

**RIDER ECR
ENVIRONMENTAL COST RECOVERY ADJUSTMENT**

Applicable to All Rates Except Rate RESS and Rate MSPS

OVERVIEW.

An Environmental Cost Recovery Adjustment (ECR) is computed by the Company each year, and as otherwise applicable in accordance with the provisions of this rider, to recover all Incremental Costs, as defined in this Overview section, incurred by the Company in association with Environmental Activities associated with former manufactured gas plant (MGP) sites, as defined in this Overview section. Such ECR is applied to all kilowatt-hours (kWhs) delivered to retail customers for electric service in accordance with the provisions of this rider.

Environmental Activities mean activities performed, conducted, or implemented by or for the Company that are related to remediation or other treatment of environmental contamination at or associated with former MGP sites that is subject to applicable federal, state, or local laws and regulations, including, but not limited to, the investigation, sampling, monitoring, testing, removal and response measures, disposal, storage, and operation and maintenance of remediation and treatment measures.

- * Incremental Costs mean costs incurred by the Company in association with Environmental Activities and include, but are not limited to, (a) fees, charges, billings, assessments, land costs, including acquisition costs for land purchased solely for Environmental Activities, lease expenses, property taxes, insurance and maintenance, or other liabilities used for Environmental Activities; (b) costs or expenses associated with the pursuit of insurance or other cost recovery for Environmental Activities; (c) costs or expenses associated with judgments, orders or decisions, including settlements, by a court, a governmental agency or department, or other quasi-adjudicatory body concerning Environmental Activities; and (d) legal, litigation, and settlement costs and expenses associated with Environmental Activities. An Incremental Cost is incurred on the date the work corresponding to the associated Environmental Activity is performed, or in the case of payments by the Company associated with judgments, orders or decisions, including settlements, by a court, a governmental agency or department, or other quasi-adjudicatory body concerning Environmental Activities, the date the payment is made. Incremental Costs do not include (i) the costs the Company incurs arising out of personal injury claims from exposure to asbestos, (ii) land acquisition purchase costs incurred prior to August 22, 2009, (iii) expenses for wages and salaries of Company employees, or (iv) expenses for work performed by parties affiliated with the Company that are billed to the Company.

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ECR COMPUTATION AND APPLICATION.

The ECR is applied, in accordance with the provisions of this rider, to each kWh delivered to retail customers. The total charge or credit billed in accordance with the provisions of this rider is separately stated on each retail customer's monthly bill. The ECR is computed in accordance with the following equation:

$$\text{ECR} = \frac{\text{PC} - \text{NRIC} + \text{ARF} + \text{ORF}}{\text{PE}} \times \frac{100 \text{ } \phi}{\$ 1}$$

Where:

- ECR = Environmental Cost Recovery Adjustment, in ϕ /kWh rounded to the thousandths of a cent, is applied to each kWh delivered to each retail customer during the twelve (12) monthly billing periods, beginning with the January monthly billing period following the date that such ECR is filed with the Illinois Commerce Commission (ICC) for informational purposes, to recover Incremental Costs, or in the case of a revised ECR, beginning with the monthly billing period following the date that such revised ECR is filed with the ICC for informational purposes and extending through the following December monthly billing period.
- PC = Projected Costs, in \$, are equal to the projected Incremental Costs the Company expects to incur during the calendar year following the date that the ECR is filed with the ICC, or in the case of a revised ECR, during the period beginning with the month following the date that such revised ECR is filed with the ICC for informational purposes and extending through December 31.
- * NRIC = Net Reimbursements of Incremental Costs, in \$, are equal to (a) reimbursement funds from any source other than the application of ECRs, including funds from insurance recoveries, that are associated with Environmental Activities and that are received by the Company on or after January 2, 2007, and not otherwise credited through this rider, plus (b) proceeds from leases that are associated with Environmental Activities and that are received by the Company on or after January 2, 2007, plus (c) proceeds from land sales that are associated with Environmental Activities and that are received by the Company on or after August 22, 2009, with respect to land acquired after August 22, 2009, less (d) any Incremental Costs that the Company incurred on or after January 2, 2007, to obtain recovery of such funds or such proceeds from leases that are not otherwise recovered through this rider, less (e) any Incremental Costs that the Company incurred on or after August 22, 2009, to obtain recovery of such proceeds from land sales that are not otherwise recovered through this rider. To the extent such reimbursements or Incremental Costs are not known through December 31 due to the fact that the ECR is computed and filed with the ICC prior to December 31, NRIC includes reimbursements and costs the Company expects to receive or incur, respectively, through December 31. In the case of a revised ECR, instead of a twelve (12) month period, the period is equivalent to the number of months for which the PC is determined and includes the months that extend through the end of the month prior to the monthly billing period during which such revised ECR becomes effective.

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Asterisk (*) indicates change.

Date Effective: August 22, 2009
Issued by A. R. Pramaggiore, President
Post Office Box 805379
Chicago, Illinois 60680-5379

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ECR COMPUTATION AND APPLICATION (CONTINUED).

- ARF = Automatic Reconciliation Factor, in \$, is equal to the cumulative over collection or under collection resulting from the application of then applicable ECRs through the twelve (12) month period ending December 31 prior to such calendar year. To the extent such ARF is not known through December 31 due to the fact that the ECR is computed and filed with the ICC prior to December 31, ARF is the cumulative over collection or under collection the Company expects through December 31. In the case of a revised ECR, the ARF is equal to the cumulative over collection or under collection resulting from the application of then applicable ECRs through the end of the month prior to the monthly billing period during which such revised ECR becomes effective.
- ORF = Ordered Reconciliation Factor, in \$, is equal to an amount ordered by the ICC to be refunded to or collected from retail customers.
- PE = Projected Energy, in kWh, is equal to a projection of the electric power and energy expected to be delivered during such calendar year, or in the case of a revised ECR, during the period beginning with the month following the date that such revised ECR is filed with the ICC for informational purposes and extending through December 31.

Each year, on or before November 30, the Company files with the ICC, for informational purposes, the ECR, computed in accordance with the equation in this ECR Computation and Application section, that is to be applied to each kWh delivered to retail customers during the twelve (12) monthly billing periods beginning with the January monthly billing period following such filing.

Notwithstanding the provisions of the previous paragraph, an ECR may be revised by the Company if the Company determines a revised ECR results in a better match between ECR revenues and Incremental Costs. The ECR must be revised in the event that insurance recoveries for a calendar year are greater than the sum of (a) the Incremental Costs incurred in such calendar year, and (b) the PC for the subsequent calendar year. The Company must file with the ICC, for informational purposes, such revised ECR no later than the fifteenth day of the month immediately preceding the monthly billing period during which such revised ECR becomes effective. The revised ECR is determined in accordance with the equation in this ECR Computation and Application section.

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Issued by A. R. Pramaggiore, Exec. Vice President
Post Office Box 805379
Chicago, Illinois 60680-5379

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ANNUAL RECONCILIATION.

Each year, on or before February 28, the Company must file with the ICC an annual report that summarizes the operation of this rider and compares actual Incremental Cost recovery with Incremental Costs incurred in accordance with the provisions of this rider for the previous calendar year.

- * Such annual report must include a document specifying the ARF. Such report must also include a description of the status and disposition of any land acquired solely for Environmental Activities. Such annual filing must also include testimony regarding the prudence of the Company's Incremental Costs included in the reconciliation addressing, but not limited to the following items:
 - a. reasonable and appropriate business practices;
 - b. requirements of state and federal authorities;
 - c. minimization of costs to retail customers, consistent with safety, reliability, and quality assurance; and
 - d. facts and knowledge the Company possessed or reasonably should have possessed at the time the Incremental Costs were incurred.
- * Such testimony must also address any appraisals or other methods used to determine the acquisition price for any land acquired solely for Environmental Activities, and any documentation used to demonstrate that the acquisition of such land served to minimize costs to retail customers, consistent with safety, reliability, and quality assurance.

Unless otherwise ordered by the ICC, the Company must revise the ECR in accordance with the provisions of the ECR Computation and Application section of this rider to become effective beginning with the April monthly billing period following the date of the filing of such annual report. Such revised ECR must reflect the ARF specified in such annual report. The ICC may order a hearing to review any such annual report filed by the Company within 180 calendar days of the date of such annual filing. All amounts previously credited or collected under this rider are subject to further adjustment through the ORF, as directed by the ICC following such review.

INSURANCE RECOVERIES.

In the event that insurance recoveries received in a calendar year are greater than the sum of (a) the Incremental Costs incurred in such calendar year, and (b) the PC for the subsequent calendar year, such recoveries are used to cover costs for the current calendar year and any ongoing Incremental Costs. Interest is credited to any unexpended insurance proceeds at the Company's currently effective after tax cost of capital as allowed by the ICC.

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MISCELLANEOUS GENERAL PROVISIONS.

The amount of any annually filed ECR must be shown on an information sheet supplemental to this rider and submitted to the ICC in an informational filing on or before November 30 preceding the January monthly billing period during which such ECR becomes effective. The amount of any revised ECR must be shown on an information sheet supplemental to this rider and submitted to the ICC in an informational filing on or before the fifteenth day of the month immediately preceding the monthly billing period during which such revised ECR becomes effective. Such filing must be accompanied by work papers supporting the computation of such ECR. Unless otherwise ordered by the ICC, each such annually filed or revised ECR becomes effective in accordance with the provisions of this rider and as indicated on such supplemental information sheet and remains effective until superceded by a subsequent annually filed or revised ECR.

- * Acquisition costs for any land acquired solely for Environmental Activities that is subsequently determined to be retained by the Company for purposes other than Environmental Activities must be excluded from the calculation of the Company's rate base in any ICC jurisdictional rate case proceeding that occurs after such determination, to the extent that such acquisition costs have been recovered through this rider.

The Company's Schedule of Rates, of which this rider is a part, includes General Terms and Conditions and other tariffs. Service hereunder is subject to the General Terms and Conditions and such other tariffs, as applicable.