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March 20, 2001

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RECEIVED-FPSC
01 MAR 21 PM 1:47
RECORDS AND REPORTING
01 MAR 21 PM 12:06

VIA FEDERAL EXPRESS

Florida Public Service Commission
Division of Records and Reporting
2540 Shumard Oak Boulevard
Tallahassee, Florida 32399-0850

Re: Application of Dynegy CLEC Communications, Inc. for Authority to Provide Alternative Local Exchange Service

Dear Madam or Sir:

Enclosed for filing, please find an original please find an original and six (6) copies of Dynegy CLEC Communications, Inc.'s ("Dynegy's") Application to provide Alternative Local Exchange telecommunications service in the State of Florida. Also enclosed is a tariff containing information regarding the terms, conditions and rates for Dynegy's Alternative Local Exchange telecommunications services in Florida, as well as a check in the amount of $250.00 to cover the requisite filing fee.

Enclosed please also find a duplicate copy of this filing and a self-addressed, postage-paid envelope. Please date-stamp the duplicate and return it in the envelope provided.

DOCUMENT NUMBER-DATE
03567 MAR 21 ō
FPSC-RECORDS/REPORTING

DC01/BARKK/143486.1

If you have any questions, please do not hesitate to contact me. Thank you for your anticipated cooperation.

Respectfully submitted,

Katherine E. Barker

Katherine E. Barker*

**Admitted, New York State Bar, Massachusetts State Bar, Not Admitted in the District of Columbia*

Enclosures

cc: David A. Bryson, Dynegy CLEC Communications, Inc.

APPLICATION

1. **This is an application for √ (check one):**

   (X) **Original certificate** (new company).

   ( ) **Approval of transfer of existing certificate:** Example, a non-certificated company purchases an existing company and desires to retain the original certificate of authority.

   ( ) **Approval of assignment of existing certificate:** Example, a certificated company purchases an existing company and desires to retain the certificate of authority of that company.

   ( ) **Approval of transfer of control:** Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. **Name of company:**

   Dynegy CLEC Communications, Inc.

3. **Name under which the applicant will do business (fictitious name, etc.):**

   Dynegy CLEC Communications, Inc.

4. **Official mailing address (including street name & number, post office box, city, state, zip code):**

   2821 South Parker Road, Suite 700, Pavilion Tower II
   Aurora, CO 80014

5. **Florida address (including street name & number, post office box, city, state, zip code):**

CT Corporation System
1200 South Pine Island Road
Plantation, FL 33324

6. **Structure of organization:**

( ) Individual
(X) Foreign Corporation
( ) General Partnership
( ) Other ____________
( ) Corporation
( ) Foreign Partnership
( ) Limited Partnership

7. **<u>If individual,</u> provide:**

Name: Not Applicable

Title: ____________

Address: ____________

City/State/Zip: ____________

Telephone No.: ____________ Fax No.: ____________

Internet E-Mail Address: ____________

Internet Website Address: ____________

8. **<u>If incorporated in Florida,</u> provide proof of authority to operate in Florida:**

(a) **The Florida Secretary of State corporate registration number:**

____

9. **<u>If foreign corporation,</u> provide proof of authority to operate in Florida:**

   (a) The Florida Secretary of State corporate registration number:

   F00000007017

10. **<u>If using fictitious name-d/b/a,</u> provide proof of compliance with fictitious name statute (Chapter 865.09, FS) to operate in Florida:**

    (a) The Florida Secretary of State fictitious name registration number:
    Not Applicable

11. **<u>If a limited liability partnership</u>, provide proof of registration to operate in Florida:**

    (a) The Florida Secretary of State registration number:

    Not Applicable

12. **<u>If a partnership</u>, provide name, title and address of all partners and a copy of the partnership agreement.**

    Name: **Not Applicable**

    Title: ______________________

    Address: ______________________

    City/State/Zip: ______________________

    Telephone No.: ______________ Fax No.: ______________

    Internet E-Mail Address: ______________________

    Internet Website Address: ______________________

13. **<u>If a foreign limited partnership,</u> provide proof of compliance with the foreign limited partnership statute (Chapter 620.169, FS), if applicable.**

    (a) The Florida registration number: **Not Applicable**

14. Provide F.E.I. Number(if applicable): FEI 76-0665191

15. Indicate if any of the officers, directors, or any of the ten largest stockholders have previously been:

(a) adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. Provide explanation.

No

(b) an officer, director, partner or stockholder in any other Florida certificated telephone company. If yes, give name of company and relationship. If no longer associated with company, give reason why not.

No

16. Who will serve as liaison to the Commission with regard to the following?

(a) The application:

Name: Steven A. Augustino, Melissa S. Conway, Katherine E. Barker
Title: Attorneys for Dynegy CLEC Communications, Inc.
Address: Kelley, Drye & Warren, LLP, 1200 19th Street, NW, Suite 500
City/State/Zip: Washington, DC 20036

Telephone No.: (202) 955-9669 Fax No.: (202) 955-9792
Internet E-Mail Address: www.kelleydrye.com
Internet Website Address: kbarker@kelleydrye.com

(b) Official point of contact for the ongoing operations of the company:

Name: David A. Bryson
Title: Senior Manager, Regulatory Affairs - Telecommunications
Address: 2821 South Parker Road, Suite 700, Pavilion Tower II
City/State/Zip: Aurora, CO 80014
Telephone No.: (303) 256-4328 Fax No.: (303) 256-6190

Internet E-Mail Address: dbryson@extant.net
Internet Website Address: none

(c) Complaints/Inquiries from customers:

Name: Jason McCord

Title: Director of Network Operations

Address: 2821 South Parker Road, Suite 700, Pavilion Tower II

City/State/Zip: Aurora, CO 80014

Telephone No.: (303) 256-4328 Fax No.: .(303) 256-6190

Internet E-Mail Address: **jmcord@extant.net**
Internet Website Address: **Not Applicable**

17. List the states in which the applicant:

(a) has operated as an alternative local exchange company.

None

(b) has applications pending to be certificated as an alternative local exchange company.

Maryland, New York, and Texas

(c) is certificated to operate as an alternative local exchange company.

None

(d) has been denied authority to operate as an alternative local exchange company and the circumstances involved.

None

(e) has had regulatory penalties imposed for violations of telecommunications statutes and the circumstances involved.

None

(f) has been involved in civil court proceedings with an interexchange carrier, local exchange company or other telecommunications entity, and the circumstances involved.

None

18. Submit the following:

A. Managerial capability: give resumes of employees/officers of the company that would indicate sufficient managerial experiences of each.

Dyengy is well qualified managerially to provide the facilities-based alternative local exchange telecommunications services for which authority is requested in this Application.

The Company's management team has an aggregate of over 150 years of development and operating experience in various segments of the telecommunications industry, including engineering, management, regulatory, finance, operations, marketing and customer service. The team is drawn from such companies as Sprint, Qwest, USWest, and AT&T, and has gained vast experience from the wireline, wireless, cellular and cable segments of the telecommunications industry. Specific details of the business and technical experience of Dynegy's officers and management personnel who will be responsible for Applicant's telecommunications services in Florida and throughout the United States are appended hereto as Exhibit A. As these biographies demonstrate, the team has proven expertise in operating and growing telecommunications companies.

B. Technical capability: give resumes of employees/officers of the company that would indicate sufficient technical experiences or indicate

what company has been contracted to conduct technical maintenance.

Dynegy is technically qualified to provide its proposed services in Florida. As is evident from the information contained in Exhibit A, Dynegy is managed by persons with substantial technical expertise in designing, constructing and operating telecommunications networks. Specifically, members of the team have been involved in designing and developing call centers, network control centers and customer support platforms, and deploying ATM switches, DWDM, Optical switches and SONET rings. This wealth of experience will enable Dynegy to provide its local exchange customers with advanced, state-of-the-art technology for its data services.

C. Financial capability.

The application **should contain** the applicant's audited financial statements for the most recent 3 years. If the applicant does not have audited financial statements, it shall so be stated.

The unaudited financial statements should be signed by the applicant's chief executive officer and chief financial officer affirming that the financial statements are true and correct and should include:

1. the balance sheet:
2. income statement: and
3. statement of retained earnings.

NOTE: *This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.*

Further, the following (which includes supporting documentation) should be provided:

1. **written explanation** that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.
2. **written explanation** that the applicant has sufficient financial capability to maintain the requested service.
3. **written explanation** that the applicant has sufficient financial capability to meet its lease or ownership obligations.

See Exhibit B

THIS PAGE MUST BE COMPLETED AND SIGNED

APPLICANT ACKNOWLEDGMENT STATEMENT

1. **REGULATORY ASSESSMENT FEE:** I understand that all telephone companies must pay a regulatory assessment fee in the amount of .15 of one percent of gross operating revenue derived from intrastate business. Regardless of the gross operating revenue of a company, a minimum annual assessment fee of $50 is required.

2. **GROSS RECEIPTS TAX:** I understand that all telephone companies must pay a gross receipts tax of two and one-half percent on all intra and interstate business.

3. **SALES TAX:** I understand that a seven percent sales tax must be paid on intra and interstate revenues.

4. **APPLICATION FEE:** I understand that a non-refundable application fee of $250.00 must be submitted with the application.

UTILITY OFFICIAL:

David A. Bryson
Print Name

David A. Bryson
Signature

Senior Manager, Regulatory Affairs - Telecommunications
Title

Date 3-19-01

(303) 256-4328
Telephone No.

(303) 256-6190
Fax No.

Address: 2821 South Parker Road, Suite 700, Pavilion Tower II

Aurora, CO 80014

THIS PAGE MUST BE COMPLETED AND SIGNED

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange company service in the State of Florida. I have read the foregoing and declare that, to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that, pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083."

UTILITY OFFICIAL:

David A. Bryson
Print Name

David A. Bryson
Signature

Senior Manager, Regulatory Affairs - Telecommunications
Title

Date 3-19-01

(303) 256-4328
Telephone No.

(303) 256-6190
Fax No.

Address: 2821 South Parker Road, Suite 700, Pavilion Tower II

Aurora, CO 80014

INTRASTATE NETWORK (if available)

Chapter 25-24.825 (5), Florida Administrative Code, requires the company to make available to staff the alternative local exchange service areas only upon request.

1. **POP:** Addresses where located, and indicate if owned or leased.

   1)_______________ 2)_______________

   3)_______________ 4)_______________

2. **SWITCHES:** Address where located, by type of switch, and indicate if owned or leased.

   1)_______________ 2)_______________

   3)_______________ 4)_______________

3. **TRANSMISSION FACILITIES:** POP-to-POP facilities by type of facilities (microwave, fiber, copper, satellite, etc.) and indicate if owned or leased.

POP-to-POP	OWNERSHIP
1)	
2)	
3)	
4)	

Dynegy CLEC Communications, Inc. has not yet established its network in Florida.

EXHIBIT A

BIOGRAPHIES OF KEY MANAGEMENT PERSONNEL AND OFFICERS

ED BENNETT

Director – Network Planning and Design

PROFESSIONAL HIGHLIGHTS

Mr. Bennett has over 13 years of experience in telecommunications, including the engineering and construction of large-scale local and long distance networks, program and project management, Budget administration and cost control. He also has experience in system design and development of call centers, network control centers and customer support platforms.

CAREER SUMMARY

Mr. Bennett serves as the Director of Network Planning and Design at Dynegy CLEC Communications, Inc. He is responsible for providing network design and planning services for the build-out and ongoing growth of the Dynegy CLEC Communications, Inc. Mr. Bennett is a member of the Network Architecture Committee. Previously, Mr. Bennett served as Director of Network Planning and Design for Extant, Inc.

Prior to joining Dynegy CLEC Communications, Inc., Mr. Bennett spent nearly 11 years at Sprint in various engineering and management positions for the local and long distance divisions. Major projects included engineering multiple switching and transmission systems including a 4000-mile Sonet ring, building call centers and control centers, and engineering transmission facility growth for 120 central office exchanges.

DAVID A. BRYSON

Senior Manager, Regulatory Affairs - Telecommunications
Assistant Secretary

PROFESSIONAL HIGHLIGHTS

Mr. Bryson is a telecommunications professional with over 20 years of combined experience in the legal field, and 9 years specifically in telecommunications regulation. Mr. Bryson has extensive experience obtaining CLEC certification and state public utility commission and Federal Communication Commission approvals for telecommunications companies. In addition, Mr. Bryson has experience in creating and operating a number of regulatory compliance departments.

CAREER SUMMARY

Mr. Bryson serves as Senior Manager, Regulatory Affairs – Telecommunications and Assistant Secretary for Dynegy CLEC Communications, Inc.

Prior to joining Dynegy CLEC Communications, Inc., Mr. Bryson was employed with JATO Communications Corp., and was instrumental in JATO securing multiple state CLEC certifications within the time frame set by JATO's business plan. Mr. Bryson also led the negotiations which resulted in JATO becoming the sole DSL provider for the state of New Mexico.

Mr. Bryson also managed the successful nationwide Interexchange Carrier certification of Qwest Communications Corp., as well as its integration of LCI International's and Phoenix Network's regulatory departments into Qwest's.

During his time with JATO and Qwest, Mr. Bryson participated in numerous telecommunications regulatory and legislative proceedings, and acquired broad experience in interconnection and collocation matters.

Mr. Bryson also currently manages the telecommunications regulatory aspects for Dynegy Connect, L.P., a global facilities-based e-commerce company, and emerging CLEC. The company provides carrier transport, OSS Interconnect and clearinghouse solutions to Integrated Communications Providers.

Walker L. Fleming

Executive Vice President – Sales and Marketing

PROFESSIONAL HIGHLIGHTS

Mr. Fleming has held various senior executive positions in Fortune 500 telecommunications and aerospace companies over the past 15 years. He has demonstrated expertise in product development, program management, operations, finance and general administration. Mr. Fleming has utilized his leadership skills to launch new products and business segments, and to manage large, complex organizations.

CAREER SUMMARY

Mr. Fleming now serves as the Executive Vice President of Sales and Marketing of Dynegy CLEC Communications, Inc.

Previously, Mr. Fleming was employed with Logix Communications as the Senior Vice President of Operations. He was responsible for the planning, engineering and operation of Logix's network. In addition, he managed customer care and the provisioning, installation and maintenance of voice and data services. While at Logix, Mr. Fleming implemented order management procedures and daily service measures, which increased the number of access lines added per quarter by 50 percent. He was also instrumental in forming the Data Operations Department and the Network Operations Center.

Prior to his involvement with Logix, Mr. Fleming served as President and Chief Executive Officer for Intelligent Systems Inc (ISI). ISI is a start-up company that provides "revenue cycle services" to the electric and gas utilities. While at ISI, Mr. Fleming was instrumental in the development of the business plan and the evaluation of potential acquisition targets. He was also responsible for business planning, market development, customer acquisition and profitability of operations.

Mr. Fleming also served as Senior Vice President- Operations and Project Management at Tele-TV Systems. While at Tele-TV, Mr. Fleming was responsible for project management, vendor management, and digital encoding for the MMDS cable television product. He also successfully managed the TTV project plans for the development of four headends in Boston/Needham, MA; Hampton Roads, VA; El Monte, CA and San Francisco, CA. Mr. Fleming was also responsible for all internal communications (i.e. voice, data, video) for all TTV offices

Previously, Mr. Fleming was the Vice President-Network Programs & Operations at US West where he served as the Chief of Staff & Strategic Planner for Network and Technology Operations, responsible for a staff of 600. While at US West, Mr. Fleming achieved a 40 percent reduction in expenditures while improving the overall operating efficiency in two years. He was also responsible for voice messaging operations in support of US West's 1 million customers, which generate $100 million in revenue annually. Mr. Fleming was instrumental in improving call handling efficiency by 28 percent by installing an interactive voice response unit. He also oversaw internal communications operations to support delivery of telephony and voice messaging services to 56,000 US West employees and coordinated on-time delivery of voice and data networks to seven reengineered centers in five cities. While at US West, Mr. Fleming held various product development positions and was instrumental in the development of several highly successful products including custom ringing, voice messaging and successive caller ID.

DARIN INGLISH

Corporate Counsel
Assistant Secretary

PROFESSIONAL HIGHLIGHTS

Darin Inglish holds a Juris Doctorate from St. Louis University, a Bachelor of Science in Accounting and a Bachelor of Arts in Political Science from William Jewell College.

CAREER SUMMARY

Mr. Inglish serves as Corporate Counsel of Dynegy CLEC Communications, Inc. He is the director for all regulatory matters, telecommunications-related legal matters and various other legal issues.

Mr. Inglish previously served as Corporate Counsel and Assistant Secretary of Extant, Inc., the predecessor company. Mr. Inglish's responsibilities included all regulatory matters of the companies as well as other legal matters.

Prior to joining Extant, Inc., Mr. Inglish was employed by Price Waterhouse Coopers, LLP, where he practiced in its International Tax Consulting Department.

Before going to Price Waterhouse Coopers, Mr. Inglish practiced law in the St. Louis area. He concentrated on litigation and commercial transactions, and specifically on telecommunication leases and software licenses.

Mr. Inglish has also served as Regional Marketing Director for East-West Records America, a division of Atlantic Records and a subsidiary of Time Warner.

JASON McCORD

Director, Network Operations – Network Department

PROFESSIONAL HIGHLIGHTS

Jason McCord has over 12 years of experience in the telecommunications industry. He possesses an extensive background in Operations Management, Customer Service and Technical Management.

CAREER SUMMARY

Mr. McCord serves a Director of Network Operations, Dynegy CLEC Communications, Inc. He is responsible for the day-to-day test and acceptance, operations and customer care functions of the company.

Prior to his employment with Dynegy, Mr. McCord served as Director, Network Operations Center of Extant, Inc.

Mr. McCord spent five years with Sprint in various roles including operations management of six regional call centers and project management for installations of call centers, data centers and network operations centers.

Mr. McCord also worked for AT&T managing call center operations and program management roles for large capital projects.

At the beginning of his career, Mr. McCord spent six years with Citibank in its student loan division in key technology roles including call center management, IS operations, telecommunication operations and work flow management.

MICHAEL S. SAVA

Executive Vice President- Network

PROFESSIONAL HIGHLIGHTS

Michael Sava has over 35 years of experience in the telecommunications industry. He possesses a strong background in the Program Management of nationwide networks, technical management, product development, customer service and operations. Mr. Sava also possesses an extensive background in managing regional telecom services companies.

CAREER SUMMARY

Mr. Sava serves as Executive Vice President – Network of Dynegy CLEC Communications, Inc. In this role, he is responsible for the day-to-day engineering, construction, customer care and network operations functions of the company.

Mr. Sava was one of the founders of Extant, Inc in January, 1999. Extant merged with Dynegy in September, 2000 to form Dynegy's telecom arm, Dynegy Global Communications.

Prior to joining Extant, Sava served in key senior director positions during the initial three years of Sprint PCS. As Director of Implementation his responsibilities included program management of the network deployment of wireless PCS services in over 50 major markets, and subsequently the overall implementation of affiliates (franchisees) of Sprint PCS. Sava also led the negotiations of major infrastructure agreements worth $4.8 billion with Northern Telecom, Lucent, Motorola, and 34 other supporting equipment suppliers.

Prior to PCS, Mr. Sava worked for 25 years in various positions for Sprint, including 10 years at Sprint's Long Distance Division. He was instrumental as Director of Program Management in coordinating all construction activities in both the initial deployment of Sprint's fiber optic network and, years later, as the Project Director of Sprint's SONET Deployment. Prior to his work at the LDD, Sava had 15 years in various positions with Sprint's Ohio-based local telephone company, including work as the director of operator services.

During the early years of deregulation, Mr. Sava also served three years as Vice President/ GM for National Telecom, Inc., which provided engineering, installation and servicing of telephone systems for Fortune 1000 businesses based in Wisconsin, Illinois, and Michigan. The company became the nation's fifth largest interconnect company as it grew from 22,000 to 80,000 lines and from $3 million to $18 million in revenue.

Sava later founded and worked two years for Wolverine Telecom, Inc. as Vice President/GM. He was responsible for the start up of the Detroit-based telecommunications company specializing in sales, engineering, installation, and servicing of PABX's and related products.

DONALD R. SICHTERMAN

Director of Engineering – Network Department

PROFESSIONAL HIGHLIGHTS

Donald Sichterman has over 40 years experience in the telecommunications industry. He possesses a strong background in engineering as well as operations. He is also very experienced in Right-of-Way negotiations and settlement procedures.

CAREER SUMMARY

Mr. Sichterman serves as Director of Engineering in the Network Department of Dynegy CLEC Communications, Inc. His responsibilities include the engineering and deployment of a nationwide network utilizing ATM switches, Dense Wave Division Multiplexers (DWDM) and Optical Switches. This network is designed for all future DATA and related telephony services.

Mr. Sichterman was previously with Extant, Inc., joining that company in 1999. Mr. Sichterman is responsible for engineering and deployment of a nationwide network utilizing ATM switches, Dense Wave Division Multiplexers (DWDM) and Optical Switches. This network is designed for all future DATA and related telephony services.

Prior to Extant, Inc., Mr. Sichterman held numerous positions with the Bell System until retiring in 1997. During this time, he was instrumental in broadband trials involving fiber to the curb and CATV involving 50,000 passings. He was responsible for the work prints and engineering for this project. The project was considered a huge success with over a 60 percent take of video services.

SUE TINDER

Executive Vice President - Finance and Accounting

Ms. Tinder has over 20 years of professional experience in finance and accounting. She has held positions of Treasurer and executive level positions in finance and accounting with non-profit, privately-held and publicly-held corporations. Her expertise includes design and integration of accounting and budget systems, billing and accounts receivable, treasury management, investor relations and shareholder services and administration.

CAREER SUMMARY

Ms. Tinder holds the position of Executive Vice President of Finance and Accounting for Dynegy CLEC Communications, Inc.

Prior to Dynegy CLEC Communications, Inc., Ms. Tinder was a founding member and served as Executive Vice President of Finance and Accounting and Treasurer of Extant, Inc. Prior to the formation of Extant, Inc., Ms. Tinder was a managing director of McLernon & Associates, Ltd. ("M&A"), a business development, management consulting and financial advisory firm, with emphasis on the telecom, multimedia and high-technology industries. Ms. Tinder typically provided guidance or provided an actual executive-level role in development of the client's financial strategy, preparation of financing memorandums, budgeting and operational planning, cash and asset management, finance and administration audits, potential investor presentations, analysis of financing offers, and, in some cases, actual "hands-on" management of the client's accounting function.

Ms. Tinder was also a managing director of the Rummler-Brache Group, Ltd., a consulting firm specializing in situation assessment and process and performance improvement. Additionally, she was a managing director of Nexus Telecommunications Resources, Ltd., an affiliate of M&A, which specialized in consultancy services relative to cellular site selection for municipalities. Ms. Tinder directed all activities related to the financial aspects of both companies and served as their Treasurer.

Previously, Ms. Tinder served as Treasurer and Vice President, Finance and Accounting for Metromedia Asia Corporation and its affiliated companies. This role entailed responsibilities that included the design and development of accounting systems, internal control policies and preparation of financing memorandums for the Company's joint ventures in the People's Republic of China.

Prior to the formation of M&A, Ms. Tinder was the Corporate Treasurer of LCI International, Inc., now a wholly-owned subsidiary of Qwest Communication International and the nation's fourth-largest long distance carrier. As Treasurer, Ms. Tinder was responsible for the administration of the debt and investment portfolios, long-term financial forecasting, budgeting and financial planning, capital budgeting and evaluation, shareholder services, NYSE/SEC reporting, cash management and banking relationships, management of accounts receivable and risk management. During her tenure at LCI, she designed and installed the first two legacy billing systems and managed the billing, accounts receivable and credit and collection departments.

Prior to joining LCI, Ms. Tinder held various accounting and finance positions with On-line Computer Library Center, Inc. (OCLC), including full responsibility for the accounting functions of OCLC's London office. OCLC is the largest computer and telecommunications network of libraries in the world. It offers its products and services to over 22,000 libraries in 64 countries.

CYNTHIA L. YORK

Senior Vice President – Marketing and Sales Operations

PROFESSIONAL HIGHLIGHTS

Cynthia York has 12 years of telecommunications experience in both marketing and engineering.

CAREER SUMMARY

Ms. York serves as Senior Vice President of Marketing and Sales Operations of Dynegy CLEC Communications, Inc. In this role, she is responsible for product management, new product development, marketing communications, sales engineering and transforming sales orders into billed revenue.

Prior to joining Dynegy CLEC Communications, Inc., she spent seven years at US WEST. During this time, she held various positions in new product development, product management and business planning. Her last position was Executive Director of Marketing for the business unit responsible for introducing DSL services to customers located outside of U S WEST's traditional territory. Prior to joining U S WEST, Ms. York held project engineering positions with Motorola's Wireless Infrastructure Division and Rockwell International's Global Telecommunications Business Unit.

ROBERT D. DOTY

Chief Financial Officer

PROFESSIONAL HIGHLIGHTS

Robert D. Doty, Jr. graduated with honors from the University of Texas with a bachelor's degree in accounting.

CAREER SUMMARY

Mr. Doty, Jr. serves as chief financial officer of Dynegy CLEC Communications, Inc. In this capacity, Doty is responsible for accounting, finance, investor relations, risk control, treasury and tax.

Mr. Doty previously served as senior vice president of finance Dynegy Inc.. He was responsible for developing overall financial strategy, as well as overseeing the corporate and project finance functions, treasury operations, tax department, insurance, and risk management.

Prior to joining Natural Gas Clearinghouse, the predecessor of Dynegy, in 1991, Mr. Doty was a senior manager with Arthur Andersen & Company, where he began work in 1981 as a member of the tax staff.

KENNETH E. RANDOLPH

Senior Vice President, General Counsel and Secretary

PROFESSIONAL HIGHLIGHTS

Kenneth E. Randolph earned his bachelor of business administration degree from Texas A&M University in 1978. He then attended University of Texas School of Law, where he received his doctor of jurisprudence degree in 1980. He is a member of the District of Columbia Bar, the State Bar of Texas and the Federal Energy Bar Association.

CAREER SUMMARY

Mr. Randolph is responsible for all legal and regulatory activities of Dynegy CLEC Communications, Inc.. He joined Natural Gas Clearinghouse when the company was established.

Prior to joining Natural Gas Clearinghouse, Mr. Randolph served as an energy attorney for the law firm of Akin, Gump, Strauss, Hauer & Feld in Washington, D.C. During his tenure with the firm, Randolph managed various issues before the Department of Energy, Federal Energy Regulatory Commission, Minerals Management Service and Internal Revenue Service.

EXHIBIT B

FINANCIAL QUALIFICATIONS OF DYNEGY CLEC COMMUNICATIONS, INC.

As a newly formed company, formed on December 11, 2000, Dynegy has no substantial financial history. However, Dynegy, backed by its corporate parent, Dynegy, Inc., has access to the financial resources necessary to provide telecommunications services in Florida and the financial capacity to maintain those services and compete effectively in the telecommunications marketplace. It should be emphasized that Dynegy's initial business plan calls for it to provide primarily high-speed data services using the ILEC's unbundled network elements in conjunction with its own facilities collocated at the ILEC's central offices, which will not require the extensive outlay of capital that standalone facilities and trunking would require.

Appended below are Dynegy, Inc. financial statements. Specifically, of December 31, 1999, the latest statement available at this time, Dynegy, Inc. held over six billion dollars ($6,000,000,000) in assets and over five billion dollars ($5,000,000,000) the previous year. Further, Dynegy, Inc. is a "Fortune 100" company, and is included on Standard and Poor's 500 index. Accordingly, Dynegy has access to the financial means to provide and maintain telecommunications services throughout the State of Florida, as well as meet any and all lease and ownership obligations deriving from the provision of these services.

As Dynegy was formed on December 11, 2000, it does not yet have audited financial statements. Dynegy is a privately held company and, thus, does not issue annual reports or submit any financial filings with the Securities and Exchange Commission.

DYNEGY INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements — **PAGE**

Financial Statement Schedule

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Stockholders of Dynegy Inc.:

We have audited the accompanying consolidated balance sheets of Dynegy Inc. (an Illinois corporation) and subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dynegy Inc. and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in Schedule I is presented for the purposes of complying with the Securities and Exchange Commission's rules and is not a required part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Houston, Texas
February 28, 2000

DYNEGY INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	December 31, 1999	December 31, 1998
ASSETS		
Current Assets		
Cash and cash equivalents	$ 45,230	$ 28,367
Accounts receivable, net	1,992,450	1,563,558
Accounts receivable, affiliates	48,966	60,180
Inventories	271,884	149,901
Assets from risk-management activities	379,833	219,105
Prepayments and other assets	66,717	96,130
	2,805,080	2,117,241
Property, Plant and Equipment	2,575,100	2,446,878
Less: accumulated depreciation	(557,219)	(514,771)
	2,017,881	1,932,107
Other Assets		
Investments in unconsolidated affiliates	627,335	502,613
Assets from risk-management activities	452,913	135,100
Other assets	621,962	577,176
	$ 6,525,171	$ 5,264,237
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 1,667,199	$ 1,370,902
Accounts payable, affiliates	161,500	113,827
Accrued liabilities and other	184,013	155,227
Liabilities from risk-management activities	334,080	251,213
Notes payable and current portion of long-term debt	191,731	135,154
	2,538,523	2,026,323
Long-Term Debt	1,299,333	953,001
Other Liabilities		
Non-Recourse Debt	34,593	93,889
Liabilities from risk-management activities	321,252	40,747
Deferred income taxes	335,190	317,537
Other long-term liabilities	486,798	504,677
	5,015,689	3,936,174
Company Obligated Preferred Securities of Subsidiary Trust	200,000	200,000
Commitments and Contingencies (Note 9)		
Stockholders' Equity		
Preferred stock, $.01 par value, 50,000,000 shares authorized; 8,000,000 shares designated as Series A Participating Preferred Stock, 7,815,363 shares issued and outstanding at December 31, 1999 and 1998, respectively	75,418	75,418
Common stock, $.01 par value, 400,000,000 shares authorized; 157,499,001 shares issued at December 31, 1999 and 153,298,220 shares issued at December 31, 1998	1,575	1,533
Additional paid-in capital	973,000	935,183
Retained earnings	277,074	133,340
Less: treasury stock, at cost: 1,200,700 shares at December 31, 1999 and 1,200,700 shares at December 31, 1998	(17,585)	(17,411)
	1,309,482	1,128,063
	$ 6,525,171	$ 5,264,237

See Notes to Consolidated Financial Statements.

DYNEGY INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Year Ended December 31,		
	1999	1998	1997
Revenues	$ 15,429,976	$ 14,257,997	$ 13,378,380
Cost of sales	14,886,101	13,829,310	12,993,086
Operating margin	543,875	428,687	385,294
Depreciation and amortization	129,458	113,202	104,391
Impairment, abandonment and other charges	---	9,644	275,000
General and administrative expenses	200,717	185,708	149,344
Operating income (loss)	213,700	120,133	(143,441)
Equity in earnings of unconsolidated affiliates	79,854	91,038	58,959
Other income	73,287	46,821	28,113
Interest expense	(78,164)	(74,992)	(63,455)
Other expenses	(45,519)	(7,677)	(20,230)
Minority interest in income of a subsidiary	(16,632)	(16,632)	(9,841)
Income (loss) before income taxes	226,526	158,691	(149,895)
Income tax provision (benefit)	74,677	50,338	(62,210)
Net income (loss) from continuing operations before cumulative effect of accounting change	151,849	108,353	(87,685)
Cumulative effect of change in accounting principle (net of income tax benefit of $7,913)	---	---	(14,800)
NET INCOME (LOSS)	$ 151,849	$ 108,353	$ (102,485)
Net Income Per Share:			
Net income (loss) from continuing operations	$ 151,849	$ 108,353	$ (87,685)
Cumulative effect of change in accounting principle (net of income tax benefit of $7,913)	---	---	(14,800)
Less: preferred stock dividends	(391)	(391)	(391)
Net income (loss) applicable to common stockholders	$ 151,458	$ 107,962	$ (102,876)
Basic earnings (loss) per share	$ 0.98	$ 0.71	$ (0.68)
Diluted earnings per share	$ 0.91	$ 0.66	$ n/a
Basic shares outstanding	154,198	151,619	150,653
Diluted shares outstanding	166,975	164,605	167,009

See Notes to Consolidated Financial Statements.

DYNEGY INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 151,849	$ 108,353	$ (102,485)
Items not affecting cash flows from operating activities:			
Depreciation, amortization, impairment and abandonment	108,325	102,577	378,916
Equity in earnings of affiliates, net of cash distributions	(13,754)	(6,477)	(4,073)
Risk management activities	(115,138)	(7,422)	(8,757)
Deferred income taxes	63,167	52,308	(86,424)
Amortization of bond premium	---	(2,572)	(6,768)
Other, including gains on sale of assets	(33,972)	(22,540)	1,249
Change in assets and liabilities resulting from operating activities:			
Accounts receivable	(463,479)	51,046	(35,845)
Inventories	(106,201)	(17,380)	86,077
Prepayments and other assets	53,761	(30,605)	(20,686)
Accounts payable	348,077	44,113	(22,601)
Accrued liabilities	37,001	(27,699)	14,064
Other, net	(20,797)	7,078	85,922
Net cash provided by operating activities	8,839	250,780	278,589
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(364,559)	(298,738)	(220,003)
Investment in unconsolidated affiliates	(83,963)	(78,096)	(27,708)
Business acquisitions, net of cash acquired	---	(2,644)	(715,589)
Proceeds from asset sales	80,594	45,044	452,565
Other, net	49,264	39,352	---
Net cash used in investing activities	(318,664)	(295,082)	(510,735)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	397,488	212,259	2,218,500
Repayments of long-term borrowings	(43,849)	(493,277)	(2,198,275)
Net cash flow from commercial paper and money market lines of credit	(42,161)	350,758	---
Proceeds from sale of capital stock, options and warrants	21,855	3,863	5,147
Issuance of company obligated preferred securities of a subsidiary trust, net	---	---	198,043
Treasury stock acquisitions	(174)	(6,905)	(10,506)
Dividends and other distributions, net	(8,115)	(7,988)	(7,925)
Other, net	1,644	(9,088)	---
Net cash provided by financing activities	326,688	49,622	204,984
Net increase (decrease) in cash and cash equivalents	16,863	5,320	(27,162)
Cash and cash equivalents, beginning of year	28,367	23,047	50,209
Cash and cash equivalents, end of year	$ 45,230	$ 28,367	$ 23,047

See Notes to Consolidated Financial Statements.

DYNEGY INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands)

	Series A Preferred		Common Stock		Additional Paid-In	Retained	Treasury Stock	
	Shares	Amount	Shares	Amount	Capital	Earnings	Shares	Amount
Balance at December 31, 1996	7,815	$ 75,418	149,847	$ 1,498	$ 896,432	$ 143,385	---	$ ---
Net loss	---	---	---	---	---	(102,485)	---	---
Options exercised	---	---	1,541	15	11,577	---	---	---
Dividends and other Distributions	---	---	---	---	---	(7,925)	---	---
401(k) plan and profit sharing stock issuances	---	---	385	5	7,401	---		
Options granted	---	---	---	---	4,044	---	---	---
Treasury stock acquisitions	---	---	---	---	---	---	(655)	(10,506)
Other	---	---	24	---	266	---	---	---
Balance at December 31, 1997	7,815	75,418	151,797	1,518	919,720	32,975	(655)	(10,506)
Net income	---	---	---	---	---	108,353	---	---
Options exercised	---	---	1,032	10	3,808	---	---	---
Dividends and other Distributions	---	---	---	---	---	(7,988)	---	---
401(k) plan and profit sharing stock issuances	---	---	457	5	6,822	---	---	---
Options granted	---	---	---	---	4,675	---	---	---
Treasury stock acquisitions	---	---	---	---	---	---	(546)	(6,905)
Other	---	---	12	---	158	---	---	---
Balance at December 31, 1998	7,815	75,418	153,298	1,533	935,183	133,340	(1,201)	(17,411)
Net income	---	---	---	---	---	151,849	---	---
Options exercised	---	---	3,523	35	21,992	---	---	---
Dividends and other Distributions	---	---	---	---	---	(8,115)	---	---
401(k) plan and profit sharing stock issuances	---	---	670	7	9,869	---	---	---
Options granted	---	---	---	---	6,028	---	---	---
Treasury stock acquisitions	---	---	---	---	---	---		(174)
Other	---	---	8	---	(72)	---	---	---
Balance at December 31, 1999	7,815	$ 75,418	157,499	$ 1,575	$ 973,000	$ 277,074	(1,201)	$ (17,585)

See Notes to Consolidated Financial Statements.

DYNEGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- ACCOUNTING POLICIES

Dynegy Inc. ("Dynegy" or the "Company") is a holding company that conducts substantially all of its business through its subsidiaries. The Company is a leading provider of energy products and services in North America, the United Kingdom and continental Europe. Products marketed by the Company's wholesale marketing operations include natural gas, electricity, coal, emissions, natural gas liquids, crude oil, liquid petroleum gas and related services. The Company's wholesale marketing operations are supported by ownership or control of an extensive asset base and transportation network that includes unregulated power generation, gas and liquids storage capacity, gas, power and liquids transportation capacity and gas gathering, processing and fractionation assets.

The Company is a holding company that conducts substantially all of its business through its subsidiaries. From inception of operations in 1984 until 1990, Natural Gas Clearinghouse ("Clearinghouse") limited its activities primarily to natural gas marketing. Starting in 1990, Clearinghouse expanded its core business operations through acquisitions and strategic alliances resulting in the formation of a midstream energy asset business and establishing energy marketing operations in both Canada and the United Kingdom. The Company initiated electric power marketing operations in February 1994. Effective March 1, 1995, Clearinghouse and Trident NGL Holding, Inc. ("Holding"), a fully integrated natural gas liquids company, merged ("Trident Combination") and the combined entity was renamed NGC Corporation ("NGC"). On August 31, 1996, NGC completed a strategic combination with Chevron U.S.A. Inc. and certain Chevron affiliates (collectively "Chevron") whereby substantially all of Chevron's midstream assets merged with NGC ("Chevron Combination"). Effective July 1, 1997, NGC acquired Destec Energy, Inc. ("Destec Acquisition"), a leading independent power producer. During 1998, the Company changed its name to Dynegy Inc. On June 14, 1999, Dynegy and Illinova Corp. ("Illinova") announced the execution of definitive agreements for the merger of Illinova and Dynegy. The Illinova acquisition was closed on February 1, 2000 (see Note 17). Concurrent with the closing, Dynegy Inc. changed its name to Dynegy Holding, Inc. and Illinova was renamed Dynegy Inc.

The accounting policies of Dynegy conform to generally accepted accounting principles. The more significant of such accounting policies are described below. The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to develop estimates and make assumptions that affect reported financial position and results of operations and that impact the nature and extent of disclosure, if any, of contingent assets and liabilities. Actual results could differ from those estimates.

Principles of Consolidation. The accompanying consolidated financial statements include the accounts of the Company and its majority-owned subsidiaries after elimination of intercompany accounts and transactions. Investments in affiliates in which the Company has a significant ownership interest, generally 20 percent to 50 percent, are accounted for by the equity method. Other investments are carried at cost. Certain reclassifications have been made to prior-period amounts to conform with current-period financial statement classifications.

Cash and Cash Equivalents. Cash and cash equivalents consist of all demand deposits and funds invested in short-term investments with original maturities of three months or less. At December 31, 1999, approximately $7 million of cash and cash equivalents was restricted.

Concentration of Credit Risk. Dynegy provides multiple energy commodity solutions principally to customers in the electric and gas distribution industries and to entities engaged in industrial and petrochemical businesses. These industry concentrations have the potential to impact the Company's overall exposure to credit risk, either positively or negatively, in that the customer base may be similarly affected by changes in economic, industry or other conditions. Receivables are generally not collateralized; however, Dynegy believes the credit risk posed by industry concentration is offset by the diversification and creditworthiness of the Company's customer base.

Inventories. Inventories consisting primarily of natural gas in storage of $165.1 million and $78.2 million, natural gas liquids of $66.2 million and $23.4 million, and crude oil of $10.7 million and $25.2 million at December 31, 1999 and 1998, respectively, are valued at the lower of weighted average cost or at market. Materials and supplies inventory of $29.9 million and $23.1 million at December 31, 1999 and 1998, respectively, is carried at the lower of cost or market using the specific-identification method.

Property, Plant and Equipment. Property, plant and equipment consisting principally of gas gathering, processing, fractionation, terminaling and storage facilities, natural gas transmission lines, pipelines, power generating facilities and supporting infrastructure is recorded at cost. Expenditures for major replacements and renewals are capitalized while expenditures for maintenance, repairs and minor renewals to maintain facilities in operating condition are expensed. Depreciation is provided using the straight-line method over the estimated economic service lives of the assets, ranging from three to 30 years. Composite depreciation rates are applied to functional groups of property having similar economic characteristics. Gains and losses are not recognized for retirements of property, plant and equipment subject to composite depreciation rates ("composite rate") until the asset group subject to the composite rate is retired. The Company reviews the carrying value of its long-lived assets in accordance with provisions of Financial Accounting Standard No. 121, "Accounting for the Impairment of Long-Lived Assets."

Environmental Costs and Other Contingencies. Environmental costs relating to current operations are expensed or capitalized, as appropriate, depending on whether such costs provide future economic benefit. Liabilities are recorded when environmental assessment indicates that remedial efforts are probable and the costs can be reasonably estimated. Measurement of liabilities is based on currently enacted laws and regulations, existing technology and site-specific costs. Such liabilities may be recognized on a discounted basis if the amount and timing of anticipated expenditures for a site are fixed or reliably determinable; otherwise, such liabilities are recognized on an undiscounted basis. Environmental liabilities in connection with assets that are sold or closed are realized upon such sale or closure, to the extent they are probable, can be estimated and have not previously been reserved. In assessing environmental liabilities, no offset is made for potential insurance recoveries. Recognition of any joint and several liability is based upon the Company's best estimate of its final pro rata share of such liability.

Liabilities for other contingencies are recognized upon identification of an exposure, which when fully analyzed indicates that it is both probable that an asset has been impaired or that a liability has been incurred and that such loss amount can be reasonably estimated. Costs to remedy such contingencies or other exposures are charged to a reserve, if one exists, or otherwise to current operations.

Goodwill and Other Intangible Assets. Intangible assets, principally goodwill, are generally amortized by the straight-line method over an estimated useful life of up to 30 years. At December 31, 1999 and 1998, unamortized goodwill was classified as an other long-term asset aggregating $364.7 million and $392.3 million, respectively.

Revenue Recognition. Revenues for product sales and gas processing and marketing services are recognized when title passes to the customer or when the service is performed. Fractionation and transportation revenues are recognized based on volumes received in accordance with contractual terms. Revenues derived from power generation are recognized upon output, product delivery or satisfaction of specific targets, all as specified by contractual terms. Fees derived from engineering and construction contracts and development and other activities received from joint ventures in which Dynegy holds an equity interest are deferred to the extent of Dynegy's ownership interest and amortized on a straight-line basis over appropriate periods, which vary according to the nature of the service provided and the ventures' operations.

Substantially all of the operations of the Company's world-wide gas marketing, power marketing, and crude marketing operations are accounted for under a mark-to-market accounting methodology. Under mark-to-market accounting, fixed-price forwards, swaps, options, futures and other financial instruments with third parties are reflected at fair market value, net of reserves, with resulting unrealized gains and losses recorded as assets and liabilities from risk management activities in the consolidated balance sheets. The accrual method of accounting is used for accounting for NGL marketing activities.

The Company routinely enters into financial instrument contracts to hedge purchase and sale commitments, fuel requirements and inventories in its natural gas liquids, crude oil, electricity and coal businesses in order to minimize the risk of market fluctuations. Dynegy also monitors its exposure to fluctuations in interest rates and foreign currency exchange rates and may execute swaps, forward-exchange contracts or other financial instruments to manage these exposures. Financial instruments that are utilized in the Company's trading operations are considered to be trading and accounted for accordingly. Gains and losses from hedging transactions are recognized in income and are reflected as cash flows from operating activities in the periods for which the underlying commodity, interest rate or foreign currency transaction was hedged. If the necessary correlation to the commodity, interest rate or foreign currency transaction being hedged ceases to exist, the Company ceases to account for the contract as a hedge and recognizes a gain or loss to the extent the contract results have not been offset by the effects of price or interest rate changes on the hedged item since inception of the hedge. If the underlying being hedged by the commodity, interest rate or foreign currency transaction is disposed of or otherwise terminated, the gain or loss associated with such contract(s) is no longer deferred and is recognized in the period the underlying is eliminated.

Income Taxes. The Company files a consolidated United States federal income tax return and, for financial reporting purposes, provides income taxes for the difference in the tax and financial reporting bases of its assets and liabilities in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes."

Earnings Per Share. Basic earnings per share represents the amount of earnings for the period available to each share of common stock outstanding during the period. Diluted earnings per share represents the amount of earnings for the period available to each share of common stock outstanding during the period plus each share that would have been outstanding assuming the issuance of common shares for all dilutive potential common shares outstanding during the period. Differences between basic and diluted shares outstanding in all periods are attributed to the Series A Preferred Stock, options outstanding and a warrant.

Foreign Currency Translations. For subsidiaries whose functional currency is other than U.S. dollar, assets and liabilities are translated at year-end rates of exchange and revenues and expenses are translated at average exchange rates prevailing during the year. For each of the three years in the period ended December 31, 1999, items of other comprehensive income were immaterial to the Company's operating results.

Note 2 -- RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Dynegy's operating results are impacted by commodity price, interest rate and foreign exchange rate fluctuations. The Company routinely enters into financial instrument contracts to hedge purchase and sale commitments, fuel requirements and inventories in its natural gas, natural gas liquids, crude oil, electricity and coal businesses in order to minimize the risk of market fluctuations. However, as a result of marketplace liquidity and other factors, the Company may, at times, be unable to hedge certain identified market risks. Further, the Company may, at times, have a bias in the market, within established guidelines, resulting from the management of its commodity portfolios. Dynegy also monitors its exposure to fluctuations in interest rates and foreign currency exchange rates and may execute swaps, forward-exchange contracts or other financial instruments to manage these exposures.

The Energy Convergence segment includes the integrated component businesses: wholesale gas marketing, wholesale power marketing and power generation. Operating margins earned by wholesale gas and power marketing, exclusive of risk-management activities, are relatively insensitive to commodity price fluctuations since most of the purchase and sales contracts do not contain fixed-price provisions. Generally, prices contained in these contracts are tied to a current spot or index price and, therefore, adjust directionally with changes in overall market conditions. However, market price fluctuations for natural gas and electricity can have a significant impact on the operating margin derived from risk-management activities in these businesses. Dynegy generally attempts to balance its fixed-price physical and financial purchase and sales commitments in terms of contract volumes, and the timing of performance and delivery obligations. To the extent a net open position exists, fluctuating commodity market prices can impact Dynegy's financial position or results of operations, either favorably or unfavorably. The net open positions are actively managed, and the impact of changing prices on the Company's financial condition at a point in time is not necessarily indicative of the impact of price movements throughout the year. Historically, fuel costs, principally natural gas, represented the primary variable cost impacting the financial performance of the Company's investment in power generating facilities. Operating margins at these facilities were relatively insensitive to commodity price fluctuations since most purchase and sales contracts contained variable power sales contract features tied to a current spot or index natural gas price, allowing revenues to adjust directionally with changes in natural gas prices. However, the Company's investment strategy, which emphasizes growth of merchant generation capacity, is altering the makeup of its generation asset portfolio. The growth of merchant generation capacity as a percentage of total available capacity increases the Company's exposure to commodity price risk. The financial performance and cash flow derived from merchant generation capacity is impacted, either favorably or unfavorably, by changes in and the relationship between natural gas and electricity prices.

Operating margins associated with the Midstream segment's natural gas gathering, processing and fractionation activities are very sensitive to changes in natural gas liquids prices, principally as a result of contractual terms under which natural gas is processed and products are sold by these businesses and the availability of inlet volumes. In addition, certain of the Midstream Businesses' processing plant assets are impacted by changes in, and the relationship between, natural gas and natural gas liquids prices which, in turn influences the volumes of gas processed. Commodity price fluctuations also impact the operating margins derived from the Midstream segment's natural gas liquids and crude oil marketing businesses.

Dynegy's commercial groups manage, on a portfolio basis, the market risks inherent in their transactions, subject to parameters established by the Dynegy Board of Directors. Market risks are monitored by a risk control group that operates independently from the commercial units that create or actively manage these risk exposures to ensure compliance with Dynegy's risk management policies. Risk measurement is also practiced against the Dynegy portfolios with stress testing and scenario analysis.

Accounting for Risk Management Activities. Effective with the adoption of Emerging Issues Task Force Issue No. 98-10, "Accounting for Energy Trading and Risk Management Activities" ("EITF 98-10") on January 1, 1999, substantially all of the operations of the Company's world-wide gas marketing, power marketing, and crude marketing operations are accounted for under a mark-to-market accounting methodology. Under mark-to-market accounting, fixed-price forwards, swaps, options, futures and other financial instruments with third parties are reflected at fair market value, net of reserves, with resulting unrealized gains and losses recorded as assets and liabilities from risk management activities in the consolidated balance sheets. These assets and liabilities are affected by the actual timing of settlements related to these contracts and current-period changes resulting primarily from newly originated transactions and the impact of price movements. These changes are recognized as revenues in the consolidated statements of operations in the period in which the change occurs. Market prices used to value outstanding financial instruments reflect management's consideration of, among other things, closing exchange and over-the-counter quotations, the time value of money and volatility factors underlying the commitments. In certain of these markets, long-term contract commitments may extend beyond the period in which market quotations for such contracts are available. The lack of long-term pricing liquidity requires the use of mathematical models to value these commitments under the accounting method employed. These mathematical models utilize historical market data to forecast future elongated pricing curves, which are used to value the commitments that reside outside of the liquid market quotations. Realized cash returns on these commitments may vary, either positively or negatively, from the results estimated through application of forecasted pricing curves generated through application of the mathematical model. Dynegy believes that its mathematical models utilize state-of-the-art technology, pertinent industry data and prudent discounting in order to forecast certain elongated pricing curves. These market prices are adjusted to reflect the potential impact of liquidating Dynegy's position in an orderly manner over a reasonable period of time under present market conditions.

Quantitative and Qualitative Market Risk Disclosures. Dynegy measures entity-wide market risk in its financial trading and risk-management portfolios using value at risk. The quantification of market risk using value at risk provides a consistent measure of risk across diverse energy markets and products with different risk factors in order to set the overall corporate risk tolerance, to determine risk targets, and to set position limits. The use of this methodology requires a number of key assumptions including the selection of a confidence level and the holding period to liquidation. Dynegy relies on value at risk to determine the maximum potential reduction in the trading portfolio value allowed within a given probability over a defined period. Because of limitations to value at risk, Dynegy uses other means to monitor market risk in the trading portfolios. In addition to value at risk, Dynegy performs regular stress and scenario analysis to measure extreme losses due to exceptional events. The value at risk and stress testing results are reviewed to determine the maximum allowable reduction in the total equity of the commodity portfolios. Additional measures are used to determine the treatment of risks outside the value at risk methodologies, such as market volatility, liquidity, event and correlation risk.

Credit and Market Reserves. In connection with the market valuation of its energy commodity contracts, the Company maintains certain reserves for a number of risks associated with these future commitments. Among others, these include reserves for credit risks based on the financial condition of counterparties, reserves for product location ("basis") differentials and consideration of the time value of money for long-term contracts. Counterparties in its trading portfolio consist principally of financial institutions, major energy companies and local distribution companies. The creditworthiness of these counterparties may impact overall exposure to credit risk, either positively or negatively; however, with regard to its counterparties Dynegy maintains credit policies that management believes minimize overall credit risk. Determination of the credit quality of its counterparties is based upon a number of factors, including credit ratings, financial condition, project economics and collateral requirements. When applicable, the Company employs standardized agreements that allow for the netting of positive and negative exposures associated with a single counterparty. Based on these policies, its current exposures and its credit reserves, Dynegy does not anticipate a material adverse effect on its financial position or results of operations as a result of counterparty nonperformance. The following table displays the mark-to-market portfolio value of Dynegy's energy commodity risk management transactions at December 31, 1999:

	Investment Grade Credit Quality	Below Investment Grade Credit Quality	Total
		($ in thousands)	
Utilities and power generators	$ 112,383	$ (2,033)	$ 110,350
Financial institutions	37,173	---	37,173
Oil and gas producers	21,594	5,142	26,736
Industrial companies	2,167	5,849	8,016
Other	419	16	435
Value of fixed-price transactions before reserves	$ 173,736	$ 8,974	182,710
Reserves			(38,177)
Net fixed-price value			$ 144,533

At December 31, 1999, the term of Dynegy's risk management portfolio extends to 2007 and the average remaining life of an individual transaction was 3 months.

Comprehensive Change in Accounting Principles. Effective January 1, 1999, the Company adopted the provisions of EITF 98-10 pursuant to the implementation requirements stated therein. The effect of adoption of the provisions of EITF 98-10 was to alter the Company's comprehensive method of accounting for energy-related contracts, as defined in that statement, resulting in changes to the accounting for certain commodity activity principally in the gas marketing operations in the United Kingdom and power and crude oil trading operations world-wide. The cumulative effect of this change in accounting principle was not material to the estimated annual 1999 results of operations. The pro forma effect on prior periods of the adoption of the provisions of EITF 98-10 was not determinable.

The Company continues to analyze the effects of adoption of the rules promulgated by Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("Statement No. 133"). Provisions in Statement No. 133 will affect the accounting and disclosure of contractual arrangements and operations of the Company. The Financial Accounting Standards Board recently deferred implementation of the provisions of Statement No. 133 to fiscal periods beginning after June 15, 2000. Dynegy intends to adopt the provisions of Statement No. 133 within the timeframe and in accordance with the requirements provided by that statement.

Fair Value of Financial Instruments. The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures About Fair Value of Financial Instruments." The estimated fair-value amounts have been determined by the Company using available market information and selected valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies could have a material effect on the estimated fair-value amounts.

The carrying values of current assets and liabilities approximate fair values due to the short-term maturities of these instruments. The carrying amounts and fair values of the Company's other financial instruments were:

	December 31,			
	1999		1998	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	($ in thousands)			
Commercial Paper	$ 456,482	$ 456,482	$ 518,643	$ 518,643
Money market lines of credit	40,000	40,000	20,000	20,000
Canadian Credit Agreement	40,000	40,000	40,000	40,000
6.75% Senior Notes, due 2005	150,000	145,000	150,000	152,000
7.625% Senior Debentures, due 2026	175,000	163,000	175,000	179,000
7.125% Senior Debentures, due 2018	175,000	157,000	175,000	172,000
6.875% Senior Notes, due 2002	200,000	197,000	---	---
7.45% Senior Notes, due 2006	200,000	196,000	---	---
Non-Recourse Debt	89,175	89,175	103,126	103,126
Preferred Securities of a Subsidiary Trust	200,000	191,000	200,000	204,000
Interest rate risk-management contracts	---	(2,761)	---	(8,474)
Foreign currency risk-management contracts	2,685	2,545	4,418	5,491
Commodity risk-management contracts	97,185	94,406	(29,222)	(30,977)

The financial statement carrying amounts of the Company's credit agreement, variable-rate debt and power generation notes were assumed to approximate fair value. The fair values of the Company's other long-term indebtedness, including the Preferred Securities of a Subsidiary Trust , were based on quoted market prices by financial institutions that actively trade these debt securities. The fair value of the Company's cost basis investments was not estimated as the investments were considered immaterial. The fair value of interest rate, foreign currency and commodity risk-management contracts were based upon the estimated consideration that would be received to terminate those contracts in a gain position and the estimated cost that would be incurred to terminate those contracts in a loss position. The interest rate swap contracts, foreign currency forward exchange contracts and commodity swap and option agreements extend for periods of up to 11, 3 and 8 years, respectively. The absolute notional contract amounts associated with the commodity risk-management, interest rate and forward exchange contracts, respectively, were as follows:

	December 31,		
	1999	1998	1997
Natural Gas (Trillion Cubic Feet)	5.702	4.179	2.558
Electricity (Million Megawatt Hours)	42.949	1.835	2.244
Natural Gas Liquids (Million Barrels)	19.902	6.397	4.355
Crude Oil (Million Barrels)	35.554	18.800	14.920
Interest Rate Swaps (in thousands of US Dollars)	$ 36,524	$ 69,332	$ 180,000
Fixed Interest Rate Paid on Swaps (Percent)	8.210	8.067	6.603
U.K. Pound Sterling (in thousands of US Dollars)	$ 85,812	$ 69,254	$ 74,638
Average U.K. Pound Sterling Contract Rate (in US Dollars)	$ 1.6191	$ 1.6143	$ 1.5948
Canadian Dollar (in thousands of US Dollars)	$ 288,898	$ 268,307	$ 37,041
Average Canadian Dollar Contract Rate (in US Dollars)	$ 0.6775	$ 0.6710	$ 0.7240

Cash-flow requirements for these commodity risk-management, interest rate and foreign exchange contracts were estimated based upon market prices in effect at December 31, 1999. Cash-flow requirements were as follows:

	2000	2001	2002	2003	2004	Beyond
			($ in thousands)			
Future estimated net inflows (outflows) based on year end market prices/rates	$ 33,893	$ 13,735	$ 13,958	$ 13,711	$ 12,447	$ 6,446

Note 3 -- CASH FLOW INFORMATION

Detail of supplemental disclosures of cash flow and non-cash investing and financing information was:

	Year Ended December 31,		
	1999	1998	1997
		($ in thousands)	
Interest paid (net of amount capitalized)	$ 80,393	$ 83,376	$ 60,323
Taxes paid (net of refunds)	$ 1,927	$ (8,000)	$ 8,043
Detail of businesses acquired:			
Current assets and other	$ ---	$ 5,144	$ 547,505
Fair value of non-current assets	---	101,630	503,789
Liabilities assumed, including deferred taxes	---	(104,130)	(268,092)
Capital stock issued and options exercised	---	---	---
Cash balance acquired	---	---	(67,613)
Cash paid, net of cash acquired	$ ---	$ 2,644	$ 715,589

Note 4 -- PROPERTY, PLANT AND EQUIPMENT

Investments in property, plant and equipment consisted of:

	December 31,	
	1999	1998
	($ in thousands)	
Energy Convergence Segment and Other	$ 638,181	$ 407,945
Midstream Segment:		
Natural gas processing	1,210,713	1,241,658
Fractionation	176,961	185,198
Liquids marketing	141,397	139,328
Natural gas gathering and transmission	353,966	429,631
Crude oil	53,882	43,118
	2,575,100	2,446,878
Less: accumulated depreciation	(557,219)	(514,771)
	$ 2,017,881	$ 1,932,107

Interest capitalized related to costs of projects in process of development totaled $16.7 million, $7.6 million and $8.8 million for each of the three years in the period ended December 31, 1999.

In the second quarter of 1998 and the fourth quarter of 1999, the Company purchased the outstanding partnership interests held by third parties in three separate limited partnerships, each formed for the purpose of owning and operating a discrete power generation facility in the State of California. As of the effective date of each transaction, the Company began consolidating the aggregate assets, liabilities and results of operations associated with these projects. In January 2000, these partnership interests were sold as a condition precedent to the Illinova acquisition.

Note 5 -- UNCONSOLIDATED AFFILIATES

The equity method of accounting is used for investments in certain partnerships and for investments in companies in which Dynegy has a voting interest between 20 percent and 50 percent. Such investments include:

Accord Energy Limited ("Accord"). Accord was formed in 1994 to market energy resources in the United Kingdom and Europe. Prior to 1997, Dynegy owned a 49 percent limited partner interest in Accord. In January 1997, such interest was converted to a 25 percent participating preferred stock interest.

NICOR Energy, L.L.C. ("NICOR"). NICOR is a retail energy alliance formed with NICOR Energy Management Services, a subsidiary of NICOR Inc., to provide energy services to industrial, commercial and residential customers in the Midwest. Dynegy owns a 50 percent interest in this Delaware limited liability company. At December 31, 1999, the unamortized excess of the Company's investment in this joint venture over its equity in the underlying net assets of the affiliate approximated $2 million.

SouthStar Energy Services L.L.C. ("SouthStar"). SouthStar is a retail energy alliance formed with AGL Resources Inc. and Piedmont Natural Gas Company. The company offers a combination of unregulated energy products and services to industrial, commercial and residential customers in the Southeast. Dynegy owns a 20 percent interest in this Delaware limited liability company.

Power Generation Partnerships. Dynegy owns interests in fourteen joint ventures, each formed to build, own and operate cogeneration facilities. The Company's interests in these joint ventures range from eight to 50 percent. Each partnership interest is accounted for under the equity method. Construction of the cogeneration facilities owned by each of the joint ventures was project financed and the obligations of the joint ventures are non-recourse to the Company. At December 31, 1999, the unamortized excess of the Company's investment in these joint ventures over its equity in the underlying net assets of the affiliates approximated $155 million. This amount is being amortized on the straight-line method over the estimated economic service lives of the underlying assets. In January 2000, seven of these partnership interests were sold as a condition precedent to the Illinova acquisition.

Quicktrade L.L.C. ("Quicktrade"). Quicktrade, a Delaware limited liability company, was formed to develop, implement and operate an electronic trading system. Dynegy owned a 65.5 percent interest in this LLC during 1998 and the LLC was consolidated in the accompanying financial statements during 1998. During 1996 and 1997, the Company owned varying interests in Quicktrade and accounted for its interest under the equity method for the majority of those years. Effective January 1, 1999, the Company sold its interest in Quicktrade.

Gulf Coast Fractionators ("GCF"). GCF is a Texas limited partnership that owns and operates a natural gas liquids fractionation facility located in Mont Belvieu, Texas. Dynegy owns a 38.75 percent limited partner interest in GCF. At December 31, 1999, the unamortized excess of the Company's investment in GCF over its equity in the underlying net assets of the affiliate approximated $15 million. This amount is being amortized on the straight-line method over the estimated economic service life of the GCF assets.

West Texas LPG Pipeline Partnership ("West Texas Partnership"). The West Texas Partnership, a Texas limited partnership, holds all of the assets comprising the West Texas Pipeline, an interstate natural gas liquids pipeline. Dynegy acquired a 49 percent interest in the West Texas Partnership as part of the Chevron Combination. Effective May 1, 1999, Dynegy's interest in the West Texas Partnership was reduced to 39.2 percent, upon admittance of Mid-America Pipeline Company ("MAPL"), a subsidiary of Williams into the partnership. At December 31, 1999, the unamortized excess of the Company's investment in the West Texas Partnership over its equity in the underlying net assets of the affiliate approximated $25 million. This amount is being amortized on the straight-line method over the estimated economic service life of the underlying assets.

Venice Energy Services Company, L.L.C. ("VESCO"). VESCO is a Delaware limited liability company that owns and operates a natural gas processing, extraction, fractionation and storage facility located in Plaquemines Parish, Louisiana. Dynegy is operator of the facility and originally acquired a 37 percent interest in Venice Gas Processing Company ("Venice") effective November 1, 1996. In 1997, Venice reorganized as a limited liability company and, in September 1997, the VESCO members agreed to expand ownership in VESCO to include an affiliate of Shell Midstream Enterprises, a subsidiary of Shell Oil Company ("Shell"), effective September 1, 1997, in exchange for Shell's commitment of certain offshore reserves to VESCO. The transaction reduced Dynegy's interest in VESCO from 37 percent to approximately 32 percent, as of the effective date. Koch Energy Services Company ("Koch") acquired an interest in VESCO during 1998 pursuant to its contribution of a cryogenic gas-processing unit to VESCO. The transaction reduced Dynegy's interest in VESCO to approximately 23 percent. Dynegy operates the facility and has commercial responsibility for product distribution and sales. At December 31, 1999, the unamortized excess of the Company's investment in this joint venture over its equity in the underlying net assets of the affiliate approximated $10 million.

Waskom Gas Processing Company ("Waskom"). Waskom is a Texas general partnership that owns and operates a natural gas processing, extraction and fractionation facility located in Henderson County, Texas. Dynegy owns a 33.33 percent in Waskom. Dynegy operates the facility and has commercial responsibility for product distribution and sales.

Barge Co. Barge Co., a Delaware limited liability company, owns pressurized LPG barges used in transporting LPGs principally in the Gulf of Mexico. Dynegy owns a 25 percent interest in Barge Co. At December 31, 1999, the unamortized excess of the Company's investment in Barge Co. over its equity in the underlying net assets of the affiliate approximated $9 million. This amount is being amortized on the straight-line method over the estimated economic service lives of the underlying assets.

Aggregate equity method investment at December 31, 1999, 1998 and 1997, was $618.6 million, $498.5 million and $466.4 million, respectively. Dividends received on these investments during each of the three years in the period ended December 31, 1999, totaled $66.1 million, $85 million and $54.9 million, respectively. Summarized aggregate financial information for these investments and Dynegy's equity share thereof was:

	December 31,					
	1999		1998		1997	
	Total	Equity Share	Total	Equity Share	Total	Equity Share
	($ in thousands)					
Current assets (1)(2)	$ 317,731	$ 110,094	$ 324,462	$ 131,169	$ 283,787	$ 112,895
Non-current assets (1)(2)	1,973,318	786,636	1,983,731	803,333	1,830,106	736,667
Current liabilities (1)(2)	296,009	98,179	292,481	124,016	202,754	86,476
Non-current liabilities (1)(2)	1,050,740	420,842	1,160,639	485,673	1,249,874	521,691
Operating margin (1)(2)(3)	366,675	135,352	397,391	159,288	209,877	86,154
Net income (1)(2)(3)	134,836	55,376	157,054	68,706	83,601	33,799

(1) The financial data for all periods presented is exclusive of amounts attributable to the Company's investment in Accord as disclosure data was unavailable for these periods. Dynegy's share of Accord earnings for each of the three years in the period ended December 31, 1999, totaled $21.0 million, $21.8 million and $25.9 million, respectively.

(2) The financial data for all periods presented is exclusive of amounts attributable to the Company's investment in NCL (see Note 11) as such information was not comparable period-to-period, as a result of the NCL restructuring. Dynegy sold its interest in NCL effective April 1, 1997. Dynegy's share of NCL's loss for the three months ended March 31, 1997, totaled $892,000.

(3) Equity earnings derived from investments acquired in the Destec acquisition accrue to Dynegy commencing July 1, 1997.

The cost method of accounting is generally used to account for investment in partnerships or companies in which Dynegy has a voting interest of less than 20 percent. At December 31, 1999, the Company had five cost basis investments: Indeck North American Power Fund, L.P., Indeck North American Power Partners, L.P. (collectively "Indeck"), Altra Energy Technologies, Inc., Canadian Midstream Services, Ltd. and Compton Petroleum Corporation. Indeck is engaged in the acquisition and operation of electric power generating facilities. Altra provides business-to-business e-commerce products and services to the energy market. Canadian Midstream is a private company that acquires businesses engaged in gas processing and associated gas gathering systems. Compton Petroleum is located in Canada and is an independent exploration and production company. Dynegy's aggregate investment in these entities totaled $8.7 million and $4.1 million at December 31, 1999 and 1998, respectively, and Dynegy received an aggregate $0.4 million, $0.5 million and $0.5 million of dividends from Indeck during each of the three years in the period ended December 31, 1999. The Indeck investments totalling $4.2 million were sold in February 2000.

Note 6 -- DEBT

Debt consisted of:

	December 31,	
	1999	1998
	($ in thousands)	
Commercial Paper	$ 456,482	$ 518,643
Money market lines of credit	40,000	20,000
Canadian Credit Agreement	40,000	40,000
6.75% Senior Notes, due 2005	150,000	150,000
7.625% Senior Debentures, due 2026	175,000	175,000
7.125% Senior Debentures, due 2018	175,000	175,000
6.875% Senior Notes, due 2002	200,000	---
7.45% Senior Notes, due 2006	200,000	---
Non-Recourse Debt	89,175	103,126
Other, non-interest bearing	---	275
	1,525,657	1,182,044
Less: long-term debt due within one year	191,731	135,154
	$ 1,333,926	$ 1,046,890

Commercial Paper and Money Market Lines of Credit. The Company utilizes commercial paper proceeds and borrowings under uncommitted money market lines of credit for general corporate purposes, including short-term working capital requirements. The commercial paper program is for amounts up to $800 million, as supported by existing credit agreements. Weighted average interest rates on amounts outstanding under the commercial paper program were 6.2 percent, and 6.1 percent at December 31, 1999 and 1998, respectively. Amounts outstanding under the uncommitted money market lines of credit bore interest at an average rate of 6.1 percent at December 31, 1999. The Company classifies outstanding commercial paper and borrowings under money market lines of credit as long-term debt to the extent of availability under existing committed credit facilities, as management's intent is to maintain these obligations for longer than one year, subject to an overall reduction in corporate debt levels.

Credit Agreements. In May 1998, Dynegy refinanced its then existing revolving credit agreement with a $400 million, five-year revolving credit agreement that matures May 27, 2003, and a $400 million, 364-day revolving credit agreement originally maturing in May 1999 and renewed through May 2000 (the "Credit Agreements"). The Credit Agreements provide funding for letters of credit, working capital, capital expenditures and general corporate purposes, including commercial paper support. The Credit Agreements also require payment of various costs and fees, including an annual fee of 0.10 percent of the committed amount under the Credit Agreements. Generally, borrowings under the Credit Agreements bear interest at a Eurodollar rate plus a margin that is determined based on the Company's unsecured senior debt rating. At December 31, 1999, such margin was 0.30 percent. Financial covenants in the Credit Agreements are limited to a debt to capitalization test. Letters of credit under the Credit Agreements aggregated approximately $36.1 million at December 31, 1999.

After consideration of the outstanding commercial paper, the unused borrowing capacity under the Credit Agreements approximated $267.4 million at December 31, 1999.

Canadian Credit Agreement. In November 1998, an indirect wholly owned Canadian subsidiary of the Company entered into a $60 million, two-year revolving credit facility, which matures on November 24, 2000 (the "Canadian Credit Agreement"). This agreement provides funding for general corporate purposes. The Canadian Credit Agreement requires payment of various costs and fees, including an annual fee of 0.25 percent of the committed amount under the agreement. Generally, borrowings under this agreement bear interest at a Eurodollar rate plus a margin that is determined based on the Company's unsecured senior debt rating. At December 31, 1999, such margin was 0.40 percent. The Canadian subsidiary's obligations under the Canadian Credit Agreement are fully and unconditionally guaranteed by the Company. At December 31, 1999, outstanding amounts under the facility totaled $40.0 million, at an average interest rate of 6.66 percent.

6.875% Senior Notes Due 2002. In July 1999, Dynegy sold $200 million of 6.875 percent Senior Notes due July 15, 2002. These notes were issued at a price of 99.890 percent, which after deducting underwriting discounts and commissions, resulted in net proceeds to the Company of approximately $199 million. The net proceeds from the sale were used to repay a portion of the outstanding indebtedness under the commercial paper program. Interest on these notes is payable semiannually on January 15 and July 15 of each year. The notes are redeemable only at maturity. At issuance, the notes were priced based on the then existing yield for 3-year U.S. Treasury Notes plus a spread based principally on the Company's credit rating.

6.75% Senior Notes Due 2005. In December 1995, Dynegy sold $150 million of 6.75 percent Senior Notes due December 15, 2005. These notes were issued at a price of 99.984 percent, which, after deducting underwriting discounts and commissions, resulted in net proceeds to the Company of approximately $149 million. Proceeds from the sale were used to repay a portion of the outstanding indebtedness under the then existing revolving credit agreement. Interest on the notes is payable semiannually on June 15 and December 15 of each year. At issuance, the notes were priced based on the then existing yield for 10-year U.S. Treasury Notes ("10-Year Base Treasury Rate") plus a spread based principally on the Company's credit rating. Prior to issuing these notes, the Company entered into two separate transactions with two separate financial institutions, the effect of which was to lock in the 10-Year Base Treasury Rate at approximately 6.2 percent on the full $150 million face value of this issuance.

7.45% Senior Notes Due 2006. In July 1999, Dynegy sold $200 million of 7.45 percent Senior Notes due July 15, 2006. These notes were issued at a price of 99.929 percent, which after deducting underwriting discounts and commissions, resulted in net proceeds to the Company of approximately $198.6 million. The net proceeds from the sale were used to repay a portion of outstanding indebtedness under the commercial paper program. Interest on the notes is payable semiannually on January 15 and July 15 of each year. These notes are redeemable, at the option of the Company, in whole or in part from time to time, at a formula based redemption price as defined in the associated indenture. At issuance, these notes were priced based on a benchmark Treasury of similar terms plus a spread principally based on the Company's credit rating.

7.625% Senior Debentures Due 2026. In October 1996, Dynegy sold $175 million of 7.625 percent Senior Debentures due October 15, 2026. These debentures were issued at a price of 99.522 percent, which, after deducting underwriting discounts and commissions, resulted in net proceeds to the Company of approximately $173 million. The net proceeds were used to repay a portion of the outstanding indebtedness under the then existing revolving credit agreement. Interest on the debentures is payable semiannually on April 15 and October 15 of each year. These debentures are redeemable, at the option of the Company, in whole or in part from time to time, at a formula based redemption price as defined in the associated indenture. At issuance, the debentures were priced based on the then existing yield for 30-year U.S. Treasury Notes ("30-Year Base Treasury Rate") plus a spread based principally on the Company's credit rating. Prior to issuing the debentures, the Company entered into a transaction, the effect of which was to lock in the 30-Year Base Treasury Rate at approximately 7.0 percent on $150 million of the $175 million face value of this issuance.

7.125% Senior Debentures Due 2018. In May 1998, Dynegy sold $175 million of 7.125 percent Senior Debentures due May 15, 2018. These debentures were issued at a price of 99.654 percent, which, after deducting underwriting discounts and commissions, resulted in net proceeds of approximately $173 million. Proceeds from the sale were used to retire short-term debt incurred in connection with the redemption of certain high-cost debt acquired in an acquisition. Interest on the debentures is payable semiannually on May 15 and November 15 of each year. These debentures are redeemable, at the option of the Company, in whole or in part from time to time, at a formula based redemption price as defined in the associated indenture. At issuance, the debentures were priced based on the then existing 30-Year Base Treasury Rate plus a spread based principally on the Company's credit rating. Prior to issuing these debentures, the Company entered into a series of transactions, the effect of which was to lock in the 30-Year Base Treasury Rate at approximately 6.0 percent on $148 million of the $175 million face value of this issuance.

Non-Recourse Debt. Included in the December 31, 1999 consolidated long-term debt balance was $89.2 million representing the aggregate principal balance outstanding under three separate notes. These notes are project specific debt with recourse only to three identified power generation projects. Each of the three notes represents a fifteen-year term loan obligation payable in semi-annual installments of principal plus accrued interest. Each note bears interest at a base rate plus a margin, as defined in each agreement. Interest rate swaps effectively fix the base rate on $63.3 million of the indebtedness at a weighted average rate of 8.085 percent. These notes are related to the Qualifying Facilities that were sold in February 2000.

Aggregate maturities of all long-term indebtedness are: 2000 - $191.7 million; 2001 - $2.6 million; 2002 – $202.6 million; 2003 – $402.1 million; 2004 – $3.0 million; 2005 and beyond - $723.7 million.

Note 7 -- INCOME TAXES

The Company is subject to U.S. federal, foreign and state income taxes on its operations. Components of income tax expense (benefit) were:

	Year Ended December 31,		
	1999	1998	1997
		($ in thousands)	
Current tax expense (benefit):			
Domestic	$ ---	$ (608)	$ 13,230
Foreign	11,510	(1,362)	3,071
Deferred tax expense (benefit):			
Domestic	56,558	44,565	(81,306)
Foreign	6,609	7,743	2,795
Income tax provision (benefit)	$ 74,677	$ 50,338	$ (62,210)

Components of income (loss) before income taxes were as follows:

	Year Ended December 31,		
	1999	1998	1997
		($ in thousands)	
Income (loss) before income taxes:			
Domestic	$ 165,606	$ 133,867	$ (180,127)
Foreign	60,920	24,824	30,232
	$ 226,526	$ 158,691	$ (149,895)

Deferred income taxes are provided for the temporary differences between the tax basis of Dynegy's assets and liabilities and their reported financial statement amounts. Significant components of deferred tax liabilities and assets were:

	December 31, 1999	December 31, 1998
	($ in thousands)	
Deferred tax assets:		
Loss carryforward	$ 149,321	$ 132,445
Tax credits	11,893	10,798
	161,214	143,243
Valuation allowance	---	---
	161,214	143,243
Deferred tax liabilities:		
Items associated with capitalized costs	496,404	460,780
Net deferred tax liability	$ 335,190	$ 317,537

Realization of the aggregate deferred tax asset is dependent on the Company's ability to generate taxable earnings in the future. There was no valuation allowance established at December 31, 1999 or 1998, as management believes the aggregate deferred asset is more likely than not to be fully realized in the future.

Income tax provision (benefit) for the years ended December 31, 1999, 1998 and 1997, was equivalent to effective rates of 33 percent, 32 percent and (41) percent, respectively. Differences between taxes computed at the U.S. federal statutory rate and the Company's reported income tax provision (benefit) were:

	Year Ended December 31, 1999	1998	1997
		($ in thousands)	
Expected tax at U.S. statutory rate	$ 79,284	$ 55,444	$ (52,463)
State taxes	3,285	2,564	(3,676)
Foreign tax benefit	(3,203)	(2,300)	(5,415)
Basis differentials and other	(4,689)	(5,370)	(656)
Income tax provision (benefit)	$ 74,677	$ 50,338	$ (62,210)

At December 31, 1999, the Company had approximately $404 million of regular tax net operating loss carryforwards. The net operating loss carryforwards expire from 2006 through 2019. Certain provisions of the Internal Revenue Code place an annual limitation on the Company's ability to utilize tax carryforwards existing as of the date of a 1995 business acquisition. Management believes such carryforwards will be fully realized prior to expiration.

Note 8 -- COMPANY OBLIGATED PREFERRED SECURITIES OF A SUBSIDIARY TRUST

In May 1997, NGC Corporation Capital Trust I ("Trust") issued, in a private transaction, $200 million aggregate liquidation amount of 8.316% Subordinated Capital Income Securities ("Trust Securities") representing preferred undivided beneficial interests in the assets of the Trust. The Trust invested the proceeds from the issuance of the Trust Securities in an equivalent amount of 8.316% Subordinated Debentures ("Subordinated Debentures") of the Company. The sole assets of the Trust are the Subordinated Debentures. The Trust Securities are subject to mandatory redemption in whole but not in part on June 1, 2027, upon payment of the Subordinated Debentures at maturity, or in whole but not in part at any time, contemporaneously with the optional prepayment of the Subordinated Debentures, as allowed by the associated indenture. The Subordinated Debentures are redeemable, at the option of the Company, in whole at any time or in part from time to time, at formula-based redemption prices, as defined in the indenture. The Subordinated Debentures represent unsecured obligations of the Company and rank subordinate and junior in right of payment to all Senior Indebtedness to the extent and in the manner set forth in the associated indenture. The Company has irrevocably and unconditionally guaranteed, on a subordinated basis, payment for the benefit of the holders of the Trust Securities the obligations of the Trust to the extent the Trust has funds legally available for distribution to the holders of the Trust Securities, as described in the indenture ("Guarantee"). Distributions on the Trust Securities are payable each June 1 and December 1, coinciding with the interest payment due dates on the Subordinated Debentures, and are classified in the accompanying Statement of Operations as "minority interest in income of a subsidiary." The periodic distributions accruing at an annual rate of 8.316 percent of the aggregate liquidation amount are recorded as minority interest in income of a subsidiary in the Company's consolidated statement of operations. So long as no Debenture Event of Default, as defined, has occurred and continues, the Company has the right to defer the payment of interest on the Subordinated Debentures for any Extension Period elected by the Company, which period cannot extend beyond 10 consecutive semi-annual periods, end on a date other than an Interest Payment Date or extend beyond the Stated Maturity Date. The Trust has executed an exchange offer through which all of the outstanding Trust Securities were exchanged by the holders thereof for registered securities having substantially the same rights and obligations.

Note 9 -- COMMITMENTS AND CONTINGENCIES

Litigation. Through its acquisition of Destec Energy Inc., Dynegy became a party to certain litigation with Pacific Gas and Electric Company ("PG&E") and with the Southern California Gas Company ("SOCAL"). These cases represent pre-acquisition contingencies acquired by the Company and settlement thereof did not have a material adverse effect on the Company's results of operations or financial position. The following describes resolution of these two cases.

In April 1997, PG&E had filed a lawsuit in the Superior Court of the State of California, City and County of San Francisco, against Destec Energy, Inc., Destec Holdings, Inc. and Destec Operating Company (wholly-owned subsidiaries of the Company now known respectively as Dynegy Power Corp., Dynegy Power Holdings, Inc. and Dynegy Operating Company) as well as against San Joaquin CoGen Limited ("San Joaquin") and its general partners (collectively the "Dynegy Defendants"). In the lawsuit, PG&E asserted claims and alleged unspecified damages for fraud, negligent misrepresentation, unfair business practices, breach of contract and breach of the implied covenant of good faith and fair dealing. Subsequent to the acquisition of Destec Energy Inc. by Dynegy, Dynegy and PG&E engaged in settlement discussions, which resulted in the execution of a Termination and Settlement Agreement between PG&E and the Dynegy Defendants on March 9, 1999 (the "PG&E Settlement Agreement"). The PG&E Settlement Agreement provided for, upon the receipt of CPUC approval, a dismissal with prejudice of PG&E's claims against the Dynegy Defendants, a release by PG&E of all claims relative to FERC matters and a termination of the San Joaquin power purchase agreement as of December 31, 1999, whereupon the San Joaquin facility would continue to operate as a merchant plant. Upon termination of the power purchase agreement, Dynegy would repay project debt of approximately $26 million. By Order dated October 7, 1999, the CPUC approved the PG&E Settlement Agreement. The CPUC approval became final on November 8, 1999.

Pursuant to its lawsuit against Dynegy, PG&E had named Libbey-Owens-Ford ("LOF"), San Joaquin's steam host, as an additional defendant in the action in October 1997. It is alleged that San Joaquin was liable to PG&E under the Gas Transportation Agreement or Power Purchase Agreement due to LOF's failure to use sufficient quantities of steam as required to retain its status as a qualifying facility under federal standards. The Dynegy Defendants will seek to recover from LOF losses resulting from the settlement with PG&E.

In March 1995, SOCAL had filed a lawsuit in the Superior Court of the State of California for the County of Los Angeles, against Destec Energy, Inc., Destec Holdings and Destec Gas Services, Inc. (now known respectively as Dynegy Power Corp., Dynegy Holdings, Inc. and Dynegy Gas Services, Inc.), wholly-owned direct and indirect subsidiaries of the Company (collectively, the "Defendants"), as well as against Chalk Cliff Limited and McKittrick Limited (collectively, the "Partnerships"). All general partners of the Partnerships are also named defendants. The lawsuit alleged breach of contract against the Partnerships and their respective general partners, and interference and conspiracy to interfere with contracts against the Defendants. The breach of contract claims arose out of the "transport-or-pay" provisions of the gas transportation service agreements between the Partnerships and SOCAL. SOCAL sought damages from the Partnerships for past damages and anticipatory breach damages in an amount equal to approximately $31 million. Subsequent to the acquisition of Destec Energy Inc.by Dynegy, Dynegy and SOCAL engaged in settlement discussions, which resulted in the execution of a Settlement Agreement between SOCAL and all defendants in the pending litigation on August 25, 1999, (the "SOCAL Settlement Agreement"). The SOCAL Settlement Agreement was appproved by the CPUC and is final. The Settlement Agreement provided for the dismissal of the pending litigation, the termination of underlying gas transmission service contracts, and Dynegy's payment of settlement consideration approximating $31 million. The pending appeals were dismissed and the litigation and the associated foreclosure proceedings have therefore come to an end.

On August 3, 1998, Modesto Irrigation District ("MID") filed a lawsuit against PG&E and Destec in federal court for the Northern District of California, San Francisco division. The lawsuit alleges violation of federal and state antitrust laws and breach of contract against Destec. The allegations are related to a power sale and purchase arrangement in the city of Pittsburg, CA. MID seeks actual damages from PG&E and Destec in amounts not less than $25 million. MID also seeks a trebling of any portion of damages related to its antitrust claims. By order dated February 2, 1999, the federal District Court dismissed MID's state and federal antitrust claims against PG&E and Destec; however, the Court granted MID leave of thirty days to amend its complaint to state an antitrust cause of action. On March 3, 1999, MID filed an amended complaint recasting its federal and state antitrust claims against PG&E and Destec and restating its breach of contract claim against Destec. PG&E and Destec have filed motions to dismiss MID's revised federal and state antitrust claims. The hearing on the motions to dismiss was held in July 1999. On August 20, 1999, the District Court again dismissed MID's antitrust claims against PG&E and Destec, this time without leave to amend the complaint. As a result of the dismissal of the antitrust claims, the District Court also dismissed the pendant state law claims. MID has appealed the District Court's dismissal of its suit to the Ninth Circuit Court of Appeal. Following dismissal of its federal court suit, MID filed suit in California state court asserting its breach of contract claims against Destec and its tortious interference with contract claims against PG&E. Motions to dismiss MID's state court claims are pending and scheduled for hearing in first quarter 2000. Dynegy believes the allegations made by MID are meritless and will continue to vigorously defend MID's claims. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a material adverse effect on the financial position or results of operations of the Company.

On July 30, 1999, The Dow Chemical Company ("Dow") filed a lawsuit in the United States District Court for the District of Delaware against Dynegy Power Corporation ("DPC"), a wholly-owned subsidiary of the Company. Dow sought contribution from DPC in connection with claims against Dow asserted by The AES Corporation ("AES") in a lawsuit filed on November 30, 1998 in the United States District Court for the Southern District of Texas. AES asserts various federal and Texas securities laws claims, and Texas claims for fraud and civil conspiracy, arising out of AES' September 1997 purchase of stock of Destec Engineering, a subsidiary of DPC (at that time Destec Power Corp). Specifically, AES alleges that Destec Power made certain misrepresentations about the expected profits that Destec Engineering would earn in connection with the construction of the Elsta power plant in The Netherlands, and the anticipated completion date of the Elsta plant. AES alleges that Dow is liable because it "controlled" or had the power to control the management of Destec Power. AES's original complaint did not assert any claims against Destec Power or any other Dynegy entity. Dow is vigorously defending against AES' claims. In response to a motion to transfer filed by Dow, the United States District Court for the Southern District of Texas transferred the suit to the United States District Court for Delaware. Following transfer of the litigation, AES added DPC as a defendant, asserting claims similar to the claims asserted against Dow. Dow subsequently dismissed the suit against DPC without prejudice. AES and DPC have reached a settlement of AES's claims against DPC. The settlement is currently before the District Court for approval. If approved by the District Court, the settlement will result in the dismissal of AES's suit against DPC with prejudice. In the opinion of management, the ultimate resolution of this lawsuit will not have a material adverse effect on the Company's financial position.

Complaint Against Illinois Power Company. On November 3, 1999, the U.S. Environmental Protection Agency ("EPA") issued a Notice of Violation ("NOV") against Illinois Power Company ("Illinois Power") and, with the Department of Justice ("DOJ"), filed a Complaint against Illinois Power in the U.S. District Court for the Southern District of Illinois, No. 99C833. Similar notices and lawsuits have been filed against a number of other utilities. Both the NOV and Complaint allege violations of the Clean Air Act and regulations thereunder. More specifically, both allege, based on the same events, that certain equipment repairs, replacements and maintenance activities at Illinois

Power's three Baldwin Station generating units constituted "major modifications" under either or both the Prevention of Significant Deterioration and the New Source Performance Standards regulations. When non-exempt "major modifications" occur, the Clean Air Act and related regulations generally require that generating facilities meet more stringent emissions standards. The DOJ amended its complaint to assert the claims found in the NOV. Illinois Power is filing responsive pleadings in the first quarter 2000.

The regulations under the Clean Air Act provide certain exemptions to the definition of "major modifications," particularly an exemption for routine repair, replacement or maintenance. The Company has analyzed each of the activities covered by the EPA's allegations and believes each activity represents prudent practice regularly performed throughout the utility industry as necessary to maintain the operational efficiency and safety of equipment. As such, the Company believes that each of these activities is covered by the exemption for routine repair, replacement and maintenance and that the EPA is changing, or attempting to change through enforcement actions, the intent and meaning of its regulations.

The Company also believes that, even if some of the activities in question were found not to qualify for the routine exemption, there were no increases either in annual emissions or in the maximum hourly emissions achievable at any of the units caused by any of the activities. The regulations provide an exemption for increased hours of operation or production rate and for increases in emissions resulting from demand growth.

Although none of Illinois Power's other facilities are covered in the Complaint and NOV, the EPA has officially requested information concerning activities at Illinois Power's Vermilion, Wood River and Hennepin Plants. It is possible that the EPA will eventually commence enforcement actions against those plants as well.

The EPA has the authority to seek penalties for the alleged violations in question at the rate of up to $27,500 per day for each violation. The EPA also will be seeking installation of "best available control technology" ("BACT") (or equivalent) at the Baldwin Station and possibly at the other three plants as well.

The Company believes that the EPA's and DOJ's claims are without merit, and that the ultimate resolution of this lawsuit will not have a material adverse effect on the Company's financial position or results of operations.

The Company assumed liability for various claims and litigation in connection with the Illinova acquisition, Chevron Combination, the Trident Combination, the Destec acquisition and in connection with the acquisition of certain gas processing and gathering facilities from Mesa Operating Limited Partnership. The Company believes, based on its review of these matters and consultation with outside legal counsel, that the ultimate resolution of such items will not have a material adverse effect on the Company's financial position or results of operations. Further, the Company is subject to various legal proceedings and claims, which arise in the normal course of business. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a material adverse effect on the financial position or results of operations of the Company.

Commitments. In conducting its operations, the Company routinely enters into long-term commodity purchase and sale commitments, as well as agreements that commit future cash flow to the lease or acquisition of assets used in its businesses. These commitments are typically associated with capital projects, reservation charges associated with firm transmission, transportation and storage capacity, lease agreements for ship charters and other distribution assets and leases for office space, equipment and other similar items. The following describes the more significant commitments outstanding at December 31, 1999.

The Company is engaged in a continuous capital asset expansion program consistent with its business plan and energy convergence strategies. The emphasis of this capital asset program is on the acquisition or construction of strategically located power generation assets. Consistent with this strategy and as a result of the long lead time required by industry manufacturers, a subsidiary of the Company has executed or is currently negotiating purchase orders to acquire in excess of forty state-of-the-art gas-fired turbines, representing a capital commitment of approximately $1.3 billion. Delivery of the manufactured turbines will occur ratably through 2003. Commitments under these purchase orders are generally payable consistent with the delivery schedule. The purchase orders include milestone requirements by the manufacturer and provide Dynegy with the ability to cancel each discrete purchase order commitment in exchange for a fee, which escalates over time. The capital asset program is subject to periodic review and revision, and the actual number of projects and aggregate cost for such projects will be dependent on various factors including available capital resources, market conditions, legislative actions, load growth, changes in materials, supplies and labor costs and the identification of partners in order to spread investment risk.

The Company routinely enters into supply and market contracts for the purchase and sale of electricity, some of which contain fixed capacity payments. Obligations under these supply contracts, which are not already fair valued on the balance sheet at December 31, 1999, totaled $212 million on a discounted basis. Such obligations are generally payable on a ratable basis, the term of which extends through 2011. In return for such fixed capacity payments, Dynegy receives volumes of electricity at agreed prices, which it then may re-market. Based on year-end estimates, the market value of electricity available for sale under these contracts exceeds the cost of such electricity, which amount includes the fixed capacity payments disclosed herein.

In October 1999, the Company announced that it had achieved all of the necessary approvals to begin construction on its Heard County Power Project, a 500-megawatt natural gas-fired, simple-cycle peaking facility located in Franklin in Heard County, Georgia. A Dynegy subsidiary will design and construct the generating facility, as agent for a third party, and Dynegy is obligated to guarantee approximately 90 percent of the actual cost of the project during the construction phase. It is anticipated that Dynegy will subsequently lease the completed facility from that third party for an initial term of five years. Under certain circumstances, the Company maintains an option to purchase the facility from the third party and it may participate in the outright sale of the asset.

A wholly owned subsidiary of the Company leases a power-generating asset under an agreement that is classified as an operating lease. This agreement has aggregate future minimum lease payments of approximately $7.1 million at December 31, 1999.

In 1997, Dynegy received cash from a gas purchaser as an advance payment for future natural gas deliveries over a ten-year period ("Advance Agreement"). As a condition of the Advance Agreement, Dynegy entered into a natural gas swap with a third party under which Dynegy became a fixed-price payor on identical volumes to those to be delivered under the Advance Agreement at prices based on then current market rates. The cash payment was classified as an advance on the balance sheet and is ratably reduced as gas is delivered to the purchaser under the terms of the Advance Agreement. In addition, the purchaser pays a monthly fee to Dynegy associated with delivered volumes. The Advance Agreement contains certain non-performance penalties that impact both parties and as a condition precedent, Dynegy purchased a surety bond in support of its obligations under the Advance Agreement.

Minimum commitments in connection with office space, equipment, reservation charges under purchase and firm transportation contracts, power generating and other leased assets were: 2000 - $71.6 million; 2001 - $47.0 million; 2002 - $26.9 million; 2003 - $13.3 million; and 2004 and beyond - $100.6 million. Rental payments made under the terms of these arrangements totaled - $ 69.0 million in 1999, $126.1 million in 1998 and $85.2 million in 1997.

Note 10 -- CAPITAL STOCK

At December 31, 1999, the Company had authorized capital stock consisting of 450,000,000 shares, of which 50,000,000 shares, par value $0.01 per share, are designated preferred stock and 400,000,000 shares, par value $0.01 per share, are designated common stock.

On the effective date of the Illinova acquisition, Dynegy had authorized capital as follows:

- 300,000,000 shares of Class A common stock, no par value;
- 120,000,000 shares of Class B common stock, no par value;
- 70,000,000 shares of preferred stock, no par value.

Preferred Stock. The Company's preferred stock may be issued from time to time in one or more series, the shares of each series to have such designations and powers, preferences, rights, qualifications, limitations and restrictions thereof as described in the Company's Certificate of Incorporation.

In order to provide for issuance of preferred shares pursuant to the terms of the Chevron Combination, 8,000,000 shares of preferred stock were designated during 1996 as Dynegy Series A Participating Preferred Stock ("Series A Preferred"), of which 7,815,363 shares were issued effective September 1, 1996. These shares remained outstanding at December 31, 1999. As part of the Illinova acquisition, these shares were converted to shares of Class B common stock of Dynegy on a 0.69-for-one exchange ratio.

Pursuant to the terms of the Illinova acquisition, Dynegy established a series of preferred stock, designated as Series A Convertible Preferred Stock, which was issued to British Gas Atlantic and NOVA Corporation in accordance with the exchange ratios provided in the merger documents. On the effective date of the merger, BG and NOVA held an aggregate 6.7 million shares of this Series A Convertible Preferred Stock. Holders of this Series A preferred stock are entitled to receive dividends or distributions totaling $3.00 per share annually if and when declared by the Board of Directors of the Company out of funds legally available therefor. Dividends on the preferred shares are cumulative from the date of issuance and are payable quarterly on the last day of March, June, September and December. This Series A Convertible Preferred Stock carries certain priority, liquidation, redemption, conversion and voting rights not available to the common shareholders.

Common Stock. At December 31, 1999, there were 157,499,001 shares of common stock issued and 1,200,700 shares were held in treasury. During 1999, Dynegy paid quarterly cash dividends on its common stock of $0.0125 per share, or $0.05 per share on an annual basis.

Pursuant to the terms of the Illinova acquisition, Dynegy split its common shares into two classes, Class A and Class B. Generally, holders of Class A and Class B common stock are entitled to one vote per share on all matters to be voted upon by the shareholders. Holders of Class A common stock may cumulate votes in connection with the election of directors. The election of directors and all other matters will be by a majority of shares represented and entitled to vote, except as otherwise provided by law. Holders of Class B common stock vote together with holders of Class A common stock as a single class on every matter acted upon by the shareholders except for the following matters:

- the holders of Class B common stock vote as a separate class for the election of three directors of Dynegy Inc., while the holders of Class A common stock vote as a separate class for the remaining directors;
- any amendment to the special corporate governance rights of Class B common stock, must be approved by a majority of the directors elected by holders of Class B common stock attending a meeting where such amendment is considered and a majority of all Dynegy directors or by a 66 2/3 percent of the outstanding shares of Class B common stock voting as a separate class, and the affirmative vote of a majority of the shares of Class A and Class B common stock, voting together as a single class; and
- any amendment to the provision of the articles of incorporation addressing the voting rights of holders of Class A and Class B common stock requires the approval of 66 2/3 percent of the outstanding shares of Class B common stock voting as a separate class, and the affirmative vote of a majority of the shares of Class A and Class B common stock, voting together as a single class.

Subject to the preferences of the preferred stock, holders of Class A and Class B common stock have equal ratable rights to dividends out of funds legally available for that purpose, when and if dividends are declared by the board of directors. Holders of Class A common stock and Class B common stock are entitled to share ratably, as a single class, in all of the assets of Dynegy available for distribution to holders of shares of common stock upon the liquidation, dissolution or winding up of the affairs of Dynegy, after payment of Dynegy's liabilities and any amounts to holders of preferred stock.

A share of Class B common stock automatically converts into a share of Class A common stock upon the transfer to any person other than an affiliate of Chevron. Additionally, each share of Class B common stock automatically converts into a share of Class A common stock if the holders of all Class B common stock cease to own collectively 15 percent of the outstanding common stock of Dynegy. Conversely, any shares of Class A common stock acquired by Chevron or its affiliates will automatically convert into shares of Class B common stock, so long as Chevron and its affiliates continue to own 15 percent or more of the outstanding voting power of Dynegy.

Holders of Class A and Class B common stock generally are not entitled to preemptive rights, subscription rights, or redemption rights, except that, Chevron, who holds all of the shares of Class B common stock, is entitled to certain preemptive rights under the shareholders agreement. The rights and preferences of holders of Class A common stock are subject to the rights of any series of preferred stock Dynegy may issue.

Beginning in 2000, Holders of Class A and Class B common stock will be entitled to a $0.60 per share dividend if, when and as declared by the Board of Directors of the Company out of funds legally available therefor.

The Company has a stock repurchase program, approved by the Board of Directors, that allows it to repurchase, from time to time, up to 1.6 million shares of common stock (1.1 million shares as adjusted for the Illinova acquisition exchange ratio) in open market transactions. At December 31, 1999, approximately 399,000 shares (276,000 shares as adjusted for the Illinova acquisition exchange ratio) remained available for repurchase under this program.

Stock Warrants. At December 31, 1999, the Company had warrants outstanding that entitle the holder thereof to purchase an aggregate 6,228 shares of common stock at an exercise price of $8.13 per share. The warrants expire in October 2003. Such share and per share value amounts are before application of the exchange ratio pursuant to the Illinova acquisition.

Stock Options. Each option granted is valued at an option price, which ranges from $2.03 per share to the fair market value per share at date of grant. The difference between the option price and the fair market value, if any, of each option on the date of grant is recorded as compensation expense over a vesting period. Options granted at prices below fair market do not become exercisable until the fifth anniversary date of the grant, at which time they become fully exercisable. Options granted at market value vest and become exercisable ratably over a three-year period. The average exercise price of vested options at December 31, 1999 was $8.39. Compensation expense related to options granted totaled $6.0 million, $4.7 million and $4.0 million for the years ended December 31, 1999, 1998 and 1997, respectively. At December 31, 1999, employee stock options aggregating 7.2 million shares were exercisable at prices ranging from $2.03 to $21.63 per share. The Company adopted a new employee stock option plan subsequent to year-end which authorized the issuance of no more than five million common shares. Total options authorized and non-distributed Stock option transactions for 1999, 1998 and 1997 were (shares in thousands) as follows:

	Year Ended December 31,					
	1999		1998		1997	
	Shares	Option Price	Shares	Option Price	Shares	Option Price
Outstanding at beginning of period	18,679	$ 2.03 - 21.63	14,015	$ 2.03 - 21.63	13,920	$ 2.03 - 18.75
Grante d	3,046	2.03 - 22.94	7,319	2.03 - 17.50	2,284	2.03 - 21.63
Exercised	(3,375)	2.03 - 18.88	(995)	2.03 - 9.38	(1,469)	2.03 - 9.38
Canceled or expired	(893)	2.03 - 19.00	(1,568)	2.03 - 19.00	(629)	2.03 - 18.75
Other, contingent share i	(50)	2.03 - 5.66	(92)	2.03 - 5.66	(91)	2.03 - 5.66
Outstanding at end of period	17,407	$ 2.03 - 22.94	18,679	$ 2.03 - 21.63	14,015	$ 2.03 - 21.63
Exercisable at end of period	7,234	$ 2.03 - 21.63	4,394	$ 2.03 - 21.63	2,861	$ 2.03 - 18.75
Weighted average fair value of Options granted during the period At market		$ 10.71		$ 5.77		$ 11.14
Weighted average fair value of Options granted during the period At below market		$ 13.32		$ 7.35		$ 14.63

Pursuant to terms of the Illinova acquisition, certain vesting requirements on outstanding options were accelerated and the option shares and strike prices were subject to the exchange ratios described in the merger documents. Additionally, Dynegy instituted new option plans on the effective date of the merger. At the effective date of the merger, the following shares were exercisable at the designated prices pursuant to Dynegy's option plans.

Exercisable at effective date	8,341	$ 2.94 - 31.35

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions used for grants in 1999, 1998 and 1997: dividends per year of $0.05 per annum for all years; expected volatility of 40.3 percent, 40.1 percent and 42.0 percent, respectively; risk-free interest rate of 6.42 percent, 6.28 percent and 6.28 percent, respectively; and an expected life of 10 years for all periods. The Company accounts for its stock option plan in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". Had compensation cost been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company's net income (loss) and per share amounts would have approximated the following pro forma amounts for the years ended December 31, 1999, 1998 and 1997, respectively.

	Years Ended December 31,					
	1999		1998		1997	
	Net Income	Diluted EPS	Net Loss	Loss Per Share	Net Income	Diluted EPS
	($ in thousands, except per share data)					
Pro forma amounts	$ 142,838	$ 0.86	$ 104,578	$ 0.63	$ (108,007)	$ (0.72)

Note 11 -- BUSINESS COMBINATIONS AND SIGNIFICANT RESTRUCTURINGS

The Destec Acquisition. On June 27, 1997, Dynegy acquired Destec Energy, Inc. ("Destec"), an independent power producer, for $1.26 billion, or $21.65 per share of Destec common stock. Dynegy financed the transaction through cash on hand and advances on its credit facilities provided by its existing commercial banks. Concurrent with this acquisition, Dynegy sold Destec's international facilities and operations to The AES Corporation ("AES") for $439 million. Also during 1997, the Company sold certain non-strategic assets acquired in the purchase for aggregate proceeds of $296 million. Proceeds from the AES and non-strategic asset sales were used to retire indebtedness.

The Destec acquisition was accounted for under the purchase method of accounting. Accordingly, the purchase price of approximately $718 million, inclusive of transaction costs and net of cash acquired, was allocated to the Destec assets acquired and liabilities assumed based on their estimated fair values as of June 30, 1997, the effective date of the acquisition for accounting purposes. The results of operations of the acquired Destec assets are consolidated with Dynegy's existing operations beginning July 1, 1997. The following table reflects certain unaudited pro forma information for the year ended December 31, 1997 as if the Destec acquisition had occurred on January 1, 1996 (in thousands, except per share data):

	Year Ended December 31, 1997
Pro forma revenues	$ 13,498,207
Pro forma net loss	(101,175)
Pro forma loss per share	(0.67)

Restructuring of Novagas Clearinghouse, Ltd. In June 1997, the Company and NOVA Corporation ("NOVA") completed the restructuring of the companies' Canadian natural gas operations formerly executed through

Novagas Clearinghouse, Ltd., Novagas Clearinghouse Limited Partnership and Novagas Clearinghouse Pipelines Limited Partnership (collectively "NCL"), a joint venture between Dynegy and NOVA. Pursuant to the agreements, Dynegy Canada Inc. ("DCI"), a wholly owned indirect subsidiary of Dynegy, acquired NCL's natural gas marketing business, excluding the natural gas aggregation business of Pan-Alberta Gas Ltd. ("Pan-Alberta"), from NCL and sold its aggregate 49.9 percent interest in NCL to NOVA Gas International ("NGI"), a subsidiary of NOVA. NOVA assumed full ownership of NCL's gathering and processing business and the operations of Pan-Alberta. The restructuring included amendments to or termination of various agreements between NCL, Dynegy, NOVA and certain affiliates of both Dynegy and NOVA. Dynegy realized a pretax gain on the sale of its interest in NCL of $7.8 million, which is classified as other income in the accompanying consolidated statements of operations for the year ended December 31, 1997. The acquisition by Dynegy of NCL's marketing business was accounted for under the purchase method of accounting. Accordingly, the purchase price of $4.0 million, inclusive of transaction costs, was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of April 1, 1997, the effective date of the acquisition for accounting purposes.

Restructuring of Accord Energy Limited ("Accord"). In early 1997, British Gas completed a restructuring whereby Centrica plc ("Centrica") was demerged from British Gas and British Gas was renamed BG plc ("BG"). Centrica became the Company's joint venture partner in Accord. BG holds the approximate 26 percent stake in Dynegy's common stock formerly held by British Gas. On May 2, 1997, Centrica and the Company completed a restructuring of Accord by converting certain common stock interests in Accord to participating preferred stock interests as of an effective date of January 1, 1997. Centrica and the Company own 75 percent and 25 percent, respectively, of the outstanding participating preferred stock shares of Accord. The participating preferred stock has (a) the right to receive cumulative dividends on a priority basis to other corporate distributions by Accord, and (b) limited voting rights. In addition, Centrica has an option to purchase the Company's participating preferred stock interest at any time after July 1, 2000, at a formula based price, as defined in the agreement. As part of the reorganization, Centrica will operate Accord while Dynegy obtained the right to market natural gas, gas liquids and crude oil in the United Kingdom, which occurs through its wholly owned subsidiary Dynegy UK Limited ("Dynegy UK"). No gain or loss was recognized as a result of this restructuring and Dynegy's investment in Accord continues to be accounted for under the equity method.

Note 12 -- IMPAIRMENT, ABANDONMENT AND OTHER CHARGES

During the fourth quarter of 1997, the Company recognized a $275 million charge principally related to impairment of certain long-lived assets, abandonment of certain operating assets and reserves for obsolescence, contingencies and other obligations. The charge primarily resulted from the completion of a plan of restructuring of the Company's natural gas liquids and crude oil businesses, which includes rationalization and consolidation of assets acquired in both the Trident and Chevron Combinations, and the pursuit of a joint venture partner in order to achieve critical mass in its crude oil marketing business. In addition, a company-wide reorganization of reporting responsibilities and improvements in business processes and computer information systems resulted in the identification during the fourth quarter of 1997 of other obsolete assets and a reduction of employees involved in non-strategic operations.

The charge, which was substantially non-cash in nature, consisted of the following (in thousands):

Abandonment of long-lived operating assets	$ 154,984
Impairment of operating assets and intangibles	79,550
Inventory obsolescence reserve and write-off	10,340
Write-off of other obsolete assets	12,011
Contingency and other obligation reserves	16,750
Severance charge	1,365
	$ 275,000

The fair values of the assets impaired and abandoned were determined using a discounted cash flow methodology. During 1998, Management substantially completed its plan of rationalization, reorganization and abandonment of assets anticipated at the end of 1997. In addition, pursuant to the execution of the restructuring plan, a charge of $9.6 million related to severance charges was recognized in the first quarter of 1998. The severance charge was related to the termination of approximately 200 corporate and field employees. The charge recognized in the first quarter of 1998 approximated the actual severance expenditures.

Also during the fourth quarter of 1997, the Company changed its method for accounting for certain business process re-engineering and information technology transformation costs pursuant to a consensus reached in November 1997 by the EITF. The EITF concluded that all re-engineering costs, including those incurred in connection with a software installation, should be expensed as incurred. The Company had previously capitalized certain re-engineering costs and was amortizing such costs over the estimated useful lives of the projects. The cumulative effect of this change in accounting of $14.8 million, net of tax, represented the one-time charge for the aggregate unamortized re-engineering costs previously capitalized.

Note 13 -- EMPLOYEE COMPENSATION, SAVINGS AND PENSION PLANS

Corporate Incentive Plan. Dynegy maintains a discretionary incentive plan to provide employees competitive and meaningful rewards for reaching corporate and individual objectives. Specific rewards are at the discretion of the Compensation Committee of the Board of Directors ("Compensation Committee").

Profit Sharing/Savings Plan. The Company established the Dynegy Profit Sharing/401(k) Savings Plan ("Plan"), which meets the requirements of Section 401(k) of the Internal Revenue Code, and is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan and related trust fund are established and maintained for the exclusive benefit of participating employees in the United States and certain expatriates. Similar plans are available to other employees resident in foreign countries subject to the laws of each country. All eligible employees may participate in the plans and employee contributions are generally matched dollar-for-dollar for the first 5 percent of compensation, subject to Company performance. Employees vest in the Company's contributions over various periods. The Company also makes profit sharing contributions to employees' accounts regardless of their individual participation in the Profit Sharing/Savings Plans.

Matching contributions to the Plan and certain discretionary profit sharing contributions are made in Company common stock, other contributions are made in cash. During the years ended December 31, 1999, 1998 and 1997, Dynegy recognized aggregate costs related to these employee compensation plans of $24.9 million, $12.9 million and $9.7 million, respectively.

Pension Plan. Through a business acquisition, the Company acquired a noncontributory defined benefit pension plan and such plan remains in existence at December 31, 1999. The Trident NGL, Inc. Retirement Plan ("Retirement Plan") is a qualified plan under the Internal Revenue Service regulations. The Retirement Plan is closed to new participants. Benefits are based on years of service and final average pay, as defined in the Retirement Plan document. Contributions to the Retirement Plan in 1999 and 1998 represent the minimum amount required by federal law and regulation. The Retirement Plan's funded status and amount recognized in Dynegy's balance sheet at December 31, 1999 and 1998, were:

	December 31,	
	1999	1998
	($ in thousands)	
Projected benefit obligation, beginning of the year	$ 11,755	$ 9,378
Service cost	545	665
Interest cost	718	722
Curtailment	(1,940)	--
Actuarial (gain) loss	(1,102)	1,137
Benefits paid	(216)	(147)
Projected benefit obligation, end of the year	$ 9,760	$ 11,755

Fair value of plan assets, beginning of the year	$	9,345	$	8,480
Actual return on plan assets		1,125		615
Employer contributions		41		397
Benefits paid		(216)		(147)
Fair value of plan assets, end of the year	$	10,295	$	9,345
Funded status	$	(534)	$	2,410
Unrecognized net gain from past experience different from that assumed		4,995		3,668
Pension liability	$	4,461	$	6,078

Current year pension expense is based on measurements of the projected benefit obligation and the market related value of the Retirement Plan assets as of the end of the year. The projected benefit obligation at December 31, 1999 and 1998, was based on a discount rate of 7.5 and 7.0 percent, and an average long-term rate of compensation growth of 3.5 percent, respectively. The expected long-term rate of return on the Retirement Plan assets was estimated at 8.0 percent in 1999 and 1998.

The components of net pension expense for the Retirement Plan were:

	Years Ended December 31,			
	1999		1998	
	($ in thousands)			
Service cost benefits earned during period	$	545	$	665
Interest cost on projected benefit obligation		718		722
Expected return on plan assets		(717)		(618)
Amortization of unrecognized gain		(182)		(218)
Net periodic pension cost	$	364	$	551

Note 14 -- RELATED PARTY TRANSACTIONS

Transactions between the Company and Chevron result principally from the ancillary agreements entered into as part of the Chevron Combination. Transactions with Chevron and transactions between Dynegy, NOVA and BG result from purchases and sales of natural gas, natural gas liquids and crude oil between subsidiaries of Dynegy and these companies. It is management's opinion that these transactions are executed at prevailing market rates. During the years ended December 31, 1999, 1998 and 1997, the Company recognized in its statement of operations aggregate sales to, and aggregate costs from, these significant shareholders of $1.1 billion and $2.0 billion, $888 million and $1.7 billion, and $788.9 million and $2.4 billion, respectively. Pursuant to the terms of the Illinova acquisition, NOVA and BG reduced their respective stakes in Dynegy to less than 5 percent.

Note 15 -- SEGMENT INFORMATION

The Company has adopted Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" and has restated its segment disclosures for all reporting periods. Dynegy's operations are divided into two reportable segments: Energy Convergence and Midstream. The Energy Convergence segment is actively engaged in value creation through marketing and trading of natural gas, power and coal and the generation of electricity principally under the name Dynegy Marketing and Trade. The Midstream segment consists of the North American midstream liquids operations, as well as the international liquefied petroleum gas transportation and natural gas liquids marketing operations located in Houston and London, and certain other businesses. The North American midstream liquids operations are actively engaged in the gathering and processing of natural gas and the transportation, fractionation and storage of NGLs. This segment operates principally under the name Dynegy Midstream Services. Generally, Dynegy accounts for intercompany transactions at prevailing market rates. Operating segment information for 1999, 1998 and 1997 is presented below.

DYNEGY'S SEGMENT DATA FOR THE YEAR ENDED DECEMBER 31, 1999

	Energy Convergence	Midstream	Elimination	Total
		($ in thousands)		
Unaffiliated revenues:				
Domestic	$ 9,855,757	$ 3,143,085	$ ---	$ 12,998,842
Canadian	1,445,779	9,795	---	1,455,574
United Kingdom	975,560	---	---	975,560
	12,277,096	3,152,880	---	15,429,976
Intersegment revenues				
Domestic	355,340	239,848	(595,188)	---
Canadian	58,663	8,517	(67,180)	---
United Kingdom	---	---	---	---
	414,003	248,365	(662,368)	---
Total revenues	12,691,099	3,401,245	(662,368)	15,429,976
Operating margin	283,594	260,281	---	543,875
Depreciation and amortization	(35,116)	(94,342)	---	(129,458)
Interest expense	(36,433)	(41,731)	---	(78,164)
Interest and other income	57,453	15,834	---	73,287
Equity earnings of unconsolidated affiliates	62,185	17,669	---	79,854
Income tax (provision) benefit	(58,098)	(16,579)	---	(74,677)
Net income from operations	106,631	45,218		151,849
Cumulative effect of change in accounting principle	---	---	---	---
Net income	106,631	45,218	---	151,849
Identifiable assets:				
Domestic	$ 3,465,730	$ 2,549,773	$ ---	$ 6,015,503
Canadian	266,338	68,107	---	334,445
United Kingdom	175,223	---	---	175,223
Investment in unconsolidated affiliates	458,552	168,783	---	627,335
Capital expenditures	356,506	92,016	---	448,522

DYNEGY INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DYNEGY'S SEGMENT DATA FOR THE YEAR ENDED DECEMBER 31, 1998

	Energy Convergence	Midstream	Elimination	Total
	($ in thousands)			
Unaffiliated revenues:				
Domestic	$ 9,149,299	$ 3,307,320	$ ---	$ 12,456,619
Canadian	969,853	209,830	---	1,179,683
United Kingdom	621,695	---	---	621,695
	10,740,847	3,517,150	---	14,257,997
Intersegment revenues				
Domestic	157,492	250,280	(407,772)	---
Canadian	61,223	---	(61,223)	---
United Kingdom	---	---	---	---
	218,715	250,280	(468,995)	---
Total revenues	10,959,562	3,767,430	(468,995)	14,257,997
Operating margin	236,275	192,412	---	428,687
Depreciation and amortization	(29,026)	(84,176)	---	(113,202)
Interest expense	(24,944)	(50,048)	---	(74,992)
Interest and other income	6,763	40,058	---	46,821
Equity earnings of unconsolidated affiliates	75,242	15,796	---	91,038
Income tax (provision) benefit	(52,262)	1,924	---	(50,338)
Net income from operations	90,750	17,603	---	108,353
Net income	90,750	17,603	---	108,353
Identifiable assets:				
Domestic	$ 2,838,367	$ 2,036,795	$ ---	$ 4,875,162
Canadian	257,070	6,947	---	264,017
United Kingdom	125,058	---	---	125,058
Investment in unconsolidated affiliates	343,819	158,794	---	502,613
Capital expenditures	359,516	118,948	---	478,464

DYNEGY'S SEGMENT DATA FOR THE YEAR ENDED DECEMBER 31, 1997

	Energy Convergence	Midstream	Elimination	Total
		($ in thousands)		
Unaffiliated revenues:				
Domestic	$ 8,070,692	$ 4,205,759	$ ---	$ 12,276,451
Canadian	632,411	264,028	---	896,439
United Kingdom	205,490	---	---	205,490
	8,908,593	4,469,787	---	13,378,380
Intersegment revenues				
Domestic	83,944	437,567	(521,511)	---
Canadian	30,580	---	(30,580)	---
United Kingdom	1,314	---	(1,314)	---
	115,838	437,567	(553,405)	---
Total revenues	9,024,431	4,907,354	(553,405)	13,378,380
Operating margin	126,805	258,489	---	385,294
Impairment, abandonment and other charges	(20,228)	(254,772)	---	(275,000)
Depreciation and amortization	(16,425)	(87,966)	---	(104,391)
Interest expense	(12,214)	(51,241)	---	(63,455)
Interest and other income	13,209	14,904	---	28,113
Equity earnings of unconsolidated affiliates	36,241	22,718	---	58,959
Income tax (provision) benefit	(8,710)	70,920	---	62,210
Net income (loss) from operations	24,321	(112,006)	---	(87,685)
Cumulative effect of change in accounting principle	(7,289)	(7,511)	---	(14,800)
Net income (loss)	17,033	(119,518)	---	(102,485)
Identifiable assets:				
Domestic	$ 1,882,965	$ 2,299,312	$ ---	$ 4,182,277
Canadian	239,090	40,900	---	279,990
United Kingdom	54,635	---	---	54,635
Investment in unconsolidated affiliates	310,445	160,032	---	470,477
Capital expenditures	815,271	189,388	---	1,004,659

Note 16 -- QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following is a summary of the Company's unaudited quarterly financial information for the years ended December 31, 1999 and 1998.

	Quarter Ended			
	March 1999	June 1999	September 1999	December 1999
	($ in thousands, except per share data)			
Revenues	$ 3,044,973	$ 3,160,757	$ 4,584,929	$ 4,639,317
Operating margin	120,077	125,747	158,814	139,237
Income before income taxes	40,683	41,510	75,434	68,899
Net income	28,071	27,976	50,692	45,110
Net income per share	0.17	0.17	0.30	0.26

	Quarter Ended			
	March 1998	June 1998	September 1998	December 1998
	($ in thousands, except per share data)			
Revenues	$ 3,315,569	$ 3,278,214	$ 4,586,515	$ 3,077,699
Operating margin	96,989	107,915	105,985	117,798
Income (loss) before income taxes	16,411	35,043	63,739	43,498
Net income (loss)	12,339	23,441	43,645	28,928
Net income (loss) per share (1)	0.07	0.14	0.27	0.18

(1) Net income (loss) per share amounts have been restated to conform to the provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share."

NOTE 17 - SUBSEQUENT EVENTS

Illinova Acquisition. Dynegy completed its acquisition of Illinova early in the first quarter 2000. The merger of Dynegy and Illinova involved the creation of a new holding company, now known as Dynegy Inc., and two separate but concurrent mergers. In one concurrent merger, a wholly-owned subsidiary of Dynegy Inc. merged with and into Illinova. In the other concurrent merger, a second wholly-owned subsidiary of Dynegy Inc. merged with and into old Dynegy. As a result of these two concurrent mergers, Illinova and old Dynegy continue to exist as wholly-owned subsidiaries of Dynegy Inc., and are referred to as Illinova Holding and Dynegy Holding, respectively. Dynegy accounted for the merger as a purchase of Illinova. This accounting treatment is based on various factors present in the merger, including the majority ownership (and voting control) of Dynegy's shareholders following the merger, the role of Dynegy's management following the merger (including the service of C.L. Watson as Chairman and Chief Executive Officer) and the influence of Chevron because of the size of its ownership interest and its rights under the shareholder agreement, articles of incorporation and bylaws. As a result, the consolidated financial statements of Dynegy after the merger will reflect the assets and liabilities of Dynegy Holding at historical book values and the assets and liabilities of Illinova at allocated fair values. For accounting purposes, the effective date of the merger will be January 1, 2000. This date was selected as a result of the following factors:

- Affirmative consent had been acquired from both shareholder groups prior to January 1, 2000,
- All regulatory consents had been acquired prior to January 1, 2000,
- Material terms of the purchase and sale agreement for the qualifying facilities, a condition precedent to the closing, had been negotiated on or about January 1, 2000, and
- Board, executive, commercial, financial and regulatory oversight of Illinova's operations had transferred to Dynegy on or about January 1, 2000.

In the combination, Dynegy shareholders, other than Chevron U.S.A. Inc. ("Chevron"), NOVA Gas Services (U.S.) Inc. ("NOVA") and BG Holdings, Inc., elected to exchange each Dynegy share for 0.69 of a share of Dynegy Class A common stock, based on a fixed exchange ratio, or elected to receive $16.50 per share in cash consideration, subject to proration. NOVA and BG Holdings, Inc. elected cash and thereby reduced their respective ownership in Dynegy as part of this combination. Therefore, instead of receiving Dynegy Class A common stock in exchange for their respective shares of Dynegy Holding common stock, NOVA and the parent of BG Holdings, Inc. each received a combination of cash, subject to proration, and shares of Dynegy Series A Convertible Preferred Stock. Chevron received shares of Dynegy Class B common stock in exchange for all of its shares of Dynegy Holding common stock and Series A Preferred, respectively. Additionally, as part of the combination, Chevron purchased $200 million of additional Dynegy Class B common stock. Each share of Illinova common stock was converted into one share of Dynegy Class A common stock. Immediately after the combination, former Dynegy shareholders owned approximately 51 percent of the outstanding shares of Dynegy.

Approximately 60 percent of the consideration received by existing Dynegy shareholders was in the form of Dynegy stock and 40 percent was cash. In aggregate, the cash portion of the consideration approximated $1.07 billion. Dynegy financed the cash component of the merger initially with borrowings under a debt facility and the issuance of $200 million of Class B common stock to Chevron. Dynegy anticipates repaying or refinancing a significant portion of the debt facility with proceeds from an offering of equity securities, additional public debt issuances, proceeds from asset sales and cash flow from operations.

Asset Dispositions. In early 2000, the Company entered into agreements to dispose of certain assets for aggregate net proceeds approximating $560 million. In addition, the Company has stated its intent to dispose of its domestic crude oil marketing operations, likely in the first quarter 2000. These transactions result from statutory requirements pursuant to the acquisition of Illinova or for the purpose of eliminating operating assets considered non-strategic or which were under-performing in comparison to other assets in the portfolio. The net proceeds received in these transactions are being used to retire merger-related debt or are being re-deployed into the Company's capital investment program. The financial impact of these transactions in the aggregate is not expected to be material to Dynegy's results of operations or financial position for the year ended December 31, 2000. Further, disposition of these assets is not expected to have a material adverse effect on Dynegy's prospective competitive position in the businesses in which it operates. The assets sold consist of nine cogeneration facilities designated as qualifying facilities under PURPA law and substantially all of the Company's natural gas processing facilities and related infrastructure in the Mid-Continent region.

Schedule I

DYNEGY INC.
CONDENSED BALANCE SHEETS OF REGISTRANT
(in thousands, except share data)

	December 31, 1999	December 31, 1998
ASSETS		
Current Assets		
Cash	$ ---	$ 209,439
Accounts receivable	3,209	500
Intercompany accounts receivable	709,119	446,959
Prepayments and other assets	9,471	6,773
	721,799	663,671
Property, Plant and Equipment	3,246	3,297
Less: accumulated depreciation	(2,825)	(2,587)
	421	710
Other Assets		
Investments in affiliates	1,763,922	1,514,635
Intercompany note receivable	500,590	343,311
Deferred taxes and other assets	30,308	22,225
	$ 3,017,040	$ 2,544,552
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Intercompany accounts payable	$ ---	$ 155,131
Accrued liabilities	126,546	146,100
	126,546	301,231
Long-Term Debt	1,299,333	913,000
Company Obligated Preferred Securities of Subsidiary Trust	200,000	200,000
Other Liabilities	81,679	2,258
	1,707,558	1,416,489
Commitments and Contingencies		
Stockholders' Equity:		
Preferred stock, $0.01 par value, 50,000,000 shares Authorized: 8,000,000 shares designated as Series A Participating Preferred Stock, 7,815,363 shares issued and Outstanding at December 31, 1999 and 1998	75,418	75,418
Common stock, $0.01 par value, 400,000,000 shares Authorized: 157,499,001 shares issued at December 31, 1999, and 153,298,220 shares issued at December 31, 1998	1,575	1,533
Additional paid-in capital	973,000	935,183
Retained earnings	277,074	133,340
Less: treasury stock, at cost: 1,200,700 shares at December 31, 1999 1,200,700 shares at December 31, 1998	(17,585)	(17,411)
	1,309,482	1,128,063
	$ 3,017,040	$ 2,544,552

See Note to Registrant's Financial Statements.

Schedule I

DYNEGY INC.
STATEMENTS OF OPERATIONS OF THE REGISTRANT
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1999
(in thousands)

	1999	1998	1997
Depreciation and amortization	$ (238)	$ (241)	$ (1,292)
Impairment, abandonment and other charges	---	(959)	(3,886)
Operating loss	(238)	(1,200)	(5,178)
Equity in earnings of affiliates	249,287	215,928	(115,108)
Intercompany interest and other income	65,325	13,667	16,928
Interest expense	(82,825)	(68,403)	(45,790)
Other expenses	(5,023)	(1,301)	(747)
Income (loss) before income taxes	226,526	158,691	(149,895)
Income tax provision (benefit)	74,677	50,338	(62,210)
Net income (loss) from continuing operations before cumulative effect of change in accounting	151,849	108,353	(87,685)
Cumulative effect of change in accounting principle (net of income tax benefit of $7,913)	---	---	(14,800)
NET INCOME (LOSS)	$ 151,849	$ 108,353	$ (102,485)

See Note to Registrant's Financial Statements.

Schedule I

DYNEGY INC.
STATEMENTS OF CASH FLOWS OF THE REGISTRANT
FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1999
(in thousands)

	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 151,849	$ 108,353	$ (102,485)
Items not affecting cash flows from operating activities:			
Depreciation and amortization	238	1,864	9,631
Equity in earnings of affiliates, net of cash distributions	(249,287)	(215,928)	115,108
Deferred taxes	63,167	50,338	(86,424)
Other	---	---	12,344
Change in assets and liabilities resulting from operating activities:			
Accounts receivable	(2,709)	(468)	76
Intercompany transactions	(574,518)	239,586	636,063
Prepayments and other assets	(2,698)	(2,212)	(2,749)
Accrued liabilities	8,939	3,693	1,529
Other, net	25,043	(29,778)	2,493
Net cash (used in) provided by operating activities	(579,976)	155,448	585,586
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	---	---	(5,121)
Acquisitions	---	(2,644)	(785,349)
Other	---	---	---
Net cash used in investing activities	---	(2,644)	(790,470)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	397,488	212,259	2,218,500
Repayments of long-term borrowings	---	(493,277)	(2,198,000)
Net proceeds from commercial paper and money market lines of credit	(42,161)	350,758	---
Intercompany advances	---	---	---
Proceeds from sale of capital stock, options and warrants	21,855	3,863	203,190
Treasury stock acquisitions	(174)	(6,905)	(10,506)
Capital contributions	---	---	---
Dividends and other distributions	(8,115)	(7,988)	(7,925)
Other financing	1,644	(2,450)	---
Net cash provided by financing activities	370,537	56,260	205,259
Net (decrease) increase in cash and cash equivalents	(209,439)	209,064	375
Cash and cash equivalents, beginning of period	209,439	375	---
Cash and cash equivalents, end of period	$ ---	$ 209,439	$ 375
SUPPLEMENTAL CASH FLOW INFORMATION:			
Interest paid (net of amount capitalized)	$ 97,540	$ 100,589	$ 60,323
Taxes paid (net of refunds)	$ 1,927	$ (8,000)	$ 8,043
Cash dividends paid to parent by consolidated or unconsolidated subsidiaries	$ ---	$ ---	$ ---

See Note to Registrant's Financial Statements.

Schedule I

DYNEGY INC.

NOTE TO REGISTRANT'S FINANCIAL STATEMENTS

Note 1 -- BASIS OF PRESENTATION

Dynegy Inc. ("Dynegy" or the "Company") is a holding company that principally conducts all of its business through its subsidiaries. The Company is the result of a strategic business combination ("Trident Combination") between Natural Gas Clearinghouse and Trident NGL Holding, Inc. ("Holding"), under which Holding was renamed NGC Corporation. Pursuant to the terms of the Trident Combination, Holding was the legally surviving corporation and Clearinghouse was considered the acquiring company for accounting purposes resulting in a new historical cost basis for Holding beginning March 1, 1995, the effective date of the Trident Combination. During 1998, the Company changed its name to Dynegy Inc. in order to reflect its evolution from a natural gas marketing company to an energy services company capable of meeting the growing demands and diverse challenges of the dynamic energy market of the 21st Century.

The accompanying condensed Registrant Financial Statements were prepared pursuant to rules promulgated by the Securities and Exchange Commission. In accordance with these rules, the accompanying statements reflect the financial position, results of operations and cash flows of Dynegy, the holding company of Dynegy Inc., at December 31, 1999 and 1998, and for the years then ended through December 31, 1999, respectively. These statements should be read in conjunction with the Consolidated Statements and notes thereto of Dynegy Inc.

FLORIDA TELECOMMUNICATIONS PRICE LIST

This price list contains the descriptions, regulations, and rates governing applicable to the provision of alternative local exchange telecommunications, dedicated, and special services (including high capacity and other private line services) for connection to public and private communications facilities by Dynegy CLEC Communications, Inc., with principal offices at 2821 S. Parker Road, Suite 700, Pavilion Tower II, Aurora, CO 80014. This price list applies to services furnished within the State of Florida. This price list is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the company's principal place of business.

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Sheet No.

TABLE OF CONTENTS (continued)

Sheet No.

Check Sheet

The pages of the price list are effective as of the date shown. The original and revised sheets named below contain all changes from the original price list and are in effect on the date shown.

Sheet	Revision
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original
17	Original
18	Original
18	Original
19	Original
20	Original
21	Original
22	Original
23	Original
24	Original
25	Original
26	Original
27	Original
28	Original
29	Original
30	Original
31	Original
32	Original
33	Original
34	Original
35	Original

Check Sheet
(continued)

Sheet	Revision
35	Original
37	Original
38	Original
39	Original
40	Original
41	Original
42	Original
43	Original
44	Original
45	Original
46	Original
47	Original

* Indicates a new or changed page

PRELIMINARY STATEMENT

This price list sets forth the service offering, rates, terms, and conditions applicable to the furnishing of interstate services and special services (including high capacity and other private line services) by Dynegy CLEC Communications, Inc. within the State of Florida.

The rates, rules, terms, and conditions herein apply to service provided throughout the service area of Dynegy CLEC Communications, Inc. as defined in this price list. The Company may furnish special services through any suitable technology or equipment, at the Company's discretion. The availability of the special services may be limited to certain physical arrangements and is subject to the availability of adequate facilities. As a result, special services will not be available to all customers or in all locations.

The rates, rules, terms and conditions herein are subject to change pursuant to the rules and regulations of the Florida Public Service Commission.

This price list shall be maintained in its currently effective form and is available for inspection by any customer at Dynegy CLEC Communications, Inc.'s business office: 2821 South Parker Road, Suite 700, Pavilion Tower II, Aurora, CO 80014.

PRELIMINARY STATEMENT (continued)

1. Application of Price list

This price list applies to intrastate services supplied to customers for origination and termination of traffic to and from points within the State of Florida.

2. Explanation of Symbols

When changes are made on any price list page, a revised page will be issued canceling the price list sheet affected. Changes will be identified on the revised pages(s) through the use of the following symbols:

(D)	Delete or discontinue
(I)	Change resulting in an increase to a Customer's bill
(M)	Moved from another price list locations
(N)	New
(R)	Change resulting ion a reduction to a Customer's bill
(T)	Change in text or regulation, but no change in rate or charge

In addition to symbols for changes, each changed provision in the price list shall contain a vertical line in the right hand margin of the page, which clearly shows the exact number of lined being changed.

PRELIMINARY STATEMENT (continued)

3. Sheet Numbering

Sheet numbers appear in the upper right hand corner of the page. Sheets are numbered sequentially, and from time to time new pages may be added to the price list. When a new page is added between existing pages, a decimal is added to the preceding page number. For example, a new page added between sheets 3 and 4 would be numbered 3.1.

4. Paragraph Numbering

There are six levels of paragraph coding. Each level of coding is subsequent to its next higher level.

2.
2.2
2.1.1
2.1.1.A
2.1.1.A.1
2.2.1.A.1.(a)

1. TERMS AND ABBREVIATIONS

1.1 Definitions

Certain terms used generally throughout this price list are described below.

Access Line: An arrangement which permits connects the Customer's location to the Company's designated telephone exchange or serving central office.

Agent: A representative, whose function is to bring about, modify, affect, accept performance of, or terminates contractual obligations between the Company, its applicants or Customers.

Applicant: A person, company, or any other legal entity that applies for the Company's service(s).

Application: A request made orally or in writing to the Company's service(s).

Bit: The smallest unit of information in the binary system of notification.

Central Office: A switching unit in a telephone system which provides service to the general public, having the necessary equipment and operating arrangements for terminating and interconnecting customer lines and/or trunks. There may be more than one central office in and area.

Channel: A path or paths for electrical communications between two or more stations or telephone company offices and furnished in such a manner as the telephone company may elect.

Class of Service: The various categories of service generally available to customers, such as business and residential

Commission: Florida Public Service Commission

Company: Dynegy CLEC Communications, Inc.

Cost: The cost of labor and materials, which includes appropriate amounts to cover the Company's general operating and administrative expenses.

Construction Charge: A separate non-recurring charge made for the construction of facilities in excess of those contemplated under the rates quoted in this price list.

1. TERMS AND ABBREVIATIONS (continued)

1.1 Definitions (continued)

Contract: The agreement between a customer and the Company under which service(s) and/or facilities are furnished in accordance with applicable provisions of the price list.

Customer: A natural person, corporation, association, municipality, cooperative, organization, government agency, or other legal entity that orders the Company's service(s) and is responsible for the payment of the associated charges, and compliance with the terms and conditions of this price list.

Customer Provided Equipment: All computers and systems, communications systems, devices, apparatus and their associated software and wiring, provided by Customer.

Date of Presentation: Postmark date on billing envelope.

Digital Subscriber Line (xDSL): A technology that uses a metallic copper loop to provide high-speed data transmission services.

Facilities: Includes, in the aggregate or otherwise, but is not limited to, the following:

channels	lines
apparatus	devices
equipment	accessories
communications	path(s) systems

which are provided by the Company and utilized by in the furnishing of the Company's service(s), or which are provided by a customer and used for telecommunications purposes.

Individual Case Basis (ICB): A service arrangement in the regulations, rates and charges are developed based specific requirements of the customer.

Installation Charge: A non-recurring charge made at the time of installation of service(s), which may apply in place of or in addition to service charges and other applicable charges for service or equipment.

Kbps: Kilobits per second, denotes thousands of bits per second.

(LEC): Local Exchange Carrier as defined in §364.02(6), Florida Statutes.

Loop: Segments of a line that extend from a serving central office to the originating and terminating point.

1. TERMS AND ABBREVIATIONS (continued)

1.1 Definitions (continued)

Non-recurring Charge: A one time charge associated with a specific item or equipment or service. This charge applies to installation and to subsequent modifications.

Non-Sufficient Funds Check: Any negotiable instrument returned by a bank, savings institution or other eligible institution which is returned by that institution with one of the following instructions: non-sufficient funds, uncollectible funds, account closed, account frozen, no account.

Person: A natural person, corporation, association, municipality, cooperative, organization, government agency, or other legal entity.

Price List: The rates, charges, rules and regulations adopted by the Company and filed with the Commission.

Recurring Charge: A monthly charge to the Customer for services, facilities and equipment, that continues for the duration of the service.

Service Connection Charge: The non-recurring charge a customer is required to pay at the time of the establishment of service(s) or subsequent additions to the service(s).

Service Order: The written request for the Company's service(s), executed by the Customer and the Company, in a format devised by the Company. The signing of a Service Order form by the Customer and acceptance by the Company initiates the respective obligations of the parties as set for therein, and pursuant to this price list.

Termination: Permanent disconnection of telecommunications service.

Termination Charge: A charge applied under certain conditions when the customer terminates a contract for service before the expiration of the minimum service period.

User: A Customer, joint user, or any other person authorized by a Customer to use the services provided under this price list.

1. TERMS AND ABBREVIATIONS (continued)

1.2 Abbreviations

DSL (xDSL): Digital Subscriber Line

DSLAM(S): Digital Subscriber Line Access Multiplexer(s)

IDSL: Integrated Digital subscriber Lines

ISDN: Integrated Services Digital Network

Kbps: Kilobits per second

LEC: Local Exchange Carrier

Mbps: Megabits per second

POI: Point of Interface

SDSL: Symmetrical Digital Subscriber Line

2. RULES AND REGULATIONS

2.1 Undertaking of the Company

2.1.1 Scope

The Company undertakes to furnish communications service pursuant to the term of this price list in connection with one-way and/or two-way information transmission between points within the United States of America.

Customers and Users may use services and facilities provided under this price list to obtain access to services offered by other service providers. The Company is responsible under this price list only for the services and facilities provided hereunder, and it assumes no responsibility for any service provided by any other entity that purchases services form the Company and/or services under this price list, in order to originate or terminate its own services, or to communicate with its own customers.

2.1.2 Shortage of Equipment or Facilities

A. The company reserves the right to limit or to allocate the use of existing facilities, or of additional facilities offered by the Company, when necessary because of a lack of facilities, or due to any other cause beyond the Company's control.

B. The Company will provide service within three hundred (300) feet from the area abutting its transmission facilities as defined herein.

C. The furnishing of all services under this price list is subject to the availability on a continuing basis of all the necessary facilities and is limited to the capacity of the Company's facilities as well as facilities the Company may obtain from other carriers to furnish service from time to time as required at the sole discretion of the Company.

2.1.3 Terms and Conditions

A. Service is provided on the basis of a minimum period of at least one month, 24-hours per day. For the purpose of computing charges in this price list, a month is considered to have 30 days.

2. RULES AND REGULATIONS (continued)

2.1 Undertaking of the Company (continued)

2.1.3 Terms and Conditions (continued)

B. Persons desiring to obtain the Company's service may do so by completing the Company's standard Service Order form(s) or by oral agreement.

An Applicant for service must pay all previous indebtedness for all prior telecommunications services that have been furnished by the Company before new service(s) will be furnished.

An application for service becomes a contract upon the signing of the Company's Service Order form or by oral mutual agreement. Neither the contract nor any rights acquired thereunder may be assigned or in any manner transferred by the Customer.

C. Except as except as otherwise provided, the initial (or minimum) period for all services and facilities is one (1) month at the same location. Customers may terminate service at any time by providing the Company notice. in writing, and all recurring charges shall be prorated to the date of disconnection of service.

The Company may require a contract period longer than one (1) month at the same location in connection with Business Service and special (nonstandard) types of arrangements of equipment, or for unusual construction, necessary to meet special demands and involving extra costs.

2. RULES AND REGULATIONS (continued)

2.1 Undertaking of the Company (continued)

2.1.4 Customer Responsibilities

The Customer shall be responsible for:

A. The payment for all applicable charges as set forth in this price list.

B. Damage of loss of the Company's facilities or equipment caused by the acts or omissions of the Customer or authorized user, the noncompliance by the Customer or authorized user with these regulations; or by fire or theft or other casualty on the premises of the Customer or authorized user unless caused by the negligence or willful misconduct of the employee or agents of the Company.

C. Providing as specified from time to time by the Company any needed personnel, equipment, space and power to operate Company facilities and equipment installed on the premises of the customer or authorized user and the level of heating and air conditioning necessary to maintain the proper environment on such premises.

D. Obtaining, maintaining, and otherwise having full responsibility for all rights of way and conduit necessary for installation of facilities and associated equipment used to provide service to the Customer or authorized user from the point of entry to the termination point of the Customer's premises. Any and all costs associated with the obtaining and maintaining of the rights-of-way described herein, including the cost of altering the structure to permit installation of the Company provided facilities shall be borne entirely by, or may be charged by, the Company to the Customer. The Company may require the Customer to demonstrate its compliance with this section prior to accepting an order for service.

E. Providing a safe place to work and complying with all laws and regulations regarding the working conditions on the premises at which Company employees and agents shall be installing or maintaining the Company's facilities and equipment. The Customer may be required to install and maintain Company facilities and equipment within a hazardous are if harm to the Company's employees or property might result from installation or maintenance by the Company.

2. RULES AND REGULATIONS (continued)

2.1 Undertaking of the Company (continued)

2.1.4 Customer Responsibilities (continued)

F. Complying with all laws and regulations applicable to, and obtaining all consents, approvals, licenses, and permits as may be required with respect to the locations of Company facilities and equipment in any Customer premises or the rights-of-way for which the Customer is responsible, and obtaining permission for Company agents or employees to enter the premises of the Customer or authorized user at any reasonable hour for the purpose of installing, inspecting, repairing, or upon termination of service as stated herein, removing the facilities or equipment of the Company.

G. Making Company facilities and equipment available periodically for maintenance purposes at a time agreeable to both the Company and Customer. No allowance will be made for the period during which service is interrupted for such purposes.

H. Keeping the Company's equipment and facilities located on the Customer's premises, or rights-of-way obtained by the Customer, free and clear of any liens or encumbrances relating to the Customer's use of the Company's services or from the locations of such equipment and facilities.

2.1.5 Limitations on Liability

Liability of the Company

Service Liabilities

In view of the fact that the customer has exclusive control of their communications over the facilities furnished them by the Company, and of the other uses for which facilities may be furnished them by the Company, and because of unavoidability of errors incident to the services and to the use of such facilities of the Company, the services and facilities furnished by the Company are subject to the following terms, conditions, and limitations.

A. Limitations

1. Except as otherwise provided herein, no liability for direct, incidental or consequential damages shall attach to the Company, its agents, servants or employees, for damages or costs arising from errors, mistake, omissions,

2. RULES AND REGULATIONS (continued)

2.1.5 Limitations on Liability (continued)

A. Limitations (continued)

interruptions, failures, delays, or defect or malfunctions or equipment or facilities, in the course of establishing, furnishing, maintaining, rearranging, moving, terminating, or changing the service or facilities (including the obtaining or furnishing of information in respect thereof or with respect to the customers or users of the service of facilities) in the absence of willful and wanton conduct, whether a claim for such liability is premised upon breach of contract, breach of warranty, fulfillment of warranty, negligence, strict liability, misrepresentation, fraud, or any other theories of liability.

(a) In the vent an error or omission is caused by the negligence of the Company, the liability of the Company shall be limited to and in no event exceed the sum of $100.00.

(b) The Company will not provide a credit allowance for interruptions of service caused by the Customer's facilities, equipment, or systems.

2. The sole and exclusive remedy against the Company for an interruption or failure of service resulting from errors, mistakes, omissions, interruptions, failures, delays, or defects or malfunctions of equipment or facilities shall be as follows:

(a) The Company shall repair or replace any item of its terminal facilities or defective part thereof at its expense. The Company shall have the option to decide whether to repair or replace its terminal facilities.

(b) Allowances are provided for interruptions in service as specified for particular services furnished solely by the Company.

(c) The Company shall allow for interruptions in service of 24 hours or more, not due to conduct of the Customer, an amount equal to the fixed monthly charges for service(s) provided by the Company, multiplied by the ratio of the days of interruption to thirty (30) days. When interruptions continued beyond 24 hours, credit allowance will be given in successive 24 hour multiples. An interruption is deemed to exist from the time it is reported to or detected by the Company. For the purpose of determining the amount of allowance every month is considered to have 30 days.

2. RULES AND REGULATIONS (continued)

2.1.5 Limitations on Liability (continued)

B. Liability

1. The Company shall not be liable for any act or omission of any carrier, Customer or other Company providing a portion of a service, nor shall the Company for its own act ort omission hold liable any carrier, Customer or other Company providing a portion of a service.

2. The Company shall be indemnified, defended and held harmless by the Customer, against any claim, loss or damage arising from the use of services offered under this price list including, but not limited to claims by subscribers or Customers to services provided to the Customer, and users of any services provided by or resold by the Customer. Liability of the Company to another LEC, common carrier, reseller, or service provider resulting from any and all causes, shall not exceed the liability of the Company as stated preceding, and in this paragraph. Specifically, the Company shall be liable only for the service(s) or facility (ies) that it provides and maintains. Such liability shall not exceed an amount equal to the proportionate charge for the service for the period during which the service was affected. In no case shall the Company be liable to another LEC, common carrier, reseller, or service provider or another LEC's common carriers, resellers, or service provider end user, for any indirect, special or consequential damages, including, but not limited to, economic loss, lost business or profits, whether foreseeable or not, and regardless of notification by the other party of the possibility of such damages.

2. RULES AND REGULATIONS (continued)

2.1.5 Limitations on Liability (continued)

B. Liability (continued)

3. Use of Customer-Provided Equipment – The services furnished by the Company, in addition to the preceding limitations, also are subject to the following limitations: the Company shall not be liable for damage arising out of mistakes, omissions, interruptions, delays, errors or defects in transmission or other injury, including but not limited to injuries to persons or property from voltages or current transmitted over the service of the Company (1) caused by or resulting from use of Customer-provide equipment, except where a contributing or concurrent cause is the malfunctioning of a Company provided connecting arrangement, in which event the liability of the Company shall not exceed an mount equal to a proportional amount of the Company billing for the period of service during which such mistake, omission, interruption, delay, error, defect in transmission or injury occurs after notice by the subscriber to the Company.

4. Unauthorized Computer Intrusion – With respect to any other claim or suit by a subscriber, common carrier, reseller, or any other party for damages caused by, or associated with, any unauthorized computer intrusion, including but not limited to, the input of damaging information such as a virus, time bomb, any unauthorized access, interference, alteration, destruction, theft or, tampering with, a Company computer, switch, data, data base, software, information network or other similar system, the Company's liability, if any, shall not exceed an amount equal to the proportionate charge by the Company for the service for the period during which the service provided by the Company was affected or so utilized.

5. Transmission of Data – The Company shall not be held liable for any damage, harm or loss of data caused by the Subscriber using the Company's voice-grade telephone access lines/or facilities for the transmission of data. The Company's liability shall be limited to errors or damages to the retransmissions of voice messages over the facilities, and the liability shall be limited to an amount equal to the proportional amount of the Company's billing for the period of service during which the errors of damages occur.

2. RULES AND REGULATIONS (continued)

2.1.5 Limitations on Liability (continued)

B. Liability (continued)

6. Errors or Damages Caused by System Limitations – The Company's liability for errors or damage resulting from the inability of the Company's systems to process unusual dates, such a the Year 2000, shall be limited to an amount equal to the proportional amount of the Company's billing for the period of service during which the errors or damages occur.

7. The company is not liable for damages to the Customer premises resulting from the furnishing of a service, including the installation and removal of equipment and associated wiring, unless the damage is caused by the Company's negligence.

8. The Company shall be indemnified, defended and held harmless by the Customer against any claim, loss, or damage arising from the Customer's use of service offered under this Price list involving:

   (a) Claims for libel, slander, invasion of privacy, or infringement of copyright arising from the Customer's own communications.

   (b) Claims for patent infringement arising from the Customer's act combining or using the service furnished by the Company in connection with facilities, services, or equipment furnished by the Customer.

   (c) All other claims arising out of any act or omission of the Customer in the course of using services pursuant to this Price list.

   (d) Claims involving the content of the information transmitted through the Company's facilities, including, but not limited to, those related to pornography and indecency.

9. The company does not guarantee or make any warranty with respect to its service when used in an explosive atmosphere. The Company shall be indemnified, defended and held harmless by the Customer from any and all claims y any person relating to such Customer's used of services so provided.

2. RULES AND REGULATIONS (continued)

2.1.5 Limitations on Liability (continued)

B. Liability (continued)

10. No license under patents (other than the limited license to use) is granted by the company or shall be implied or arise by estoppels, with respect to any service offered under this Price list.

11. The Company's failure to provide or maintain services under this Price list shall be excused by labor difficulties, governmental orders, civil commotions, criminal actions taken against the Company, acts of God and other circumstances beyond the Company's reasonable control, subject to the Credit Allowance for Service Interruptions as set forth in this price list.

12. Temporary Suspension for Repairs – The Company shall have the right to make necessary repairs or changes in its facilities at any time and will have the right to suspend or interrupt service temporarily for the purpose of making the necessary repairs of changes in its system. When such suspension or interruption of service for any appreciable period is necessary, the company will give the Customers who may be affected as reasonable notice thereof as circumstances permit, and will prosecute the work with reasonable diligence, and if practical, at times that will cause the least inconvenience.

2. RULES AND REGULATIONS (continued)

2.2 Provision of Equipment and Facilities

A. Except as otherwise indicated, Customer-provided station equipment at the Customer's premises for use in connection with this service shall be so constructed, maintained and operated as to work satisfactorily with the facilities of the Company.

B. The Company shall not be responsible for the installation, operation or maintenance of any Customer-provided equipment. Where such equipment is connected to service furnished pursuant to the Price list, the responsibility of the Company shall be limited to the furnishing of services under this Price list and to the maintenance and operation of such services in the proper manner. Subject to this responsibility, the Company shall not be responsible for:

1. the through transmission of signals generated by Customer-provided equipment or for the quality of, or defects in, such transmission; or

2. the reception of signals by Customer-provided equipment; or

3. network control signaling where such signaling is performed by Customer-provided network control signaling equipment.

2.3 Non-Routine Installation

At the Customer's request, installation and/or may be performed outside the Company's regular business hours or in hazardous locations. In such cases, charges based on cost of the actual labor, material, or other costs incurred by or charges to the Company will apply. If installation is started during regular business hours but, at the Customer's request, extends beyond regular business hours into time periods including, but not limited to, weekends, holidays, and/or night hours, additional labor charges may apply

2. RULES AND REGULATIONS (continued)

2.4 Special Construction

Subject to the agreement of the Company and to all the regulations contained in this Price list, special construction may be undertaken on a reasonable efforts basis at the request of the Customer. Special Construction is that construction undertaken:

A. where facilities are not presently available, and there is no other requirement for the facilities so constructed; or

B. of a type other than that which the Company would normally utilize in the furnishing of its services; or

C. over a route other than that which the Company would normally utilize in the furnishing of its services; or

D. in a quantity greater that that which the Company would normally construct; or

E. on an expedited basis; or

F. on a temporary basis until permanent facilities are available; or

G. involving abnormal costs; or

H. in advance of its normal construction.

2.5 Ownership of Facilities

Title to all facilities provided in accordance with this Price list remains in the Company, it agents or contractors. The Customer shall not have, nor shall it assert, any right, title, or interest in any of the fiber optic or other facilities and associated equipment provided by the Company hereunder.

2. RULES AND REGULATIONS (continued)

2.6 Prohibited Uses

A. The service the Company offers shall not be used for any unlawful purpose or for any use as to which the Customer has not obtained all governmental approvals. authorizations, licenses, consents, and permits required to be obtained by the Customer with respect thereto.

B. The Company may require applicants for service who intend to us the Company's offerings for resale and/or for shared use to file a letter with the Company confirming that their use of the Company's offering complies with relevant laws and Commission regulations, policies, orders, and decisions.

C. The Company may, without obtaining any further consent from the Customer, assign any rights, privileges, or obligations under this Price list.

The Customer shall not, without prior written consent of the Company, which consent shall not be unreasonably withheld, assign, transfer, or in any other manner dispose of any of its rights, privileges, or obligations under this Price list. Any attempt to make makes such an assignment, transfer, or disposition without consent shall be null and void.

D. A Customer may not use the services so as to interfere with or impair service over any facilities and associated equipment, or so as to impair the privacy of an communications over such facilities and associated equipment. The Company may require a Customer to shut down its transmission of signals individually if said transmission is causing interference to others.

E. Customer use of any resold service obtained from other service providers shall also be subject to any applicable restrictions in the underlying providers' publicly available price lists.

F. Customer or authorized user shall not represent that its services are provided by the Company, or otherwise indicate to its Customers that its provision of services is jointly with the Company, without written consent of the Company. The relationship between the Company and Customer shall not be that of partners or agents for one or the other,, and shall not be deemed to constitute a partnership or agency agreement.

2. RULES AND REGULATIONS (continued)

2.7 Customer Equipment and Channels

2.7.1 General

A Customer may transmit or receive information or signals via the facilities of the Company. The Company's services are designed for the transmission of voice-grade telephone signals, except as otherwise stated in this Price list. A Customer may transmit any type of data signal that is compatible with the Company's equipment, but the Company does not guarantee that its service will be suitable for purposes other than voice-grade telephonic communications except as specifically stated in this Price list.

2.7.2 Station Equipment

A. Customer provided terminal equipment on the premises of the Customer or authorized user, the operating personnel there, and the electric power consumed by such equipment shall be provided by and maintained at the expense of the Customer or authorized user. Conformance of customer provided station equipment with Part 68 of the FCC rules is the responsibility of the Customer.

B. The Customer or authorized user is responsible for ensuring that Customer provided equipment connected to Company equipment and facilities is compatible with such equipment and facilities. The magnitude and character of the voltages and currents impressed on Company provided equipment and wiring by the connection, operation, or maintenance of such equipment and wiring shall be such as not to cause damage to the Company provided equipment and wiring, or injury to the Company's employees or to other persons. Any additional protective equipment required to prevent such damage or injury shall be provided by the Company at the Customer's expense.

2.7.3 Interconnection of Facilities

A. Line conditioning and any special interface equipment necessary to achieve compatibility between the facilities and equipment of the Company used for furnishing communications services and the channels, facilities, or equipment of other shall be provided at the Customer's Expense.

2. RULES AND REGULATIONS (continued)

2.7 Customer Equipment and Channels (continued)

2.7.3 Interconnection of Facilities (continued)

B. Communications services may bed connected to the services of facilities of other communications carrier when authorized by, and in accordance with, the terms and conditions of the price lists of the other communications carriers, and this Company, which are applicable to such connections.

C. Facilities furnished under this price list may be connected to Customer provided terminal equipment in accordance with the provisions of the Price list. All such equipment shall be registered by the Federal Communications Commission pursuant to Part 68, Title 47, Code of Federal Regulations; and all user provided wiring shall be installed and maintained in compliance with those regulations.

D. Users may interconnect communications facilities that are used in whole or in part for intrastate communications services provided under this Price list only to the extent that the user is an "end-user" and defined in Part 69.2(m), Title 47, Code of Federal Regulations (1992 Edition).

2. RULES AND REGULATIONS (continued)

2.7 Customer Equipment and Channels

2.7.4 Inspections

A. Upon suitable notification to the Customer, and at a reasonable time, the Company may make such tests and inspections as may be necessary to determine that the Customer or authorized user is complying with the requirements set forth above for the installation, operation and maintenance of Customer provided facilities, equipment, and wiring in the connection of Customer provided facilities and equipment to Company owned facilities and equipment.

B. If the protective requirements for Customer provided equipment are not being complied with, the Company may take such action as it deems necessary to protect its facilities, equipment, and personnel. The Company will notify the Customer promptly if there is any need for further corrective action. Within ten (10) days of receiving this notice, the Customer much take such action. If the Customer fails to do this, the company may take whatever additional action is deemed necessary, including the suspension of service(s), to protect its facilities, equipment, and personnel from harm.

2.8 Payment Arrangements

2.8.1 Advanced Payments

To safeguard its interest, the Company may require a Customer to make an advance payment before facilities are furnished or where special construction is required. The advanced payment may include an amount equal to the estimated non-recurring charges for the facilities or special construction and recurring charges (if any) for a period to be set between the Company and the Customer. The advance payment will be credited to the Customer's initial bill.

2.8.2 Deposits

The Company does not require a deposit payment to provide service.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.3 Payment for Service

The Customer is responsible for the payment of all charges for facilities and services furnished by the Company to the Customer.

2.8.4 Billing and Collection of Charges

The Customer is responsible for payment of all charges for facilities and services furnished, including charges for services originated, or charges accepted, at such facilities. Customer responsibility also includes charges associated with the fraudulent use of facilities and service by the Customer or any end users of the Customer's service. All bills are payable at the Company's business offices.

A. At such times as the Company completes installation or connection of the necessary facilities and/or equipment to provide services, the Company shall conduct appropriate tests thereon. Upon successful completion of such test, the Company shall notify the customer that such services are available for use, and the date of such notice shall be called the "Service Date" and shall be the starting date for billing.

B. Customer shall pay the amounts as specified in the price list for the services. Non-recurring charges, including construction, are due in advance. Fixed recurring charges shall be billed in advance after the service date is determined and will be due no later than fifteen (15) days after the invoice was presented to the customer. Variable recurring charges and other charges shall be billed as incurred, and will be due no later than fifteen (15) days after the date the invoice was presented to the customer. Any amount not received within said fifteen (15) day period will be subject to the Company's standard late payment charge specified in Section 2.8.4.E below. Customer agrees to review each invoice promptly and to notify the Company of any discrepancies within thirty (30) days of receipt of each invoice.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.4 Billing and Collection of Charges (continued)

C. Any prorated bill shall use a thirty (30) day month to calculate the pro-rata amount. Prorating shall apply only to recurring charges. All non-recurring and usage charges incurred during the billing period shall be billed in addition to prorated amounts.

D. Recurring charges for all services are billed monthly, in advance, for one (1) month's billing minimum.

E. Bills are due and payable on the date of presentation. A late payment charges, as described below, will be applied if payment is not received by the Company on or before the late payment date, which date will be prominently displayed on the Customers bill. The late payment date will be at least fifteen (15) days after the date of presentation on the billing envelope. The Company shall credit payments within twenty-four (24) hours of receipt to avoid assessing late payment charges incorrectly.

A late payment charge of 1.5% applies to each Customer's bill when the previous moth's bill has not been paid in full within fifteen (15) days after presentation of the bill, leaving an unpaid balance carried forward. The percentage late payment charge will not be applied to previous late payment charges that have been assessed but not yet paid for, but will apply to the accumulated services for which the Customer is in arrears. Late payment charges will be applied without discrimination.

If payment for a current bill is received by he Company before the bill's due date, but for technical or other reasons the payment is not applied to the Customer's account prior to the issuance of a subsequent bill, the Customer shall not be liable for any late payment charge assessed on the payment amount.

F. Checks presented in payment for services and subsequently returned to the Company from the Customer's financial institution for "Non-Sufficient Funds" or other reasons will incur a non-recurring charge of $20.00 per Customer, per check, plus applicable bank fees, unless the Customer can establish that the charge should not be assessed.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.4 Billing and Collection of Charges (continued)

Customer will be placed on a "cash only" basis upon receipt of two (2) returned checks within a twelve (12) month period of time. "Cash only" is herein defined as a cashier's check, money order, or U.S. currency.

Receipt of a subsequently dishonored negotiable instrument in response to a notice of discontinuance shall not constitute payment of a Customer's account and the Company will no be required to issue additional notice prior to discontinuance. However, three (3) banking days must be allowed for redemption of such instrument.

G. Notices to discontinue service for nonpayment of bills shall be provided in writing by first class mail to the customer not less than ten (10) calendar days prior to termination. A notice of disconnection shall clearly state the following:

1. A statement that failure to pay the amount required, at the Company's offices or to one of its authorized agents, by the date specified on the notice may result in the disconnection of local, or toll, or optional services.

2. The earliest date when disconnection will occur.

3. The reason(s) for disconnection and any actions which the Customer must take in order to avoid the disconnection including the total amount required to be paid (which shall not be greater than the past due balance.

4. The total amount due to avoid disconnection of local exchange service.

5. The total amount due for toll charges and a statement that nonpayment of toll charges may result in the disconnection of toll service.

6. The total amount due for non-regulated charges and a statement that nonpayment of such charges cannot result in the disconnection of basic local service or regulated toll service.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.4 Billing and Collection of Charges (continued)

7. The address and telephone number of the office of the LEC or IXC that the Customer may contact in reference to his/her account.

8. A statement that an additional charge for reconnection may apply if service is disconnected. The statement shall also include a notice that payments to an unauthorized payment agent may result in the untimely or improper crediting of the Customer's account.

2.8.5 Billing

A. General

All bills are presumed accurate, and shall be binding on the customer unless the Company receives notice of the disputed charge(s) within thirty (30) days from the date of the bill. For the purposes of this section, "notice" is defined as a verbal or written notice to the Company, containing sufficient documentation to investigate the dispute, including the account number under which the bill has been rendered, the date of the bill, and the specific terms on the bill being disputed.

B. Late payment Charges

Then undisputed portions of the bill must be paid by the payment due date to avoid assessment of a late payment charge on the undisputed amount.

C. Adjustments or Refunds to the Customer

1. In the event that the Company resolves the billing dispute in favor of a customer who has withheld payment of the disputed amount pending resolution of the disputed bill, the Company will credit the customer's account for the disputed amount in the billing period following the resolution of the dispute.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.5 Billing (continued)

2. In the event that the Company resolves the billing dispute in favor of a customer who has paid the total amount of the disputed bill, the Company will credit the Customer's account for any overpayment by the Customer in the billing period following the resolution of the dispute.

3. In the event that the Company resolves the billing dispute in favor of a Customer who has paid the total amount of the disputed bill but canceled the service, the Company will issue a refund of any overpayment to the Customer.

D. Unresolved Billing Disputes

1. In the case of a billing dispute between the customer and the Company for service furnished to the Customer, which cannot be settled to the mutual satisfaction of the parties, the customer should request the Company to provide an in-depth review of the disputed amount.

2. If after investigation and review by the Company a disagreement remains as to the disputed amount, the Customer may file an appropriate complaint with the Commissions Telecommunications Davison.

2.8.6 Discontinuance of Service for Cause

The Company shall upon reasonable notice, when it can be reasonably given, have the right to suspend or curtail or discontinue service for the following reasons:

A. For the purpose of making permanent or temporary repairs, changes or improvements.

B. For compliance in good faith with any governmental order or directive, notwithstanding that, such order or directive may subsequently be held to be invalid.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.6 Discontinuance of Service for Cause (continued)

C. For any of the following acts of omissions on the part of the Customer:

1. Nonpayment of a valid bill due for service furnished at a present or previous location. The Customer(s) of record whose name(s) appears on the bill shall be held responsible for utility service rendered. However, nonpayment for business service shall not be a reason for discontinuance of residential service, except in cases of diversion of service, and service shall not be discontinued for nonpayment of repair charges, merchandise charges, or other non-price list contracted service charges between the customer and the Company, nor shall notice threatening such discontinuance be given.

2. Tampering with any facilities or equipment of the Company.

3. Fraudulent representation in relation to the use of service.

4. Customer moving from the premises, unless the customer request that the service be moved to the customer's new location.

5. Providing the Company's service to others without approval of the Company.

6. Failure to make, or increase an advance payment, or deposit as provided for in this Price list.

7. Refusal to contract for service where such contract is required.

8. Connecting and operating in such manner as to produce disturbing effects on the service of the Company or other customers.

9. Failure of the customer to comply with any terms and conditions contained in this Price list.

10. Where the condition of the customer's installation present a hazard to life or property.

11. Failure of the customer to repair any faulty facility of the customer.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.6 Discontinuance of Service for Cause (continued)

D. Notice of the proposed discontinuance is provided pursuant to the rules listed in this price list

E. Service is not initially discontinued on a Saturday, Sunday, legal holiday, or any other day Company representatives are not available to serve the customer.

F. For refusal of reasonable access to Customer's premises for necessary purposes in connection with the rendering of: service, maintenance, installation, or removal of the Company's property.

G. Notice of Discontinuance

The customer shall be given a period of at least fifteen (15) days for payment after the postmark date indicated on the envelope in which the bill was transmitted. In the absence of a postmark, the burden of proving the date of mailing shall be upon the Customer. When a Customer mails any payment for the net amount of a bill for service, and such payment is received at the Company's office not mot than two full business days after the due date printed on the bill, the Customer shall be deemed to have made timely payment. A public utility may discontinue service for nonpayment of bills provided it gives the customer at least ten (1) days written notice of its intention to discontinue service. The notice of discontinuance shall not be served until the expiration of the said fifteen (15) day period. A new notice shall be served by the Company each time it intends to discontinue service for nonpayment of a bill except that no additional notice shall be required when, in response to a notice of discontinuance, payment is made by check and the check is subsequently dishonored. However, in the case of fraud, illegal use, or when it is clearly indicated that the customer is preparing to leave, immediate payment of the customer(s) account may be required.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.6 Discontinuance of Service for Cause (continued)

1. When the customer is another provide under the Commission's jurisdiction the serving provider shall concurrently serve a copy of the notice of discontinuance on the Commission.

2. On all notices of discontinuance to residential customers, there shall be included:

   (a) A statement that the company is subject to the jurisdiction of the Commission, and the address and telephone number of the Commission.

   (b) A statement that in the event the customer is either unable to make payment of a bill or wishes to contest a bill, the customer should contact the Company. The notice shall contain information sufficient for the customer to make appropriate inquiry.

   (c) A statement that if a customer is presently unable to pay an outstanding bill the customer may contact the Company to discuss the possibility of entering into a reasonable deferred payment agreement. In the case of a residential customer receiving more than one service from the Company, the statement shall state that deferred payment agreements are available separately for each service.

2.8.7 Notice to Company for Cancellation of Service

Customer desiring to terminate service shall provide the Company proper notice of its desire to terminate service. A customer wishing to discontinue service must give notice to that effect. Notice to discontinue service will not relieve a customer from any minimum or guaranteed payment under any contract of rate.

2. RULES AND REGULATIONS (continued)

2.8 Payment Arrangements (continued)

2.8.8 Cancellation of Application for Service.

A. Applications for service may not be canceled later than three (3) days after submission unless the Company otherwise agrees. Where the Company permits the cancellation of the application prior to the start of service or prior to any special construction, no charges will be imposed except for those specified below.

B. Where, prior to cancellation by the customer, the Company incurs any expenses in installing the service or preparing to install the service, a charge equal to the costs the Company incurred, less net salvage, shall apply. But, in no case shall this charge exceed the sum of the charge for the minimum period of service ordered, including installation charges, and all other charges levied against the Company that would have been chargeable to the Customer, had service begun.

C. Where the Company incurs any expense in connection with special construction, or where special arrangements of facilities or equipment have begun, before the Company receives a cancellation notice, a charge equal to the costs incurred, less net salvage, applies. In such cases the charge will be based on such elements as: the cost of equipment, facilities, material, supervision, general and administrative expense, and other provisions for return on investment and any other costs associated with the special construction or arrangements(s).

2.8.9 Changes in Service Request

If the customer makes or requests material changes in circuit engineering, equipment specifications, service parameters, premises locations, or otherwise materially modifies any provision of the application for service, the customer's installation fee shall be adjusted accordingly.

2. RULES AND REGULATIONS (continued)

2.9 Allowances for Interruption in Service

2.9.1 General

A. A credit allowance will be given when service interrupted. A service is interrupted when it becomes inoperative to the customer, e.g., the customer in unable to transmit or receive because of failure of a component furnished under this Price list.

B. An interruption period begins when the customer reports a service, facility or circuit to be inoperative and, if necessary, releases it for testing and repair. An interruption period ends when the service, facility or circuit is operative.

C. If the Customer reports a service, facility, or circuit to be interrupted but declines to release it for testing and repair, the service, facility, or circuit will be considered to be impaired but not interrupted. No credit allowance will be made for a service, facility, or circuit considered to be impaired.

2. RULES AND REGULATIONS (continued)

2.9 Allowances for Interruptions in Service (continued)

2.9.2 Limitations of Allowances

No credit will be made for any interruption in service:

A. Due to the negligence of, or noncompliance with, the provisions of this price list by any person or entity other than the Company, including but not limited to, the Customer, authorized user, or other common carriers connected to the service of the Company.

B. Due to the failure of power, equipment, systems, connections or services not provided by the Company.

C. Due to circumstances or causes beyond the control of the Company, including but not limited to, civil disorder, fire, flood, storm or other natural or man-made disasters or elements, or labor problems.

D. During any period in which the Company is not given full and free access to its facilities and equipment for the purposes of investigating and correcting interruptions.

E. During any period in which the customer continues to use the service on an impaired basis.

F. During any period when the customer has released service to the Company for maintenance purposed, or for implementation of a customer order for a change in service arrangements.

G. During any period that occurs or continues due to the customer's failure to authorize replacement of any equipment, facility or other element of special construction.

2. RULES AND REGULATIONS (continued)

2.9 Allowances for Interruptions in Service (continued)

2.9.3 Use of Another Means of Communications

If the customer elects to use another means of communications during the period of interruption, the customer must pay the charges for the alternative service used.

2.9.4 Cancellation for Service Interruption

Cancellation or termination for service interruption is permitted only if any circuit experiences a single continuous outage of twenty-four (24) hours or more, or cumulative service credits equaling seventy-two (72) hours in a continuous 12-month period. The right to cancel service under this provision applies only to the single circuit, which has been subject to the outage or cumulative service credits.

2. RULES AND REGULATIONS (continued)

2.10 Cancellation of Service/Termination Liability

If a customer cancels a service order or terminates service before the completion of the term for any reason whatsoever, other than a service interruption, the customer agrees to pay the Company termination liability charges, which are defined below. These charges shall become due and owing as of the effective date of the cancellation or termination.

2.10.1 Termination Liability

Customer's termination liability for cancellation of service shall be equal to:

A. all unpaid non-recurring charges reasonably expended by the Company to establish service to the customer; plus

B. any disconnection, early cancellation or termination charges reasonably incurred and paid to third parties by the Company on behalf of the customer; plus

C. all recurring charges specified in the applicable service order for the balance of the then current term discounted at a rate determined by the Commission; minus

D. a reasonable allowance for costs avoided by the company as a direct result of the Customer's cancellation.

2.11 Customer Liability for Unauthorized Use of Network

2.11.1 Unauthorized Use of the Network

A. Unauthorized use of the Network occurs when: 1) a person or entity that does not have actual, apparent or implied authority to use the Network obtains the Company's services provided under this price list; or 2) a person or entity that otherwise ahs actual, apparent, or implied authority to use the Network makes fraudulent use of the Network to obtain the Company's services provided under this price list, or uses specific services that are not authorized. Unauthorized use of the Network includes, but is not limited to:

2. RULES AND REGULATIONS (continued)

2.11 Customer Liability for Unauthorized Use of Network (continued)

2.11.1 Unauthorized Use of the Network (continued)

1. Using or attempting to use the Network with the intent to avoid payment, either in whole or in part, of any of the Company's price listed charges, by either re-arranging, tampering with, or making connections not authorized by this price list to any service components used to furnish the Company's services or using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit services/devices or electronic devices.

2. Toll free callers using the Network with the intent of gaining access to a customer's outbound calling capabilities on an unauthorized basis.

3. Using fraudulent means or devices, tricks, schemes, false or invalid numbers, false credit services/devices, or electronic devices to defraud or mislead customers.

2.11.2 Liability for Unauthorized Use

A. Customers are advised that use of telecommunications equipment and services, including those provided under this price list, carry a risk of various forms of telecommunications fraud. Customers should take all necessary steps to restrict access to their facilities, including the equipment and services provided hereunder, and to detect and prevent unauthorized use of the services and equipment provided under this price list.

B. Except as provided for elsewhere in this price list, the Customer is responsible for payment of all charges for services provided to the customer or user under this price list. This responsibility is not changed due to any use, misuse, or abuse of the customer's service or customer provided equipment by users or other third parties, customers' employees, or the public.

C. The customer is responsible for payment of any charges related to the suspension and/or termination of service and also any charges for reconnection of service incurred as a result of unauthorized use of the Network.

2. RULES AND REGULATIONS (continued)

2.12 Use of Customer's Service by Others

2.12.1 Resale and Sharing

Any service under this price list may be resold or shared with other persons at the option of the customer, subject to compliance with any applicable laws or Commission regulations governing such resale or sharing. Customer remains solely responsible for all use of service ordered by it or billed to it pursuant to this price list.

2.12.2 Transfers And Assignments

Neither the Company or customer may assign or transfer its rights or duties in connection with the service and facilities provided by the Company without the written consent of the other party, except that the Company may assign its rights and duties 1) to any subsidiary, affiliate company, or parent company of the Company, or 2) pursuant to any sale or transfer of substantially all the assets of the Company, or 3) pursuant to any financing, merger, or reorganization of the Company.

2.12.3 Notices and Communications

A. The customer shall designate on the service order form an address to which the Company shall mail or deliver all notices and other communications, except that the customer may also designate a separate address to which the Company's bills for service shall be mailed.

B. The Company shall designate on the service order form an address to which the customer shall mail or deliver all notices and other communications, except that the Company may designate a separate address on each bill for service to which the customer shall mail the payment on the bill. The bill will contain both the mailing address for notices and communications, as well as the address to which the payment is to be mailed.

C. The bill will also contain a 24-hour customer service number, which is 1-877-398-2681.

D. The Company of the customer shall advise the other party of any changes to the addresses designated for notices, other communications, or billing, by following the procedures for giving notice as set forth herein.

2. RULES AND REGULATIONS (continued)

2.13 Taxes and Surcharges

2.13.1 Customer Responsibility

The customer is responsible for the payment of any sales, use, excise, access or other local, state, and federal taxes, charges, or surcharges imposed on or based upon the provision, sale, or use of the Company's services (excluding taxes on the Company's net income).

All such taxes and surcharges shall be itemized in the Company's bills to the customer.

2.13.2 Excise Taxes and Funds

Company agrees to collect and remit social program taxes levied upon all end users of regulated telecommunications services pursuant to the rules of the Commission. Company also agrees to collect and remit relevant federal taxes.

2.13.3 Sales, Use and Excise Taxes

In addition to all recurring, non-recurring, usage or special charges, Customer shall also be responsible for and shall pay all applicable federal, state, and local sales, use and exercise taxes.

2.13.4 Taxes and Fess Chargeable to the Customer

In the event a municipality, county or other political subdivision of the State of Florida imposes upon, or collects or receives from, the Company any license, occupation, franchise, privilege, inspection or other similar tax or fee, or collects or receives any payment form the company based upon an increase in any other tax, fee or assessment ration, of whatever nature or kind, whether in a lump sum, or a flat rate, or based upon receipts, or based on property value, or based on poles, wires, conduits or other facilities, or otherwise, the amount of such tax, fee or payment, to the extent not included as part of the cost of furnishing services in the fixing of the rates and charges for such service by the Commission, shall be added to the sales price of the Company's service within the municipality, county or other political subdivision collecting such taxes or receiving such payment.

2. RULES AND REGULATIONS (continued)

2.14 Determination of Jurisdiction of Mixed Interstate and Intrastate Service

When mixed interstate and intrastate service is provided over a dedicated facility, the jurisdiction will be determined as follows:

A. If the Customer's estimate of the interstate traffic on the Service equals 10% or more of the total traffic on that service, the Service will be provided according to applicable rules and regulations of this Price list.

B. If the Customer's estimate of the interstate traffic on the Service is less than 10% of the total traffic on that Service, the Service will be provided according to the applicable rules and regulations of the appropriate intrastate price list.

C. If the jurisdiction of interstate traffic on the Service changes to the extent that it alters the jurisdiction of the Service, the Customer must notify the Company of any required change in status. The affected Service will revert to the appropriate jurisdictional price list(s) with the next full billing cycle. No retroactive rate adjustments will apply to the period prior to the change in the Company's records. Any applicable Term Agreement will be transferred with the jurisdictional change.

3. DESCRIPTION OF SERVICE

3.1 General

The Company's xDSL (Digital Subscriber Line) services utilize technology over metallic local loop facilities to provide customers with high-speed data services which utilize the twisted pair copper lines procured from the LEC in the form of unbundled network elements.

xDSL services utilize customer-provided equipment, located at the customer's premises, and Company-provided equipment, at Central Offices, to allow the Company to accept data traffic from the customer and send data transmissions to the appropriate data networks.

The furnishing of xDSL services requires certain physical arrangements of the facilities of the Company and is subject to the availability of such facilities. Data speeds set forth in this price list are peak speeds. Actual speeds may be affected by loop length and other technical factors. Data speeds are therefore not guaranteed or warranted.

Applying xDSL technology to local loop metallic facilities, DSL services enable home and business customers the following peak data transmission speeds:

384 Kbps downstream - 384 Kbps upstream (asymmetrical)
768 Kbps downstream - 512 Kbps upstream (asymmetrical)
1.5 Kbps downstream - 512 Kbps upstream (asymmetrical)
1.5 Mbps downstream - 1.0 Mbps upstream (bi-directional)
6.0 Mbps downstream - 1.0 Mbps upstream (asymmetrical)

Company may also offer multiplexed derivatives of these service speeds.

A LEC's unbundled network element serves as the access facilities for xDSL services from the customer's home or remote location to their serving wire center.

The customer must provide and install at the customer's xDSL service site, a compatible modem that must support customer-selected speeds.

The furnishing of xDSL services requires certain physical arrangements of facilities of the Company and is subject to the availability of such facilities. The availability of xDSL services is restricted by special plant configuration and material specifications that will not permit deployment to all customers at all locations.

3. DESCRIPTION OF SERVICE

3.1 General (continued)

The Company's deployment of xDSL services will be limited to wire centers where, in the Company's determination, sufficient market demand exists, coupled with an adequate level of loops suitable to meet that demand. Deployment will be limited to customers served by loops, which in the Company's judgment, are suitable for use with this new technology.

The specific limitations applicable to xDSL service are as follows:

a. The loop between the customer premises and the serving wire center can be no longer than 15,000 feet of 26 gauge copper or 18,000 feet of 24 gauge copper.

b. The loop must not have any load coils on it.

c. All bridge taps must be counted in the total loop length.

d. The maximum length of any bridge tap cannot exceed 2,000 feet.

e. Total bridge tap length on Revised Resistance Design Loop cannot exceed 6,000 feet.

f. Total bridge tap length on Carrier Serving Area Design Loop cannot exceed 2,500 feet.

xDSL services may be ordered on a month-to-month basis or for fixed periods of one, three, or five years. The initial order of a xDSL service must be for either a one, three or five year fixed service period; however, at the completion of the initial fixed period, the customer may elect the month-to-month option for that service configuration, or may elect any of the fixed service periods.

3.2 Individual Case Basis (ICB) Arrangements

For special situations, rates for specialized services will be determined on an Individual Case Basis (ICB) and specified by contract between the Company and the customer. ICB's are subject to the supervision, regulation and control of the Commission, and a copy shall be filed with and be subject to review and approval by the Commission.

3.3 Promotions

Company may offer existing services on a promotional basis that provides special rates, terms, or conditions of Service. Promotional offerings are limited to a maximum of 180 days.

3. DESCRIPTION OF SERVICE

3.4 SDSL

SDSL, Symmetrical Digital Subscriber Line, is a Digital Transmission Service furnished by the Company to provide high-speed data services at speeds ranging from up to 192 Kbps. 384 Kbps, 768 Kbps, 1.1 Mbps, to 1.5 Mbps. This service allows high speed data transmission via permanent virtual circuits between the Customer premise terminating device(s) to Digital Subscriber Line Access Multiplexers (DSLAMs) and through to other applications such as office to office communications or to the Internet for various communication applications.

3.5 IDSL - ISDN

IDSL - ISDN Digital Subscriber Line is a Digital Transmission Service to provide high-speed data services for speeds of up to 144kbps for office-to-office applications or access to the Internet. This service allows data transmission via a permanent virtual circuit between the Customer premise terminating device and the Company DSLAM, then to Company aggregation units and to specific Internet Service Providers or another designated office.

3.6 ADSL

ADSL, Asymmetrical Digital Subscriber Line, is a Digital Transmission Service to provide high-speed data services for speeds of up to 6.0 Mbps for residential, small business, and office-to-office applications or access to the Internet. This service allows data transmission via a permanent virtual circuit between the Customer premise terminating device and the Company DSLAM, then to Company aggregation units and to specific Internet Service Providers or another designated office.

3.7 911 Emergency Services

The Company shall make access to 911 emergency services available to each of its basic telecommunications service customers at a level at least equivalent to the service provided by the incumbent local exchange company. Further, service shall be maintained for the duration of any temporary disconnection for non-payment of a residential subscriber's local service.

3.8 Telecommunications Relay Service

For calls received from the relay service, the company will, when billing relay calls, discount relay service calls by 50% off the otherwise applicable rate for a voice non-relay call except that where either the calling party or the called party indicates that either is both hearing and visually impaired, the call shall be discounted 60% off the otherwise applicable rate for a voice non-relay call.

4. RATES

4.1 xDSL Rates

DSL Speed	Monthly Rate
384 Kbps downstream - 384 Kbps upstream	$ 79.95
768 Kbps downstream - 512 Kbps upstream	$119.95
1.5 Mbps downstream - 512 Kbps upstream	$149.95
1.5 Mbps downstream - 1.0 Mbps upstream	$275.00
6.0 Mbps downstream - 1.0 Mbps upstream	$475.00