

## **SECURITIES AND EXCHANGE COMMISSION**

**(Release No. 35-28057)**

**Filings Under the Public Utility Holding Company Act of 1935, as amended (“Act”)**

**November 4, 2005**

Notice is hereby given that the following filing(s) has/have been made with the Commission pursuant to provisions of the Act and rules promulgated under the Act. All interested persons are referred to the application(s) and/or declaration(s) for complete statements of the proposed transaction(s) summarized below. The application(s) and/or declaration(s) and any amendment(s) is/are available for public inspection through the Commission's Branch of Public Reference.

Interested persons wishing to comment or request a hearing on the application(s) and/or declaration(s) should submit their views in writing by **November 29, 2005**, to the Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-9303, and serve a copy on the relevant applicant(s) and/or declarant(s) at the address(es) specified below. Proof of service (by affidavit or, in the case of an attorney at law, by certificate) should be filed with the request. Any request for hearing should identify specifically the issues of facts or law that are disputed. A person who so requests will be notified of any hearing, if ordered, and will receive a copy of any notice or order issued in the matter. After **November 29, 2005**, the application(s) and/or declaration(s), as filed or as amended, may be granted and/or permitted to become effective.

**Ameren Corp., et al. (70-8945)**

Ameren Corporation (“Ameren”), a registered holding company, 1901 Chouteau Avenue, St. Louis, Missouri 63103, CIPSCO Investment Company (“CIPSCO Investment”), a wholly owned subsidiary of Ameren, and CIPSCO Investment’s wholly owned subsidiary, CIPSCO Leasing Company (“CIPSCO Leasing”), both of 607 East Adams Street, Springfield, Illinois 62739, and AmerenEnergy Resources Generating Company (“AERG”), a wholly owned indirect electric utility company subsidiary of Ameren, 300 Liberty Street, Peoria, Illinois 61602, have filed an application-declaration under Sections 6(a), 7, 9(a), 10, 11(b)(1), 12(b) and 12(f) of the Act and Rules 45 and 54 under the Act (“Application”).

Applicants seek a divestiture order for tax purposes that would require the divestiture of CIPSCO Leasing’s wholly-owned subsidiary, CLC Aircraft Leasing Company (“CLC”) or of CLC’s 100% interest in an MD-88 commercial passenger aircraft that is leased to Delta Air Lines, Inc. (“Delta”).

**I. Background****A. The Ameren System**

Ameren directly owns all of the issued and outstanding common stock of Union Electric Company, doing business as “AmerenUE,” Central Illinois Public Service Company, doing business as “AmerenCIPS,” and Illinois Power Company doing business as “AmerenIP,” and indirectly through CILCORP Inc., an exempt holding company, owns all of the issued and outstanding common stock of Central Illinois Light Company, doing business as “AmerenCILCO.”

Together, AmerenUE, AmerenCIPS, AmerenIP and AmerenCILCO provide retail and wholesale electric service to approximately 2.3 million customers and retail natural gas service to approximately 935,000 customers in parts of Missouri and Illinois. In addition, AmerenCILCO holds all of the outstanding common stock of AERG. AERG is a non-exempt electric utility generating subsidiary to which AmerenCILCO transferred substantially all of its generating assets in October 2003.

Ameren also directly owns all of the issued and outstanding common stock of CIPSCO Investment, a non-utility subsidiary that in turn owns all of the issued and outstanding common stock of, among other subsidiaries, CIPSCO Leasing. CIPSCO Leasing, directly or through subsidiaries, invests in certain long-term leveraged lease transactions. As relevant to this Post-Effective Amendment, CIPSCO Leasing's wholly-owned subsidiary, CLC, holds a 100% interest as the owner participant in an MD-88 commercial passenger aircraft that is leased to Delta (the "Aircraft Lease Interest").

#### B. Relevant History

By order dated December 30, 1997, in this proceeding (Holding Co. Act Release No. 26809) (the "Merger Order"), the Commission authorized Ameren to acquire all of the issued and outstanding common stock of AmerenUE and CIPSCO Incorporated, which was then the parent company of AmerenCIPS, to organize a service company subsidiary, and to issue and sell common stock pursuant to certain stock plans. In addition, the Commission authorized Ameren to retain the direct and indirect non-utility subsidiaries and investments of AmerenUE and CIPSCO Incorporated, subject to certain exceptions. Specifically as it relates to the instant Application, the Commission

determined that the Aircraft Lease Interest was retainable under Section 9(c)(3) of the Act.

Although the Aircraft Lease Interest is a “passive” investment, CIPSCO Leasing has already captured the tax benefits (in the form of accelerated depreciation) associated with the leased equipment. Thus, the economic characteristics associated with this investment are no longer the same as they were at the time of the Merger Order. Ameren has concluded, therefore, that the Aircraft Lease Interest is not retainable under the standards of either Section 11(b)(1) of the Act or under Commission precedents interpreting Section 9(c)(3) of the Act.

Accordingly, Ameren requests that the Commission issue a supplemental order in this proceeding to: (i) require Ameren to sell or otherwise dispose of the Aircraft Lease Interest or of the equity securities of CLC Aircraft not later than February 8, 2006; (ii) recite that such sale or disposition of the Aircraft Lease Interest or of the equity securities of CLC Aircraft is necessary or appropriate to the integration or simplification of the Ameren holding company system and to effectuate the provisions of Section 11(b)(1); (iii) require that the net proceeds from such sale or disposition be utilized within 24 months of the receipt thereof to retire or cancel securities representing indebtedness of the transferor or otherwise expended for property other than “nonexempt property” within the meaning of section 1083 of the Internal Revenue Code, as amended (the “Code”) or invested as a contribution to the capital, or as paid-in surplus, of another direct or indirect subsidiary of Ameren in a manner that satisfies the nonrecognition provisions of Code section 1081; and (iv) recite that such expenditure or investment by

the transferor is necessary or appropriate to the integration or simplification of the Ameren holding company system.

C. Summary of Relevant Provisions of the Code

Ameren explains that Code section 1081(b)(1) provides for the nonrecognition of gain or loss from a sale or exchange of property made in obedience to a Commission order. Code section 1082(a)(2) requires that any unrecognized gain under Code section 1081(b)(1) be applied to reduce the basis of the transferor's remaining assets in a specified manner.

Ameren submits that an exception from this nonrecognition treatment exists under Code section 1081(b)(2), which specifies that if property received in connection with any sale or disposition is "nonexempt property," then such "nonexempt property" or an amount equal to the fair market value of such "nonexempt property" must, within 24 months of the time of the transfer, in accordance with an order of the Commission, be expended for property other than "nonexempt property" or invested as a contribution to the capital, or as paid-in surplus, of another corporation, and the Commission's order recites that such expenditure or investment by the transferor corporation is necessary or appropriate to the integration or simplification of the holding company system of which the transferor corporation is a member. Code section 1081(b)(3) provides that an appropriate expenditure for property other than "nonexempt property" for purposes of Code section 1081(b)(2) includes each of (1) a payment in complete or partial retirement or cancellation of securities representing indebtedness of the transferor and (2) the amount of any liability of the transferor that is assumed (or to which transferred property

is subject) in connection with any transfer of property in obedience to a Commission order.

Ameren further submits that Code section 1081(d) provides for the nonrecognition of gain or loss from certain intercompany transactions within the same system group if such transactions are made in obedience to a Commission order.

D. Sale of the Lease Interests

CIPSCO Leasing intends to seek a buyer or buyers for the Aircraft Lease Interest or of the equity securities of CLC Aircraft in a privately negotiated transaction.

Alternatively, as a result of the bankruptcy of Delta,<sup>1</sup> CLC Aircraft, as owner participant under the lease, may, in the bankruptcy proceeding, forfeit its beneficial interest (as owner participant) in the leased aircraft if the indenture trustee, on behalf of the debt participants in the leveraged lease transaction, exercises its remedy to take title to the aircraft.<sup>2</sup> Such transfer of the beneficial interest in the leased aircraft to the indenture trustee would be treated as a “sale” for federal income tax purposes for an amount equal to the outstanding balance of the leveraged lease debt. In either event, Ameren expects that such transfer will result in a significant amount of gain for federal income tax purposes. Accordingly, CIPSCO Leasing will structure any such transfer in a manner that will enable it to utilize the non-recognition provisions of Code section 1081.

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<sup>1</sup> On September 14, 2005, Delta and its subsidiaries filed voluntary petitions for reorganization under Chapter 11 of the U.S. Bankruptcy Code. The matter is pending before the U.S. Bankruptcy Court for the Southern District of New York.

<sup>2</sup> Any such transfer would be qualified by and subject to any restriction or limitations on transfer set forth in the operative lease documents, the Bankruptcy Code, and other applicable law, including the Revised Interim Order Pursuant to Sections 105(a) and 362 of the Bankruptcy Code Establishing Notification Procedures and Approving Restriction on Certain Transfers of Claims against and Interests in the Debtors’ Estates entered in the Delta bankruptcy case on September 16, 2005.

In order to achieve this result, the Applicants will engage in a series of essentially simultaneous intercompany transactions the purpose of which is to structure the sale of the Aircraft Lease Interest or of the equity securities of CLC Aircraft to occur from a subsidiary of Ameren (in this case AERG) that has sufficient tax basis in similar classes of property to absorb the basis reductions required by Code section 1082(b).

More specifically, CIPSCO Leasing intends to engage in the following transactions (the “Proposed Transactions”):

1. On or prior to the closing date with respect to the sale of the Aircraft Lease Interest or of the equity securities of CLC Aircraft (the “Closing Date”), CIPSCO Leasing will transfer the stock of CLC Aircraft to AERG in exchange for a promissory note in the form of Exhibit B-7 (the “AERG Note”) and/or cash (together, the AERG Note and the cash are referred to herein as the “AERG Consideration”).
2. On or prior to the Closing Date, Ameren will cause CLC Aircraft to convert into a Delaware limited liability company.<sup>3</sup>
3. On the Closing Date, AERG will either sell the Aircraft Lease Interest or the membership interests of CLC Aircraft to a buyer or buyers in exchange for consideration (which is expected to be nominal) or transfer the Aircraft Lease Interest and/or the membership interests of CLC Aircraft to the indenture trustee for the benefit of the debt participants in the existing leveraged lease structure, which, for federal income tax purposes, will be treated as a deemed sale of the Aircraft Lease Interest.
4. Within 24 months after such Closing Date, AERG will expend the consideration received from the buyer or buyers to reduce the AERG Note (if any) or will otherwise expend or invest such cash in accordance with Code section 1081(b).

As indicated, the Proposed Transactions are intended to allow Ameren to match the unrecognized gain from the sale of the Aircraft Lease Interest or of the membership

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<sup>3</sup> By order dated December 18, 2003 (Holding Co. Act Release No. 27777) (the “December 2003 Order”), the Commission authorized Ameren and its non-utility subsidiaries to, among other things, convert the capital structure of non-utility subsidiaries from one business form to another.

interests of CLC Aircraft under Code section 1081(b) to AERG since AERG is one of the subsidiaries of Ameren that has a sufficiently high tax basis in other similar classes of property such that the unrecognized gain can be fully absorbed by the basis reductions required by Code section 1082(a)(2).

## II. Requests for Authority

Ameren requests that the Commission authorize (a) AERG to acquire the stock of CLC Aircraft from CIPSCO Leasing and (b) AERG to issue and CIPSCO Leasing to acquire the AERG Note, in each case prior to February 8, 2006. The aggregate amount of the AERG Consideration (i.e., AERG Note and/or cash) will be fixed on or before the Closing Date to be equal to or less than the amount of consideration (which may be nominal) agreed to be paid by the buyer or buyers of the Aircraft Lease Interest or of the membership interests of CLC Aircraft, such that the proceeds of the sale will be at least sufficient to enable AERG to retire the AERG Note (if any) on or shortly after the Closing Date; and, in any event will not exceed \$10 million. The AERG Note (if any) will bear interest at a daily floating rate per annum (computed on the basis of a 360-day year consisting of twelve 30 day months) equal to the “1-Month Nonfinancial Commercial Paper” rate published by the Federal Reserve in its H.15 Selected Interest Rates publication.

In addition, in accordance with Code section 1081(f), Ameren requests that the Commission’s supplemental order in this proceeding confirm that (1) the proposed disposition of the Aircraft Lease Interest or of the membership interests of CLC Aircraft through the Proposed Transactions will be a disposition for cash or cash equivalents in compliance with the supplemental order, (2) the application of the net proceeds to retire

all or part of the AERG Note will be a complete or partial retirement of securities representing indebtedness of AERG, (3) the amount of liabilities assumed and the amount of liabilities to which transferred property is subject upon the disposition of the Aircraft Lease Interest or membership interests of CLC Aircraft through the Proposed Transactions will be an expenditure for property other than “nonexempt property” in compliance with the supplemental order, and (4) accordingly, each of the Proposed Transactions is necessary or appropriate to the integration or simplification of the Ameren holding company system and will effectuate the provisions of Section 11(b)(1) of the Act.

**FirstEnergy Corp., et al. (70-10122)**

FirstEnergy Corp. (“FirstEnergy”), a registered holding company, and the following subsidiaries of FirstEnergy (together with FirstEnergy, “Applicants”), Ohio Edison Company, a wholly-owned public-utility company subsidiary of FirstEnergy, its nonutility company subsidiaries, The Cleveland Electric Illuminating Company, a wholly-owned public-utility company subsidiary of FirstEnergy, its nonutility subsidiary companies, The Toledo Edison Company, a wholly-owned public-utility company subsidiary of FirstEnergy, its nonutility subsidiary companies, Pennsylvania Power Company (“Penn Power”), a wholly-owned public-utility company subsidiary of FirstEnergy, American Transmission Systems, Incorporated (“ATSI”), a wholly-owned public-utility company subsidiary of FirstEnergy, Jersey Central Power & Light Company (“JCP&L”), a wholly-owned public-utility company subsidiary of FirstEnergy, its nonutility subsidiary companies, Pennsylvania Electric Company (“Penelec”), a wholly-owned public-utility company subsidiary of FirstEnergy, its nonutility subsidiary

companies, Metropolitan Edison Company (“Met-Ed”), a wholly-owned public-utility company subsidiary of FirstEnergy, its nonutility subsidiary companies, York Haven Power Company, a wholly-owned public-utility company subsidiary of FirstEnergy, The Waverly Electric Power & Light Company, a wholly-owned public-utility company subsidiary of FirstEnergy, FE Acquisition Corp., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, FirstEnergy Properties, Inc., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, FirstEnergy Facilities Services Group, LLC, a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, FELHC, Inc., a wholly-owned nonutility subsidiary of FirstEnergy, FirstEnergy Securities Transfer Company, a wholly-owned nonutility subsidiary of FirstEnergy, FirstEnergy Nuclear Operating Company, a wholly-owned nonutility subsidiary of FirstEnergy, FirstEnergy Solutions Corp., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, FirstEnergy Ventures Corp., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, Marbel Energy Corporation, a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, FirstEnergy Service Company (“Service Company”), a wholly-owned service company subsidiary of FirstEnergy, GPU Capital, Inc., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, GPU Electric, Inc., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, GPU Diversified Holdings, LLC, a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, GPU Power, Inc., a wholly-owned nonutility subsidiary of FirstEnergy, its nonutility subsidiary companies, FirstEnergy Telecom Services, Inc., a wholly-owned nonutility

subsidiary of FirstEnergy, its nonutility subsidiary companies, GPU Nuclear, Inc., a wholly-owned nonutility subsidiary of FirstEnergy, MYR Group, Inc. (“MYR”), a wholly-owned nonutility subsidiary of FirstEnergy, and its nonutility subsidiary companies, all 76 South Main Street, Akron, Ohio 44308, have filed a post-effective amendment (“Post-Effective Amendment”) to a previously filed application-declaration under sections 6(a), 7, 9(a), 10, 12 and 13(b) of the Act and rules 42, 43, 45, 46, 53, 54, 87(b), and 90 – 92 under the Act.

By order dated June 30, 2003 (HCAR No. 27694, as modified “Current Financing Order”),<sup>4</sup> the Commission authorized FirstEnergy Corp., an Ohio corporation (“FirstEnergy”) and its subsidiaries to engage in a program of external financing, intrasystem financing, and other related transactions for the period through and including December 31, 2005 (“Prior Authorization Period”). FirstEnergy and its subsidiaries request by this Post-Effective Amendment a further order extending through February 8, 2006 (“New Authorization Period”)<sup>5</sup>: (1) their existing financing authority under the Current Financing Order; and (2) the Commission’s reservations of jurisdiction over various matters, described below.

Generally, by the Current Financing Order, the Commission authorized Applicants to engage in the following transactions during the Authorization Period:

- (1) FirstEnergy may issue and sell directly or indirectly through one or more special purpose financing entities (“Financing Subsidiaries”): (a) common stock and/or options, warrants, equity-linked securities or stock purchase contracts convertible into or exercisable for common stock, (b) preferred stock and other forms of preferred securities (including trust preferred securities), (c) new long-term debt securities having maturities of one year

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<sup>4</sup> The Commission modified HCAR No. 27694 by order dated November 25, 2003 (HCAR No. 27769).

<sup>5</sup> February 8, 2006 is the effective date of repeal of the Act.

or more up to 50 years, and (d) commercial paper, promissory notes and other forms of short-term indebtedness having maturities of less than one year (“Short-term Debt”) in an aggregate amount not to exceed \$4.5 billion, excluding securities issued for purposes of refunding or replacing other outstanding securities where FirstEnergy’s capitalization is not increased as a result thereof, provided that the aggregate amount of Short-term Debt at any time outstanding shall not exceed \$1.5 billion;

- (2) FirstEnergy may enter into and perform interest rate hedging transactions (“Hedge Instruments”) and with respect to anticipated debt offerings (“Anticipatory Hedges”) to manage volatility of interest rates associated with its and its subsidiaries’ outstanding indebtedness and anticipated debt offerings;
- (3) FirstEnergy may issue and/or purchase on the open market for purposes of reissuance up to 30 million shares of common stock and/or stock options or other stock-based awards exercisable for common stock pursuant to its dividend reinvestment and stock-based management incentive and employee benefits plans (“Stock Plans”) maintained by FirstEnergy for the benefit of shareholders, officers, directors and employees;
- (4) FirstEnergy may issue one purchase right together with each new share of common stock issued in accordance with the authority requested; (5) JCP&L, Penn Power, Met-Ed, Penelec and ATSI may issue and sell Short-term Debt in aggregate principal amounts at any time outstanding not to exceed: (a) in the case of JCP&L and Penn Power, the limitation on short-term indebtedness contained in their respective charters (\$414 million and \$49 million, respectively, as of June 30, 2005), (b) \$250 million in the cases of Penelec and Met-Ed, and (c) \$500 million in the case of ATSI;
- (5) FirstEnergy may guarantee and provide other forms of credit support (“FirstEnergy Guarantees”) on behalf of its subsidiaries in an aggregate amount which, taking into account any guarantees provided by FirstEnergy’s nonutility subsidiaries (“Nonutility Subsidiaries”), will not exceed \$4.0 billion outstanding at any time;
- (6) FirstEnergy may maintain and continue funding a money pool (“Utility Money Pool”) for its public-utility company subsidiaries (“Utility Subsidiaries”) and a separate money pool (“Nonutility Money Pool”) for the benefit of the Nonutility Subsidiaries (together, “Money Pools”) and, to the extent not exempt under rule 52, FirstEnergy’s subsidiaries may borrow and extend credit to each other through the Money Pools by

issuing and acquiring demand notes evidencing those borrowings and extensions of credit;<sup>6</sup>

- (7) Applicants are authorized to make loans Nonutility Subsidiaries that are less than wholly-owned (directly or indirectly) by FirstEnergy at interest rates and maturities designed to provide a return to the lending company of not less than its effective cost of capital;
- (8) FirstEnergy and the Subsidiaries may enter into a tax allocation agreement with respect to tax year 2002 and later years that does not conform in all respects to the requirements of rule 45(c);
- (9) FirstEnergy and the Subsidiaries may change the capitalization of any Subsidiary 50% or more of whose stock is held by FirstEnergy or any other intermediate parent company;
- (10) Nonutility Subsidiaries may declare and pay dividends out of capital or unearned surplus, subject to certain restrictions;
- (11) FirstEnergy may acquire interests in certain companies (“Energy Related Companies”) that would qualify as “energy-related companies,” as defined in rule 58, but for the fact that a substantial portion of their revenues are derived from activities outside the United States,<sup>7</sup> subject to certain reservations of jurisdiction described below;
- (12) FirstEnergy may invest, directly or through Nonutility Subsidiaries, up to \$300 million at any time on preliminary development activities relating to potential new investments in nonutility businesses;
- (13) FirstEnergy may consolidate the direct and indirect ownership interests in certain existing nonutility businesses and former subsidiaries of GPU, Inc. (“GPU”) under one or more existing or future nonutility holding companies; and
- (14) to the extent not exempt under rule 90(d), Nonutility Subsidiaries may provide services and sell goods to certain specified types of Nonutility Subsidiaries at market prices determined without regard to cost.

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<sup>6</sup> The Nonutility Subsidiaries and Utility Subsidiaries are referred to collectively as “Subsidiaries.”

<sup>7</sup> More specifically, Energy Related Companies may engage in energy management and consulting activities anywhere outside the United States and energy marketing and related activities in Canada and Mexico. Under the Current Financing Order, investments in Energy Related Companies count toward FirstEnergy’s limit under rule 58 on investments in “energy-related companies.”

The authorized securities are subject to numerous terms, conditions, and limitations, including: limitations on interest rate, maturity, issuance expenses, and use of proceeds; commitments by FirstEnergy and each of the Utility Subsidiaries to maintain common equity equal to at least 30% of consolidated capitalization; and certain investment grade rating criteria as applicable to securities (other than common stock of FirstEnergy and Money Pool borrowings) to be issued pursuant to the authority granted under the Current Financing Order and to other outstanding securities of the issuer and of FirstEnergy.

By the Current Financing Order, the Commission reserved jurisdiction, pending completion of the record, over: (1) issuances of securities in those circumstances where FirstEnergy or a Utility Subsidiary does not comply with the 30% common equity criteria (described above); (2) issuances of securities where one or more of investment grade ratings criteria are not met; (3) entering into Hedge Instruments and Anticipatory Hedges by FirstEnergy that do not qualify for hedge accounting treatment by the Financial Accounting Standards Board; (4) issuances by FirstEnergy of guarantees on behalf of its Subsidiaries for the benefit of non-affiliated third parties; (5) the ability of FirstEnergy to make certain additional investments in “exempt wholesale generators” and “foreign utility companies,” as those terms are defined by sections 32 and 33 of the Act,

respectively, in an amount over \$1.5 billion; (6) the ability of Energy Related Companies to engage in energy marketing outside of the United States, Canada and Mexico; and (7) the ability of Energy Related Companies to engage in the sale of infrastructure services anywhere outside the United States.<sup>8</sup>

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

Jonathan G. Katz  
Secretary

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<sup>8</sup> In a separate, pending post-effective amendment, FirstEnergy is requesting that the Commission release jurisdiction over the sale of infrastructure services by MYR and other Energy Related Companies in Canada.