

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

The Staff of the Missouri Public
Service Commission,

Complainant,

v.

Union Electric Company,
d/b/a AmerenUE,

Respondent.

Case No. GC-2006-0350

STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission (the "Staff") and Union Electric Company, d/b/a AmerenUE ("AmerenUE" or "Company") and represent to the Missouri Public Service Commission ("Commission") that they have reached a stipulation and agreement in the above-captioned case. For their Stipulation and Agreement, the undersigned parties state as follows:

1. On March 10, 2006, the Staff filed a Gas Incident Report ("Report") in Case No. GS-2006-0199 and a Complaint in Case No. GC-2006-0350 relating to an incident that occurred on October 10, 2005 in Boonville, Missouri. In its Report, the Staff concluded, among other things, that:

(a) The probable cause of the incident was AmerenUE's over-pressurization of the Boonville low-pressure system resulting in multiple ignitions of natural gas that had escaped from connected gas utilization equipment;

(b) The failure of AmerenUE to direct its contractor to separate the low-pressure natural gas main on Roberts Street from the natural gas main on 6th Street,

before introducing 10 psig natural gas into this main on 6th Street, caused the system over-pressurization;

(c) Contributing to this over-pressurization was the failure of AmerenUE to have and use adequate procedures to guide the conversion¹ of the 1200 block of 6th Street from low-pressure to high-pressure; and

(d) The Boonville low-pressure system was over-pressured above its Maximum Allowable Operating Pressure (MAOP), which is 14 inches of water column as required by 4 CSR 240-40.030(12)(O)1.B. and the maximum safe pressure of connected gas utilization equipment as required by 4 CSR 240-40.030(12)(O)1.A.

2. The Staff also made a number of recommendations in its Report, including finalization of a new procedure for converting a distribution system section from low-pressure to high-pressure that AmerenUE initiated as a result of this incident. The Staff further recommended in its Report that the Office of General Counsel file the instant Complaint in connection with the alleged violation of 4 CSR 240-40.030(12)(O)1.A. and B.

3. The Commission issued a Notice of Complaint to AmerenUE on March 15, 2006. In an Answer to Staff's Complaint filed on April 13, 2006, AmerenUE does not dispute the facts alleged in the Staff Complaint and requests that the Commission set this matter for a prehearing conference. In an Order issued on May 19, 2006, the Commission set a prehearing conference for June 5, 2006. On June 2, 2006, the Staff

¹ The term "conversion" refers to the specific practices used in Boonville to convert an existing low-pressure system section to operate at a higher pressure. When first placed into low-pressure service, system piping had been tested to qualify for high-pressure service. The Boonville system was converted from low to high pressure service by applying higher pressure gas without conducting another pressure test of the system.

filed a Motion to set aside the Order to allow the parties more time to pursue settlement discussions. The Commission granted Staff's Motion the same day.

4. AmerenUE met with the Staff to discuss both this Complaint and the Recommendations contained in the Report. As a result of these and other discussions, the undersigned parties have agreed to a resolution of all of the issues in this case and in Case No. GS-2006-0199, and hereby stipulate and agree as follows:

- a) Consistent with Staff Recommendation 1, AmerenUE will immediately adopt and implement a new procedure titled "Preventing the Over Pressurization or Unintentional Interruption of Gas Service" that includes a section on system conversion from low-pressure to high-pressure. AmerenUE has not performed and has no plans to perform any additional system conversions in Missouri, but will use this new procedure in the event a system conversion is performed in the future.
- b) Consistent with Staff Recommendation 2, AmerenUE submitted to Staff a schedule for upgrading 6 low-pressure systems in Missouri to high-pressure systems in 2006. These systems are located in Boonville, Centralia, Jefferson City (2), Mexico, and Moberly. AmerenUE will submit a work plan to Staff prior to the start of each low-pressure system project for Staff's review. None of these six 2006 projects² to upgrade low pressure systems to higher pressure systems will be done as conversions as was done at Boonville. In the event AmerenUE changes

² The major differences between these six upgrade projects and the Boonville conversion are (1) these upgrade projects use newly installed, pressure tested plastic pipe, and (2) if any existing qualified plastic pipe is retained for use in the system, this pipe will be deactivated by reducing the gas pressure to zero and then pressure tested to the same requirements as new plastic pipe.

these plans in favor of using the conversion method used in Boonville, AmerenUE will follow its new procedure referenced in paragraph 4 (a) above, and will contact the Staff prior to performing any low-pressure system conversion so that Staff has the opportunity to observe the work.

- c) Consistent with Staff Recommendation 3, AmerenUE has evaluated the two low-pressure systems in Missouri that will continue to operate at low-pressure after 2006. Both systems are in Jefferson City and were previously replaced with polyethylene pipe and are suitable for continued service.

- (i) The first low-pressure system is supplied by three regulator stations which have a monitor regulator design for overpressure protection. AmerenUE will install a 2-inch Fisher 289 relief valve at each regulator station for added overpressure protection, which is an additional layer of protection than is specified or required by the federal and state pipeline safety regulations. The relief valves will have sufficient capacity to maintain a maximum system pressure of approximately 1.5 psig in the event of multiple regulator failures that could allow high-pressure gas to be introduced into the low-pressure system. AmerenUE will install the three relief valves not later than September 30, 2006, and will notify Staff upon completion. In addition, AmerenUE will evaluate the feasibility of installing a pressure monitoring device on the low-pressure system that would be monitored real-time by Ameren Gas Control. AmerenUE will report on the feasibility of installing this device to Staff by September 30, 2006.

(ii) The second low-pressure system uses public rights-of-way to provide service to a commercial customer with piping to multiple buildings. This system is supplied by a regulator which has a monitor regulator design for overpressure protection. By September 30, 2006, AmerenUE will also install a 2-inch Fisher 289 relief valve at the regulator location (to maintain a maximum safe pressure in the event of multiple regulator failures) and notify the Staff upon completion.

5. The Commission has the authority to direct the Office of General Counsel to seek penalties in circuit court for violation of Public Service Commission rules under §§ 386.570 and 386.600 RSMo 2000. Section 386.570.1 states, in pertinent part:

Any corporation, person or public utility which...fails, omits or neglects to obey, observe or comply with any order, decision, decree, rule, direction, demand or requirement...of the commission in which a penalty has not herein been provided for such ...public utility, is subject to a penalty of not less than one hundred dollars nor more than two thousand dollars for each offense.

If the Commission found AmerenUE committed the rule violation asserted by the Staff, it could authorize the Staff to seek a maximum penalty of \$2,000 in circuit court. For the sole purpose of settlement of the Staff's Complaint, AmerenUE agrees to remit a monetary penalty in the amount of \$2,000 to the state public school fund.

6. With these undertakings, the parties agree that AmerenUE has adequately addressed the recommendations contained in the Report submitted in Case No. GS-2006-

0199, and the parties recommend that the Commission suspend the requirement of Staff to file a Status Report³ and close that case. The Staff further agrees that AmerenUE has adequately addressed the issues that caused Staff to file its complaint and that such Complaint should be dismissed based on AmerenUE's agreement to, and implementation of, the provisions of this Stipulation and Agreement.

7. This Stipulation and Agreement is being entered into solely for the purpose of settling all issues in this case. None of the parties to the Stipulation and Agreement shall have been deemed to have approved or acquiesced in any ratemaking, procedural or legal principle, any method of cost determination or cost allocation, or any factual or legal claim relating to any alleged violation of any legal requirement, rule or regulation, and none of the parties shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in any other proceeding, except as otherwise expressly specified herein.

8. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve this Stipulation and Agreement, or approves this Stipulation and Agreement with modifications or conditions that a party to this proceeding objects to prior to the effective date of the Order approving this Stipulation and Agreement, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof, except as otherwise provided herein.

³ In GS-2006-0199, the Commission ordered Staff to file a Status Report within 60 days of the effective date of the Order, which is April 16, 2006, making the Status Report due June 16, 2007.

9. If the Commission does not unconditionally approve this Stipulation and Agreement without modification, and notwithstanding its provision that it shall become void therein, neither this Stipulation and Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any party has for a decision in accordance with §536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the parties shall retain all procedural and due process rights as fully as though this Stipulation and Agreement had not been presented for approval, and any suggestions or memoranda, testimony or exhibits that have been offered or received in support of this Stipulation and Agreement shall become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

10. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to present oral argument and written briefs pursuant to §536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to §386.500 RSMo 2000; and their respective rights to judicial review pursuant to §386.510 RSMo 2000. This waiver applies only to a Commission Order respecting this Stipulation and Agreement issued in this proceeding, and does not apply to any matters raised in any prior or subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement.

11. The Staff shall file suggestions or a memorandum in support of this Stipulation and Agreement. Each of the parties shall be served with a copy of any such suggestions or memorandum and shall be entitled to submit to the Commission, within

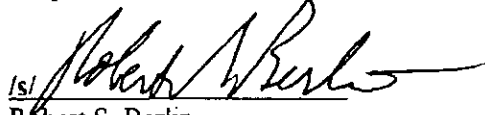
five (5) days of receipt of Staff's suggestions or memorandum, responsive suggestions or a responsive memorandum which shall also be served on all parties. The contents of any suggestions or memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

12. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any protective order issued in this case.

13. The Office of the Public Counsel has been advised of the terms of this Stipulation and Agreement and has authorized the undersigned to represent that it has no objection to such terms.

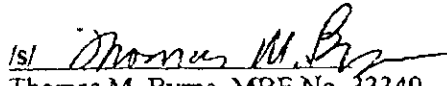
WHEREFORE, the signatories hereto request that the Commission (1) issue an order approving this Stipulation and Agreement and dismissing this complaint case; and (2) issue an order in Case No. GS-2006-0199 acknowledging that the Stipulation and Agreement in the complaint case addresses Staff's recommendations; suspends the requirement of Staff to file a Status Report; and closes that case.

Respectfully submitted,

/s/ 

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, hand-delivered,
transmitted by facsimile or electronically mailed to all counsel of record this 14th day of
June 2006.

/s/ Robert S. Berlin

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