	Additional CIPS BPR	UE Staffing Goal	Additional Pre-Merger	Open Positions	Merger Reductions	Total (Net)	Target	Team Org Charts (Total)	Spfld Metro Positions (Incl in Total)
UNION ELECTRIC													
<u>POWER OPERATIONS</u>													
Labadie Plant	414			414						0	414	401	
Sioux Plant	226			226						0	226	223	
Rush Island Plant	209			209						0	209	210	
Meramec Plant	236			236						0	236	239	
Venice Plant	83			83						0	83	83	
Keokuk Plant	56			56						0	56	53	
Osage Plant	33			33						0	33	33	
Taum Sauk Plant	8			8						0	8	9	
Power Plant Mice & Engr	167			167		(6)				(6)	161	167	
Personnel Safety & Training	25			25						0	25	23	
Laboratory Services	33			33		(2)			0	(2)	31	31	
Other	2			2		(7)				(7)	(5)	5	
Total UE Power Operations	1,492	0	0	1,492	0	(15)	0	0	0	(15)	1,477	1,477	0
<u>CUSTOMER SERVICES</u>													
Customer Services - Metropolitan	714			714		(3)	(4)			(7)	707	707	
Customer Services - Regional	783			783		(17)				(17)	766	766	
Total Customer Services	1,497	0	0	1,497	0	(20)	(4)	0	0	(24)	1,473	1,473	0
<u>NUCLEAR OPERATIONS</u>													
Total Nuclear Operations	862			862		(9)	(3)			(12)	850	850	0
<i>Unidentified Pre-Merger Reductions</i>						(11)	(10)			(21)	(21)		
TOTAL UNION ELECTRIC	3,851	0	0	3,851	0	(55)	(17)	0	0	(72)	3,779	3,800	0

AMEREN CORPORATION — PROJECTED HEADCOUNT

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PROJECTED 1/97 HEADCOUNT	HEADCOUNT as 9/30/95				1995-96 PLANNED REDUCTIONS						PROJECTED HEADCOUNT at 1/1/97		
	UE	CIPS	Open Positions	Combined	Additional CIPS BPR	UE Staffing Goal	Additional Pre-Merger	Open Positions	Merger Reductions	Total (Net)	Target	Team Org Charts (Total)	Spfld Metro Positions (Incl in Total)
CENTRAL ILLINOIS PUBLIC SERVICE													
POWER OPERATIONS													
Culltean Power Station				0						0	0		
Newton Power Station				0						0	0		
Meredosa Power Station				0						0	0		
Hulsonville Power Station				0						0	0		
Grand Tower Power Station				0						0	0		
Power Operations Support Services				0					(3)	(3)	(3)		28
Other		860		860	(2)				(2)	(4)	856	853	
Total CIPS Power Operations	0	860	0	860	(2)	0	0	0	(5)	(7)	853	853	28
REGION OPERATIONS		887		887	(10)		4			(6)	881	881	20
REGION OPERATIONS				0						0	0		
FINANCE & ADMINISTRATION		21		21					(3)	(3)	18	18	18
CIPS OTHER		13		13					(3)	(3)	10	10	7
TOTAL CIPS	0	1,781	0	1,781	(12)	0	4	0	(11)	(19)	1,762	1,762	73
AMEREN (OTHER)													
Officers	2			2					0	0	2	2	
CIPSCO Investment Co		2		2						0	2	2	2
Total Ameren (Other)	2	2	0	4	0	0	0	0	0	0	4	4	2
TOTAL AMEREN CORP.	6,230	2,434	31	8,695	(12)	(70)	(13)	(31)	(291)	(417)	8,278	8,299	311

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Analysis of Difference Between 4/19/96 Final Savings Report and D & T Report

(millions of dollars)

	<u>Labor Savings</u>	<u>Non-Labor Savings</u>	<u>Pre-Merger Transaction Costs</u>	<u>Transition Costs</u>	<u>Total Net Savings</u>
Reported 4/19/96	\$267	\$492	(\$22)	(\$51)	\$686
D & T Study	<u>196</u>	<u>394</u>	<u>(22)</u>	<u>(19)</u>	<u>549</u>
Difference	<u>\$71</u>	<u>\$98</u>	<u>\$0</u>	<u>(\$32)</u>	<u>\$137</u>

Analysis of Difference:

	<u>Final</u>	<u>D & T</u>	<u>Difference</u>
Labor Savings:			
Final reduction of 322 vs. 295 and higher rate/employee	\$267	\$196	\$71
Non-Labor Savings:			
Corporate and administrative programs	\$235	\$204	\$31
Purchasing economies	84	69	15
Electric production	101	94	17
Gas production	37	37	0
Additional operations savings	<u>35</u>	<u>0</u>	<u>35</u>
Total Non-Labor Savings Difference	<u>\$492</u>	<u>\$394</u>	<u>\$98</u>
Total Gross Savings	<u>\$759</u>	<u>\$590</u>	<u>\$169</u>
Transaction Costs	(\$22)	(\$22)	\$0
Transition Costs:			
Staffing related costs	(\$9)	(\$3)	(\$6)
Systems consolidations/telecommunications	(33)	(12)	(21)
Facilities integration	(1)	(1)	0
Communications (Internal & external)	(1)	(1)	0
Retraining and other transition costs	<u>(7)</u>	<u>(2)</u>	<u>(5)</u>
Total transition costs	<u>(\$51)</u>	<u>(\$19)</u>	<u>(\$32)</u>
Total Difference	<u>\$686</u>	<u>\$549</u>	<u>\$137</u>



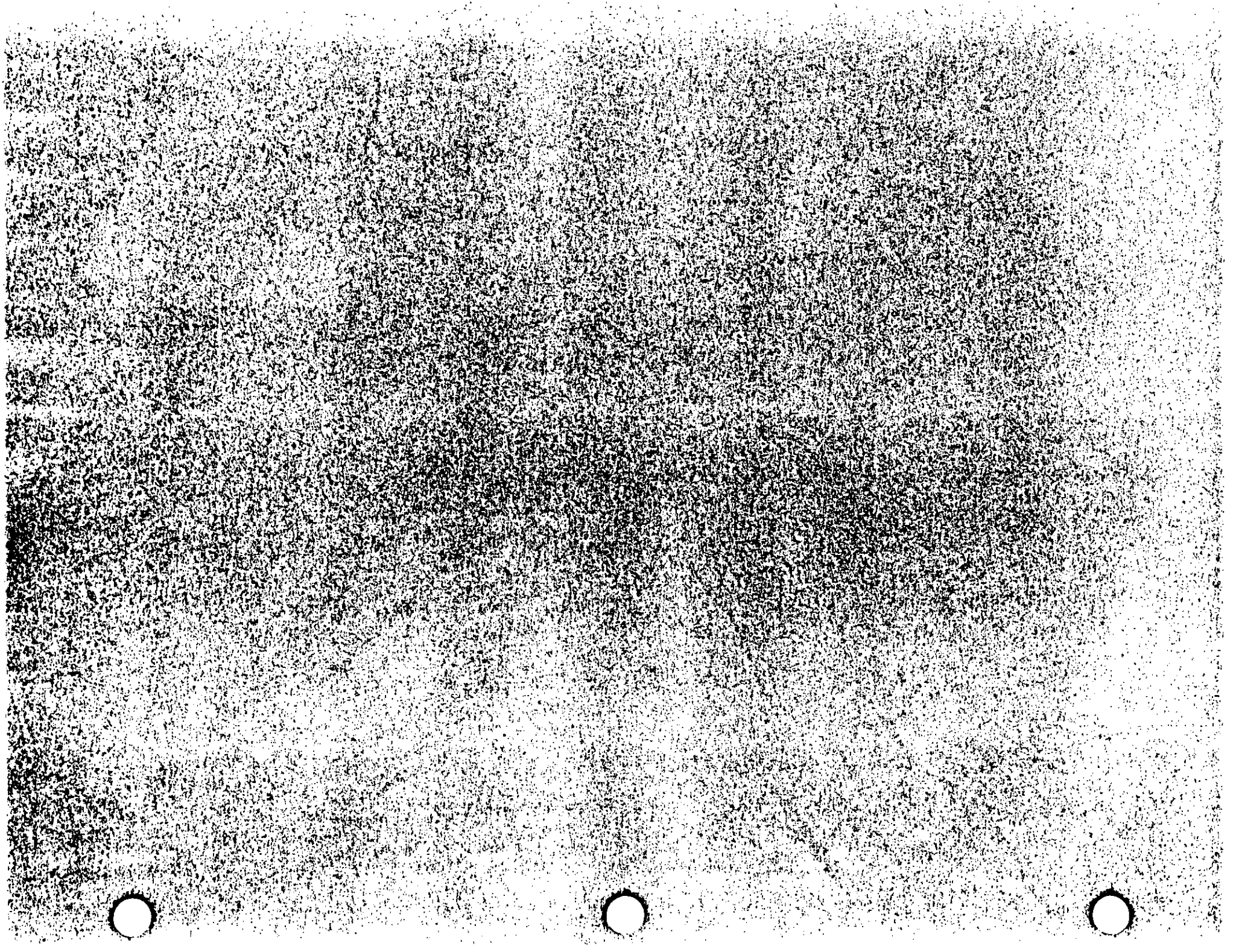
UNION ELECTRIC / CIPSCO MERGER

**Shared Savings Plan
(\$000)**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	10-Year Total
<u>Summary of Net Savings</u>											
Total Merger Savings (Final)	\$39,766	\$56,519	\$67,067	\$72,965	\$73,270	\$75,477	\$82,921	\$91,673	\$95,503	\$103,988	\$759,149
Transaction Costs	3,827	5,439	6,455	7,022	7,052	7,264	7,980	8,823	9,191	10,008	73,061
Merger Premium	<u>12,156</u>	<u>17,277</u>	<u>20,501</u>	<u>22,304</u>	<u>22,397</u>	<u>23,072</u>	<u>25,347</u>	<u>28,022</u>	<u>29,193</u>	<u>31,787</u>	<u>232,056</u>
Total Merger Investment	15,983	22,716	26,956	29,326	29,449	30,336	33,327	36,845	38,384	41,795	305,117
Net Merger Savings	<u>\$23,783</u>	<u>\$33,803</u>	<u>\$40,111</u>	<u>\$43,639</u>	<u>\$43,821</u>	<u>\$45,141</u>	<u>\$49,594</u>	<u>\$54,828</u>	<u>\$57,119</u>	<u>\$62,193</u>	<u>\$454,032</u>
<u>Summary of Shared Savings Plan</u>											
Total Merger Investment	\$15,983	\$22,716	\$26,956	\$29,326	\$29,449	\$30,336	\$33,327	\$36,845	\$38,384	\$41,795	\$305,117
½ of Net Merger Savings ⁽¹⁾	<u>10,271</u>	<u>10,819</u>	<u>12,549</u>	<u>14,199</u>	<u>16,218</u>	<u>16,296</u>	<u>17,004</u>	<u>18,863</u>	<u>20,429</u>	<u>21,839</u>	<u>158,487</u>
Net Allocation to Cost of Service	<u>\$26,254</u>	<u>\$33,535</u>	<u>\$39,505</u>	<u>\$43,525</u>	<u>\$45,667</u>	<u>\$46,632</u>	<u>\$50,331</u>	<u>\$55,708</u>	<u>\$58,813</u>	<u>\$63,634</u>	<u>\$463,604</u>
Net Available to Customer	<u>\$13,512</u>	<u>\$22,984</u>	<u>\$27,562</u>	<u>\$29,440</u>	<u>\$27,603</u>	<u>\$28,845</u>	<u>\$32,590</u>	<u>\$35,965</u>	<u>\$36,690</u>	<u>\$40,354</u>	<u>\$295,545</u>

NOTES:

(1) ½ of Net Merger Savings (Original estimate as filed per Exhibit GLF:-6).

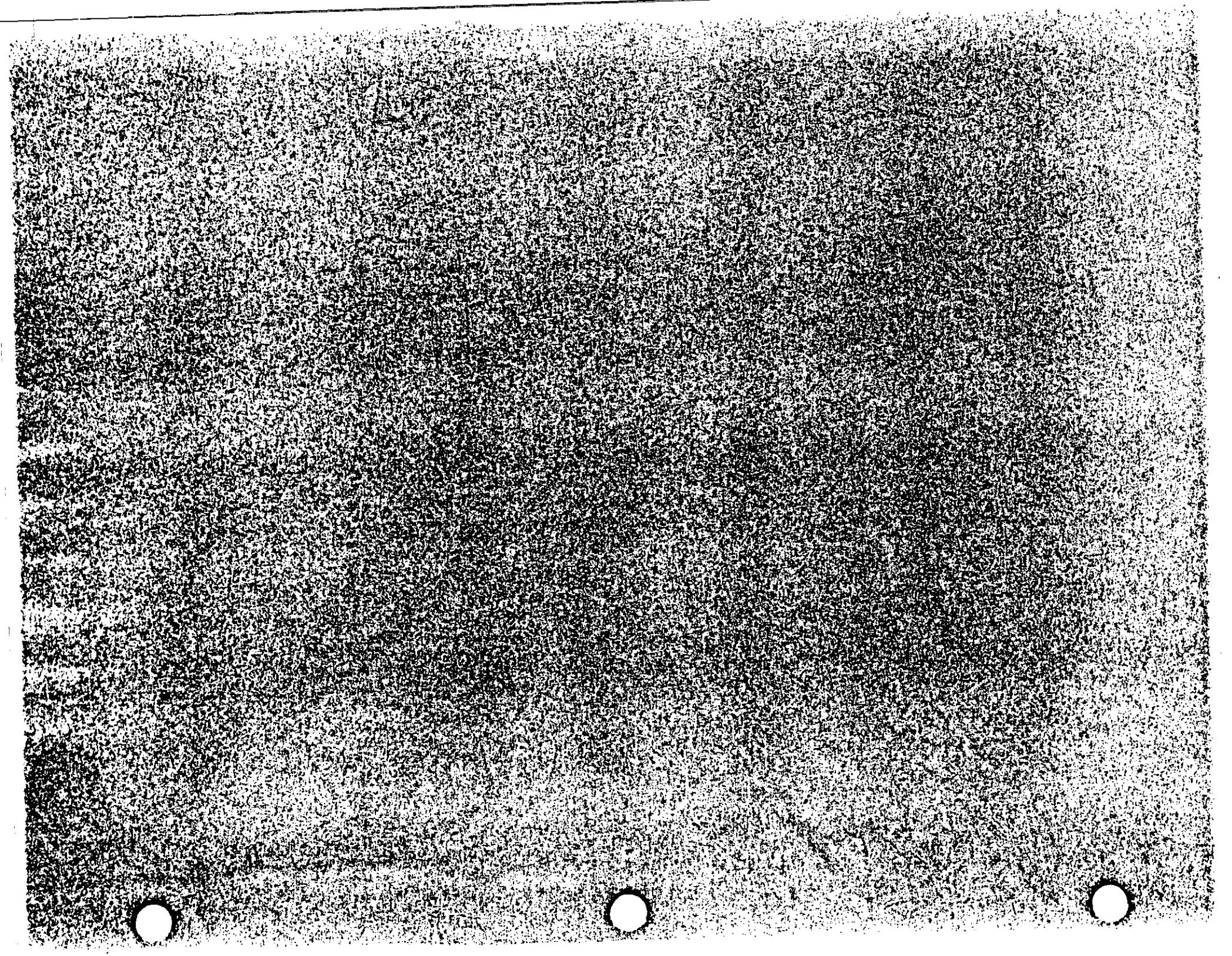


Merger Transition Process

Date(s)	Event
8-8-95	Deloitte & Touche savings study finalized
8-11-95	CIPS and UE signed merger agreement
8-14-95	Proposed merger announced to public
8-22-95	Transition Management Task Force ("Steering Committee") formed
8-28-95	Planmetrics proposes process for the transition and is engaged to assist in Transition Process
9-1-95	Project Administration group formed
9-8-95	<p>Team kick-off meeting:</p> <ul style="list-style-type: none"> • Twenty Transition Teams formed • Charters given to Teams [Charters were developed to provide teams with an overview of the merger transition effort, including the team organizational structure and identification of team leaders. Information was also provided on team targeted merger savings, as developed in the D&T study. Background information was included to provide teams with information on how the targets were developed.] • Project timeline and plan overview presented, teams asked to develop preliminary plan of approach. • Overall goal was to develop plans to integrate operations of two companies by March, 1996 and achieve savings of at least \$590 million • Hiring freeze for both companies began
9-15-95	Project Plan completed by Teams [Teams identified: major business processes related to their functional area; UE and CIPS departments affected; the schedule to complete their recommendation; team membership; current projects underway; known obstacles; and informations systems which would be impacted by the combination.]
9-25-95	Transition team training conducted – process redesign
10-16-95	Ameren Corporation name announced
11-7-95	<ul style="list-style-type: none"> • CIPS and UE file application for approval of merger with ICC • UE application submitted to MPSC
11-7-95	"As Is" reports completed by teams [Teams identified the processes to be examined, key business requirements for those processes, information and other systems that supported/enabled the process, key linkages to other processes, and the current UE and CIPS annual labor and non-labor costs for the process. Teams also identified any major differences in each process and why those major differences exist.]
12-15-95	Teams submitted written preliminary "Should Be" recommendations [Teams were asked to analyze different alternatives for each process and recommend which alternative should be implemented to meet the requirements of the merged companies. The teams then developed estimates of the savings that would result from the recommended alternatives.]
12-20-95	Special shareholder meetings held -- shareholders approved merger agreement
12-22-95	Joint application for merger filed with FERC
1-9-96 to 1-11-96	Merger teams made presentations on "Should Be" recommendations to Steering Committee
1-19-96	Steering Committee presented summary of "Should Be's" to CEO's

2-12-96	Ameren Corporation organization announced -- including names of officers
2-15-96	"Kick-off" meeting for Ameren officers and team leaders to begin Implementation Planning
2-20-96	Implementation planning: <ul style="list-style-type: none"> • New teams formed - by functional area • Implementation planning team "Kick-offs" conducted • Implementation plan development initiated
3-28-96	<ul style="list-style-type: none"> • Steering Committee approved merger-related personnel policies: <ol style="list-style-type: none"> a) Staffing Selection Process b) Placement Pool c) Relocation d) Compensation and Benefits • Organization charts for Ameren Services, CIPS and UE approved
3-29-96	Final "Should Be" reports completed [These reports summarize the recommendations that are to be implemented for the merged companies.]
4-15-96 to 6-15-96	Interview and hiring process for Ameren Services positions
4-19-96	Merger savings from Implementation Plans identified (\$686 million)
4-22-96	Teams submitted final written Implementation Plans [The purpose of these reports is to develop the list of activities necessary to complete the mergers, the schedule for those activities, and the associated transition costs.]
4-25-96	Integrated Implementation Plan finalized
4-25-96 to 5-1-99	Execute and complete Integrated Implementation Plan

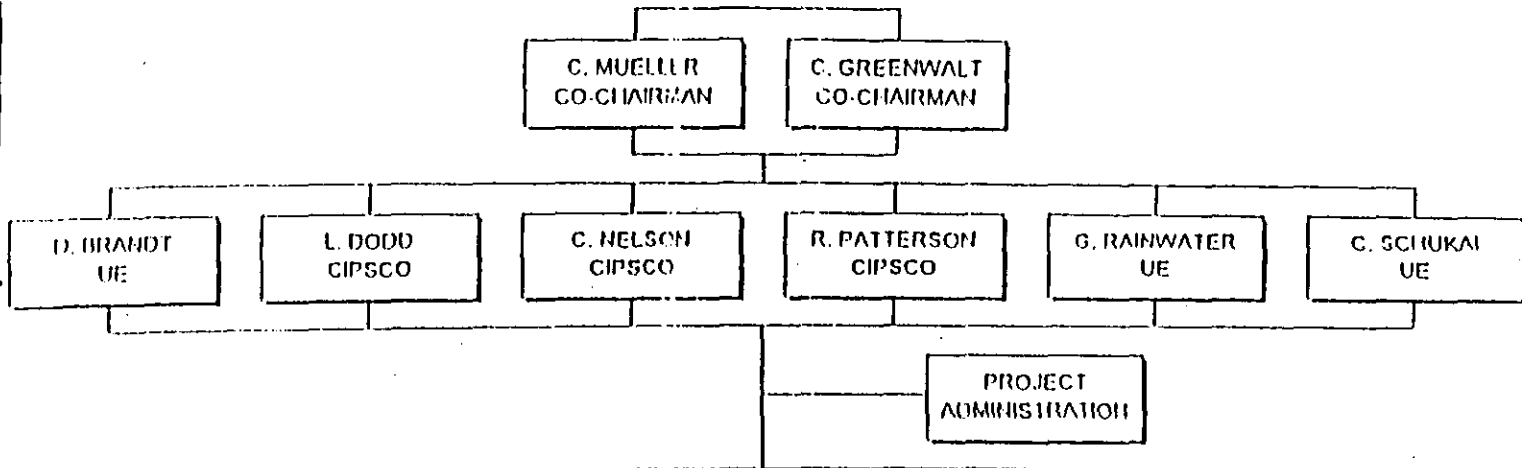
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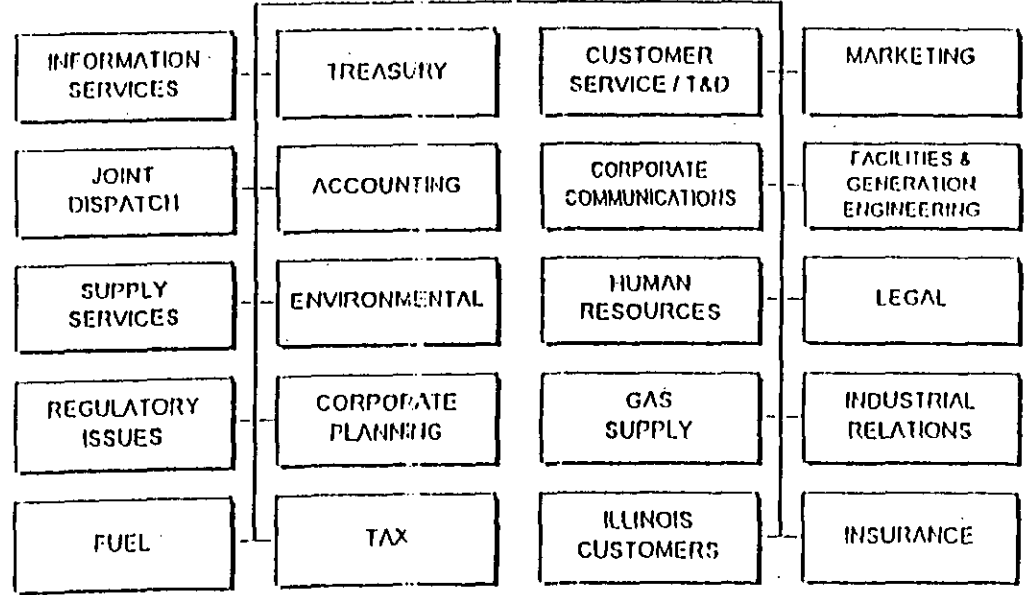
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TRANSITION MANAGEMENT TASK FORCE

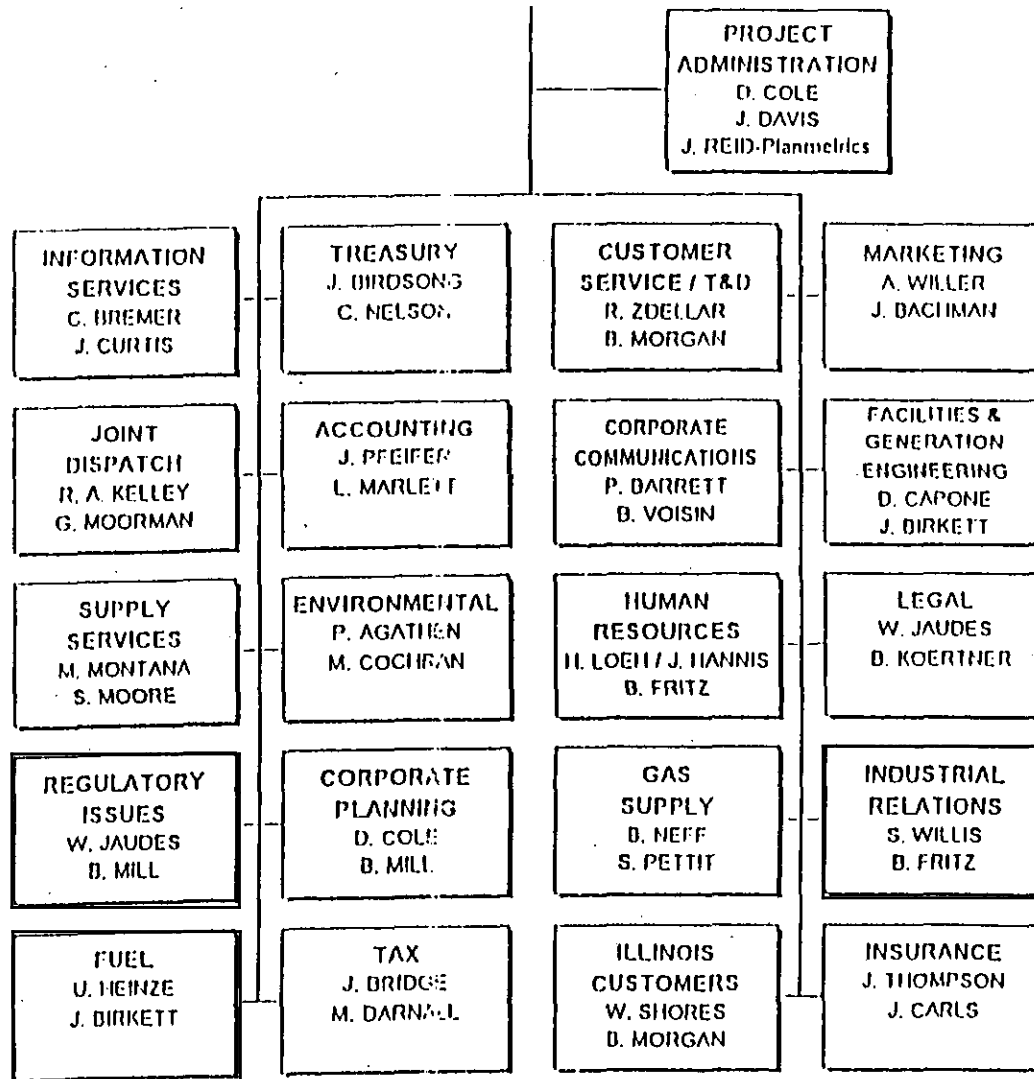
STEERING TEAM



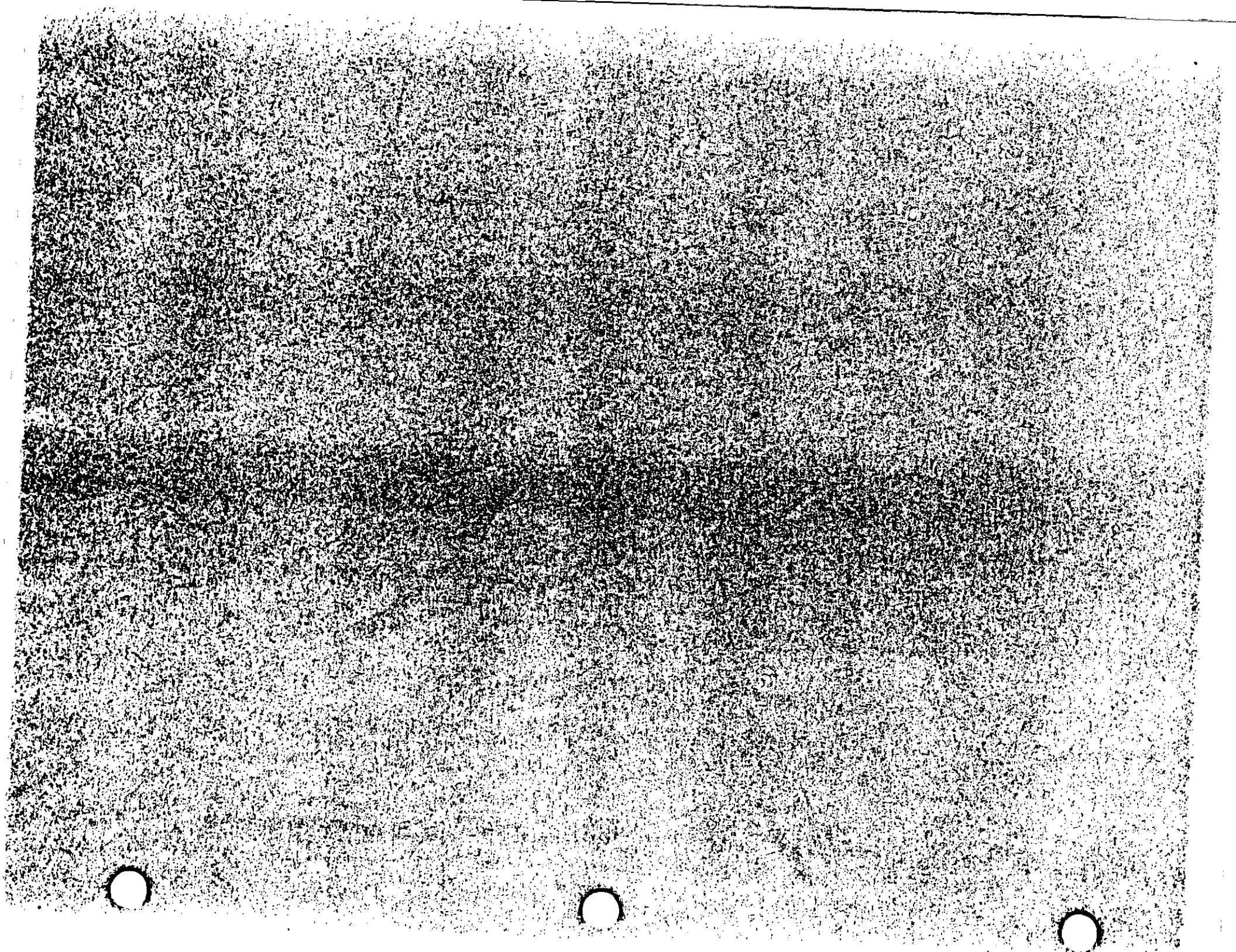
TRANSITION TEAMS



TRANSITION TEAM LEADERS



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Treasurer's

Project Plan

Major Business Processes

<i>Major Business Processes:</i>	<i>UE Departments*</i>	<i>CIPS Departments*</i>
▪ Financial Analysis/Special Studies	Treas/FP&I	Treas/FA
▪ Benefit Plan Investments	Treas/FP&I	Treas/FA
▪ Treasury Operations	Treas/Treas Op	Treas/Treas Op
▪ Investor Relations/Rating Agency Presentations/Annual Report	Corporate Communications	Treas/IR
▪ Stock Transfer/Paying Agent Dividend Reinvestment	Treas/Inv Svcs	Treas/IR
▪ SEC Compliance, Mtgc Indenture, Pfd, Env's	Corporate Secretary's	Treas/IR
▪ Financings/ Diversification Financial Analysis	Treasurer	Treas/FA
▪ Adm of SERP and Excess Plans, Rabbi Trust, Stock Options	Treasurer/Inv Svcs	Treasurer

<ul style="list-style-type: none"> Corporate Resolutions/ Annual Meeting/Proxy 	Corporate Secretary's	Treasurer/Asst Corp Secretary
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List UE and UPS departments with major responsibilities for the area.

Key Issues/Questions

Issues

- How will the targeted cost savings/headcount reductions be achieved?
- How will common processes be designed (combined or separate)?
- What will be the impact of using one set of application systems be to the process?
- Should Benefit Plans be combined? Should Administration of investment managers, trustees, recordkeepers, and consultants be combined (regardless of whether plans are combined)? If so, in Springfield or St. Louis?
- Should combined stock transfer/paying agency be outsourced or remain at Holding Company headquarters?
- Should CIPS lockbox operations continue to be outsourced or combined with UE at GOB in St. Louis?
- How do we coordinate with UE's Secretary's Dept and Corporate Communications to achieve cross-dept savings? How will the continuing CIPS Corporate Secretary's work be performed?
- How do we coordinate short-term borrowing/investing among operating companies? Are lines of credit & CP by holding company or operating companies? What total borrowing capacity is needed? Where will personnel be located?
- What are the resulting reporting relationships?

Major Work Tasks/Schedule

Steps	September				October					November				December				January				February				March								
	Week				Week					Week				Week				Week				Week												
	1	2	3	4	1	2	3	4	5	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4					
Team Orientation	x																																	
Analyze Existing Processes		x	x	x																														
Develop "Should Be" Processes				x	x	x	x																											
Present Recommended Processes									x																									
Develop Functional Organization									x	x	x																							
Present Recommendation													x																					

Team Membership

<i>Core Team</i>	<i>UE</i>	<i>CIPS</i>
<p><i>Team Leaders:</i></p> <p><i>Team Members: *</i></p>	<p>Jerre Birdsong</p> <p>Mary Heger - Investor Services Don Hollingsworth - Treasury Operations</p>	<p>Craig Nelson</p> <p>Mary Ellen Brown - Treasury Operations Pat Burns - Financial Analysis Jim Goff - Investor Relations/ Svcs</p>
<i>Experts</i>	<p>Carlin Scanlan - Investor Relations Jerry Waters - Corp Secretary's</p>	

Current Projects/Initiatives

- New Imaging System for UE's Treasury Operations retail lock box. Implementation scheduled for November, 1995.
- Installation of Verifone machines for CIPS remote payments
- Asset allocation study of CIPS pension fund
- Establishment of Capital Funding Committee at UE
- Finding new trustee for CIPS indenture and environmental bonds
- Establishment of book entry system for UE stock
- Establishment of funding of UE's VEBA
- Direct debit and other new customer payment programs at UE & CIPS
- Analysis of feasibility of Financial Electronic Data Interchange at UE & CIPS
- New PC laser printer in Treasury Op to print various UE checks from blank stock with full reconciliation and positive pay features from the bank
- Stock option administration at UE- software and procedures
- Evaluation of enhanced dividend reinvestment & stock purchase plan for UE stock
- Consolidation of dividend bank accounts at UE
- Revising DRPlus statement/processing through Imaging System at UE

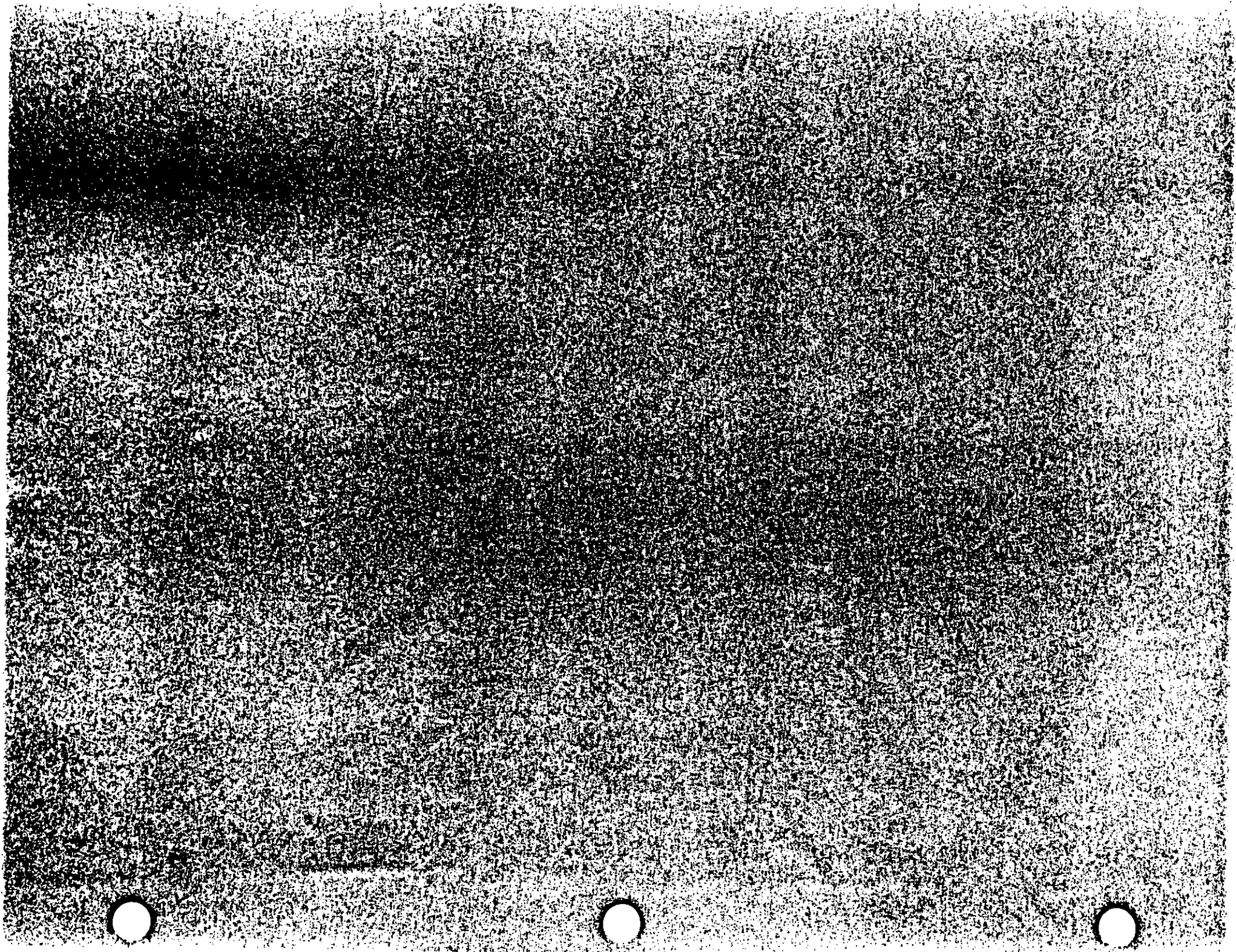
Known Problems/Obstacles

- We have already found mistakes in Deloitte & Touche's calculations which led to unreasonably high expectations of savings and headcount reductions allocated to the Treasury Team. Will have to take the time to correct all mistakes and convince Transition Team that we will recommend the right thing for both companies despite Deloitte & Touche's calculations.

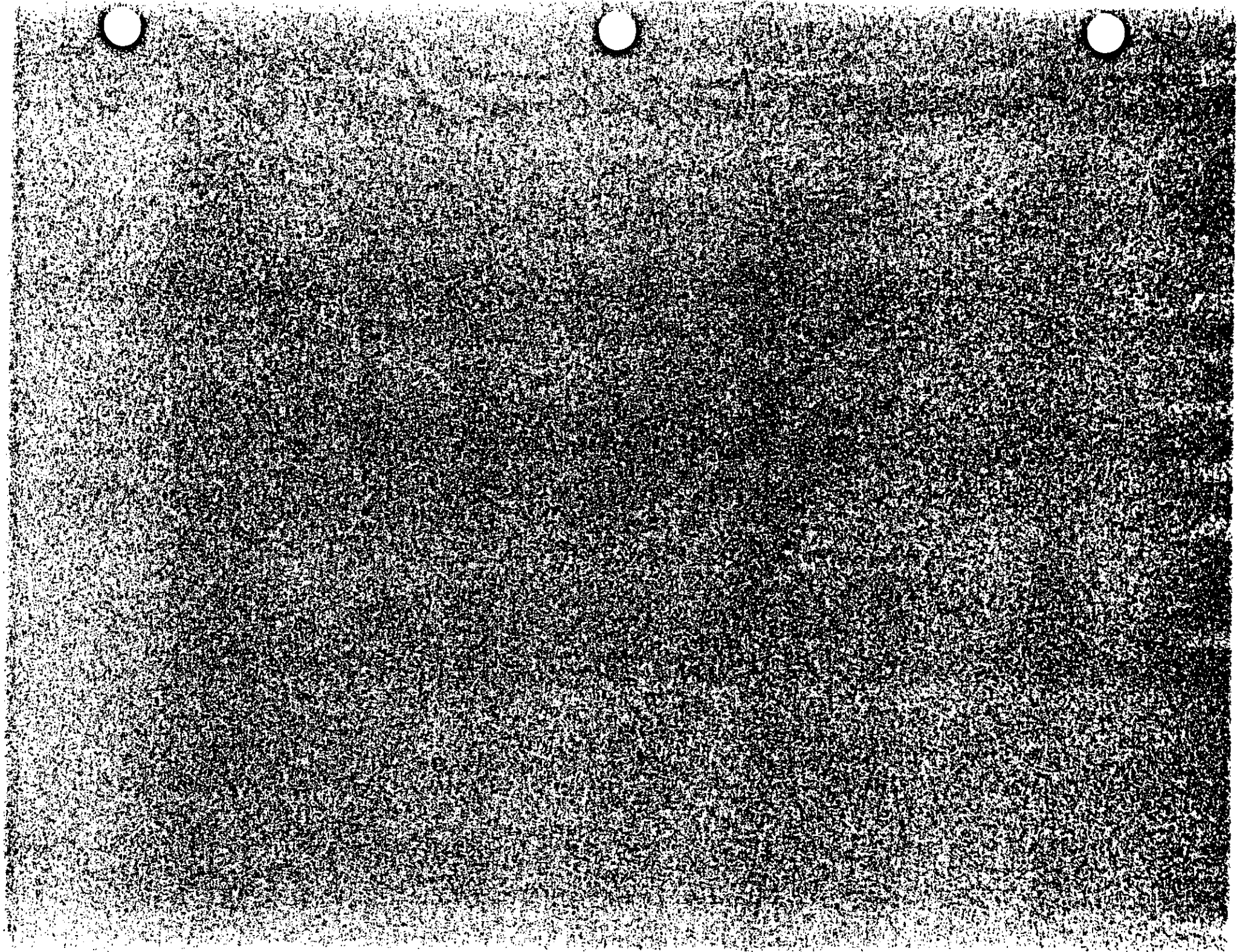
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Current Information Systems

	<i>UE Departments</i>	<i>CIPS Departments</i>
▪ Customer Information	Treas Op/Customer Accts/ Customer Service	Treas Op
▪ Accounts Payable	Accounts Payable	Treas Op
▪ Lockbox	Treas Op/LancTec	Treas Op/FOA for retail Boatmen's for wholesale
▪ Fed Wire, ACH	Treas Op (Boatmen's, Mercantile, First Chicago)	Treas Op (First Chicago)
▪ Verifone	none	Treas Op
▪ Commercial Paper	Treas Op (First Chicago, Lehman Brothers)	Treas Op (First Chicago)
▪ Stock Transfer	CSII	DST & Ill. Stock Transfer
▪ Dividend/Interest Payments	Inv Services	Treas Op
▪ Payroll	Inv Svcs, General Accounting	Treas Op



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MERGER UPDATE

F O R T H E E M P L O Y E E S O F U E A N D C I P S

Vol. 2 No. 2

February 12, 1996

AMEREN CORPORATION ORGANIZATION ANNOUNCED

Chuck Mueller and Cliff Greenwalt today announced the overall corporate organizational structure and the leadership team for Ameren Corporation. (See Organization Chart on Page 2.)

Ameren Services is a new company being formed to deliver support to the operating companies: Union Electric and Central Illinois Public Service.

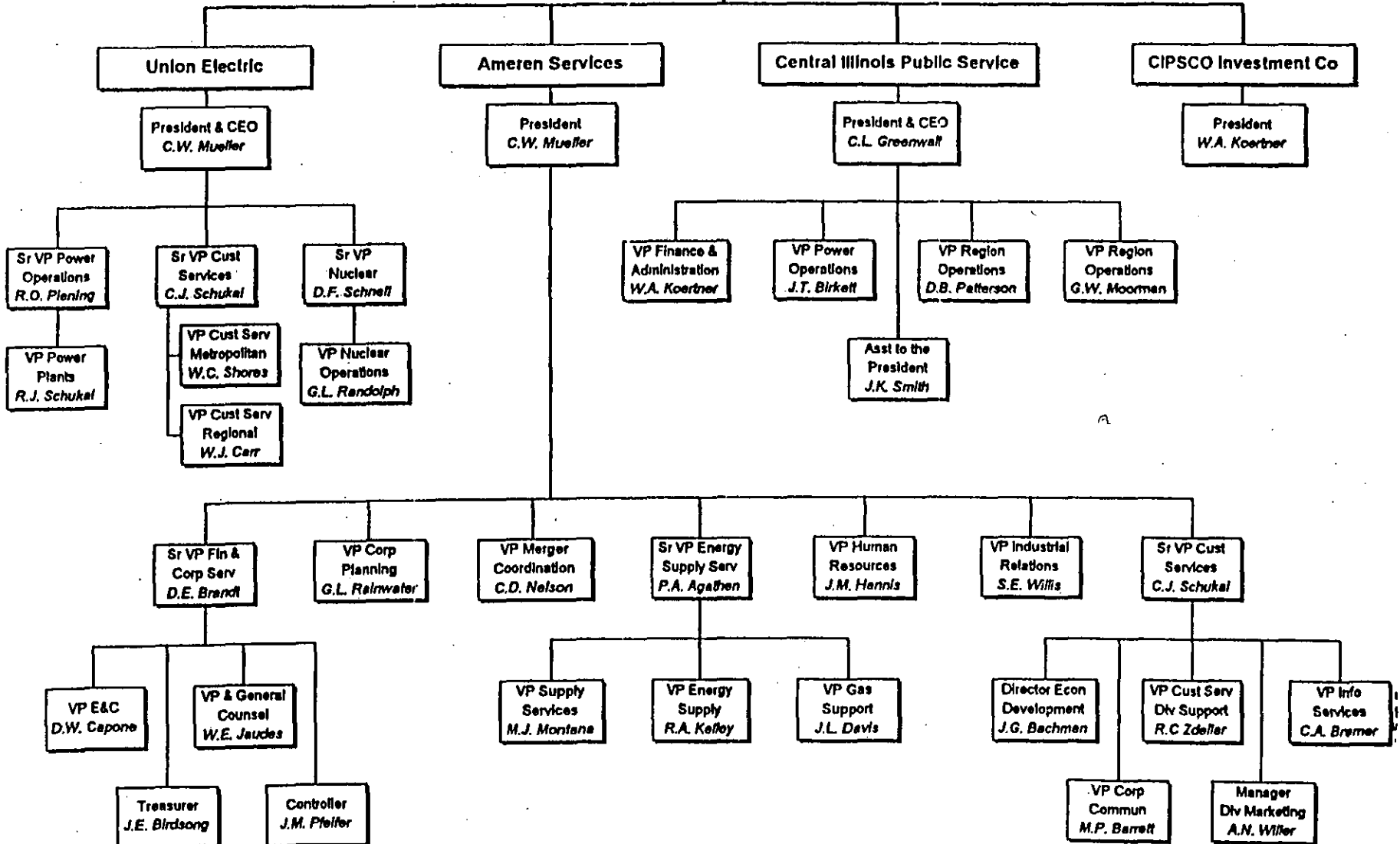
Mueller and Greenwalt stressed that, "The operating companies will continue to be the primary focus of Ameren Corporation. UE and CIPS will have full accountability to ensure that customer needs are met. We established the service organization to support the operating companies. This structure will provide both synergies and savings by avoiding duplication of staff support."

The Union Electric organization changes are effective February 16. CIPS organization changes are scheduled to be implemented no later than the effective date of the merger. Although Ameren Corporation won't be fully operational until the merger is completed, work on the next phase of the merger will begin immediately by those in the leadership positions announced today.

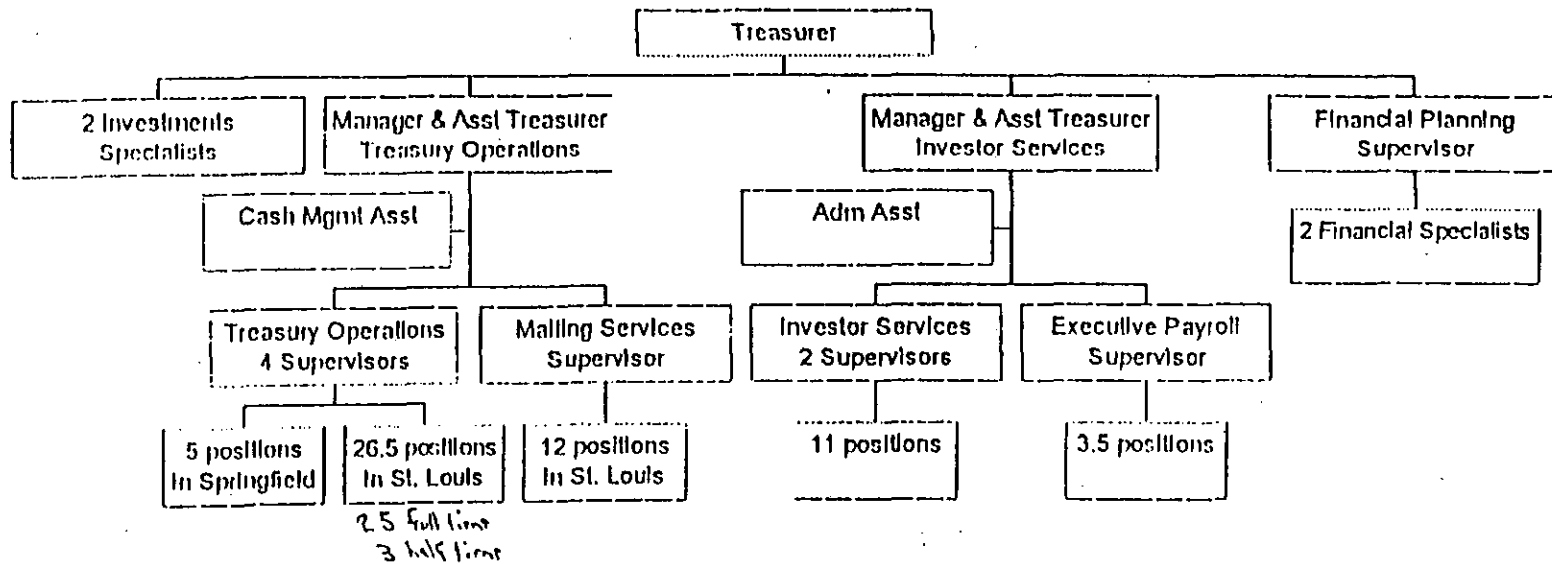
A meeting has been scheduled for February 15 with UE and CIPS officers and team leaders to begin this process.

Ameren Corporation

Chairman & CEO - C.W. Mueller
Vice Chairman - C.L. Greenwall

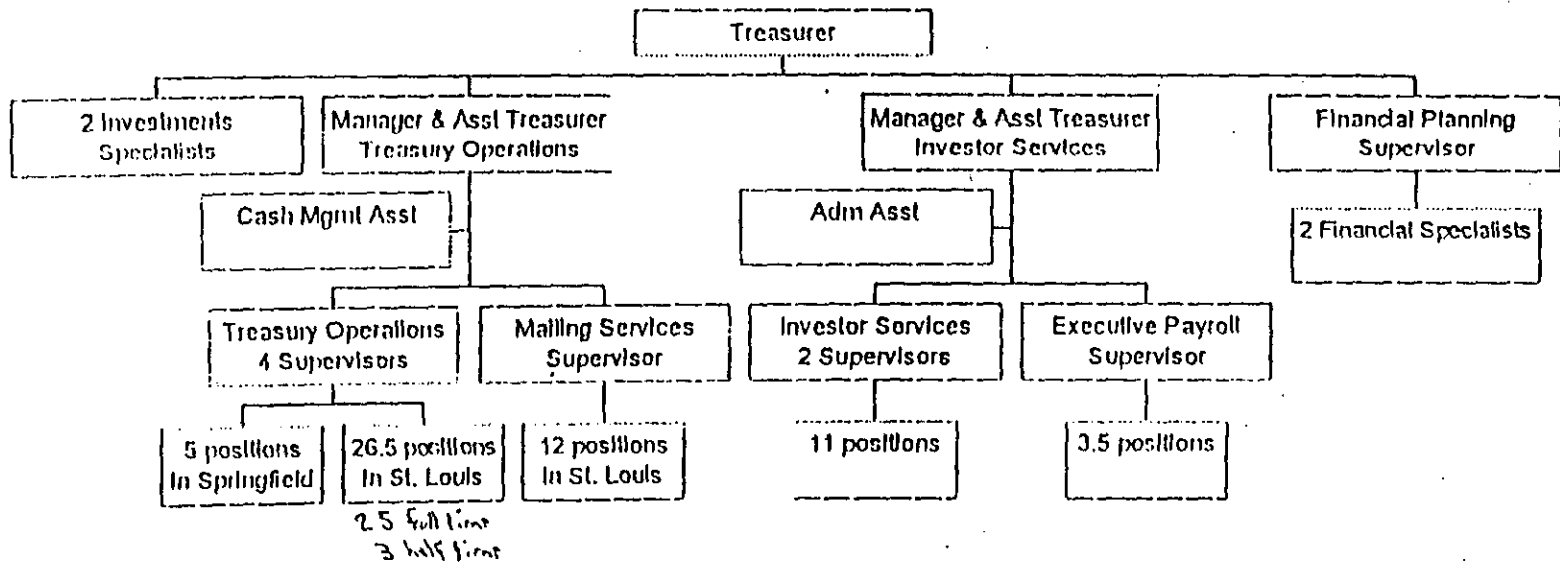


AMEREN SERVICES CORP. PROPOSED TREASURER'S FUNCTION

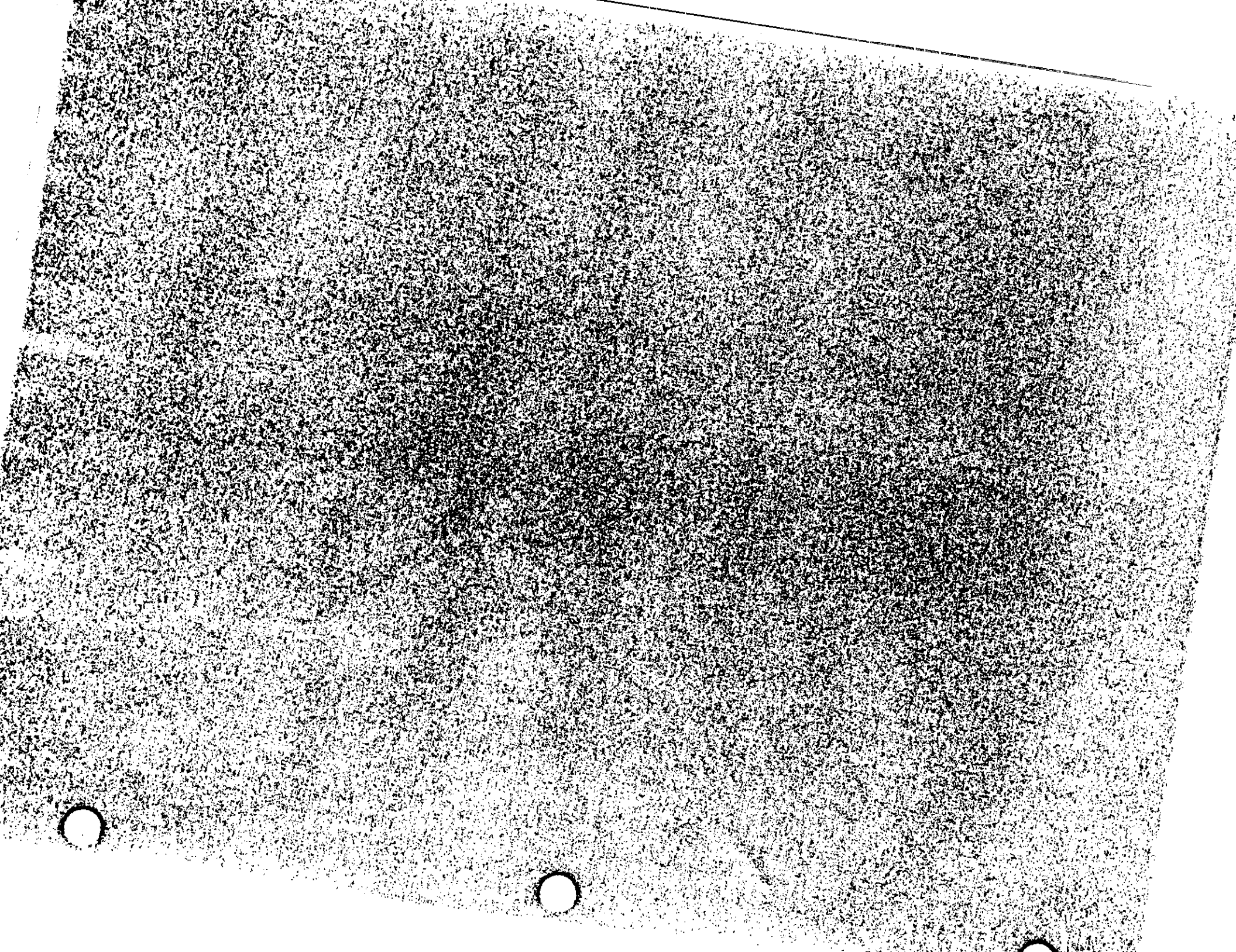


3/13/96

AMEREN SERVICES CORP. PROPOSED TREASURER'S FUNCTION



3/13/96



FINAL "SHOULD BE"

TREASURY

Treasury—Description/Rationale

- Treasury Administration

Should Be Description:

Consolidate administrative and managerial functions.

Rationale:

Savings achieved by elimination of duplicate functions.

- Mailing Services

Should Be Description:

Combine all mailing of customer bills at one location. UE(or service company) would be responsible for mailing all Missouri and Illinois bills, and for all related mailing activities for the St. Louis location. CIPS would continue to provide a mail distribution center for the CIPS building.

Rationale:

The two companies' mailing services to customers can be combined without impacting service. There will be savings through elimination of duplicate effort.

- Customer Billing

Should Be Description:

Centralize billing and related activities in a single department.

Rationale:

The two companies' billing services can be combined without impacting service. There will be savings through elimination of duplicate effort.

- Benefit Plan Investments

Should Be Description:

Centralize to one group to monitor and administer investments for all companies under Ameren.

Rationale:

There will not be a need for two groups to perform these functions even if plans remain separate for the two operating companies. Labor and non-labor savings will be achieved through eliminating duplicate effort.

Treasury--Description/Rationale (continued)

■ Financial Analysis/Special Studies

Should Be Description:

Work group in St. Louis to provide financial analysis assistance to all Ameren-related companies. Work group is to maintain and update "EVALUATE" program and review all "EVALUATE" studies. Work group is to have responsibility for nuclear decommissioning funding analyses, cost of capital studies, and capital budgeting.

Rationale:

Provides cost effective method of maintaining significant involvement of Finance in capital expenditures and other finance related decisions. Provides centralized control of financial function and achieves savings through synergies of combining the current functions.

■ Investor Relations

Should Be Description:

Combine UE and CIPS investor relations functions.

Rationale:

Two functions will not be required. Savings achieved through reduction of duplicate functions.

■ Investor Records and Services

Should Be Description:

UE Investor Services department will be responsible for all transfer agent, dividend and interest disbursement, dividend reinvestment administration and other record keeping functions as necessary for Ameren common stock, UE and CIPS preferred stock and first mortgage bonds. CIPS bond trustee functions to be transferred to Boatman's Trust (first mortgage) and Mercantile Trust (pollution control).

Rationale:

Reductions will be achieved through efficient use of personnel and elimination of non-labor costs associated with maintaining separate functions.

Treasury—Description/Rationale *(continued)*

■ Treasury Operations

Should Be Description:

Combine all cash management activities at one company. Cash balances, short-term investments and short term borrowings would be managed on a consolidated basis and accounted for using inter-company payables and receivables. Close the CIPS general office cashier's window. UE would be responsible for: lock box operations, banking relationships, checking accounts, cash concentration, daily banking, short-term borrowing/investing, EDI/FEDI, and cash management related financial analysis. CIPS would be responsible for lockbox exceptions for CIPS customers, direct debit for all customers, and all customer payments processed by outside collectors and at local offices.

Rationale:

Consolidation will result in improved investment/borrowing rates for larger programs, reduction in credit line commitment fees, reduction in bank activity fees, improved customer service, and reduction in headcount by eliminating duplicate effort.

Treasury—Key Assumptions

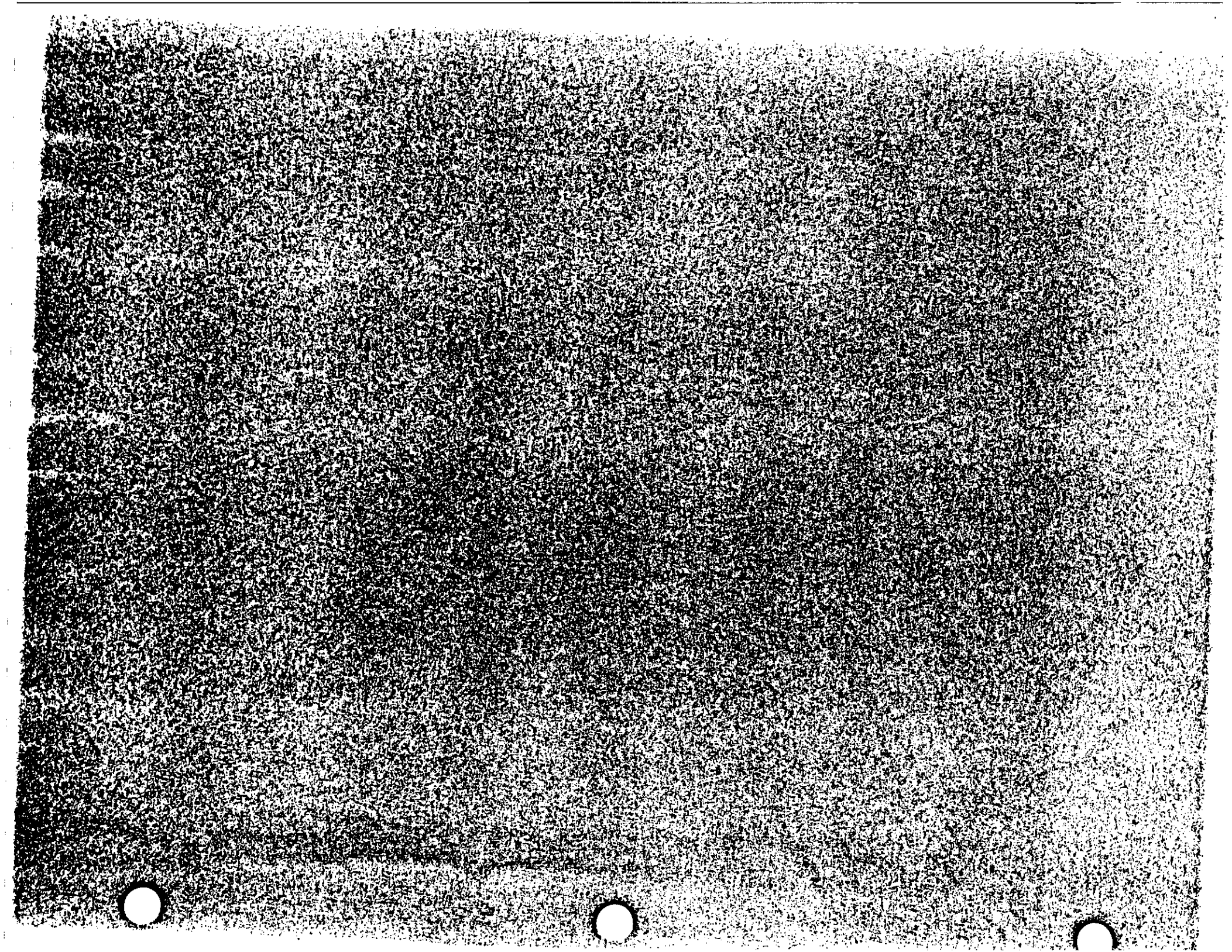
- UE CIS will be used by the merged company.
- One common stock will be traded.
- Cash Management
 - Regulatory approvals are obtained allowing a pooling arrangement.
 - A borrowing/investing pooling arrangement between UE and CIPS will be maintained. The arrangement will include the allowed investing/borrowing interest rate between the companies.
 - Accounting will track gross borrowing/investing positions of all companies in the pooling arrangement.
 - Credit quality of companies remains comparable.
- UE financial systems will be utilized.

Treasury—Organization Considerations

- Treasury to be a centralized organization with some geographic dispersion.
- Treasury billing recommendations include centralization of billing activities now being performed by Fuel and Plant Accounting at CIPS and Information Services at UE.

Treasury—Implementation Issues

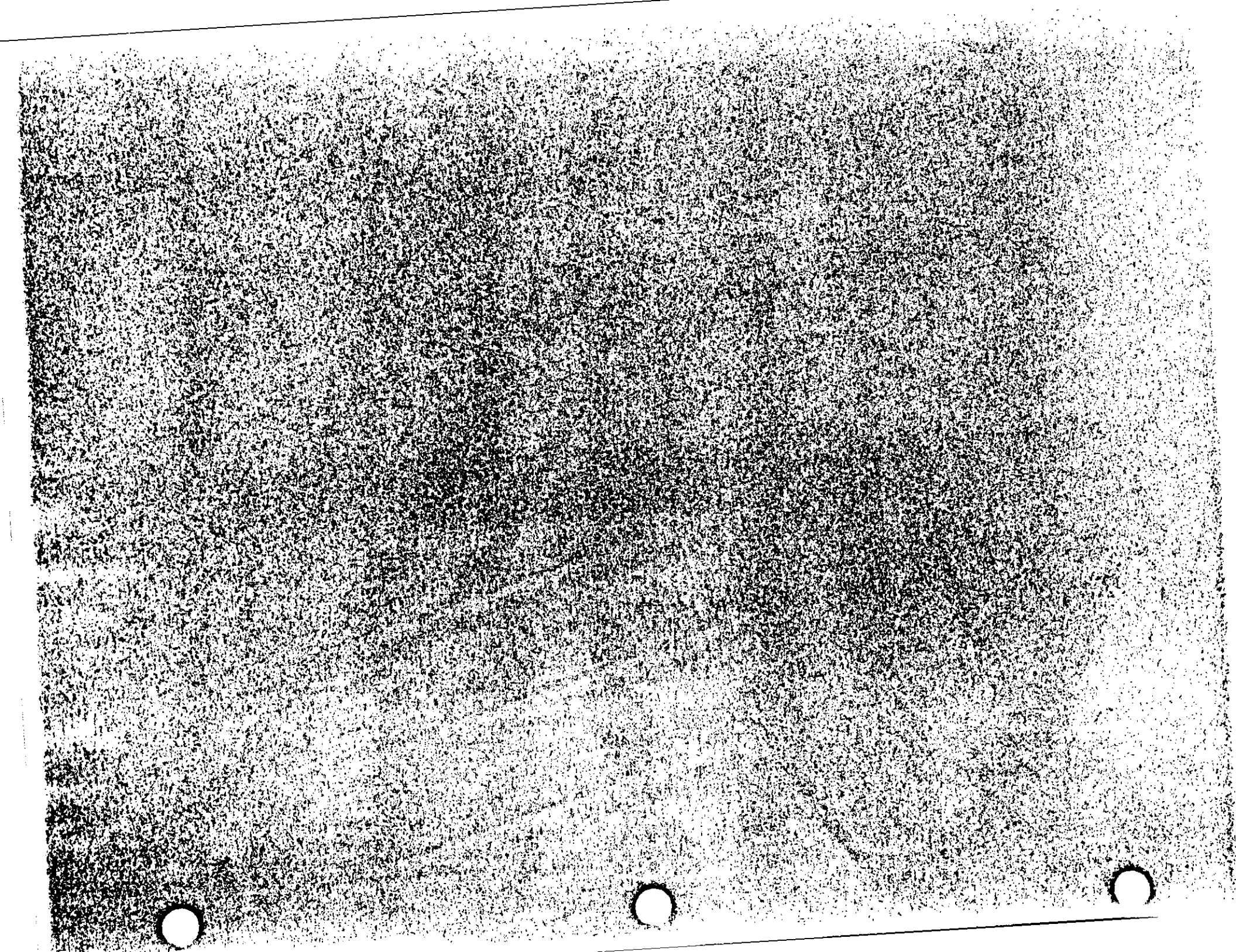
- Require CIS enhancements for multiple page billing, direct debit, and paystations.
- Total headcount in Springfield General Office will determine staff requirements for Springfield mail room.
- Can the service organization:
 - Act as a transfer agent for Ameren?
 - Act as a paying agent for CIPS's bonds?
 - Keep records and make distributions for CIPS's ESOP?



SUMMARY OF TEN YEAR MERGER SAVINGS
(All costs stated in \$000)

	Year 11	Year 10	Year 9	Year 8	Year 7	Year 6	Year 5	Year 4	Year 3	Year 2	Year 1	Year 0	Total
LABOR SAVINGS													
Expensed Labor Savings	5,571	426	4,414	3,853	28,026	27,078	26,161	25,278	1,794	1,522	866	31,071	241,511
Total Labor Savings	5,996	5,996	34,436	32,860	31,338	29,867	28,446	27,072	15,745	15,741	5,996	36,067	267,069
NON-LABOR SAVINGS													
Capital Expenditure Savings	1,536	26,411	48,636	47,525	41,405	36,197	36,940	39,239	55,610	36,114	36,610	54,369	401,344
Revenue Requirement Savings	2,167	3,421	12,431	11,288	10,177	9,114	7,885	6,651	5,682	4,661	4,661	13,551	87,217
Total Non-Labor Savings	3,902	29,868	61,067	58,812	51,583	45,610	44,825	45,890	61,292	40,775	41,271	67,921	488,561
TOTAL MERGER SAVINGS	1,902	35,861	95,503	91,673	82,911	75,477	73,270	72,965	67,067	56,519	47,067	103,988	759,150
TRANSITION COSTS													
Transition Costs	42,825	19,188	-	-	-	-	-	30	115	1,559	19,188	-	61,717
Operating Revenue Requirements	762	858	858	858	858	858	858	858	858	858	858	858	9,344
Total Transition Costs	43,586	20,047	858	858	858	858	858	858	973	2,417	20,047	858	71,061
NET MERGER SAVINGS	(39,684)	15,817	94,645	90,815	82,052	74,619	72,412	72,077	66,094	54,102	27,067	103,130	688,089

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Implementation Planning

Team: Treasury

Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
Select Exchange Agent	2/26/96	6/30/96					
Develop Request for Proposal					Request for Proposal		
Determine List of eligible agents					List		
Vendor Presentations/ Discussions							
Evaluate responses					Evaluation Matrix		
Contact References							
Vendor Site Visits, if necessary							
Negotiate/execute contract					Contract for Exchange Agent Services		
IST Data Conversion	6/1/96	12/31/96	\$50-60,000*	SSI Consultants		IS	
Develop parameters/standards for CSSII					Standards for conversion		
Map CIPS data to CSSII					Gap analysis		
Develop conversion specs					Conversion specifications		
Develop conversion plan					Conversion plans		
Develop hard copy transfer plan					Hard-copy transfer plans		
Write conversion programs					Conversion programs		
Test/verify conversion					Completed test		
Determine handling of CIPS ESOP					Plan		
Certificate exchange process	7/1/96	12/31/96	*included above	SSI Consultants		IS	
Develop policy manual/letters for Exchange Agent							
Develop Letter of Transmittal					Letter of Transmittal		
Develop Automated Interface between Ameren and Agent							
Specs					Specifications		
Plan					Plan		
Write Programs					Programs		
Test/verify interface					Completed test		
Ameren Common Certificates			\$ 100,000	Design/Printing			
Design	6/1/96	9/1/96			New Certificate Design		
Bid with Vendors					Competitive pricing		

Implementation Planning

Team: Treasury

Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
Print	9/1/96	12/31/96					
CIPS Preferred Certificates			\$ 10,000	Re-silver existing certs			
Make necessary changes for new transfer agent	9/1/96	12/31/96			Certificates capable of being issued by Ameren Services		
Delivery of physical CIPS preferred certs to Ameren Serv							
Miscellaneous Issues	9/1/96	12/31/96					
Signators for Ameren/UI/CIPS							
Bank Accounts for each payable security/CIPS fractional shares							
Bond recordkeeping/paying agent - CIPS							
Ameren Services letterhead/ envelopes/checks etc.			\$50,000 set up charge + \$16,000 annual incr in usage	One-time forms redesign for Ameren. On-going increase in volume due to CIPS stockholders			
Ameren Services as Transfer Agent - Board Resolution/Notify proper authorities (SEC/NYSE) and depositories (DTC/Philadep)							
Outstanding Funds Report & Transfer							
Ameren Dividend Reinvestment Plan	5/1/96	12/31/96					
Work with Outside Counsel/ Design Plan			\$ 50,000	Outside Legal Counsel	Plan Design	Legal	
Develop Plan Description/ Prospectus					Plan Prospectus		
Register Plan with SEC					Registration	Secretary's, Legal	
Set up escrow acct for stockholder funds					Escrow Account		
Develop/print forms (prospectus, enrollment, statement, etc.)			24,000	Prospectus for 160,000 holders	DR Materials for Ameren Plan		
Develop roll-out plan					Plan		

Implementation Planning

Team: Treasury

Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
Set-up/test in CSSII							
Voice Response System	9/1/96	12/31/96			VRU which supports merger requirements	IS	
Evaluate enhancements to support merger processing							
Write/record scripts			21,000	Please Hold Promotions/Voice Talent			
Make programming changes							
Implement							
Implementation	1/1/97	12/31/97				IS	
Convert IST file to CSSII format							
Stock Split UH Common to Ameren Common 1:1							
Stock Split CPSCO Common to Ameren Common 1:1.03							
Send files to Exchange Agent							
Produce/Mail Letters of Transmittal (include prospectus)			41,600	Mailing costs			
Begin transfers for Ameren Corp							
Perform certificate exchange (Exchange Agent)							
Receive daily transmissions from Exchange Agent			1,000,000	Exchange Agent fees			

Schedule 15
Part 2 of 1

Implementation Planning

Team: Treasury

Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
Evaluate use of PeopleSoft HR/PR system for Ameren Corp.	3/15/96	4/1/96					
Develop interim solution for use of existing UE and CIPS payroll systems including RTIS, qtrly & annual reptg until new HR/PR is implemented	3/25/96	4/1/97					
Identify "have-to-haves" by Payroll Departments							
Document necessary changes to programs and operating procedures							
Design checks/direct deposit forms			10,000	New checks / direct deposit forms			
Determine bank account funding							
Test/verify programming changes							
Implementation							
Implement PeopleSoft HR/PR system for all Ameren Corp employees	4/1/96	10/1/97					
Project Start-Up/System training							
Setup Control Tables							
Evaluate required customization for PR							
Develop data conversion specs/strategy							
Approve detail design specs							
Test/approve conversion & customization							
Evaluate enhancement for interfaces							

Implementation Planning

Team: Treasury

Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
Determine reporting requirements							
Develop user training materials							
Develop parallel test plan							
Perform parallel test							
Production implementation							
Enhance TRIS for use by CIPS employees	4/1/96	10/1/97					
Implement Time Reporting by Exception (TRBE) & rules-based editing (TRIS 2.0)							
Incorporate necessary CIPS work rules (TRIS 2.5)							

Mailing Services

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
I. Enclose Illinois bills.							
a. Obtain bid to move enclosing machine from CIPS to UE.			\$50,000	Dismantle, transport, reassemble	Ability to enclose and mail Illinois bills from St Louis	Bldg. Service	
b. Move enclosing machine to UE.						IS, Building Service	Interim solution
II. Intercompany Mail.							
a. Obtain bid to continue regular intercompany mail service between St. Louis and Springfield.					Low cost overnight mail for Ameren, UE and CIPS ▶		

Financings

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
I. BANK AGREEMENTS							
1. Review the following for necessary consents/changes/regulatory approvals due to merger							
A. First Chicago Revolving Credit/ CP Backup Agreement							
B. Chemical Bank Revolving Credit Agreement							
C. Swiss Bank LOC for Series 1984-A Environmentals							
D. UBS LOC for Series 1984-B and 1985-A Environmentals							
E. West LB LOC for Series 1985-B Environmentals							
F. Nuclear Fuel Lease							
2. Obtain costs to merger							
3. Amend the agreements			\$30,000	Legal costs			
4. Obtain regulatory approvals							

Financings

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
II. SHORT TERM FINANCING							
1. Prepare draft.			\$25,000	Outside legal counsel.		Legal department.	
a. Obtain copy of short term financing agreements from other service companies.							
b. Review other service companies' agreements, and mark up as we envision ours to be.							
2. Give to rating agencies, CP dealers, and key banks for review.							
3. Obtain regulatory approvals.			\$25,000	Outside legal counsel.		Legal department.	
III. CIPS' SECURITIES							
1. Move files to St. Louis.							
2. Review procedures for payments of principal and interest.							
3. Particular attention to variable rate preferred.							
4. Lawyers to review indentures.							

Financings

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
5. Transfer trusteeship to Boatmen's for first mortgage bonds.							
6. Transfer trusteeship to Mercantile for environmental bonds.							
7. Contact rating agencies to halt CP rating.							
8. Terminate Fitch.							
9. Any LOC's existing?							

Lock Box

Implementation Planning Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
I. Process mail payments for UE and CIPS.							
a. Determine the number of mail payments to be processed daily.						IS	Verifone, Direct Debit
b. Discuss the number of daily payments with BancTec, and obtain a bid for required equipment and programming.			\$100,000 plus \$12,000 per year maintenance	Additional file server and related hardware and software	Higher volume capability	IS	
c. Invite bids and demos from at least two mail extraction equipment vendors.							
d. Review bids, select mail extraction equipment, and sign contract.			\$50,000 plus \$6,000 per year maintenance	Extraction and detection equipment	Auto opening of Illinois payments	IS	
II. Direct Debit							
a. Review bids from outside vendors, and compare them to an in-house estimate.						IS, Customer Service	
b. Select the method to use, and sign any required contracts.			Monthly fees	Processing fees - volume based	Reduced payment processing	IS, Customer Service	
c. Develop marketing literature.						Corporate Communications, Customer Service	

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
III. Pay Stations							
a. Review the pay station networks at both UE and CIPS.						Customer Service	
b. Determine an Ameren - wide pay station strategy.						Customer Service (Metro and Regional)	
c. Invite vendor(s) e.g. Verifone, to make a presentation, and to submit a bid for a system - wide solution.				Equipment and monthly volume - based fees	Reduced payment processing	IS, Customer Service	
d. Install equipment in selected pay stations.						IS	

Cash Management

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
I. Combine all cash management activities in St. Louis							
a. Meet with treasury workstation vendors.							
b. Visit sites to view treasury workstations.			\$3,000	Travel expenses			
c. Order appropriate system.			\$95,000 plus \$12,000 per year maintenance	Purchase of a treasury workstation.	Ability to keep separate daily cash positions by Company.	IS, General Accounting	
II. Short Term Investments							
a. Review short term policies of CIPS and UE.							
b. Prepare and have approved a "best practice" short term investment policy.							
c. Determine the optimal number of investment dealers.							
d. Review and select investment dealers.							
e. Obtain approvals.							
f. Complete applications with investment dealers.							

Cash Management

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
III. Credit Lines a. Review the credit lines currently available to UE and CIPS. b. Determine the proper total credit lines required. c. Select banks to apply for credit lines. d. Apply for credit lines.					Adequate credit lines.		
IV. Authorized signers. a. Review policies of UE and CIPS for authorized signers. b. Determine appropriate policy for UE, CIPS, and Ameren Services, and obtain Board approvals. c. Contact all banks and submit new signature cards. d. Obtain new signature plates, if necessary.			\$500	New signature plates		Investor Services	
V. Commercial Paper a. Review CP programs of UE and CIPS.							

Cash Management

Implementation Planning							
Team: Treasurer's							
Activity	Start Date	End Date	Transition Costs (\$)	Transition Cost Description	Deliverables	Company Resources Required (External to Dept.)	Dependencies
b. Determine the adequate size of CP program.							
c. Select dealers and paying agent.							



May 6, 1996

RECEIVED

MAY 17 1996

TREASURY DEPT.

Craig D. Nelson
Mail Code CIPS

Dear Craig:

We are pleased to report the conclusion of our planning process for Ameren Corporation. Implementation plans are now approved, and they will be used going forward to guide merger progress. As a result of this rigorous planning effort, we have reconfirmed our original merger savings estimates and, in fact, identified additional direct savings resulting from the merger. Over a 10-year period, the merger savings, net of transition costs, are projected to be \$644 million – up from our original estimate of \$549 million. The teams also identified an additional \$42 million of savings "enabled" by combining best practices at both companies, resulting in total net savings of \$686 million.

Our thanks to the many people who worked so hard throughout this process. We appreciate the effort you gave to this task, while carrying your usual work load. The challenge now is to use these plans creatively as we move through the months leading up to the merger, and beyond.

The Steering Committee will remain in place through the merger transition. The Committee will deal with policy matters, resolve issues and monitor the implementation of your plans.

Craig Nelson is charged with ensuring that the plans you developed are executed. He will be responsible for the day-to-day coordination of the merger, working with the Steering Committee to resolve any merger-related issues. Craig also will coordinate pre-merger, cross-company contracts and cost allocations.

We are looking forward to the end of June when the staff selections for Ameren Services will be completed.

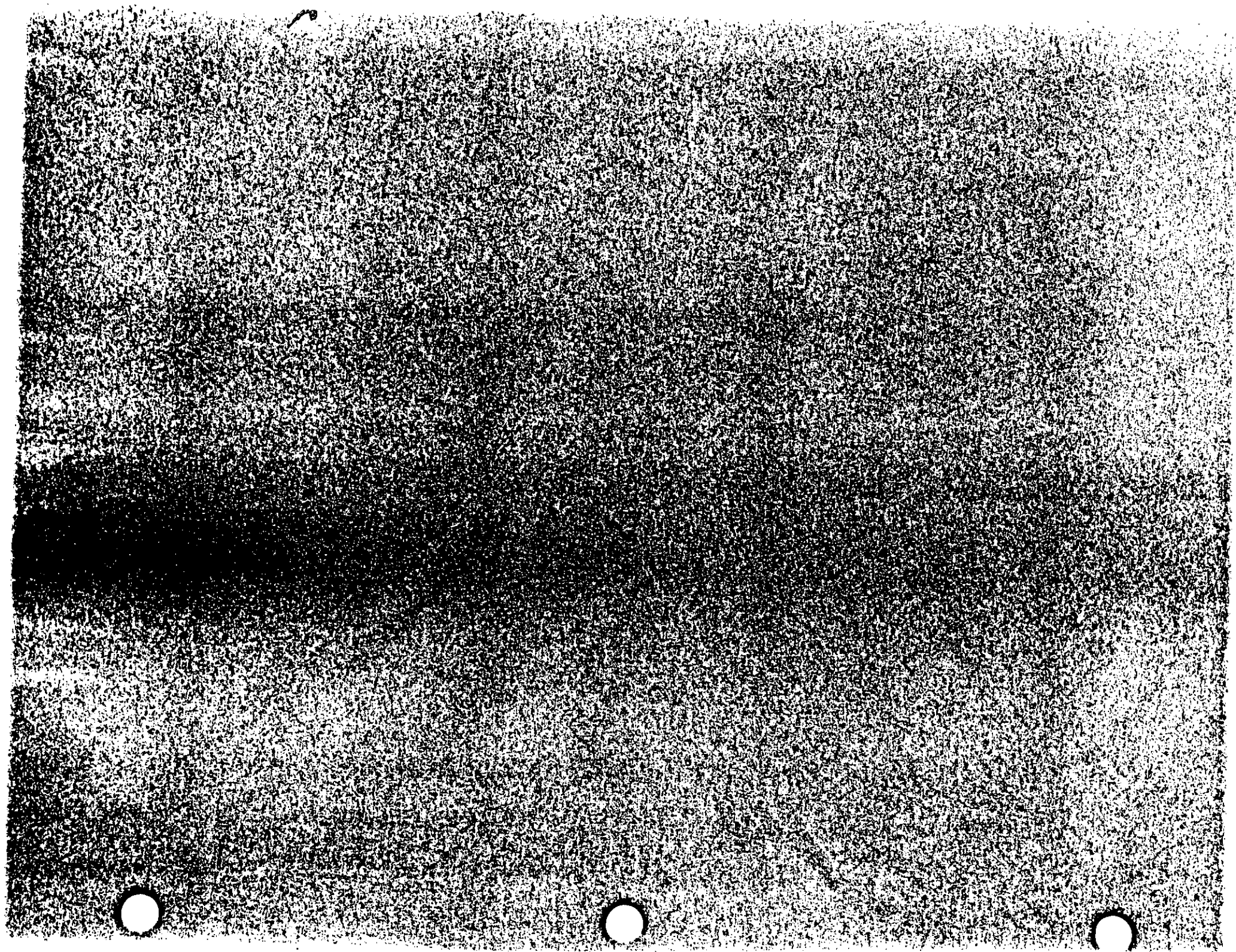
Sincerely,



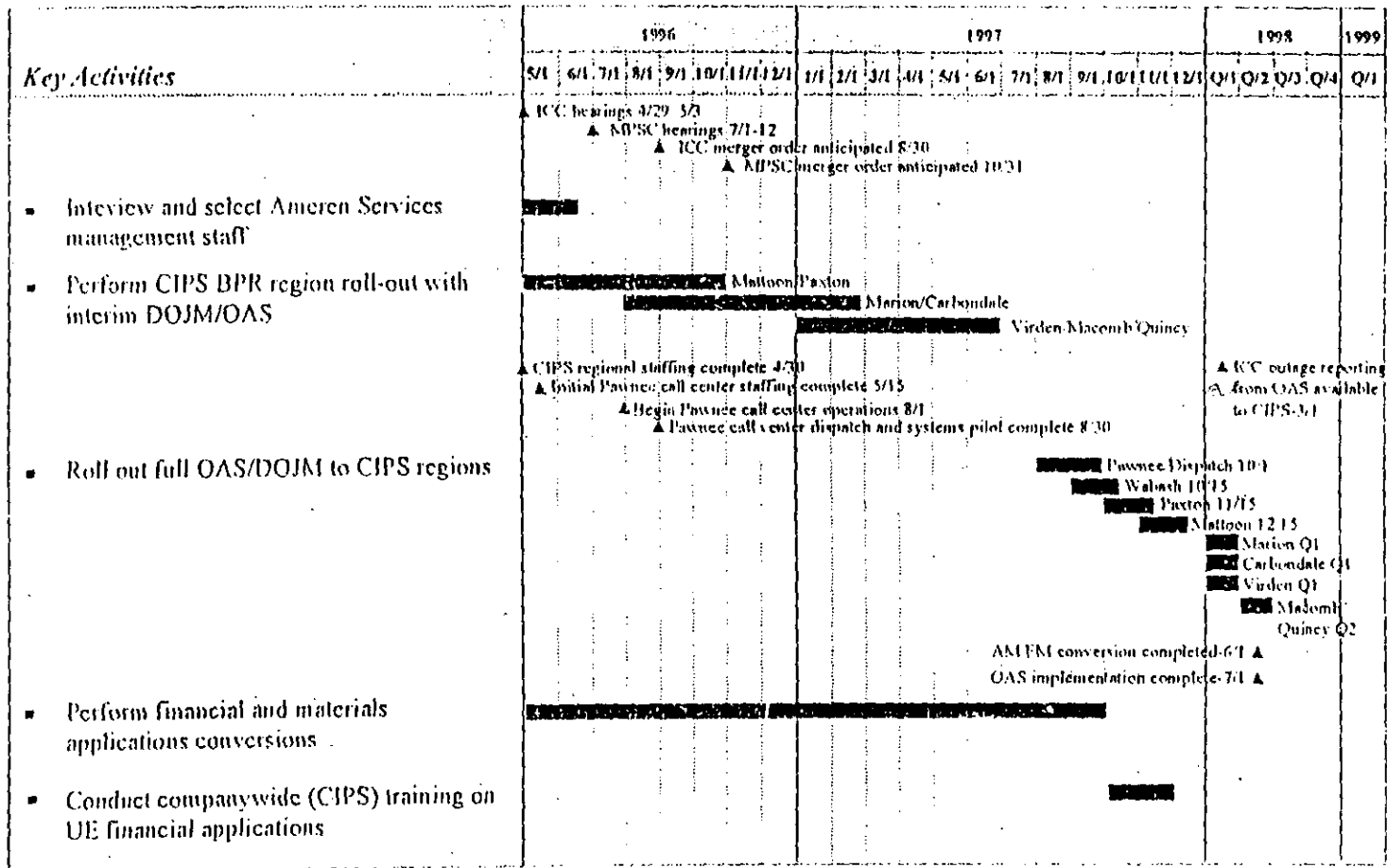
C. W. Mueller
President & CEO
Union Electric Company

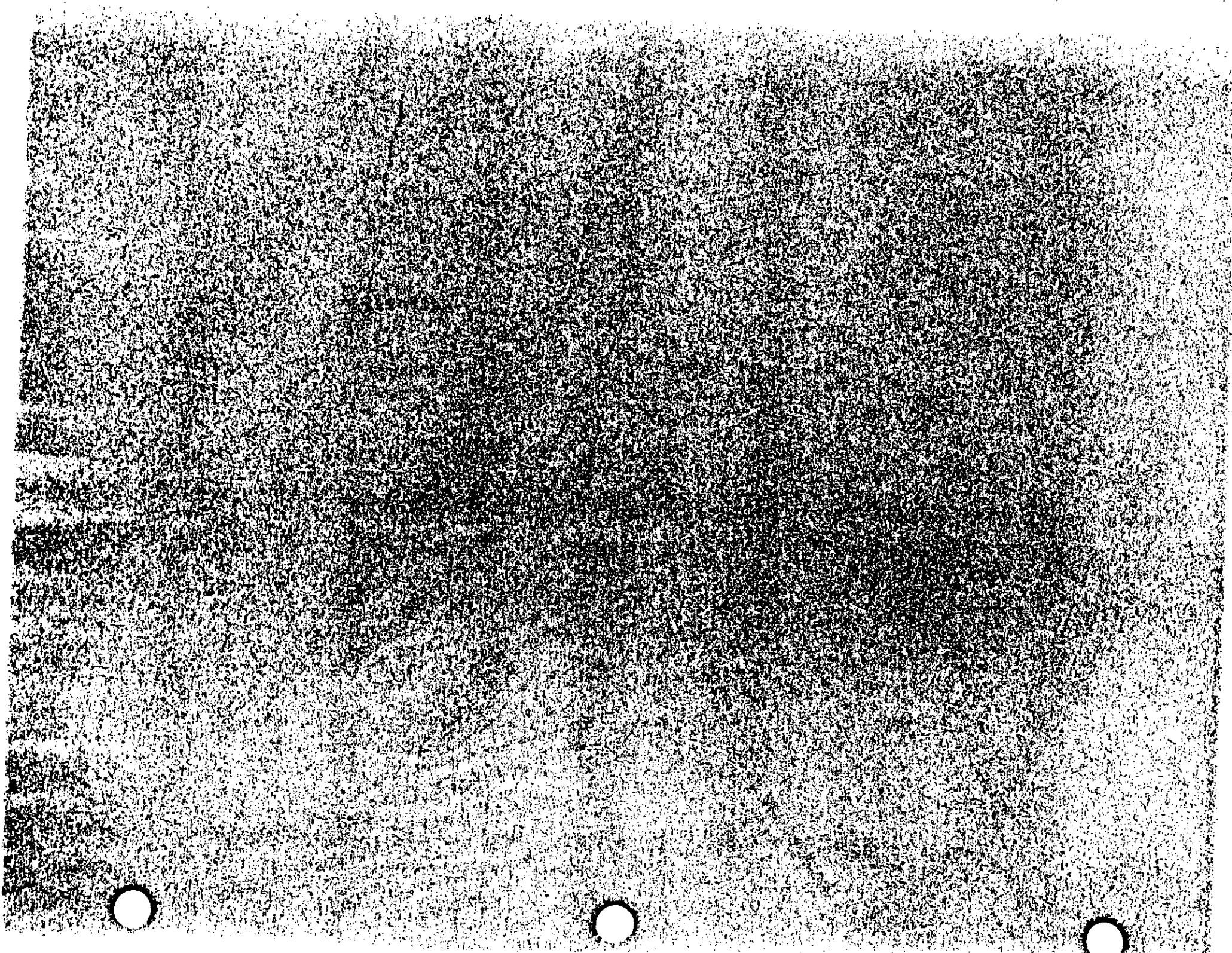


C. L. Greenwalt
President & CEO
Central Illinois Public Service
Company



Merger Implementation Timeline (as of 4/25/96)





Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Controller's	- Budget schedule and guidelines/ strategy for 1997-2001 budget completed		5/1/96
	- Budget software distributed		6/1/96
	- Allocation of service company costs defined		5/22/96
	- First combined payroll		10/15/97
	- Development of 10 year consolidated financial history completed		11/1/96
	- Training on financial and related systems for CIPS employees completed	10/15/97	12/31/97
	- CIPS history loaded into UE GL		1/31/98
	- CIPS files moved to St. Louis	12/1/97	1/31/98
Internal Audit	- Ameren Services audit plan developed		12/1/96
Tax	- CIPS files moved to St. Louis		Merger
Treasury	- Interim payroll solution implemented		Merger
	- New HR system payroll implemented		10/1/97
	- Exchange agent selected and contract completed		6/30/96
	- Ameren common stock certificates printed		Merger
	- CIPS preferred certificates printed		Merger
	- Mail extraction equipment implemented		Merger
	- CIPS bill enclosing machine transferred		Merger
	- Cash management system implemented		Merger
- Regulatory approval for short-term financing obtained		Merger	
Engineering and Construction	- Establish procedures for working with CIPS/UE drawings	6/1/96	Merger
General Counsel	- Requests for proposal sent to outside law firms		Merger +3 mos.
	- Outside law firms determined		10/1/97
	- Corporate Secretary files transferred from Springfield to St. Louis		6/1/97
	- Proposal requests for insurance brokerage services sent		3/1/97
	- Decision made on D&O liability insurance as required by merger agreement		Merger + 1 mos.
Merger Coordination	- Placement pool dissolved		4/1/99

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Corporate Planning	- Strategic plans and planning processes integrated		9/30/96
	- Development of strategic plan implementation plans completed		12/31/96
	- UE and CIPS updated resource plans filed with ICC		Merger +3 mos.
	- UE updated resource plan filed with MPSC		7/1/97
	- Electric and gas forecast schedule completed		12/31/96
	- Wholesale contracts negotiated and signed		Merger
Building Services	- Employees relocated	4/1/97	8/31/97
	- Space in CIPS building leased		Merger +12 mos
	- New Ameren signage installed		Merger +36 mos.
Motor Transportation	- Excess pool vehicles disposed of	12/31/97	12/31/01
	- Vehicle charge back system implemented		Merger +12 mos.
	- Standardized vehicle/equipment specifications	1/15/97	8/31/97
Purchasing	- Common procurement card program	10/1/97	1/1/98
	- CIPS gas, distribution, transmission, and substation contracts transferred to Ameren purchasing	6/3/96	1/1/98
	- Common standards for major categories of distribution materials	3/1/96	7/1/98
	- Joint procurement of materials	7/1/96	1/1/98
	- CIPS system users trained on Ameren purchasing process	6/1/97	12/15/97
	- CIPS stock numbers converted to seven digits	8/25/96	4/21/97
	- HMDOT, commodity code, and QA code assigned	1/1/98	4/3/98
	- Standardized stock descriptions	5/1/96	7/9/96
	- Blanket Orders, supply codes, transfers - converted	4/22/97	7/16/97

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Real Estate	- Ameren Real Estate authorized to act as agent for both UE and CIPS corporations	7/1/96	Merger
	- Standardized real estate forms, agreements, and clauses	7/1/96	4/1/97
	- Responsibility defined for joint pole use administration	3/1/96	Merger
	- CIPS real estate documents incorporated into a centralized system	7/1/97	7/1/00
Stores	- Storage locations re-labeled	5/1/96	12/31/97
	- CIPS special storerooms discontinued	10/1/97	1/1/98
	- Stores training developed and implemented	6/1/97	12/15/97
	- Facilities/Storage yards modified	3/1/98	12/31/98
	- New salvage process implemented	8/1/97	12/31/98
	- New routing and delivery schedule	1/1/98	12/31/98
	- CIPS storerooms consolidated	1/1/98	12/31/98
Energy Supply	EMS Implementation	4/1/96	Merger
	- Cutover to joint system completed	12/1/96	Merger
	- System data personnel trained	11/1/96	1/31/97
	- Joint dispatch of CIPS/UE units		Merger
	- UE SCADA cutover to Marion Region		11/6/96
	- UE SCADA cutover to Beardstown Region		12/18/96
	- UE SCADA cutover to Mattoon Region		3/12/97
CIPS and UE Power Plants	Generation Dispatch		
	- Operating personnel trained	7/1/96	12/1/96
	- Joint dispatch operating procedures complete	9/1/96	12/1/96
Fuel Purchasing	- CIPS coal testing requirements reduced	1/1/97	7/1/97
	- Joint Turbine Generator Plan developed and communicated	4/1/96	11/1/96
	- UE/CIPS joint outage schedule completed (Fall '97 start)	4/1/96	8/1/96

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Environment and Safety	- CIP's sites integrated into UE's MSDS system	3/15/96	Merger
	- Designated Representative and Responsible Official roles defined	5/1/96	8/1/96
	- Recommendation made on spread of UE/CIPS permit expirations	6/1/96	1/1/97
Gas Supply and Operational Support	- Gas compliance system implemented	4/1/96	6/1/98
	- Monthly PGA filing process determined	10/1/96	1/1/97
	- Joint dispatch/cost allocation agreement developed and regulatory approval obtained	4/1/96	Merger
	- Joint dispatch of UE and CIPS gas systems from Springfield		6/1/97
	- Illinois and Missouri approval of meter sample test plan obtained	7/1/96	10/31/96
Human Resources- Personnel Admin	- Existing Personnel Administration work processes and procedures reviewed and post-merger processes and procedures developed	7/1/96	9/1/96
	- Salary, incentive plans, premium and overtime policies resolved to reflect uniform administration across corporation	7/1/96	4/1/97
Human Resources- Benefits	- CIPS and UE employee programs combined	5/1/96	Merge:
	- New benefits work processes and procedures developed	3/1/96	1/1/97
	- Training on new benefits work processes and procedures completed	11/1/96	4/1/97
	- Training on new HR information system completed	4/1/97	10/1/97
	- Identification of changes required to benefit plans/documents for legal and regulatory compliance completed	6/1/96	4/1/97
Human Resources- Communication Services (Video)	- Video equipment integration and short term facility operations plan completed	8/1/96	8/15/96
	- UE/CIPS Communication Services integration plan developed	7/1/96	4/15/97
	- Staff video and multimedia skills training completed	9/1/96	12/1/98

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Corporate Communications	<ul style="list-style-type: none"> - Press conference announcing completion of merger held - Review of ad contracts and development of timeline for disengaging completed - Ameren Fact Sheets completed 		Merger +15 days 7/15/96 Merger
Substation Maintenance/ Construction/Testing	<ul style="list-style-type: none"> - Development of electrical maintenance management system complete (EMPRV - T&D) - Transfer organizational reporting of UE Metro and Regional substation and relay testing transferred to UE Customer Services Division Support (Ameren Services) 	6/15/96	4/1/99 Merger
Transmission Line Maintenance/ Construction	<ul style="list-style-type: none"> - Agreed upon interface process between Ameren Services and CIPS- Regions related to Transmission line maintenance/construction and outage restoration 	4/1/96	12/1/96
Distribution Engineering	<ul style="list-style-type: none"> - AM/FM DDOS modifications complete - AM/FM conversion complete - Integrated Distribution Engineering manuals and guidelines - Common material specifications - Consolidated construction and metering standards 	11/1/96 6/1/97 10/1/96	12/31/97 6/1/98 10/1/97
Dispatch Operations	<ul style="list-style-type: none"> - Common switching orders for UE & CIPS - ICC outage reporting from OAS available to CIPS - OAS implementation complete - DDOS implementation complete - Cape Girardeau Subtransmission dispatch to Marion complete 	3/18/96 3/4/96 3/4/96 2/5/96 3/4/97	5/31/96 2/27/98 7/1/98 3/30/98 3/4/98

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
CIPS - Regions/BPR	- CIPS regional, call center, dispatch staffing complete	3/15/96	5/15/96
	- New/Revised regional guidelines, procedures, and training developed	5/1/96	7/31/96
	- Pilot completed for CIPS call center/dispatch and systems	4/1/96	8/30/96
	- Paxton and Mattoon Regions implemented	4/1/96	10/31/96
	- Marion and Carbondale Regions implemented	8/1/96	2/28/97
	- Virden, Macomb, and Quincy Regions implemented	1/1/97	6/30/97
	- Fully functional systems implemented in regions:	8/1/97	5/15/98
	- Pawnee/dispatch	7/15/97	10/1/97
	- Wabash	9/1/97	10/15/97
	- Paxton	10/1/97	11/15/97
	- Mattoon	11/1/97	12/15/97
	- Marion	12/1/97	1/15/98
	- Carbondale	1/1/98	2/15/98
	- Virden	2/1/98	3/15/98
- Macomb	3/1/98	4/15/98	
- Quincy	4/1/98	5/15/98	
Customer Relations-Credit and Collections	- Credit training for Pawnee credit specialists complete	6/1/96	Upon full staffing
	- Conversion of former CIPS collection agencies to Ameren Services complete	1/1/99	3/1/99
	- Pawnee credit specialist training on UE CIS complete	2/15/99	4/1/99
Forestry (Line Clearance)	- CIPS and UE line clearance contracts reviewed for combined synergies	6/1/96	7/1/96
	- Vendor modifications to Tree Manager software completed	2/1/97	4/1/97
	-		

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Customer Relations- Call Centers	- Training for transfer of Wabash region calls to Pawnee completed	6/1/96	8/1/96
	- Training for processing internal switchboard calls and internal call transfers complete	6/1/96	8/1/96
	- Training for UE personnel to handle outage calls after 6pm and weekends complete	7/1/96	8/1/96
	- Training for transfer of Mattoon/Paxton region calls to Pawnee complete	8/19/96	10/1/96
	- Training for transfer of Marion/Carbondale region calls to Pawnee complete	12/1/96	2/1/97
	- Training for transfer of Virden/Macomb/Quincy region calls to Pawnee complete	3/15/97	6/1/97
	- Training for CIPS interim use of OAS complete	6/1/96	6/1/97
	- Training for CIPS use of UE CIS complete	1/1/99	3/1/99
Marketing	- Combined marketing plan completed		Merger
	- HR training for CIPS personnel completed		Merger
	- Marketing software package determined		+6 mos. Merger
Economic Development	- External training required for certification completed	6/30/96	6/30/98
	- Necessary information resources acquired	6/30/96	5/1/97

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Distribution Services (Meter Shop)	- New meter equipment standards developed	12/1/96	12/31/97
	- New service and field policy and procedure manuals complete	3/1/97	12/31/97
	- Field training/notification on new meter equipment, policy and procedure standards complete	1/1/98	12/1/98
	- Instrument transformer tracking system implemented	4/1/96	6/1/97
	- Field training/notification on revised instrument transformer testing procedures complete	4/1/97	7/1/97
	- Rubber goods tracking system implemented	4/15/96	Merger
	- Field training/notification on revised rubber goods testing procedures complete	11/1/96	1/1/97
	- Implementation of centralized rubber goods testing at Dorsett Lab complete	12/1/96	Merger
	- Instrument repair and calibration system implemented	4/1/96	11/1/97
	- Field training/notification on revised instrument repair and calibration procedures complete	11/1/96	1/1/97
	- Implementation of portable equipment repair at Springfield lab complete	12/1/96	Merger
	- Meter test data tracking system implemented	3/1/96	6/1/97
	- Field training/notification on revised meter testing procedures complete	5/1/97	7/1/97
	- Meter equipment ordering and inventory system implemented	3/1/96	7/1/97
	- Field training/notification on revised meter equipment purchasing, warehousing and inventory procedures complete	3/1/97	7/1/97
	- Implementation of purchasing and inventory of meter equipment at Dorsett Meter Lab complete	6/1/97	7/1/97

4/26/96

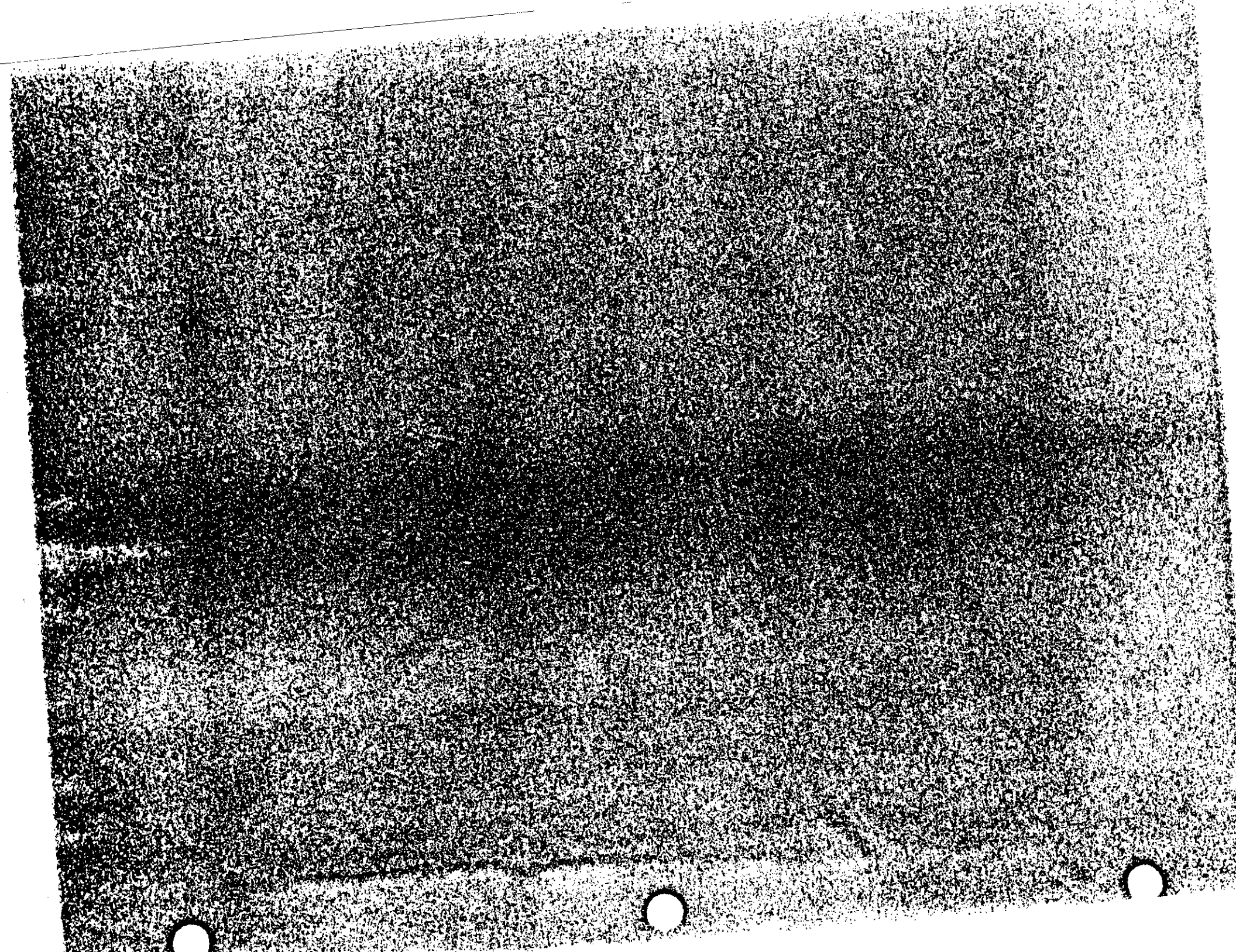
Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date	
Information Services- Development	- Capital asset management applications converted	4/15/96	10/1/97	
	- General ledger applications converted	4/15/96	10/1/97	
	- Plant accounting capital projects applications converted	4/15/96	10/1/97	
	- Payroll distribution applications converted	4/15/96	10/1/97	
	- Shareholder applications converted	4/15/96	1/1/97	
	- Tax applications converted	4/15/96	1/1/97	
	- Materials applications converted	4/15/96	10/1/97	
	- Human Resources system implemented	4/15/96	10/1/97	
	- Limited DOJM implemented	4/15/96	8/1/96	
	- Full DOJM implemented	7/1/96	10/1/97	
	- CIPS non-demand customers converted	10/1/97	4/1/99	
	- T&D-CS converted	11/1/96	2/1/98	
	- CIPS demand customers converted	10/1/97	7/1/99	
	- Cycle 70 applications converted	1/1/98	8/1/99	
	- Street light applications converted	11/1/98	10/1/99	
	- Demand customers moved to regular file	1/1/99	10/1/99	
	- Circuit file converted	4/15/96	12/1/96	
	- Outage analysis applications converted	2/1/97	12/1/97	
	- Other T&D applications converted	4/15/96	5/1/98	
	- Power operations data converted	4/15/96	5/1/97	
	- EMPRV for T&D substations converted	5/1/98	12/1/99	
	- Gas operations applications converted	4/15/96	6/1/99	
	Information Service- Planning and Support	- CIPS mainframe e-mail, executive support and word processing users converted to UE LAN-based products		
		- Single logical mainframe help desk and access number implemented	4/1/96	Merger
		- Outsourcing of shrinkwrapped PC-software help desk calls implemented	6/1/96	Merger
Information Services- Data Center	- System and application software contracts renegotiated	4/15/96	6/21/96	
	- Ameren systems software suite selected	4/15/96	8/7/96	
	- Ameren systems software suite implemented	6/13/96	11/1/96	
	- UE and CIPS disaster recovery plans updated for interim operations	6/27/96	7/25/96	
	- UE and CIPS disaster recovery plans updated for merger operations	12/9/96	12/30/96	
- CIPS Springfield data center work moved to St. Louis	10/7/97	10/26/97		

4/26/96

Key Merger Implementation Milestones

Functional Area	Key Milestones	Start Date	End Date
Information Services-Telecommunications	- Ameren LAN/WAN network topology design completed	8/15/96	9/15/96
	- Ameren LAN hardware configuration implemented	8/31/96	Merger
	- New LANs installed	3/15/96	12/31/97
	- LAN/WAN maintenance and license agreements relative to Ameren companies review and revised	4/1/96	Merger
	- Mobile communications network monitoring and radio inventory systems implemented	8/1/96	Merger
	- CIPS voice radio strategy implemented	8/1/96	12/31/97
	- CIPS mobile data strategy implemented	8/1/96	12/31/97
	- Ameren Services paging and cellular telephone strategy developed	10/1/96	11/1/96
	- 5-digit dialing plan for Springfield/Pawnee available	6/1/96	1/1/97
	- 5-digit dialing plan for other CIPS sites implemented	1/1/97	1/1/99
	- Voice mail system available in Pawnee	8/1/96	1/1/97
	- Voice mail system implemented at other CIPS sites	1/1/97	1/1/99
	- Disaster recovery plan for CIPS customer service calls to Pawnee call center implemented	4/15/96	1/1/97



ICT-4 Invested Capital Tax Return

0108

Do not write above this line

ISF no. 0741-4579 ICT license no. IC-00019 FEIN 43-0559760 Calendar year 1995

Is this an amended return? yes no

If you sell both electricity and gas, check the box for filing under the Gas Revenue Act. If you sell combinations other than electricity and gas, check the box that reflects your principal source of income.

Check one box only.

- Gas Revenue Tax Act
- Water Company Invested Capital Tax Act
- Public Utilities Revenue Act
- Messages Tax Act

Phone no. (314) 554 2714

UNION ELECTRIC CO
1901 CHOUTEAU AVE
P O BOX 149 CODE 210
ST LOUIS MO 63166

Step 1: Figure your tax

Write your total amount of proprietary capital, stockholders' equity, or total equity.

	Column A Balance beginning of year	Column B Balance end of year
1	2,488,227,303	2,538,343,866
2	1,773,450,736	1,736,005,949
3	4,261,678,039	4,274,349,815
4	10,283,471	10,550,409
5	4,251,394,568	4,263,799,406

2 Write your total of long-term debt.

3 Add Lines 1 and 2.

4 Write your investments in and advances to all corporations.

5 Subtract Line 4 from Line 3.

6 Add Column A, Line 5, to Column B, Line 5.

7 Multiply Line 6 by 50 percent (.5). This is the average of the balances.

8 Multiply Line 7 by the Illinois apportionment percentage shown on your business income tax return. See General Information, "What should I attach to this return?"

Multiply Line 8 by .8 percent (.008). This is your invested capital tax due.

10 Write your total estimated payments.

11 If Line 10 is greater than Line 9, subtract Line 9 from Line 10. This is your overpayment.

12 If Line 10 is less than Line 9, subtract Line 10 from Line 9. This is your tax due.

13 Write the total credit you wish to apply from a credit memorandum. Attach the original credit memorandum.

14 Subtract Line 13 from Line 12. This is the total due. Make your check payable to "Illinois Department of Revenue."

8,515,193,974

6

4,257,596,987

7

289,942,355

8

2,319,539

9

2,408,424

10

88,985

11

12

13

14

Step 2: Sign below

Under penalties of perjury, I state that I have examined this return and, to the best of my knowledge, it is true, correct, and complete. The information in this return is taken from the records of the business for which it is filed.

Treasurer's signature

Date

Phone number

Preparer's signature

Date

Phone number

Mail your return and payment to: Invested Capital Tax, Illinois Dept. of Revenue, P.O. Box 19019, Springfield, IL 62794-9019.

ICT-4 form (R-12-95)

Form ICT-4 Instructions

General information

What is invested capital?

Invested capital is the amount equal to the fraction determined under the Illinois Income Tax Act Sections 301 and 304a multiplied by either

- the average of the balances at the beginning and end of each taxable period of your total stockholder's equity plus your total long-term debt offset by your investments in and advance to all corporations, as shown on your annual report to the Illinois Commerce Commission for the taxable period, or
- in the case of an electric or telephone cooperative, the average of the balances at the beginning and the end of each taxable period of your total equity including memberships, patronage capital, operating margins, non-operating margins, other margins, and other equities as shown on your annual report to the United States Department of Agriculture Rural Electrification Administration

Who must file this return?

You must file and pay tax on your invested capital if you are in the business of

- distributing, supplying, furnishing, or selling electricity, gas, or water; or
- transmitting messages.

How do I pay?

You must make quarterly payments on Form ICT-1, Estimated Invested Capital Tax Return, on March 15, June 15, September 15, and December 15.

When should I file this return?

You must file Form ICT-4 by March 15 following the close of your taxable period.

Mail your completed return and payment to:
INVESTED CAPITAL TAX
ILLINOIS DEPARTMENT OF REVENUE
PO BOX 19019
SPRINGFIELD IL 62794-9019

You will owe a late filing penalty if you do not file a processable return by the due date. You will owe a late payment penalty if you do not pay the tax you owe by the due date of the return. Interest is calculated on tax and penalty from the date after the original due date of your return through the date you pay the tax and penalty. We will bill you for penalties and interest. See Publication 103, Uniform Penalties and Interest, for additional information. To receive a copy of this publication, call 1 800 356-6302.

What should I attach to this return?

If you are using an apportionment percentage other than 1, please attach Pages 1 and 2 of Form IL-1120, IL-1120-ST, IL-1065, or Part IV of Schedule UB (if you are part of a unitary group). Also attach a copy of the balance sheet from your Illinois Commerce Commission annual report for this taxable period.

Note: If you are a member of a unitary group, you must use your separate apportionment percentage.

If you amend the apportionment percentage on your income tax return, you must amend your Form ICT-4.

Where do I get help?

If you have questions or need help completing your form, call our Springfield office weekdays between 8 a.m. and 4:30 p.m. at 217 782-6750.

Specific instructions

Step 1: Figure your tax

Line 1 - Write in Column A the total beginning balance of proprietary capital, stockholders' equity, or total equity as shown on your balance sheet included in your annual report filed with the Illinois Commerce Commission or the U.S. Department of Agriculture Rural Electrification Administration.

Write in Column B the total ending balance of proprietary capital, stockholders' equity, or total equity as shown on your balance sheet included in your annual report filed with the Illinois Commerce Commission or the U.S. Department of Agriculture Rural Electrification Administration.

Line 2 - Write in Column A the total beginning balance of long-term debt as shown on your balance sheet included in your annual report filed with the Illinois Commerce Commission or the U.S. Department of Agriculture Rural Electrification Administration.

Write in Column B the total ending balance of long-term debt as shown on your balance sheet included in your annual report filed with the Illinois Commerce Commission or the U.S. Department of Agriculture Rural Electrification Administration.

Line 4 - Write in Column A the total beginning balance of investments in and advances to all corporations as shown on your balance sheet included in your annual report filed with the Illinois Commerce Commission or the U.S. Department of Agriculture Rural Electrification Administration.

Write in Column B the total ending balance of investments in and advances to all corporations as shown on your balance sheet included in your annual report filed with the Illinois Commerce Commission or the U.S. Department of Agriculture Rural Electrification Administration.

Line 8 - Multiply the amount on Line 7 by the Illinois apportionment factor shown on your Form IL-1120, IL-1120-ST, IL-1065, or Part IV of Schedule UB (if you are part of a unitary group), of the same taxable year. Write this amount on Line 8.

Line 10 - Write the total of all estimated tax payments you made during the taxable period.

Line 11 - If Line 10 is greater than Line 9, subtract Line 9 from Line 10 and write the difference on Line 11. This is the amount of tax you have overpaid. You must file Form ICT-6, Public Utilities Invested Capital Tax Claim for Credit, to receive a claim for credit.

Line 13 - If you have a credit memorandum you wish to use toward the amount you owe, write the amount you are using on Line 13 and attach the original credit memorandum. A photocopy will not be accepted.

Line 14 - Subtract Line 13 from Line 12. If you do not file a processable return or pay the tax you owe by the due date, you will owe additional penalty and interest. We will bill you for penalties and interest. If you prefer to figure these amounts, see Publication 103, Uniform Penalties and Interest, and include the penalty and interest amounts on Line 14. Please identify how much is penalty and interest to the left of Line 14.