



Matt Blunt, Governor • Doyle Childers, Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

May 2, 2007

Mr. Thomas Voss
c/o Mr. Bob Haar
Haar and Woods, LLP
1010 Market Street, Suite 1620
St. Louis, MO 63101

RE: Proposed Ameren Settlement Concepts

Dear Mr. Voss:

In response to your rejection of our December 6, 2006, settlement demand, with this letter, I am rejecting your April 11, 2007, counter offer for settlement of the Taum Sauk Reservoir failure related civil claims. Your counter offer, which arrived four months after our initial settlement demand, was insufficient on many fronts.

This letter to you today is the state's demand to resolve this matter. Please respond as soon as possible.

Ameren will:

- 1) Complete \$40 million of future restoration/remediation, with an additional \$5 million for future monitoring and maintenance, on an agreed to work schedule;
- 2) Pay \$48 million for natural resources damages and loss of recreational use;
- 3) Pay a reimbursement to the state of \$2 million for loss of income from the park, loss of timber resources, and state oversight of the reservoir reconstruction;
- 4) Pay a civil penalty for water pollution violations of not less than \$10 million payable to the Reynolds County School Fund;
- 5) Pay a one-time sum for local community damages of \$10 million into a Reynolds County Community Damages fund controlled by Reynolds County elected officials;
- 6) Grant a permanent license for the Rock Island Railroad right-of-way to complete the KATY Trail from Windsor to Pleasant Hill which will virtually complete the trail from St. Louis to Kansas City;
- 7) Lease Church Mountain to the state of Missouri for 50 years;
- 8) Agree to a consent order that provides for compliance with work schedules and all applicable environmental laws.



Recycled Paper

Mr. Thomas Voss
Page Two

This settlement includes claims of DNR and the Department of Conservation and is a total of \$115 million plus the property rights to the Rock Island and Church Mountain. In your April 11 counter offer, you offered a \$10 million cash payment to the Attorney General for unspecified purposes. This is inappropriate and we have substituted that with those funds going to the Reynolds County Community Damages Fund.

To clarify matters for you, I am attaching for your convenience our back and forth correspondence that includes our initial offer, your rejection of our offer and other relevant correspondence. I am ready – today or as soon as possible – to flesh out the details of this settlement.

Mr. Voss, the time has come for us to move forward. Ameren should pay what it owes and we can get our communities back in order.

Sincerely,

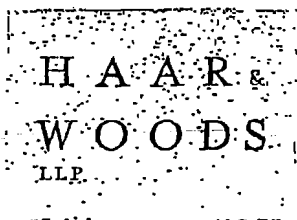
DEPARTMENT OF NATURAL RESOURCES



Doyle Childers
Director

Attachments

c: William J. Bryan
Rex M. Burlison
Denise Garnier
William G. Beck



ATTORNEYS AT LAW 1010 Market Street Suite 1620 St. Louis, MO 63101 314.241.2224 Fax 314.241.2227 haar-woods.com

April 19, 2007

VIA FACSIMILE AND FIRST-CLASS MAIL
CONFIDENTIAL SETTLEMENT COMMUNICATION

Kurt U. Schacfer
Deputy Director and General Counsel
Missouri Department of Natural Resources
P.O. Box 176
1101 Riverside Drive
Jefferson City, MO 65102

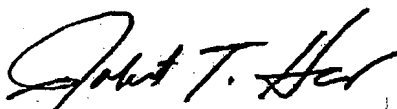
Dear Kurt:

I am in receipt of your letter of April 17, 2007. Our April 11, 2007 proposal includes concepts that are not part of your December 6, 2006 counteroffer. Therefore, it is technically a rejection of your December 6 proposal and a counteroffer. As a practical matter, however, our proposal borrows heavily from the concepts in your December 6 letter and in certain respects goes beyond your demand, which according to your letter was "to resolve the civil claims of the Department of Natural Resources only." I think you will also find that the monetary values of our proposal compare favorably to those in your demand.

Therefore, although our proposal is not an acceptance of your December 6 demand, we think it is a constructive counterproposal and the basis for a resolution of all the outstanding issues with the State of Missouri arising out of the Taum Sauk reservoir breach.

Having provided this clarification, we look forward to your response to the substance of our April 11 proposal.

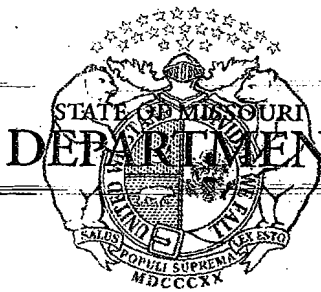
Sincerely,



Robert T. Haar

RTH/kje
Enclosures

cc: William J. Bryan
Rex M. Burlison
William G. Beck
Tracy McGinnis



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April 17, 2007

Mr. Bob Haar
Haar and Woods, LLP
1010 Market Street, Suite 1620
St. Louis, MO 63101

RE: Proposed Ameren Settlement Concepts

Dear Bob:

Thank you for your letter dated April 11, 2007, setting forth Ameren's concepts for settlement of the dispute between Ameren and the State of Missouri. Before I can properly respond and consider concepts in the letter, I must ask for clarification.

Fundamentally, I need clarification from Ameren regarding the status of DNR's December 6, proposed settlement. DNR sent Ameren that settlement demand proposal on December 6, 2006, which addressed settlement of DNR's claims against Ameren. This was a ~~settlement offer after months of negotiation culminating with Ameren President Warner Baxter indicating to Chief of Staff Ed Martin that this looked like an agreeable settlement and that the parties "were close."~~

When the Attorney General improperly filed his lawsuit in December 2006, Baxter told Martin that all settlement talks must be on hold because of the suit. To date, Ameren has not rejected DNR's settlement.

Mr. Bob Haar
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Accordingly, can you please let me know as soon as possible if Ameren is rejecting DNR's December 6, 2006, conceptual settlement demand proposal? This will help us move forward in our evaluations.

Thank you.

Sincerely,

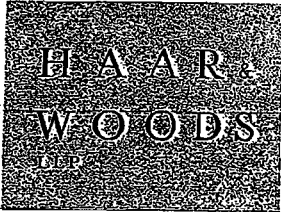
DEPARTMENT OF NATURAL RESOURCES



Kurt U. Schaefer
Deputy Director and General Counsel

KS:dlf

c: Ed Martin, Office of the Governor
Tracy McGinnis, Department of Conservation
Bill Bryan, Attorney General's Office
Bill Beck, Lathrop & Gage
Jean Paul Bradshaw, Lathrop & Gage



ATTORNEYS AT LAW 1010 Market Street Suite 1620 St. Louis, MO 63101 314.241.2224 Fax 314.241.2227 haar-woods.com

April 11, 2007

CONFIDENTIAL OFFER OF SETTLEMENT

William J. Bryan
Assistant Attorney General
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221 West High Street
P.O. Box 899
Jefferson City, MO 65102

Kurt U. Schaefer
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Rex M. Burlison
Assistant Attorney General
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St. Louis, MO 63101

William G. Beck
Lathrop & Gage, L.C.
2345 Grand Blvd., Suite 2800
Kansas City, MO 64108

Denise Garnier
2901 W. Truman Blvd.
P.O. Box 180
Jefferson City, MO 65102-0180

RE: Taum Sauk and Johnson's Shut-Ins Park

Dear Sirs and Madam:

On behalf of AmerenUE, I wish to propose the following concepts for settlement of the dispute between AmerenUE and the State of Missouri. We ask that this letter remain confidential.

By way of background, by letter dated November 15, 2006, AmerenUE made a settlement offer that included: (1) reimbursements to the State for remediation work of \$1.6 million; (2) a cap on remediation work performed and future work of \$53 million; and (3) a natural resource damages payment of \$25 million. The MDNR rejected AmerenUE's settlement on December 7, 2006, and made a \$125 million settlement demand that included \$50 million in natural resource damages and \$45 million in future remediation and repair costs, as well as \$10 million in penalties.

William J. Bryan
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Denise Garnier
April 11, 2007
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AmerenUE remains interested in resolving this matter. To that end, we believe that the framework for settlement should include the following features:

1. Agreement on a dollar value to the State for Natural Resource Damages ("NRD Amount");
2. The dollar value of the agreed NRD Amount to be split by allocated shares to the Attorney General, DNR, and DOC;
3. Agreement by DNR to accept: (1) "value-added" projects for construction of additional facilities at Goggins Mountain Campground and Johnson's Shut-Ins Park (above and beyond the baseline restoration of existing facilities) and (2) Ameren Properties (a perpetual license on an approximate 46-mile portion of the Rock Island Railroad right-of-way – final terms to be discussed – and a twenty-year non-cancelable lease on Church Mountain) with the values of #1 and #2 to be applied as a credit, dollar for dollar, in offset to DNR's share of the NRD Amount. The value of Ameren Properties and detailed work plans for estimating the value of value-added projects will be negotiated with AmerenUE;
4. DOC agrees to accept fish enhancement projects at Taum Sauk or elsewhere as directed by DOC as a credit in offset to its share of the NRD amount; detailed work plans to be negotiated with AmerenUE; measure of "credit" to be dollar-for-dollar offset of work performed;
5. AG and DNR agree to dismiss lawsuit with release of all claims by AG, DNR, and DOC against AmerenUE, including no fines or penalties and no punitive damages, with consent order entered defining the following:
 - AmerenUE will continue to perform restoration and remediation work pursuant to DNR Orders #1-4 to be defined with specificity and detailed work orders;
 - AmerenUE will continue to perform work for restoration of campground (for replacement of existing facilities) to be defined with specificity and detailed work orders;
 - AmerenUE will continue to perform work for restoration of fish habitat to be defined with specificity and detailed work orders;

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Denise Garnier
April 11, 2007

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- The current estimated value to perform the restoration and remediation work set forth above is in excess of \$75 million.
- 6. The proposal assumes that the AG's criminal investigation is near its end and will not result in criminal charges being brought against Ameren or any of its employees as a result of the reservoir breach at Taum Sauk.
- 7. Creation of an on-going dispute resolution process for any disputes between DNR, DOC and AmerenUE related to work being performed pursuant to work orders or "value-added" projects.

Consistent with these concepts and assumptions, AmerenUE makes the following proposal:

- A. AmerenUE will perform all clean-up, remediation and restoration work as outlined above in paragraph 5.
- B. The parties agree that the NRD Amount is \$43 million to be allocated as follows:
 - i. AmerenUE will make a payment of \$10 million to be distributed as designated by the Attorney General;
 - ii. AmerenUE will make a payment of \$10 million to be distributed as designated by the DNR pursuant to Section 640.235 of the Missouri Revised Statutes;
 - iii. DNR's remaining share of the NRD Amount is capped at \$20 million to be applied as follows:
 - a. AmerenUE will: (1) provide a perpetual license on an approximately 46 mile portion of the Rock Island Railroad right-of-way, roughly from Windsor to Pleasant Hill, Missouri – final terms to be discussed – and a twenty-year non-cancelable lease on Church Mountain (the Ameren Properties), the value of which will be negotiated by the parties as outlined in paragraph 3 above, with a credit for the negotiated value to be applied against DNR's remaining share of the NRD Amount, and (2) undertake the construction of additional facilities at Goggins Mountain Campground and Johnson's Shut-Ins Park (above and beyond the baseline restoration of existing facilities) to be negotiated by

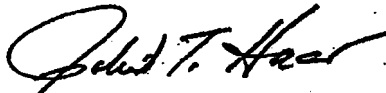
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Denise Garnier
April 11, 2007
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the parties as outlined in paragraph 3 above with a dollar-for-dollar credit to be applied as an offset against DNR's remaining share of the NRD Amount, the sum of the negotiated value for the Ameren Properties and the dollar-for-dollar credit for value-added construction not to exceed \$20 million;

- iv. AmerenUE will provide fish enhancement projects at Taum Sauk or elsewhere as directed by DOC to be negotiated as outlined in paragraph 4 above for an amount not to exceed \$3 million.

Please let me know if you have any questions about our proposal. We look forward to discussing it with you. As a proposal, it creates no rights or obligations as to any of the parties until such time as a comprehensive settlement agreement and mutual release is executed. We all want to ensure that no momentum is lost in the restoration of Johnson's Shut-Ins Park and therefore time is of the essence. We therefore would appreciate a response within seven days.

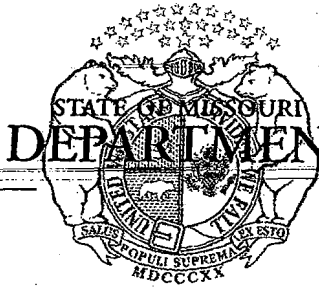
Sincerely,



Robert T. Haar

RTH/

cc: Steven R. Sullivan



Matt Blunt, Governor • Doyle Childers, Director

DEPARTMENT OF NATURAL RESOURCES

www.dnr.mo.gov

December 6, 2006

Mr. Gary Rainwater
Ameren Corporation
One Ameren Plaza
1901 Chouteau Avenue
P.O. Box 66149, MC 05
St. Louis, MO 63166-6149

via Facsimile Only (314) 992-6693

RE: CONFIDENTIAL OFFER OF SETTLEMENT, PROPOSAL TO STATE
Response of Missouri Department of Natural Resources

Dear Mr. Rainwater:

This letter provides the written response of the Missouri Department of Natural Resources ("MDNR") to the "CONFIDENTIAL OFFER OF SETTLEMENT, PROPOSAL TO STATE" ("Proposal") provided by Ameren UE / Ameren Corporation ("Ameren") on November 15, 2006. We appreciate Ameren's willingness to work with MDNR to reach settlement in this matter. However, because Ameren's Proposal contains terms which MDNR cannot accept, MDNR must reject Ameren's Proposal. In an effort to continue settlement discussions, MDNR offers the following counteroffer to Ameren's Proposal.

MDNR proposes the following counteroffer as components of a consent decree to be entered into between MDNR and Ameren to resolve those civil claims relating to the December 14, 2005, Taum Sauk Reservoir failure which MDNR may have against Ameren. The precise terms of some elements of this counteroffer will have to be determined through Ameren's development, and MDNR's approval of Work Plans for necessary remediation and response work. For Ameren's general consideration, MDNR would propose that an appropriate settlement level would involve the work already completed by Ameren, together with an additional \$105 million in expenditures, reimbursements and civil penalties, and the granting of certain land rights regarding the Rock Island Railroad and Church Mountain. This is a counter-proposal to resolve the civil claims of the Department of Natural Resources only.

1. Past Work

MDNR will acknowledge in any settlement decree, that work performed by Ameren to date in response to the reservoir failure. MDNR is willing to include in this a description of the cost of such work.

2. Future Remediation

MDNR would agree to settlement with Ameren in which Ameren agreed to perform an estimated \$40,000,000 in remediation work, pursuant to MDNR approved plans, and provide an estimated \$5,000,000 for future monitoring and maintenance.

a. JSI Park Restoration

MDNR would agree to credit Ameren \$20,000,000 towards settlement for completion of those activities required by the approved Master Plan developed by MACTEC and MDNR for restoration of Johnson's Shut-Ins State Park. This includes those items listed in Ameren's Proposal, with the understanding that such work will be performed under the oversight of MDNR. As part of its expenditures for restoration of Johnson's Shut-Ins State Park, Ameren would also reimburse MDNR for its oversight costs. MDNR agrees with Ameren that the work should be completed to allow for 2007 reopening of the Johnson's Shut-Ins State Park.

b. Ongoing River Remediation in the Park, Shut-Ins, and Lower Reservoir

MDNR would agree to credit Ameren \$15,000,000 toward settlement for remediation of the river in the park, including the Shut-Ins, and lower reservoir, in accordance with an MDNR approved plan. Ameren's remedial efforts must address restoration and maintenance of the water quality of the East Fork of the Black River. Such work will be performed under the oversight of MDNR, and Ameren would also reimburse MDNR for its oversight costs.

c. Lower East Fork Black River Sediment Removal

MDNR would agree to credit Ameren \$5,000,000 toward settlement for remediation of the Lower East Fork Black River, in accordance with an MDNR approved plan. Ameren's remedial efforts must address restoration and maintenance of the water quality of the East Fork of the Black River. Such work will be performed under the oversight of MDNR, and Ameren would also reimburse MDNR for its oversight costs.

d. Future Ongoing Maintenance and Monitoring

As a part of the settlement, MDNR would require that Ameren provide funds for future monitoring and maintenance. Ameren would provide \$5,000,000 to MDNR for aquatic, terrestrial and biological studies of the impacted area and ongoing maintenance and monitoring of the park.

3. Natural Resource Damages

MDNR's outside consultants have calculated the damage to natural resources to exceed \$40,000,000 when considering recreational use loss alone, without consideration of other natural resources. As Ameren is aware, the Johnson's Shut-Ins state Park is a unique and invaluable resource in the State of Missouri. The damage to the park is significant, and in many places, irreversible. The damage to natural resources affects those living in the area of the park, as well as residents throughout Missouri whose use or enjoyment of the park has been lessened by the reservoir failure. In settlement for the natural resources damages caused by the reservoir failure, MDNR proposes a combination of funding and other contributions as follows.

Ameren would provide MDNR with a long-term lease, license or other right that would provide MDNR the right to establish a permanent trail adjacent to the Rock Island Railroad from Windsor to Pleasant Hill. Ameren would perform and provide all necessary title research for the rail line. In addition to the right of way, Ameren would provide funds in the amount of \$30,000,000 to MDNR to provide for development of recreational opportunities. Ameren would agree that should it ever reactivate the Rock Island Railroad, it would build, at its own expense, a fence between the train and the rail line.

Ameren would provide MDNR with a new 50-year lease of Church Mountain. The lease would provide MDNR with the right to utilize the mountain for hiking and recreational purposes, and allow MDNR to make improvements as needed for such use. Ameren would provide funds in the amount of \$5,000,000 to MDNR for development and maintenance of recreational services in the area of Church Mountain.

Ameren would provide \$13,000,000 in funding to the Natural Resource Damages Fund. MDNR would agree to a structured settlement in which Ameren provided \$5,000,000 in immediate funds for natural resource damages and the remaining \$8,000,000 over an agreed upon timeline.

4. Civil Penalties

The failure of the reservoir has caused ongoing water quality violations which have persisted every day since the December 14, 2005, breach. These violations have accrued at a rate of three violations per day for each day since December 14, 2005. In addition, Ameren has not complied with MDNR's order to proceed with approved remedial work. Each day that Ameren has persisted in violation of an order of MDNR is a violation of the Clean Water Law. Missouri's Clean Water Law provides that MDNR may seek up to \$10,000 per violation per day for violations of the Clean Water Law. The severity of these violations, along with Ameren's past history of non-compliance, warrant assessment of maximum fines.

MDNR cannot settle Ameren's civil penalty liability without assurances that Ameren will proceed diligently to come into compliance with MDNR's orders and resolve remaining water quality violations. MDNR would settle Ameren's environmental civil penalty liability for a civil penalty payment of \$10,000,000 to the Missouri School Fund, along with agreement by Ameren to comply with certain schedules established as part of the Work Plans for the work described above. This settlement would not shield Ameren from liability for future water quality violations, violations of orders issued by MDNR, or violations of provisions of the consent decree.

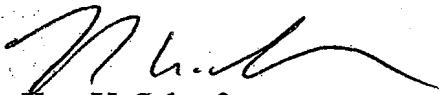
5. Miscellaneous Damages

As part of a settlement agreement, Ameren would also agree to reimburse MDNR for certain expenses. Ameren would pay MDNR \$2,000,000 as reimbursement for the loss of funds from the park, loss of timber resources in the park, and as payment for MDNR's oversight of the reservoir reconstruction.

In addition to these terms, MDNR expects that Ameren will continue to abide by its earlier agreement to fund the costs of the State and state contractors for restoration and remediation, oversight, and study of natural resource damages and that Ameren will install an acceptable emergency notification system as MDNR and Ameren have discussed. Further, it is the State of Missouri's continued expectation, as agreed to by Ameren, that the costs and expenses associated with the December 14, 2005, Upper Taum Sauk Reservoir failure will not be passed on to Ameren ratepayers.

Sincerely,

DEPARTMENT OF NATURAL RESOURCES



Kurt U. Schaefer
Deputy Director and General Counsel

c: Bill Bryan via Facsimile Only (573) 751-7094
Tracy McGinnis via Facsimile Only (573) 751-4467