

Exhibit No.: 004
Issue(s): Affiliate Transactions
Witness: Tom Byrne
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: Union Electric Company
File No.: ER-2019-0335
Date Testimony Prepared: February 14, 2020

MISSOURI PUBLIC SERVICE COMMISSION

FILE NO. ER-2019-0335

SURREBUTTAL TESTIMONY

OF

TOM BYRNE

ON

BEHALF OF

UNION ELECTRIC COMPANY

D/B/A AMEREN MISSOURI

St. Louis, Missouri
February, 2020

Ameren Exhibit No. 4
Date 3/11/20 Reporter JMB
File No. ER-2019-0335

SURREBUTTAL TESTIMONY

OF

TOM BYRNE

FILE NO. ER-2019-0335

1 **Q. Please state your name and business address.**

2 A. Tom Byrne, Union Electric Company d/b/a Ameren Missouri ("Ameren
3 Missouri" or "Company"), One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri
4 63103.

5 **Q. Are you the same Tom Byrne that filed direct and rebuttal testimony**
6 **in this proceeding?**

7 A. Yes, I am.

8 **Q. What is the purpose of your surrebuttal testimony in this proceeding?**

9 A. The purpose of my surrebuttal testimony is to respond to the rebuttal
10 testimony of the Office of the Public Counsel ("OPC") witness Robert Schallenberg
11 regarding the Company's compliance with the Missouri Affiliate Transaction Rule ("Rule")
12 applicable to electric utilities.

13 **Q. How do you respond to Mr. Schallenberg's rebuttal testimony?**

14 A. I have already responded to Mr. Schallenberg's substantive allegations in
15 my rebuttal testimony, and I will not repeat those responses here. But it again struck me as
16 odd that Mr. Schallenberg has waited 20 years to raise these issues, which he claims have
17 existed since the inception of the Rule in 2000. If Ameren Missouri has so flagrantly and
18 regularly violated the Rule as Mr. Schallenberg claims, why wasn't he raising these issues
19 in 2001, or 2002, or 2003, or in any other year since then?

1 Mr. Schallenberg was, at the time the Rule was adopted and for many years
2 thereafter, one of the Missouri Public Service Commission Staff ("Staff") senior
3 management employees and for many years was the Division Director of the Staff's
4 Auditing Department. During the entire time period when Mr. Schallenberg was clearly in
5 a position of substantial responsibility over areas that involved application of the Affiliate
6 Transaction Rule, no party, including the Staff, has ever filed a complaint against Ameren
7 Missouri, or for that matter asked the Missouri Public Service Commission
8 ("Commission") to initiate an investigation regarding compliance with the Rule. Nor has
9 Mr. Schallenberg, or has any other party brought any claimed non-compliance with the
10 Rule to the Commission's attention in any filing with the Commission, including in the
11 many rate cases that Ameren Missouri has had over the past 20 years. The fact that these
12 claims have not been made for literally decades undermines the credibility of the claims
13 Mr. Schallenberg now makes. Ameren Missouri's operations have not materially changed
14 in any way relevant to issues that might arise under the Rule over those 20 years, and
15 neither has the Rule itself.

16 **Q. Mr. Schallenberg cites a Missouri Supreme Court case - *Office of***
17 ***the Public Counsel v. Missouri Public Service Commission and Atmos Energy***
18 ***Corporation* - as support for his claim that Ameren Missouri is in violation of the**
19 **Affiliate Transaction Rule.¹ Does that case support Mr. Schallenberg's claim?**

20 A. No, it does not. The *Atmos* case involved a Commission-regulated gas
21 utility's purchases of gas from its unregulated, for-profit marketing affiliate that the utility
22 used to supply gas to its retail gas customers. Those gas costs were included in the utility's

¹ Robert E. Schallenberg Rebuttal Testimony, Page 2, Lines 8-10.

1 Purchased Gas Adjustment ("PGA") mechanism. In an actual cost adjustment ("ACA")
2 review under its PGA, the Staff alleged that the utility had failed to comply with the Rule
3 with respect to several such transactions, and proposed a rate adjustment to reflect the
4 amount of profit that the marketing affiliate had earned on the transactions.² The
5 Commission rejected this disallowance, applying a "presumption of prudence" to the
6 transactions. In an appeal brought by OPC, the Missouri Supreme Court held that the
7 Commission should not have applied a "presumption of prudence" to the transactions that
8 Atmos had with its unregulated, for-profit marketing affiliate. In its order, the Court cited
9 the purpose of the Rule which it said was to "prevent regulated utilities from subsidizing
10 their non-regulated operations ... and provide the public assurance that their rates are not
11 adversely impacted by the utilities' non-regulated activities." The Court also cited to the
12 profit incentive the for-profit marketing affiliate had.

13 **Q. Are Mr. Schallenberg's allegations regarding Ameren Missouri's**
14 **compliance with the Rule similar to the facts underlying the *Atmos* ruling?**

15 **A.** No. In this case, Mr. Schallenberg's allegations center on Ameren Missouri's
16 interactions with Ameren Services Company ("AMS"), which provides its services at cost
17 with no profit or markup of any kind, and with a small number of affiliate transactions with
18 other rate-regulated affiliates. This is obviously an important distinction because these
19 transactions do not conflict with the purpose of the Rule which the Court cited in its
20 decision. The holding in the *Atmos* case is limited to the facts of that case - a regulated
21 utility transacting with an unregulated for-profit affiliate. Given the explicitly-stated

² That case involved the Affiliate Transaction Rule applicable to gas utilities which, in all material respects, is identical to the Rule applicable to electric utilities.

1 purpose of the Rule, I believe it is unlikely that the Missouri Supreme Court would extend
2 that holding to the transactions at issue in this case.

3 Moreover, in this case, Ameren Missouri is not relying on any "presumption of
4 prudence" to support its recovery of costs. Ameren Missouri has filed extensive testimony
5 in this case explaining how services are selected from AMS, and how costs for those
6 services are reviewed through a rigorous annual joint planning process, and with all bills
7 approved by Ameren Missouri. We have also presented evidence of how AMS costs,
8 including salaries, are benchmarked to ensure reasonableness. Ameren Missouri witness
9 John Reed has presented evidence that Ameren Missouri's administrative and general costs
10 and operations and maintenance costs compare favorably with those of other utilities. We
11 have further presented evidence that AMS operates on a not-for-profit basis and has no
12 incentive to charge unreasonable costs to Ameren Missouri. In fact, given Missouri's
13 reliance on a historical test year to set rates, any increase in AMS costs would decrease
14 Ameren Corporation's overall profitability. Finally, in this case the Commission Staff has
15 conducted a months-long audit of all of Ameren Missouri's costs, including affiliate costs.
16 Indeed, after seeing Mr. Schallenberg's criticisms of the Staff, we sent Staff data requests
17 to confirm what we already knew to be true: Staff did not presume prudence of Ameren
18 Missouri's costs, but instead did what it always does - examined the Company's filing,
19 discovery, and other information at its disposal and made its own independent judgment
20 regarding the prudence and reasonableness of these costs. A copy of the Staff's data request
21 responses are attached to my testimony as Schedule TMB-S1. Regardless of whether *Atmos*
22 would apply to this case, which is doubtful, this kind of evidence was simply not present
23 in the *Atmos* case.

1 **Q.** **Aside from what is arguably an over-reading of the *Atmos* opinion by**
2 **Mr. Schallenberg and in any event its misapplication to the facts of *this* case, does Mr.**
3 **Schallenberg otherwise misuse legal authority or argument in his effort to counsel the**
4 **Commission as to what the purpose of the Rule is?**

5 A. Yes, he does. While at bottom these topics largely amount to legal argument
6 that will be addressed in the briefs, it is important to address some of Mr. Schallenberg's
7 contentions starting at page 28 of his rebuttal testimony because his rebuttal testimony at
8 best misuses the statements he quotes and, at worst, uses them in a misleading manner.³

9 **Q.** **Please explain.**

10 A. As the Commission knows, the original adoption of the Rule was subject to
11 an appeal by several utilities, including Ameren Missouri. That appeal was decided in the
12 Commission's favor by the Missouri Supreme Court. All but one of the grounds asserted
13 for appeal were procedural; that is, the claims were that the Commission in various ways
14 did not follow the right process in adopting the Rule. However, one of the grounds for
15 appeal was arguably substantive in that the utilities argued that the Rule in effect meant
16 that ratemaking determinations were being made by adoption of the Rule. In connection
17 with that argument in particular, the Commission made certain arguments in its brief
18 addressing why it adopted the Rule and its overall authority over public utilities. Mr.
19 Schallenberg includes selective quotes from the Commission's brief (or that purport to be
20 from the brief) in his rebuttal testimony.

³ His rebuttal testimony also contains mistaken citations. The quote included at page 28, lines 10-12 do not appear at page 36 of the Commission's brief, as he claims; I could not find them at all, although I do not disagree that the Commission has broad authority. Similarly, the quote at lines 16-20 on the same page does not appear at page 25 of the Commission's brief. And the last quote that starts at line 25 appears on page 28 of the Commission's brief instead of page 32.

1 The problem with Mr. Schallenberg's use of these quotes is that they don't in any
2 way support his claim that the Commission should totally disregard the fact that Ameren
3 Missouri incurs tens of millions of dollars of AMS costs each year in getting the corporate
4 support services it needs to provide service to its customers. As the Supreme Court itself
5 recognized, the "rules are a reaction to the emergence of a profit-producing scheme among
6 public utilities called 'cross-subsidization,' in which utilities abandon their traditional
7 monopoly structure and expand into non-regulated areas."⁴ As I addressed in my rebuttal
8 testimony, at the time of the Rule's adoption, and in years leading up to then, telephone
9 companies (and/or their parent corporations) had gotten into various unregulated business
10 lines, like repair of lines inside homes, yellow pages, etc., and some utilities had gotten
11 into appliance sales and other similar for-profit business lines. There were concerns at that
12 time that utilities (or their parent corporations by virtue of their ownership) might have
13 competitive advantages over other entities that would want to compete in these unregulated
14 businesses. The Supreme Court continued: "This expansion [into non-regulated areas]
15 gives utilities the opportunity and incentive to shift their non-regulated costs to their
16 regulated operations with the effect of unnecessarily increasing the rates charged to the
17 utilities' customers."⁵

18 The point is that this Commission has never adopted Mr. Schallenberg's view that
19 a utility should treat its service company as if it were an unaffiliated accounting provider,
20 or legal provider, or environmental services provider, etc. Yet the only reasonable
21 conclusion to be drawn from Mr. Schallenberg's quotations from a brief the Commission

⁴ *State ex rel. Atmos Energy Corp. v. Pub. Serv. Comm'n*, 103 S.W.3d 753, 763-64 (Mo. banc 2003).

⁵ *Id.* At 764 (citing *United States v. Western Elec. Co.*, 592 F. Supp. 846, 853 (D.D.C. 1984)). *Western Electric* involved a utility engaged in both monopoly *and* competitive businesses.

1 filed in 2002 is that he wants the Commission to believe that unless it goes along with his
2 viewpoints, it will act inconsistently with its prior positions. It won't and it hasn't.

3 As noted, the context in which the Commission's arguments in its 2002 brief were
4 made was that the Commission was worried about affiliates who were *out to make a profit*
5 *in competitive markets* improperly allocating costs onto the regulated utility so as to pad
6 their profits. But that is not the situation here. In addition, recent actions by the
7 Commission demonstrate that those worries have no application to transactions between
8 Ameren Missouri and AMS. The Commission has examined at cost transactions between
9 affiliates in two different cases involving Kansas City Power & Light Company ("KCPL")
10 and KCPL Greater Missouri Operations ("GMO") (and one of which involves KCPL/GMO
11 and Westar, all of which now bear the Evergy name). In one case, while the Commission
12 indicated transactions among them "may constitute" affiliate transactions under the Rule,
13 it also ruled that those transactions should nonetheless be allowed to take place at cost.⁶
14 And the clear reason the Commission views it this way was discussed in an earlier case
15 where the Commission specifically found that in "...a utility-to-utility situation, the
16 asymmetric pricing mechanism is also unworkable" and that in the utility-to-utility case
17 "...the rationale underlying the rules does not apply because the utilities are subject to
18 Commission regulation."⁷

19 **Q. Is AMS "subject to Commission regulation"?**

20 **A.** In this context, it effectively is. The Rule itself requires that its books and
21 records be open and auditable to ensure Rule compliance, and allows its operations to be
22 investigated also to ensure compliance. Ameren Missouri has consistently made access to

⁶ Report and Order, File No. EM-2018-0012 (May 24, 2018).

⁷ Report and Order, File No. EM-2007-0374 (July 1, 2008).

1 records of AMS an open book except *only* in those circumstances where AMS may be
2 providing a service solely to a non-Ameren Missouri affiliate and the entire cost of that
3 service is solely paid for by that affiliate. If there is a shared allocation of costs, then the
4 record is open. Indeed, as Ameren Missouri witness Laura Moore discusses, a quarterly
5 report that shows every single AMS transaction with every single affiliate (even if it is
6 100% charged to another affiliate) is provided to Staff and is available in discovery to OPC.
7 And clearly, given the relationship between AMS and Ameren Missouri the Commission
8 can inquire into AMS's operations under section 393.140(12), RSMo., a fact recognized in
9 the Supreme Court's *Atmos* opinion. Certainly if the rationale underlying the rules doesn't
10 apply when Evergy's Missouri affiliates that operate on a for-profit basis, transact at cost
11 among each other and in fact transact at cost with their for-profit Kansas utility affiliate
12 (not regulated by this Commission), it certainly shouldn't apply to at cost transactions
13 between Ameren Missouri and AMS, which operates without making any profit.

14 **Q. On page 1 of his rebuttal testimony, Mr. Schallenberg states that he**
15 **challenges Ameren Missouri's lack of compliance with the Rule because the affiliate**
16 **transactions for which the Company seeks recovery in this case are not separately**
17 **identified from what he characterizes as "normal business transactions." As a result,**
18 **Mr. Schallenberg states that these affiliate transactions payments should not have**
19 **been recorded on Ameren Missouri's books and records. Is there any basis in the**
20 **Rule for these statements?**

21 **A. No. The Rule does not require affiliate transactions to be "separately**
22 **identified from normal business transactions." In fact, I take issue with Mr. Schallenberg's**
23 **claim that these transactions are not "normal business transactions." It is perfectly normal**

1 for a subsidiary of a multi-utility holding company with a service company to take (and
2 pay for) a variety of corporate support services from the service company. Mr. Reed's prior
3 testimonies provide additional detail on the prevalence of the service company structure.
4 In any event, nothing in the Rule suggests that the affiliate transactions payments should
5 not have been recorded on Ameren Missouri's books and records. In fact, as Ms. Moore
6 testifies in her surrebuttal testimony, Ameren Missouri is required to record these amounts
7 in its books and records pursuant to the Uniform System of Accounts and Generally
8 Accepted Accounting principles. Indeed, Ameren Missouri has been recording them on its
9 books for the past 20 years.

10 **Q. On page 16 of his rebuttal testimony, Mr. Schallenberg disputes**
11 **Ameren Missouri witness John Reed's testimony that in 1997 the Commission**
12 **approved the formation of AMS to provide corporate support services for Ameren**
13 **Corporation affiliates at cost. Is Mr. Schallenberg correct?**

14 **A. Not in substance. In Case No. EM-96-149, the Commission approved the**
15 **entire merger transaction between Union Electric Company and Central Illinois Public**
16 **Service Company that resulted in the formation of Ameren Corporation and the formation**
17 **of AMS. The Commission's order stated:**

18 In addition, the Commission finds the proposed merger transaction, as
19 reflected in the contractual agreement contained as a part of the Union
20 Electric Company filing of November 7, 1995, and subject to the conditions
21 and modifications as set out in the above Stipulation and Agreement, is not
22 detrimental to the public interest.

23 The Stipulation and Agreement approved by the order specifically referenced the
24 General Services Agreement ("GSA") under which AMS agreed to provide Ameren
25 Missouri corporate support services at cost. In fact, the Stipulation contemplates that a

1 "Utility Service Company" will "provide administrative and general or operating services
2 to UE and [its affiliates]" and defines "Service Agreement" as the GSA between AMS and
3 its affiliates. That GSA was indeed a part of the record before the Commission in the
4 merger case. The entire Commission order approving the Stipulation and Attachment 1 to
5 it (the Stipulation) is attached to my testimony as Schedule TMB-S2. While the
6 Commission did not use the words "we hereby approve the formation of AMS," the
7 Commission clearly approved the merger that created the corporate structure that included
8 AMS and AMS's provision of services to Ameren Missouri and the other affiliates, and
9 clearly understood that AMS would provide services under the GSA at cost.

10 **Q. You aren't saying that AMS costs can't be addressed in a rate case are**
11 **you?**

12 **A. No, and the Commission's order approving the merger recognized this,**
13 **providing as follows:**

14 No pre-approval of affiliated transactions will be required, but all filings
15 with the SEC or FERC for affiliated transactions will be provided to the
16 Commission and the OPC. The Commission may make its determination
17 regarding the ratemaking treatment to be accorded these transactions in a
18 later ratemaking proceeding or a proceeding respecting any alternative
19 regulation plan.

20 But Mr. Schallenberg spends little time addressing the prudence and
21 reasonableness of AMS costs and devotes virtually all of his attack on such costs to claims
22 of Rule violations that don't exist or, if they did exist, are so technical as to be irrelevant to
23 the reasonableness of the costs. And as I have previously testified, if Mr. Schallenberg
24 thinks there are Rule violations, then he should convince his employer, OPC, to file a

1 complaint, or he should have convinced the Staff to have done so during his many years in
2 a position of substantial authority at the Staff.⁸

3 The bottom line is that the parties to the merger case and the Commission fully
4 recognized that corporate support services would be provided at cost by AMS and the
5 Commission approved that arrangement, subject to ratemaking treatment in future rate
6 cases.

7 **Q. Mr. Schallenberg claims (on p. 27, ll. 7-15 of his rebuttal testimony) the**
8 **GSA is inconsistent with the Rule. Do you agree?**

9 A. No. This is just a different way of him repeating the same argument he
10 makes over and over: that the service company providing services at cost model
11 contravenes the Rule. I have addressed this issue in detail in my rebuttal testimony and to
12 some extent in this testimony. The purpose of the rule is not to preclude the use of at-cost
13 service companies, no matter how many times Mr. Schallenberg claims otherwise.

14 **Q. What about Mr. Schallenberg's claim that Ameren Missouri can't**
15 **operate independently (on p. 27, ll. 2-6); is that a concern?**

16 A. If Mr. Schallenberg's contention is that Ameren Missouri needs the
17 corporate support services provided by AMS in order to deliver utility services, then he is
18 absolutely right. It has to have legal services, accounting services, environmental services,
19 building management, etc. Ameren Missouri does not have to get these services from
20 AMS. It could reconstitute all these stand-alone departments or, I suppose, outsource

⁸ I should also note that no one is claiming that OPC "acquiesced" in the reasonableness of AMS costs when it signed on to the merger Stipulation (Schallenberg rebuttal, p. 16). The point is, however, that Ameren Missouri has been taking services from AMS at cost in essentially the same manner for the entire existence of the Rule and the Commission clearly contemplated that it would do so when it approved the formation of Ameren.

Surrebuttal Testimony of
Tom Byrne

1 everything to other for-profit firms. But, it does not do that because it doesn't make sense
2 for it to do so. The operating model of relying primarily on AMS to provide these kinds of
3 services is simply more efficient than the alternatives. This isn't a bad thing; isn't some kind
4 of flaw. Instead, it is a strength.

5 **Q. Does this conclude your surrebuttal testimony?**

6 **A. Yes, it does.**

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Union Electric Company d/b/a Ameren)
Missouri's Tariffs to Decrease Its Revenues for) File No. ER-2019-0335
Electric Service.)

AFFIDAVIT OF TOM BYRNE

STATE OF MISSOURI)
) ss
CITY OF ST. LOUIS)

COMES NOW Tom Byrne, and on his oath declares that he is of sound mind and lawful age; that he has prepared the foregoing *Surrebuttal Testimony*; and that the same is true and correct according to his best knowledge and belief.

Further the Affiant sayeth not.



Tom Byrne

Subscribed and sworn to before me this 6th day of February, 2020.



Notary Public

My commission expires:



Missouri Public Service Commission

Respond Data Request

Data Request No.	0600
Company Name	MO PSC Staff-(All)
Case/Tracking No.	ER-2019-0335
Date Requested	1/31/2020
Issue	Other - Other
Requested From	Jeff Keevil
Requested By	Carolyn Mora
Brief Description	Revenue Requirement
Description	Was Staff aware of the opinion in Office of the Public Counsel v. PSC and Atmos Energy Corp., 409 S.W.3d 371 (Mo. banc. 2013), when it filed its direct (revenue requirement) case (i.e., its revenue requirement cost of service report) in this case on December 7, 2019?
Response	Yes. Data Request Response provided by Mark Johnson (mark.johnson@psc.mo.gov).
Objections	NA

Missouri Public Service Commission

Respond Data Request

Data Request No.	0601
Company Name	MO PSC Staff-(All)
Case/Tracking No.	ER-2019-0335
Date Requested	1/31/2020
Issue	Other - Other
Requested From	Jeff Keevil
Requested By	Carolyn Mora
Brief Description	Revenue Requirement
Description	Was Mr. Oligschlaeger aware of the opinion referenced in Data Request 0600 when he filed his rebuttal testimony in this docket on January 21, 2020?
Response	Yes. Data Request Response submitted by Mark Johnson (mark.johnson@psc.mo.gov).
Objections	NA

Missouri Public Service Commission

Respond Data Request

Data Request No. 0602
Company Name MO PSC Staff-(All)
Case/Tracking No. ER-2019-0335
Date Requested 1/31/2020
Issue Other - Other
Requested From Jeff Keevil
Requested By Carolyn Mora
Brief Description Other
Description Did Staff presume that AMS charges to Ameren Missouri during the test period (or true-up period) for this case were prudently incurred or did Staff make an independent determination that AMS charges to Ameren Missouri during the test year (or true-up period) were prudently incurred?
Response Based upon the evidence presented by Ameren Missouri in this proceeding, Staff made an independent determination that AMS charges to Ameren Missouri during the audit periods were prudently incurred. Data Request Response provided by Mark Johnson (mark.johnson@psc.mo.gov).
Objections NA

Missouri Public Service Commission

Respond Data Request

Data Request No. 0603
Company Name MO PSC Staff-(All)
Case/Tracking No. ER-2019-0335
Date Requested 1/31/2020
Issue Other - Other
Requested From Jeff Keevil
Requested By Carolyn Mora
Brief Description Other
Description Please confirm that in performing its audit in this rate case, the Staff had access to and reviewed for the time periods relevant to its audit: a. Ameren Missouri's general ledger,

	including entries showing charges from AMS; b. The CAM Report submitted on quarterly basis to Staff which shows all AMS transactions with Ameren affiliates; c. Data request responses provided by Ameren Missouri to data requests posed by the Staff pertaining to Staff's audit of affiliate transactions, including transactions with AMS; d. Additional reports as discussed in Tab I of the Company's CAM.
Response	Staff had access to and reviewed all of the above listed documents. Data Request Response provided by Mark Johnson (mark.johnson@psc.mo.gov).
Objections	NA

Missouri Public Service Commission

Respond Data Request

Data Request No.	0604
Company Name	MO PSC Staff-(All)
Case/Tracking No.	ER-2019-0335
Date Requested	1/31/2020
Issue	Other - Other
Requested From	Jeff Keevil
Requested By	Carolyn Mora
Brief Description	Other
Description	Please confirm that OPC witness Robert Schallenberg was a part of the Staff's chain of command with ultimate responsibility for the revenue requirement in Ameren Missouri's electric rate cases (over-earnings complaint cases or utility-initiated rate changes) from September 1997 through approximately September, 2015.
Response	Mr. Schallenberg was part of Staff upper management for the time period referenced above and, as such, shared in the ultimate responsibility for Staff's recommendations regarding Ameren Missouri's electric revenue requirements over that period of time. Data Request submitted by Mark Johnson (mark.johnson@psc.mo.gov).
Objections	NA

Missouri Public Service Commission

Respond Data Request

Data Request No.	0605
-------------------------	------

Company Name	MO PSC Staff-(All)
Case/Tracking No.	ER-2019-0335
Date Requested	1/31/2020
Issue	Other - Other
Requested From	Jeff Keevil
Requested By	Carolyn Mora
Brief Description	Other
Description	Please confirm that post-the Atmos opinion referenced in Data Request 600, the Staff was able to audit Ameren Missouri's charges from AMS in File Nos. ER-2014-0258, ER-2016-0179, and GR-2019-0077, that the Staff did not presume the AMS charges were prudent in those cases, and that the nature and the quality of the information available regarding AMS charges available to the Staff for its audit in the present rate case is as good or better than the nature and quality of the information available to the Staff regarding AMS charges in those prior cases.
Response	Staff hereby confirms all of the statements included in this data request. Data Request Response provided by Mark Johnson (mark.johnson@psc.mo.gov).
Objections	NA

Missouri Public Service Commission

Respond Data Request

Data Request No.	0606
Company Name	MO PSC Staff-(All)
Case/Tracking No.	ER-2019-0335
Date Requested	1/31/2020
Issue	Other - Other
Requested From	Jeff Keevil
Requested By	Carolyn Mora
Brief Description	Other
Description	Does Staff agree, as contended by Mr. Schallenberg at p. 2, l. 20 to p. 3, l. 4, that AMS charges to Ameren Missouri cannot be audited without compliance, as Mr. Schallenberg defines it, with the Commission's Affiliate Transaction Rule? If not, please explain why not.
Response	Staff does not agree with Mr. Schallenberg's contention. The question of whether a utility is able to demonstrate compliance with the Commission's affiliate transaction through ongoing documentation is separate and apart from the question of whether its recordkeeping for affiliated transactions is capable of being "audited." Data Request

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY

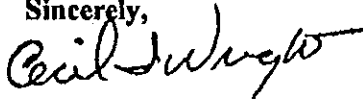
FEBRUARY 21, 1997

CASE NO: EM-96-149

James C. Swearingen, Brydon, Swearingen & England P.C., 312 E. Capitol, P.O. Box 456, Jefferson City, MO 65102-0456
Gary W. Duffy, Brydon, Swearingen & England P.C., 312 E. Capitol Ave., P. O. Box 456, Jefferson City, MO 65102-0456
James M. Fischer, Attorney at Law, 101 W. McCarty St., Suite 215, Jefferson City, MO 65101
James J. Cook, William J. Niehoff, Joseph H. Raybuck, Attorneys, Union Electric Company, P.O. Box 149, (MC 1310),
St. Louis, MO 63166
Richard W. French, French & Stewart, 1001 Cherry St., Suite 302, Columbia, MO 65201
Michael C. Pendergast, Assistant General Counsel, Thomas M. Byrne, Laclede Gas Co., 720 Olive St., Room 1520,
St. Louis, MO 63101
William A. Spencer, Attorney at Law, 215 E. Capitol Ave., P.O. Box 717, Jefferson City, MO 65102
Robert C. Johnson and Diana M. Schmidt, Peper, Martin, Jensen, Maichel and Hetlage, 720 Olive St., 24th Floor,
St. Louis, MO 63101-2396
Susan B. Cunningham, Staff Attorney, Kansas City Power & Light Co., 1201 Walnut St., P.O. Box 418679,
Kansas City, MO 64141-9679
Paul S. DeFord, Lathrop & Norquist, L.C., 2345 Grand Blvd., Suite 2500, Kansas City, MO 64108
Jeremiah W. Nixon, Attorney General, and Daryl R. Hylton, Assistant Attorney General, 221 W. High St., P.O. Box 899,
Jefferson City, MO 65102
Marilyn S. Teitelbaum, Schuchat, Cook & Werner, 1221 Locust St., 2nd Floor, St. Louis, MO 63103-2364
Robin E. Fulton, Schnapp, Fulton, Fall, McNamara & Silvey, L.L.C., 135 E. Main St., P.O. Box 151, Fredericktown, MO 63645-0151
Lewis R. Mills, Jr., Deputy Public Counsel, Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,



Cecil I. Wright
Executive Secretary

Uncertified Copy:

Earl Eakins, 1649 State Highway N, Chaffee, MO 63740
Charles J. Fishman, President, Trigen-St. Louis Energy Corporation, One Ashley Place, St. Louis, MO 63102
Jim Berger, Asst. Business Manager, Local 309, IBEW, 2000 Mall St. (Rte 157), Collinsville, IL 62234
Dave White, Business Manager, Local 2, IBEW, 209 Flora Dr., P.O. Box 1045, Jefferson City, MO 65102
Michael Datillo, Business Manager, Local 1455, IBEW, 5570 Fyler Ave., St. Louis, MO 63139
Gary Roan, Business Manager, Local 702, IBEW, 106 N. Monroe, West Frankfort, IL 62896
John W. McKinney, Missouri Public Service, 10700 E. 350 Highway, P.O. Box 11739, Kansas City, MO 64138
Robert B. Fancher, Vice President-Finance, Empire District Electric Co., 602 Joplin, P.O. Box 127, Joplin, MO 64801
Kenneth J. Neises, Senior Vice President-Gas Supply & Regulatory Affairs, Laclede Gas Co., 720 Olive St., Room 1514,
St. Louis, MO 63101
Joe Lakshmanan, Illinois Power Company, 500 South 27th St., P.O. Box 511, Decatur, Illinois 62525
F. Jay Cummings, Vice President, Rates & Regulatory Affairs, Southern Union Gas Co., 504 Lavaca, Suite 800,
Austin, TX 78701

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Union Electric)
Company for an Order Authorizing (1) Certain Merger)
Transactions Involving Union Electric Company;)
(2) the Transfer of Certain Assets, Real Estate,) Case No. EM-96-149
Leased Property, Easements and Contractual)
Agreements to Central Illinois Public Service)
Company; and (3) in Connection Therewith, Certain)
Other Related Transactions.)

REPORT AND ORDER

Issue Date: February 21, 1997

Effective Date: March 4, 1997

20

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

In the Matter of the Application of Union Electric)
Company for an Order Authorizing (1) Certain Merger)
Transactions Involving Union Electric Company;)
(2) the Transfer of Certain Assets, Real Estate,)
Leased Property, Easements and Contractual) Case No. EM-96-149
Agreements to Central Illinois Public Service)
Company; and (3) in Connection Therewith, Certain)
Other Related Transactions.)
)

APPEARANCES

James J. Cook, Associate General Counsel, Joseph H. Raybuck, Attorney, and William J. Niehoff, Attorney, Union Electric Company, Post Office Box 149, St. Louis, Missouri 63166, for Union Electric Company.

Richard W. French, French & Stewart Law Offices, 1001 Cherry Street, Suite 302, Columbia, Missouri 65201, for Trigen-St. Louis Energy Corporation.

Sondra B. Morgan and James C. Swearengen, Brydon, Swearengen & England, P.C., Post Office Box 456, 312 East Capitol Avenue, Jefferson City, Missouri 65102, for The Empire District Electric Company and UtiliCorp United Inc.

Sondra B. Morgan and Gary W. Duffy, Brydon, Swearengen & England, P.C., Post Office Box 456, 312 East Capitol Avenue, Jefferson City, Missouri 65102, for Missouri Gas Energy, a division of Southern Union Company.

Thomas M. Byrne, Associate Counsel, Laclede Gas Company, 720 Olive Street, St. Louis, Missouri 63101, for Laclede Gas Company.

Robert C. Johnson, Diana M. Schmidt, and Michael R. Annis, Peper, Martin, Jensen, Maichel and Hetlage, 720 Olive Street, 24th Floor, St. Louis, Missouri 63101, for: Anheuser-Busch, Inc., Barnes and Jewish Hospitals, Chrysler Corporation, Emerson Electric Company, Hussmann Refrigeration, Lincoln Industrial, MEMC Electronic Materials, Mallinckrodt, Inc., McDonnell Douglas Corporation, Monsanto Company, and The Doe Run Company (the Missouri Industrial Energy Consumers).

James M. Fischer, Attorney at Law, 101 West McCarty Street, Suite 215, Jefferson City, Missouri 65101,

and

William G. Riggins, Staff Attorney, Kansas City Power & Light Company, 1201 Walnut Street, Post Office Box 418679, Kansas City, Missouri 64141, for Kansas City Power & Light Company.

Paul S. DeFord, Lathrop & Gage, 2345 Grand Boulevard, Kansas City, Missouri 64108, for Illinois Power Company.

Marilyn S. Teitelbaum, Schuchat, Cook & Werner, 1221 Locust Street, Second Floor, St. Louis, Missouri 63103, for Local 2, Local 309, Local 702 and Local 1455, International Brotherhood of Electrical Workers, AFL-CIO.

Daryl R. Hylton, Assistant Attorney General, and Michelle Smith, Assistant Attorney General, Office of the Attorney General, Post Office Box 899, Jefferson City, Missouri 65102, for the State of Missouri, at the relation of Jeremiah W. (Jay) Nixon, Attorney General.

Lewis R. Mills, Jr., Deputy Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

Steven Dottheim, Acting General Counsel, Roger W. Steiner, Assistant General Counsel, and Aisha Ginwalla, Assistant General Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE

LAW JUDGE: Joseph A. Derque, III.

REPORT AND ORDER

Procedural History

On November 7, 1995, Union Electric Company (UE) filed an application with the Missouri Public Service Commission (Commission) requesting an order from the Commission authorizing certain merger transactions, the transfer of certain assets, real estate, leased property, easements and contractual agreements, and authorizing certain other transactions, all to effectuate a proposed merger between UE and CIPSCO Incorporated (CIPSCO).

UE is a Missouri corporation engaged in the provision of energy services to the public in the state of Missouri and regulated by the Commission as a public utility. CIPSCO is an Illinois corporation and the parent corporation of its wholly owned subsidiary, Central Illinois Public

Service Company (CIPS). CIPS is engaged in the business of providing energy services in the state of Illinois and, as such, is a regulated public utility in that state.

In addition, two other corporations have been formed for the purpose of facilitating the proposed merger, those being Arch Merger, Inc. (Arch) and Ameren Corporation (Ameren). The corporate structure resulting from the proposed merger will include Ameren as a federally regulated utility holding company, with UE as a Missouri subsidiary operating company and CIPS and CIPSCO as other subsidiaries. The merger transactions are intended to result in a tax-free exchange.

In addition to the Staff of the Commission (Staff), UE, and the Office of the Public Counsel (OPC), the following parties were also granted intervention: the Missouri Industrial Energy Consumers (MIEC)¹; Laclede Gas Company (LGC); The Empire District Electric Company (EDE); Locals 2, 309, 702 and 1455 of the International Brotherhood of Electrical Workers, AFL-CIO (Unions); Kansas City Power & Light Company (KCPL); the State of Missouri ex rel. The Attorney General (State); Missouri Gas Energy, a division of Southern Union Company (MGE); Trigen-St. Louis Energy Corporation (Trigen); Illinois Power Company (IP); and UtiliCorp United Inc. (UtiliCorp).

¹The MIEC is composed of the following: Anheuser-Busch, Inc., Barnes and Jewish Hospitals, Chrysler Corporation, Emerson Electric Company, Hussmann Refrigeration, Lincoln Industrial, MEMC Electronic Materials, Mallinckrodt, Inc., McDonnell Douglas Corporation, Monsanto Company, and The Doe Run Company.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

A. Stipulation And Agreement

On July 12, 1996, a Stipulation And Agreement was filed purporting to settle all issues raised by the parties and seeking Commission approval of the proposed transaction. This Stipulation And Agreement is appended to this Report And Order as Attachment 1 and incorporated herein by reference.

Various intervenors did not sign the proposed Stipulation And Agreement. Those parties were given the opportunity to exercise their due process right to compel an evidentiary hearing, but all chose not to do so. Those parties who are not signatories to the agreement are LGC, MIEC, IP, and the Unions. All have stated in filed documents that, while not signatories to the agreement, none wish to litigate any issue and none are opposed to Commission approval of the proposed stipulation. The Commission, therefore, in accordance with rule 4 CSR 240-2.115, will treat the Stipulation And Agreement as a unanimous stipulation and agreement.

The Stipulation And Agreement contains the following terms and conditions. In setting out this summary it is not the intent of the Commission to alter any terms and conditions therein.

The Stipulation And Agreement specifies that the proposed merger, as specified in the merger agreement, filed with the original application on November 7, 1995, should be approved by the Commission as not

detrimental to the public interest, subject to the conditions and modifications as set out in the remainder of the Stipulation And Agreement.

UE has agreed that it will not seek to recover the asserted merger premium of \$232 million in rates in any Missouri proceeding. The merger premium represents the portion of the purchase price that exceeds the current book value of the acquired company's assets or market value of the acquired company's stock. UE will, however, retain the right to state, in any future proceedings, alleged benefits of the merger. UE will forgo any additional specific adjustments to cost of service related to the merger savings or any claim to merger savings other than the adjustments to cost of service and claims to merger savings resulting from the Commission's approval of the Stipulation And Agreement or the benefits and savings which would occur through regular ratemaking treatment or the current Experimental Alternative Regulation Plan (ARP) or the new Experimental Alternative Regulation Plan (EARP) effective July 1, 1998, pursuant to the Stipulation And Agreement.

Actual prudent and reasonable merger transaction and transition costs (estimated to be \$71.5 million) shall be amortized over ten years beginning the date the merger closes. The annual amortization of merger transaction and transition costs will be the lesser of: (1) the Missouri jurisdictional portion of the total Ameren amount of \$7.2 million; or (2) the Missouri jurisdictional portion of the total Ameren unamortized amount of actual merger transaction and transition costs incurred to date. No rate base treatment of the unamortized costs will be included in the determination of rate base for any regulatory purposes in Missouri.

UE commits that it will propose and file with the Commission an experimental retail wheeling pilot program for 100 MW of electric power,

to be available to all major classes of Missouri retail electric customers, as soon as practical, but no later than March 1, 1997.² The commitment to file such a pilot program for Commission consideration and determination covered by this provision is made by UE alone. Prior to filing its proposal with the Commission, UE will seek substantive input from Missouri retail electric customers, Staff, OPC and others.

The parties concur that earnings monitoring in Case No. EO-96-14 will result in a general change in rates charged and revenues collected after August 31, 1998. The change in revenues collected will be equal to the average annual total revenues credited to customers during the three ARP years ending June 30, 1998, adjusted to reflect normal weather. Any rate reduction shall be spread within and among revenue classes on the basis of the Commission decision in Case No. EO-96-15, which is the UE customer class cost of service and comprehensive rate design docket created as a result of Case No. ER-95-411. In the event that a Commission decision has not been reached in Case No. EO-96-15, the parties will jointly or severally propose to the Commission a basis or bases on which a rate reduction may be spread on an interim basis within and among the classes pending issuance of the Commission's decision in Case No. EO-96-15.

UE will make a good faith effort to provide the earnings report for the final Sharing Period in Case No. ER-95-411 in time to implement this rate reduction on September 1, 1998. In the event the earnings data is not available, or in the event the review process of the earnings data or the weather normalization review process does not allow for a September 1, 1998 effective date, the following will occur: An additional

² The Commission will entertain a motion to modify the above date in order to ensure that UE has the opportunity to receive "substantive input" from the parties and others.

credit, equal to the excess revenues billed between September 1, 1998 and the effective date of the rate reduction, will be made. Said credit will be made at the same time and pursuant to the same procedures as the Sharing Credits in Case Nos. ER-95-411 and EO-96-14. If no Sharing Credits are to be made for the third Sharing Period in Case Nos. ER-95-411 and EO-96-14, the excess revenue credit will be made as expeditiously as possible.

UE shall file tariff sheets for Commission approval consistent with this section.

The EARP will be instituted July 1, 1998 at the end of the ARP created in Case No. ER-95-411. In its Report And Order approving this Stipulation And Agreement, the Commission shall create a new docket to facilitate the EARP (EARP Docket). All signatories to the Stipulation And Agreement shall be made parties to the EARP Docket, as intervenors or as a matter of right, as will the parties to Case No. EO-96-14 who are not parties to Case No. EM-96-149, without the necessity of taking further action.

The following sharing grid is to be utilized as part of the EARP:

Earnings Level (Missouri Retail Electric Operations)	Sharing Level UE	Sharing Level Customer
1. Up to and including 12.61% Return on Equity (ROE)	100%	0%
2. That portion of earnings greater than 12.61% up to and including 14.00% ROE	50%	50%
3. That portion of earnings greater than 14.00% up to and including 16.00% ROE	10%	90%
4. That portion of earnings greater than 16.00% ROE	0%	100%

The EARP will be in effect for a full three-year period.

In the event UE files an electric rate increase case, any Sharing Credits due for the current or prior Sharing Period will remain the obligation of UE, and the EARP shall terminate at the conclusion of the then current Sharing Period.

In the event any signatory to the Stipulation And Agreement files a rate reduction case, any Sharing Credits due for the current or prior Sharing Period will remain the obligation of UE, and the parties to that case will recommend to the Commission whether the EARP should remain in effect as currently structured, be modified or terminated.

Upon any termination of the EARP pursuant to the foregoing, the signatories will have no further obligation under this section.

Monitoring of the EARP will be based on UE supplying to Staff and OPC, on a timely basis, the reports and data identified in the Stipulation And Agreement. These reports and data must be provided as part of the EARP. Staff, OPC and the other signatories participating in the monitoring of the EARP may follow up with data requests, meetings and interviews, as required, to which UE will respond on a timely basis. UE will not be required to develop any new reports, but information presently being recorded and maintained by UE may be requested.

The sharing of earnings in excess of 12.61 percent, as contemplated in the sharing grid set out above, is to be accomplished by the granting of a credit to UE's Missouri retail electric customers by applying credits to customers' bills in the same manner as applied in Case No. ER-95-411, and as set forth in the Stipulation And Agreement.

In the final year of the EARP, UE, Staff, OPC and other signatories to the Stipulation And Agreement shall meet to review the monitoring reports and additional information required to be provided. By

February 1, 2001, UE, Staff and OPC will file and other signatories may file their recommendations with the Commission as to whether the EARP should be continued as is, continued with changes, or discontinued. The rates resulting from the Stipulation And Agreement will continue in effect after the three-year EARP period until UE's rates are changed as a result of a rate increase case, a rate reduction case, or other appropriate Commission action.

UE and its prospective holding company, Ameren, agree to make available to the Commission, at reasonable times and places, all books and records and employees and officers of Ameren, UE and any affiliate or subsidiary of Ameren as provided under applicable law and Commission rules; provided, that Ameren, UE and any affiliate or subsidiary of Ameren shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records and personnel are not subject to Commission jurisdiction by operation of the Public Utility Holding Company Act of 1935 (PUHCA).

UE, Ameren and any affiliate or subsidiary thereof agree to continue voluntary and cooperative discovery practices.

UE, Ameren and each of its affiliates and subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of non-UE Ameren businesses by UE's retail customers.

UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallow-

ance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a contract, agreement, arrangement or transaction with any affiliate, associate, holding, mutual service or subsidiary company on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the Securities and Exchange Commission (SEC) or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the SEC. This provision is also applied to both gas and electric contracts filed with the Federal Energy Regulatory Commission (FERC).

No preapproval of affiliated transactions will be required, but all filings with the SEC or FERC for affiliated transactions will be provided to the Commission and the OPC. The Commission may make its determination regarding the ratemaking treatment to be accorded these transactions in a later ratemaking proceeding or a proceeding respecting any alternative regulation plan.

Finally, the parties have agreed to a proposed system support agreement between UE and CIPS for a term of ten years. This agreement allows UE to transfer its current Illinois customers to CIPS, and provides for the transfer of electric power and capacity to CIPS for the ten-year period. This is capacity and energy currently used to supply UE's Illinois customers. The Stipulation And Agreement provides that the Commission has the authority to allocate energy and capacity addressed in the system support agreement in future ratemaking proceedings.

B. Market Power Issues

In its September 25, 1996 order, the Commission requested additional testimony regarding the potential harm to the public interest from any increase in market power which may be created by the approval of the merger. Because market power might be of greatest concern to Missouri customers if full retail competition were authorized, the Commission specifically requested that the parties include retail competition as a scenario in their analysis.

In response to this request, UE witness Rodney Frame stated that because retail competition will require changes to existing institutions that will affect how markets should be analyzed, it is neither reasonable nor advisable to address the implications of market power until these more fundamental issues are addressed. UE witness Maureen A. Borkowski stated that UE's transmission system was designed so that its power plants would serve its native load. Therefore, the import capability into the St. Louis area is limited by the capacity of its own transmission system. Further, Ms. Borkowski stated that these limits only become important to retail competition, and it would be premature to deal with such a scenario now. Mr. Frame believed that market power problems are likely to require more scrutiny when generation supplies are deregulated and individual retail customers can shop among alternative suppliers. UE witness Donald E. Brandt stated that the time to address potential market power problems associated with deregulation and retail customer choice is when the decision is made to go down that path, not now. Further, Mr. Brandt stated that any market power which UE or Ameren possesses in the retail market is currently mitigated by the regulatory oversight of the Commission.

OPC stated that the Commission is correct in its concern for the potential harm to the public interest from an increase in market power from the merger, especially under the assumption of retail competition. OPC's witness Dr. Richard A. Rosen recommended that the Commission require UE to analyze carefully and thoroughly whether the ability of the merged utilities to exercise market power under retail competition is likely to be greater than the ability of either individual utility. If there is a significant increase in market power resulting from the merger, the Commission should identify and implement all appropriate measures to mitigate the market power. OPC takes the position that the applicants for the merger have the responsibility to analyze market power, and that the Commission should require the companies to perform such an analysis as a condition for approving the merger. OPC does not argue that such a study must be completed prior to the Commission giving approval of the merger. Instead, it believes that if market power proves to be a problem, appropriate measures are available to mitigate market power, and the Commission should mandate such measures prior to implementation of retail competition.

In his testimony, Staff's witness Dr. John W. Wilson presented an analysis of market power under retail competition. He defined the relevant market to be requirements power for both wholesale and retail customers served in the joint service territories of UE and CIPS. Two scenarios were considered: with and without pancaked transmission rates. With pancaked transmission rates, Dr. Wilson found that Ameren would have a price advantage over any competitors having to pay an additional transmission charge, and would therefore have significant market power. Without pancaked transmission rates, the relevant geographic market was found to

be limited by the nonsimultaneous first contingency total transfer capability into the Eastern Missouri (EMO) and South Central Illinois (SCILL) subregions of the Mid-America Interconnected Network (MAIN). Taking these transmission constraints into account, Dr. Wilson performed a concentration analysis to measure the likelihood of the merged firm exercising market power and found significant increases in concentration that exceeded the "safe harbor" limits established in the Department of Justice/Federal Trade Commission Merger Guidelines ("Guidelines"). Dr. Wilson then examined other factors, as suggested by the Guidelines, including: (1) the potential of the merger to give rise to anticompetitive effects; (2) entry conditions; (3) efficiencies; and (4) whether one of the firms is likely to exit the market because of financial stress. He found that the merger was likely to enhance the anticompetitive behavior associated with markets that are characterized as oligopolistic (few competitors with each recognizing that its own competitive conduct will significantly affect the other competitors), and will likely elicit defensive responses that allow dominant firms to exercise price leadership. With Ameren having just under 35 percent of the share of total capacity in the relevant market, Dr. Wilson expressed concern that the merged firm may find it profitable to increase price and reduce output below pre-merger levels because "the lost markups on the foregone sales may be outweighed by the resulting price increase on the merged base of sales" (Guidelines § 2.22). Market dominance was also seen as a potential barrier to entry for new firms. Most significant was the potential for vertical market power (the ability to exert market power in one or more horizontal markets as a result of the monopoly control of an essential element in a vertical chain of horizontal markets) based on Ameren's control of the transmission

system required to serve the requirements markets for generation within UE's and CIPS's service territories.

While Dr. Wilson recommended against approval of the merger, the Staff continues to support the Stipulation And Agreement, as do UE and OPC. However, Dr. Wilson has made several recommendations regarding mitigation of market power should the Commission approve the merger. These include: (1) Ameren turning over the operation of its transmission system to an Independent System Operator (ISO) with a region-wide "postage-stamp" transmission rate; (2) divestiture of generation resources to reduce barriers to entry that arise from vertical integration; (3) introduction of retail access in Ameren's service territory to stimulate entry into retail generation sales; and (4) denial of stranded cost recovery by the merged entity to assure that any merger savings will be used to offset any above-market, uneconomic cost for generation.

UE witnesses Mr. Brandt and Ms. Borkowski stated that requiring it to eliminate pancaking or to participate in an ISO would be unnecessary, inappropriate and premature. For example, UE witness Rodney Frame argued that requiring UE to join an ISO could produce adverse consequences for UE's native load customers due to cost shifting of a \$42 million increase in transmission costs. Mr. Frame also cited FERC's Order 889, which sets forth a code of conduct and which requires that transmission owners participate in an Open Access Same-Time Information System (OASIS) for handling any concerns for the exercise of vertical market power in the markets that exist today. Thus, UE argues that the Commission should not require it to participate in an ISO until the terms of participation are known, and should also delay any consideration of the impact on retail markets until retail competition becomes a reality.

Dr. Wilson stated that the purpose for turning the operation of the transmission system over to an ISO is to alleviate the concern that, as the owner of both transmission and generation, the vertically integrated utility would be able to use the transmission system to "depress competition in generation markets." Dr. Wilson further pointed out that if an ISO is not established in a fully independent manner, vertically integrated owners of generation and transmission could have influence over who becomes and remains as the ISO operator, in which case nonowner generation rivals may not receive equal consideration.

Dr. Rosen stated that while FERC Order 888 recognizes transmission access and pricing as core requirements to deal with potential vertical market power abuse, the FERC also identified regional ISOs as an important measure for mitigating potential vertical market power. Dr. Rosen summarized the FERC guidelines which specify that an ISO: "1) have no financial interest in the economic performance of any market power participant; 2) should have control over the operation of interconnected transmission facilities within its region; 3) should identify constraints on the system and be able to take operational action to relieve those constraints within the trading rules; and 4) should make transmission system information publicly available to all suppliers on a timely basis." In addition, Dr. Rosen noted that the FERC identified expansion of transfer capability by enlarging transmission capacity as a mitigation measure for vertical market power, but recognized that utilities must obtain approvals for such expansion from state and local authorities under applicable laws.

The Commission finds there are sufficient facts in evidence to be concerned about the potential increase in market power from the proposed merger. The merger could have a significant adverse impact on the degree

of competition within UE's Missouri service territory due to limited transfer capability for imported power, as well as the disincentives caused by pancaked transmission rates. In order to eliminate pancaked transmission rates, Ameren would need to belong to a regional transmission group having a region-wide transmission rate. To address the vertical market power concern that Ameren could use its transmission system to restrict competition from other generation, the regional transmission group should be an entity that will independently operate the transmission systems of the vertically integrated utilities within the region. While the Commission agrees that UE and Ameren should not participate in an ISO at "any cost" to the Missouri ratepayers, now is the time for UE to take into account the impact that vertical market power could have on the requirements market under retail competition. Therefore, the Commission approves the merger upon the condition that UE shall participate in a regional ISO that eliminates pancaked transmission rates and that is consistent with the ISO guidelines set out in FERC Order 888. Such an ISO proposal could be formed in conjunction with the current efforts by UE and other regional utilities to establish a Midwest ISO or be organized by the merged company with membership open to other regional utilities. While the Commission understands that joining an ISO at "any cost" would be unwise, the participation by UE and Ameren in an ISO is a prudent, necessary condition to assure that the merger is not detrimental to the public interest.

The Commission also finds that the concerns expressed by OPC regarding horizontal market power are valid. Such market power can take place at any level of the production chain as a consequence of there being a very small number of competing sellers and significant barriers to entry.

Specifically, Dr. Richard A. Rosen expressed concern about horizontal market power for the generation end of the production chain, as well as in the retail merchant (demand-side aggregator) markets. Dr. Rosen expressed concern that alternative generators might find it difficult to enter certain submarkets for electricity such as the base load, long term market for capacity and energy, or areas where transmission constraints and strategically located generation facilities combine to form local "load pockets." In the retail merchant markets, Dr. Rosen believes that new aggregators would find it difficult to compete with the incumbent utility because of lack of name recognition.

In order to deal with this potential for horizontal market power, Dr. Rosen proposed a two-part analysis: (1) theoretical and empirical characterizations of the market; and (2) simulations of the particular electricity market under consideration. In both, the unique characteristics of electricity markets in at least the nine submarkets (base, cycling and peaking by short, medium and long term) should be examined. In the first analysis, Dr. Rosen suggested that a more sophisticated version of the Herfindahl-Hirschman Index (HHI) be developed. In the second analysis, Dr. Rosen recommended that the simulations include real data from various utilities in a proposed ISO, and that various gaming scenarios and bidding strategies be analyzed.

The Commission finds that there are sufficient facts in evidence for it to be concerned about horizontal market power for both generation and aggregation. The Commission also finds that these concerns are in part related to the merger of the two companies, but are also related to conditions that should be considered before implementing retail competition. OPC's proposal balances these two relationships. Therefore, the

Commission will require UE and interested parties to assess the potential ability of the merged companies to exercise vertical and especially horizontal market power in price deregulated retail generation markets. Based on this analysis, if the market power under retail competition proves to be a problem, then the Commission will consider taking appropriate action to mitigate market power prior to establishing statewide retail competition. Because the level of detail and development of a study of horizontal market power will require significant effort and time, the Commission will require UE to undertake this study with the participation of Staff and OPC, with a completion date of January 1, 1998. This study need not be submitted before the merger is completed.

Therefore, the Commission finds the proposed Stipulation And Agreement to be reasonable and in the public interest if it is modified to include the conditions which the Commission requires to mitigate market power.

As set out in the Stipulation, after review of both the testimony filed in this matter and the proposed merger agreement of November 7, 1995, the Commission also finds the proposed merger, as modified and subject to the conditions of the attached Stipulation And Agreement, to not be detrimental to the public interest. Therefore, the Commission will approve the proposed Stipulation And Agreement as set out in Attachment 1 and the resulting merger transaction, and order UE to file tariffs in accordance therewith.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

The applicant, Union Electric Company, is a public utility under the jurisdiction of the Commission, regulated generally by Chapter 393, RSMo 1994. Specifically, the proposed sale, transfer and assignment of certain rights, properties, and assets is controlled by Section 393.190(1), which states in part:

No gas corporation, electrical corporation, water corporation or sewer corporation shall hereafter sell, assign, lease, transfer, mortgage or otherwise dispose of or encumber the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public, nor by any means, direct or indirect, merge or consolidate such works or system, or franchises, or any part thereof, with any other corporation, person or public utility, without having first secured from the commission an order authorizing it to do so.

The Commission has found the Stipulation And Agreement, as set out in Attachment 1 hereto, to be just and reasonable, and will approve the Stipulation And Agreement. In addition, the Commission finds the proposed merger transaction, as reflected in the contractual agreement contained as a part of the Union Electric Company filing of November 7, 1995, and subject to the conditions and modifications as set out in the above Stipulation And Agreement, is not detrimental to the public interest.

The Commission further concludes that Union Electric Company should file tariffs in full compliance with the merger agreement, the Stipulation And Agreement, and this Report And Order.

IT IS THEREFORE ORDERED:

1. That the Stipulation And Agreement, marked Attachment 1 to this Report And Order, will be approved by order of the Commission provided that Union Electric Company files a pleading in this docket within ten (10)

days of the date of issuance of this order consenting to the following conditions:

(a) No later than December 31, 1997, Union Electric Company shall file or join in the filing of a regional ISO proposal at the Federal Energy Regulatory Commission that eliminates pancaked transmission rates, that is consistent with the ISO guidelines set out in FERC Order 888, and that meets the following requirements:

(1) If the ISO proposal filed at FERC is the result of the current efforts by UE and other utilities to establish a Midwest ISO, UE shall simultaneously file at this Commission a request for approval of its participation in the proposed ISO;

(2) If the Midwest ISO proposal is filed at FERC and UE has chosen not to participate, then UE shall advise this Commission within thirty (30) days of the FERC filing why it is not participating in the Midwest ISO;

(3) If the Midwest ISO proposal is not filed before the FERC by December 31, 1997, then by March 31, 1998 UE shall file with this Commission a plan for establishing an independent entity charged with the operation, pricing and planning of its transmission system. This plan shall be developed in cooperation with Staff and the Office of the Public Counsel, shall provide for the formation and expansion of this

independent entity to include other utilities, and shall be filed with the FERC; and

(b) By January 1, 1998 and with the participation of Staff and the Office of Public Counsel, Union Electric Company shall file with this Commission a report that assesses the potential ability of the merged companies to exercise vertical and especially horizontal market power in price deregulated retail generation.

2. That, with the consent of the parties, the testimony of Union Electric Company witnesses Rodney Frame, Maureen A. Borkowski and Donald E. Brandt; Office of the Public Counsel witness Dr. Richard A. Rosen; and the Commission Staff witness Dr. John W. Wilson is hereby entered into evidence and made a part of the record in this proceeding.

3. That this Report And Order shall become effective on March 4, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

McClure and Kincheloe, CC., concur;
Zobrist, Chm., Crumpton and Drainer,
CC., concur, with concurring opinions
to follow.

Dated at Jefferson City, Missouri,
on this 21st day of February, 1997.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the application of)
Union Electric Company for an order)
authorizing (1) certain merger)
transactions involving Union)
Electric Company; (2) the transfer)
of certain assets, real estate,)
leased property, easements and)
contractual agreements to Central)
Illinois Public Service Company;)
and (3) in connection therewith,)
certain other related transactions.)

Case No. EM-96-149

STIPULATION AND AGREEMENT

Dated: July 12, 1996

TABLE OF CONTENTS

1. Approval of the Merger 1

2. Merger Premium 2

3. Merger Benefits and Savings 2

4. Transaction and Transition Costs 2

5. Retail Wheeling Experiment 3

6. Rate Reduction 5

7. New Experimental Alternative Regulation Plan (New Plan) . 7

8. State Jurisdictional Issues 22

 a. Access to Books, Records and Personnel 22

 b. Voluntary and Cooperative Discovery Practices 23

 c. Accounting Controls 23

 d. Contracts Required to be Filed with the SEC 24

 e. Electric Contracts Required to be Filed with the
 FERC 25

 f. Gas Contracts Required to be Filed with the FERC 26

 g. No Pre-Approval of Affiliated Transactions 27

 h. Contingent Jurisdictional Stipulation -- FERC 27

 i. Contingent Jurisdictional Stipulation -- SEC 28

9. Staff Conditions To Which UE Has Agreed 29

10. System Support Agreement 33

11. Commission Rights 34

12. Staff Rights 34

13. No Acquiescence 36

14. Negotiated Settlement 36

15. Provisions Are Interdependent 37

16. Prepared Testimony 37
17. Waive Rights to Cross Examination, etc. 38
18. Operative Dates 39

Attachment A: PROCEDURES TO DETERMINE RATE REDUCTION

Attachment B: PROCEDURES FOR SHARING CREDITS FROM THE NEW
THREE-YEAR EXPERIMENTAL ALTERNATIVE REGULATION
PLAN

Attachment C: RECONCILIATION PROCEDURE

Attachment D: CONTINGENT JURISDICTIONAL STIPULATION -- SEC AND
FERC

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the application of)
Union Electric Company for an order)
authorizing (1) certain merger)
transactions involving Union)
Electric Company; (2) the transfer)
of certain assets, real estate,) Case No. EM-96-149
leased property, easements and)
contractual agreements to Central)
Illinois Public Service Company;)
and (3) in connection therewith,)
certain other related transactions.)

STIPULATION AND AGREEMENT

As a result of discussions among the parties to Case No. EM-96-149, the signatories hereby submit to the Missouri Public Service Commission ("Commission") for its consideration and approval the following, including actions to be taken by Union Electric Company ("UE") and the other signatories in settlement of the above styled case:

1. **Approval of the Merger**

The signatories agree that the Commission should approve the merger as requested in UE's filing dated November 7, 1995, on the basis that, subject to the conditions and modifications set forth below, said merger is not detrimental to the public interest.

2. Merger Premium

UE shall not seek to recover the amount of any asserted merger premium in rates in any Missouri proceeding. UE has identified this amount as \$232 million.

3. Merger Benefits and Savings

UE shall retain the right to state, in future proceedings, alleged benefits of the merger but UE commits to forego any additional specific adjustments to cost of service related to the merger savings or any claim to merger savings other than the adjustments to cost of service and claims to merger savings resulting from the Commission's approval of this document or the benefits and savings which would occur through regular ratemaking treatment or the current Experimental Alternative Regulation Plan ("ARP") or the new Experimental Alternative Regulation Plan ("the New Plan") effective July 1, 1998 pursuant to this document.

4. Transaction and Transition Costs

Actual prudent and reasonable merger transaction and transition costs (estimated to be \$71.5 million, which reflects the total Ameren Corporation ("Ameren") estimated merger costs presented to the Commission Staff ("Staff") and Office of the Public Counsel ("OPC") in the UE/CIPSCO, Inc. Merger Implementation Plan, less executive severance pay of \$1.6 million,

but including costs incurred in 1995) shall be amortized over ten years beginning the date the merger closes. The annual amortization of merger transaction and transition costs will be the lesser of: (1) the Missouri jurisdictional portion of the total Ameren amount of \$7.2 million; or (2) the Missouri jurisdictional portion of the total Ameren unamortized amount of actual merger transaction and transition costs incurred to date. No rate base treatment of the unamortized costs will be included in the determination of rate base for any regulatory purposes in Missouri.

5. Retail Wheeling Experiment

As a result of settlement negotiations, UE commits that it will propose and file with the Commission an experimental retail wheeling pilot program for 100 MW of electric power, to be available to all major classes of Missouri retail electric customers, as soon as practical, but no later than March 1, 1997. The commitment to file such a pilot program for Commission consideration and determination covered by this provision is made by UE alone. Prior to filing its proposal with the Commission, UE will seek substantive input from Missouri retail electric customers, Staff, OPC and others (including, but not limited to, Trigen - St. Louis Energy Corp. and Missouri Retailers Association). If permitted by the Commission's Order, UE shall

implement the retail wheeling pilot program as approved by the Commission so as to allow power purchase transactions to commence within sixty (60) days of the effective date of the Commission's Order or as soon as practicable thereafter, but in no event before the merger closes (except with the consent of UE and the approval of the Commission).

The commitment covered by this provision should not be construed as concurrence or acquiescence by the signatories in the specifics of the retail wheeling pilot program which will be filed by UE, the details of which are to be determined by UE based in part on a consideration of the substantive input referred to above. The non-objection of signatories to UE's commitment to file a retail wheeling pilot program should not be construed as a waiver of the signatories' right to contest the proposed retail wheeling pilot program before the Commission; nor are the signatories precluded from seeking a writ of review, appealing a Commission Order or pursuing any other appropriate legal remedy. The signatories agree not to attempt to enjoin the Commission from considering and issuing an Order respecting UE's proposal. UE commits not to appeal the Commission's Order establishing a retail wheeling pilot program unless said Order is significantly different from the UE filing and UE is materially and adversely affected

thereby. Furthermore, Commission approval of the instant Stipulation And Agreement containing this provision is not intended by the signatories to be read as a Commission pronouncement of any sort respecting retail wheeling either in general, as public policy, or in specific, as a regulatory mechanism.

If such a retail wheeling pilot program is instituted, matters which affect the calculation of where UE falls on the "Sharing Grid" of the ARP or the New Plan may arise which will need to be resolved by agreement of the signatories to this Stipulation And Agreement, or by the Commission if agreement cannot be reached.

A signatory to this Stipulation And Agreement shall be made a party in the retail wheeling pilot program proceeding, as a matter of right, if it so requests.

6. Rate Reduction

Earnings monitoring in Case No. EO-96-14 will result in a general change in rates charged and revenues collected after August 31, 1998. The change in revenues collected will be equal to the average annual total revenues credited to customers during the three ARP years ending June 30, 1998, adjusted to reflect normal weather. The procedures to determine the adjustment to the annual credits for the three years comprising the ARP are set forth in Attachment A appended hereto. Any rate reduction shall be spread

within and among revenue classes on the basis of the Commission decision in Case No. EO-96-15, which is the UE customer class cost of service and comprehensive rate design docket created as a result of Case No. ER-95-411. In the event that a Commission decision has not been reached in Case No. EO-96-15, the parties will jointly or severally propose to the Commission a basis or bases on which a rate reduction may be spread on an interim basis within and among the classes pending issuance of the Commission's decision in Case No. EO-96-15.

UE will make a good faith effort to provide the earnings report for the final sharing period in Case No. ER-95-411 in time to implement this rate reduction on September 1, 1998. In the event the earnings data is not available, or in the event the review process of the earnings data or the weather normalization review process does not allow for a September 1, 1998 effective date, the following will occur: An additional credit, equal to the excess revenues billed between September 1, 1998 and the effective date of the rate reduction, will be made. Said credit will be made at the same time and pursuant to the same procedures as the Sharing Credits in Case Nos. ER-95-411 and EO-96-14. If no Sharing Credits are to be made for the third Sharing Period in Case Nos. ER-95-411

and EO-96-14, the excess revenue credit will be made as expeditiously as possible.

UE shall file tariff sheets for Commission approval consistent with this Section.

7. New Experimental Alternative Regulation Plan (New Plan)

- a. The New Plan will be instituted July 1, 1998 at the end of the ARP created in Case No. ER-95-411. In its Report And Order approving this Stipulation And Agreement, the Commission shall create a new docket to facilitate the New Plan ("New Plan Docket"). All signatories to this Stipulation And Agreement shall be made parties to the New Plan Docket, as intervenors or as a matter of right, as will the parties to Case No. EO-96-14 who are not parties to Case No. EM-96-149, without the necessity of taking further action. (There are three such parties: (1) Asarco Inc. and the Doe Run Co.; (2) Cominco American; and (3) Missouri Retailers Association.)

b. The following Sharing Grid is to be utilized as part of the New Plan:

Earnings Level (Missouri Retail Electric Operations)	Sharing Level	Sharing Level
	UE	Customer
1. Up to and including 12.61% Return on Equity (ROE)	100%	0%
2. That portion of earnings greater than 12.61% up to and including 14.00% ROE	50%	50%
3. That portion of earnings greater than 14.00% up to and including 16.00% ROE	10%	90%
4. That portion of earnings greater than 16.00% ROE	0%	100%

c. The New Plan will be in effect for a full three year period. For purposes of this New Plan, there shall be three (3) "Sharing Periods." The first Sharing Period shall be from July 1, 1998 through June 30, 1999; the second, from July 1, 1999 through June 30, 2000; and the third, from July 1, 2000 through June 30, 2001. UE may not file an electric rate increase case, and Staff, OPC and other signatories may not file, encourage or assist others to file a rate reduction case through June 30, 2001, unless:

- i. UE's return on common equity falls below 10.00% for a twelve month Sharing Period (calculated as indicated in Attachment C appended hereto); or
- ii. An event occurs which would have a major effect on UE, such as, an act of God, a significant change in the federal or state tax laws, a significant change in federal or state utility law or regulation (but not including the retail wheeling pilot project described in Section 5), or an extended outage or shutdown of a major generating unit(s).

In the event UE files an electric rate increase case, any sharing credits due for the current or prior Sharing Period will remain the obligation of UE, and the New Plan shall terminate at the conclusion of the then current Sharing Period.

In the event any signatory files a rate reduction case, any sharing credits due for the current or prior Sharing Period will remain the obligation of UE, and the parties to that case will recommend to the Commission whether the New Plan should remain in effect as currently structured, be modified or terminated.

In the event that a significant change in federal or state utility law or regulation (but not including the retail wheeling pilot project described in Section 5) occurs, nothing herein shall prohibit any signatory from filing for Commission consideration a customer class cost of service and comprehensive rate design proposal, either as a part of, or separate from a rate increase or rate reduction case; provided that any party may oppose such filing and shall not be deemed to have consented either to the establishment of a new docket to consider such request or to the proposals of the party making such request.

Upon any termination of the New Plan pursuant to the foregoing, the signatories will have no further obligation under this Section 7.

- d. Except as set out immediately above in Subsection c. and below in Subsection h. and Subsection i., UE's rates resulting from this Stipulation And Agreement will continue in effect throughout the three year New Plan period, and thereafter, until changed as a result of a rate increase case, a rate reduction case, or other

appropriate Commission action, for example, as contemplated by Subsection g. below.

e. Monitoring of the New Plan will be based on UE supplying to Staff and OPC, on a timely basis, the reports and data identified below. These reports and data must be provided as part of the New Plan. Other signatories to this Stipulation And Agreement may also participate in the monitoring of the New Plan, and receive the reports and data, after executing appropriate documents assuring the confidential treatment of the information provided. Staff, OPC and the other signatories participating in the monitoring of the New Plan may follow up with data requests, meetings and interviews, as required, to which UE will respond on a timely basis. UE will not be required to develop any new reports, but information presently being recorded and maintained by UE may be requested. The reports and data that must be provided include the following:

i. Annual operating and construction budgets and any updates/revisions with explanations/reasons for updates/revisions;

- ii. Monthly operating budgets and any updates/revisions with explanations/reasons for updates/revisions;
 - iii. Annually - explanation of significant variances between budgets and actual;
 - iv. Monthly Financial & Statistical (F&S) reports;
 - v. Directors reports;
 - vi. Current chart of accounts;
 - vii. Monthly surveillance reports;
 - viii. Quarterly reports/studies of rate of return on rate base including supporting workpapers;
 - ix. Annual summary of major accruals.
- f. The sharing of earnings in excess of 12.61%, as contemplated by the Sharing Grid set out above, is to be accomplished by the granting of a credit to UE's Missouri retail electric customers by applying credits to customers' bills in the same manner as applied in Case No. ER-95-411, and as set forth in Attachment B. A notice to customers explaining the Sharing Credits will accompany customers' bills on which the Sharing Credits will appear. UE will submit the proposed language for such notice to the Staff and the OPC for their review.

- i. The return on common equity for determination of "sharing" will be calculated by using the methodology set out in Attachment C, Reconciliation Procedure, appended hereto.
- ii. Staff, OPC and UE have conferred and determined what items, based on prior Commission Orders, should be excluded from the calculation of UE's return on equity. These items are identified in Attachment C.
- iii. The twelve month period used to determine credits will be the immediately preceding Sharing Period.
- iv. Within 90 days after the conclusion of a Sharing Period, a preliminary earnings report, along with a proposed "Sharing Report" will be submitted by UE. A final earnings report and proposed Sharing Report will be filed in the New Plan Docket within 105 days after the end of the Sharing Period. The final earnings report will provide the actual results of the Sharing Period to be examined.
- v. UE's earnings will be adjusted to normalize the effects of any sharing credits from the Sharing

Period which are reflected in the earnings for that period. Earnings will not be adjusted for the rate reduction described in "Section 6. Rate Reduction" of this Stipulation And Agreement.

vi. If Staff, OPC or other signatories find evidence that operating results have been manipulated to reduce amounts to be shared with customers or to misrepresent actual earnings or expenses, Staff, OPC or other signatories may file a complaint with the Commission requesting that a full investigation and hearing be conducted regarding said complaint. UE shall have the right to respond to such request and present facts and argument as to why an investigation is unwarranted.

vii. UE, Staff, OPC and other signatories reserve the right to bring issues which cannot be resolved by them, and which are related to the operation or implementation of the New Plan, to the Commission for resolution. Examples include disagreements as to the mechanics of calculating the monitoring report, alleged violations of the Stipulation And

Agreement, alleged manipulations of earnings results, or requests for information not previously maintained by UE. An allegation of manipulation could include significant variations in the level of expenses associated with any category of cost, where no reasonable explanation has been provided. The Commission will determine in the first instance whether a question of manipulation exists and whether that question should be heard by it.

- viii. Staff, OPC and other signatories have the right to present to the Commission concerns over any category of cost that has been included in UE's monitoring results and has not been included previously in any ratemaking proceeding.
- ix. Differences among UE, Staff, OPC and other signatories will be brought to the Commission's attention for guidance as early in the process as possible.
- x. A final report will be filed within 105 days after the Sharing Period (or the first business day thereafter). Signatory parties to this

Stipulation And Agreement will have thirty (30) days after a final report is filed to provide notice that there may be areas of disagreement not previously brought to the attention of the Commission that need to be resolved.

- g. In the final year of the New Plan, UE, Staff, OPC and other signatories to this Stipulation And Agreement shall meet to review the monitoring reports and additional information required to be provided. By February 1, 2001, UE, Staff and OPC will file, and other signatories may file their recommendations with the Commission as to whether the New Plan should be continued as is, continued with changes (including new rates, if recommended) or discontinued. Copies of the recommendations shall be served on all parties to UE's New Plan Docket. As previously noted herein, the rates resulting from this Stipulation And Agreement will continue in effect after the three year New Plan period until UE's rates are changed as a result of a rate increase case, a rate reduction case, or other appropriate Commission action.
- h. After July 1, 1998, any party may file with the Commission a request for consideration of changes in rate

design and/or other tariff provisions which it would be appropriate for the Commission to consider outside the context of a customer class cost of service and comprehensive rate design docket or a rate case; provided, however, that no change will result in any shift of revenues among classes before July 1, 2001; and provided further that if a request for consideration of changes in rate design and/or other tariff provisions is filed, any party may oppose such request and shall not be deemed to have consented to the establishment of a new docket to consider such request or to the proposals of the party making such request.

A change in rate design and/or other tariff provisions is not considered by the signatories to this Stipulation And Agreement as constituting a shift of revenues among customer classes if it will result in a customer or customers being charged lower rates but will not result in either (1) a major decrease in revenues to UE (respecting which UE is precluded by this section from recovering from other customers at any time while the New Plan is in effect) or (2) a significant reduction in the credits that would otherwise be available for

distribution. It may be argued by a signatory to this Stipulation And Agreement that the cumulative effect of multiple changes in rate design and/or other tariff provisions which results in either (1) a major decrease in revenues to UE (respecting which UE is precluded from recovering from other customers at any time while the New Plan is in effect), or (2) a significant reduction in credits that would otherwise be available for distribution, constitutes a shift of revenues among customer classes and, therefore, the proposed change(s) is precluded.

How revenues foregone by UE as a result of a change in rate design and/or other tariff provisions will be treated for purposes of the New Plan Reconciliation Procedure (Attachment C), which impacts the calculation of where UE falls on the Sharing Grid, will be determined on a case-by-case basis by agreement of the signatories to this Stipulation And Agreement, or by the Commission if agreement cannot be reached. Furthermore, such foregone revenues shall not be excluded from any calculation of UE's return on common equity for purposes of determining whether UE may file an electric rate

increase under the terms of this Stipulation And Agreement or increase its Missouri retail electric service rates to reflect a Commission Order authorizing an increase in UE's annual nuclear decommissioning expense/funding from its then current level.

This section is not intended to preclude presentation to the Commission and Commission resolution of disputes respecting the proper application of UE's tariffs; nor is this section intended to preclude presentation to the Commission and Commission resolution of a proposed major decrease in revenues to UE, and/or significant reduction in credits that would otherwise be available for distribution, requested as a result of a situation which will have a significant adverse impact on one or more of UE's customers and which, as a consequence, will also have a significant adverse impact on UE and its customers; provided that any party may oppose such request and shall not be deemed to have consented to the establishment of a new docket to consider such request or to the proposals of the party making such request.

i. UE will file its cost of nuclear decommissioning study with the Commission as required by September 1, 1999. If the Commission Order in that proceeding results in a decrease in annual nuclear decommissioning expense/funding from its then current level, UE's Missouri retail electric service rates will not be changed to reflect the decrease in expense/funding. Instead, nuclear decommissioning expense/funding will be decreased (effective as of the date provided in the nuclear decommissioning cost Order) with the total difference, i.e., 100% of the pro-rated difference, between the lower expense/funding level and the then current level, being treated as a credit to each Sharing Period of the New Plan as provided for in Attachment C hereto. If no sharing occurs for a Sharing Period for which there is a decrease in the nuclear decommissioning expense/funding level, then the decrease in the nuclear decommissioning expense/funding for that Sharing Period will be carried over to the subsequent Sharing Period. Since the difference between the prospective lower expense/funding level and the then current level will be treated as a credit in each Sharing Period and the

difference will be carried over to the subsequent Sharing Period if no sharing occurs for the current Sharing Period, no decrease in the then current expense level will be reflected in the calculation of UE's ROE in determining sharing under the New Plan, pursuant to Attachment C.

If the Commission Order in the nuclear decommissioning proceeding results in an increase in expense/funding above its then current level, for purposes of determining the implementation of a rate increase only, the increased expense will be annualized in calculating UE's return on equity for the earliest possible Sharing Period for which a preliminary earnings/proposed sharing report has not yet been filed at the time of the issuance of the Commission Order in the nuclear decommissioning docket. If UE's return on common equity (ROE) on this basis is less than 10.00% (calculated as indicated in Attachment C appended hereto), then the increased expense will result in an increase in UE's Missouri retail electric service rates as allowed by Section 393.292 RSMo. 1994. If UE's ROE on the above basis exceeds 10.00%, then the increased

expense will not result in any increase in UE's Missouri retail electric service rates; however, the actual amount of increased expense (unannualized) will be reflected in the calculation of UE's ROE in determining sharing under the New Plan.

In any case, the Commission shall include language in its 1999 Callaway decommissioning case Report And Order substantially similar to that used in Case No. EO-94-81, specifically finding that the Callaway decommissioning costs are included in UE's then current cost of service and are reflected in its then current electric service rates for ratemaking purposes.

All signatories will be notified of UE's filing of its 1999 nuclear decommissioning cost case.

8. State Jurisdictional Issues

- a. Access to Books, Records and Personnel. UE and its prospective holding company, Ameren, agree to make available to the Commission, at reasonable times and places, all books and records and employees and officers of Ameren, UE and any affiliate or subsidiary of Ameren as provided under applicable law and Commission rules; provided, that Ameren, UE and any affiliate or subsidiary

of Ameren shall have the right to object to such production of records or personnel on any basis under applicable law and Commission rules, excluding any objection that such records and personnel are not subject to Commission jurisdiction by operation of the Public Utility Holding Company Act of 1935 ("PUHCA"). In the event that rules imposing any affiliate guidelines regarding access to books, records and personnel applicable to similarly situated electric utilities in Missouri are adopted, then UE, Ameren and each affiliate or subsidiary thereof shall become subject to the same rules as such other similarly situated electric utilities in lieu of this paragraph.

- b. Voluntary and Cooperative Discovery Practices. UE, Ameren and any affiliate or subsidiary thereof agree to continue voluntary and cooperative discovery practices.
- c. Accounting Controls. UE, Ameren and each of its affiliates and subsidiaries shall employ accounting and other procedures and controls related to cost allocations and transfer pricing to ensure and facilitate full review by the Commission and to protect against cross-subsidization of non-UE Ameren businesses by UE's retail

customers. In the event that rules imposing any affiliate guidelines regarding accounting controls applicable to similarly situated electric utilities in Missouri are adopted, then UE, Ameren and each affiliate or subsidiary thereof shall become subject to the same rules as such other similarly situated electric utilities in lieu of this paragraph.

- d. Contracts Required to be Filed with the SEC. All contracts, agreements or arrangements, including any amendments thereto, of any kind between UE and any affiliate, associate, holding, mutual service, or subsidiary company within the same holding company system, as these terms are defined in 15 U.S.C. § 79b, as subsequently amended, required to be filed with and/or approved by the Securities and Exchange Commission ("SEC") pursuant to PUHCA; as subsequently amended, shall be conditioned upon the following without modification or alteration: UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to

recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a contract, agreement, arrangement or transaction with any affiliate, associate, holding, mutual service or subsidiary company on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the SEC or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the SEC.

- e. Electric Contracts Required to be Filed with the FERC. All wholesale electric energy or transmission service contracts, tariffs, agreements or arrangements, including any amendments thereto, of any kind, including the Joint Dispatch Agreement, between UE and any Ameren subsidiary or affiliate required to be filed with and/or approved by the Federal Energy Regulatory Commission ("FERC"), pursuant to the Federal Power Act ("FPA"), as subsequently amended, shall be conditioned upon the following without modification or alteration: UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set aside, change or enjoin, whether

through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a wholesale electric energy or transmission service contract, agreement, arrangement or transaction on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the FERC, or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the FERC.

- f. Gas Contracts Required to be Filed with the FERC. All gas supply, storage and/or transportation service contracts, tariffs, agreements or arrangements, including any amendments thereto, of any kind between UE and any Ameren subsidiary or affiliate required to be filed with and/or approved by the FERC, pursuant to the Natural Gas Act ("NGA"), as subsequently amended, shall be conditioned upon the following without modification or alteration: UE and Ameren and each of its affiliates and subsidiaries will not seek to overturn, reverse, set

aside, change or enjoin, whether through appeal or the initiation or maintenance of any action in any forum, a decision or order of the Commission which pertains to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE in or as a result of a gas supply, storage and/or transportation service contract, agreement, arrangement or transaction on the basis that such expense, charge, cost or allocation has itself been filed with or approved by the FERC or was incurred pursuant to a contract, arrangement, agreement or allocation method which was filed with or approved by the FERC.

- g. No Pre-Approval of Affiliated Transactions. No pre-approval of affiliated transactions will be required, but all filings with the SEC or FERC for affiliated transactions will be provided to the Commission and the OPC. The Commission may make its determination regarding the ratemaking treatment to be accorded these transactions in a later ratemaking proceeding or a proceeding respecting any alternative regulation plan.
- h. Contingent Jurisdictional Stipulation -- FERC. In the exclusive event that any court with jurisdiction over UE,

Ameren or any of its affiliates or subsidiaries issues an opinion or order which invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE on the basis that such expense, charge, cost, or allocation has itself been filed with or approved by the FERC, then the Contingent Jurisdictional Stipulation, attached hereto as Attachment D, shall apply to FERC filings according to its terms, at the option of the Commission.

- i. Contingent Jurisdictional Stipulation -- SEC. In the exclusive event that any court with jurisdiction over UE, Ameren or any of its affiliates or subsidiaries issues an opinion or order which invalidates a decision or order of the Commission pertaining to recovery, disallowance, deferral or ratemaking treatment of any expense, charge, cost or allocation incurred or accrued by UE on the basis that such expense, charge, cost, or allocation has itself been filed with or approved by the SEC, then the Contingent Jurisdictional Stipulation, attached hereto as Attachment D, shall apply to SEC filings according to its terms, at the option of the Commission.

Commitments covered by the provisions of this Section 8 should not be construed as concurrence or acquiescence by UtiliCorp United Inc., The Empire District Electric Company, Missouri Gas Energy, Kansas City Power & Light Company or Trigen - St. Louis Energy Corp. in any of these provisions.

9. Staff Conditions To Which UE Has Agreed

a. UE agrees to abide by the Stipulation And Agreement in Case No. GR-93-106, including, but not limited to, the following:

- i. UE agrees it will meet with the Staff, at the Staff's request, prior to the commencement of the Staff's audit of each future UE Actual Cost Adjustment ("ACA") filing, to discuss the activities of UE during the applicable ACA period.
- ii. UE agrees to prepare a written study or analysis of: (i) each material natural gas-related contract decision; and (ii) each major FERC decision materially affecting UE in proceedings of pipelines providing service to UE and final FERC regulations which materially affect UE. Subject to applicable legal privileges, UE agrees

to provide such document to the Staff upon its request during the applicable ACA audit.

- iii. UE agrees to continually monitor its participation before the FERC as a member of the Panhandle Customer Group and not join in Group activities in instances when, in UE's judgment, its interests are not adequately protected.
 - iv. The Staff may make evaluations of and propose adjustments to post-FERC Order 636 restructured services and related costs during the applicable ACA audit.
- b. UE shall continue to provide to the Staff monthly surveillance reports in the same format which is currently being utilized in submittals to the Staff (or in some other mutually agreeable format), so that the Staff can continue to monitor UE's Missouri jurisdictional electric and natural gas earnings levels.
- c. On a quarterly basis, Ameren and UE shall provide the Commission with a report detailing UE's proportionate share of Ameren: (i) total consolidated assets; (ii) total consolidated operating revenues; (iii) total

operating and maintenance expense; and (iv) total consolidated number of employees.

- d. The data associated with the hour-by-hour After-The-Fact Resource Allocation which will be performed pursuant to the Joint Dispatch Agreement will be archived in an electronic format and submitted to the Staff annually.
- e. The Commission shall have access to all financial information on all affiliates, subsidiaries or divisions, regulated or non-regulated, and any future utility or non-utility affiliate, subsidiary or division of Ameren or an Ameren affiliate, subsidiary or division, necessary to calculate an estimate of the stockholders' required return on equity (ROE) for Ameren on a consolidated basis and then a differentiated ROE for each affiliate, subsidiary or division, including UE, on a stand-alone basis.
- f. UE will provide the historical hourly generation data required by Commission rule 4 CSR 240-20.080 in electronic format accessible by a spreadsheet program. UE will provide the historical purchase power data and interchange sales data required by Commission rule 4 CSR 240-20.080 in hard copy until it is available in

electronic format accessible by a spreadsheet program. UE expects by July 1, 1997 this purchase power data and interchange sales data to be available in electronic format accessible by a spreadsheet program when the centralized control center completes modifications to the energy management computer system to accommodate joint dispatch.

- g. UE agrees that respecting the General Services Agreement ("GSA"), the Staff and other proper parties, in the context of UE's general rate filings and/or alternative regulation plans, retain the right to bring concerns to the Commission and propose adjustments, if necessary, regarding the GSA's rate impact on Missouri customers, and the Commission retains jurisdiction to consider and adopt such adjustments. (See also Sections 8.d. and 8.g. above concerning state jurisdictional issues.)

10. System Support Agreement

The signatories other than the Missouri Industrial Energy Consumers ("MIEC") agree that the 10-year System Support Agreement ("SSA"), as described in Ms. Maureen A. Borkowski's Supplemental Direct Testimony, pages 1 to 3, should be approved by the Commission pursuant to the following conditions.

First, the approval of the 10-year SSA shall not be construed as approval by the Commission or the signatories for the capacity and energy addressed in the 10-year SSA to be allocated to Missouri jurisdictional ratepayers.

Second, regarding the appropriateness of the future utilization of the capacity and energy addressed in the SSA for serving UE's Missouri customers:

- a. UE will undertake an integrated resource planning process at the appropriate time in the future to determine if the capacity and energy used to serve its then former Illinois customers should, in UE's judgment, serve the Missouri jurisdiction.
- b. In UE's ongoing consideration of purchase power opportunities for native system load that periodically become available, it will evaluate, on an equivalent basis, the costs and risks of: (i) purchase power

opportunities; (ii) energy and capacity that is no longer needed or will no longer be needed to serve UE's then former Illinois customers; and (iii) newly-constructed capacity.

- c. UE will provide the results of and workpapers supporting the analysis performed pursuant to Subsections a. and b. above to the Staff, OPC and MIEC.
- d. The Commission has the authority in any future ratemaking proceedings to allocate the capacity and energy addressed in the SSA.

11. Commission Rights

Nothing in this Stipulation And Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right of access to information, and any statutory obligation.

12. Staff Rights

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation And Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which

shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation And Agreement. The contents of any 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.

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. No Acquiescence

None of the signatories to this Stipulation And Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation And Agreement, or for which provision is made in this Stipulation And Agreement.

14. Negotiated Settlement

This Stipulation And Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Stipulation And Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation And Agreement: (a) in any future proceeding, (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation And Agreement in the instant proceeding, or in any way condition its

approval of same, or should the merger with CIPSCO not be consummated.

15. Provisions Are Interdependent

The provisions of this Stipulation And Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation And Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

16. Prepared Testimony

The prepared testimonies and schedules of the following witnesses shall be received into evidence without the necessity of these witnesses taking the witness stand:

Union Electric Company:

Charles W. Mueller (Direct Testimony)
Donald E. Brandt (Direct and Surrebuttal Testimonies)
Thomas J. Flaherty (Direct and Surrebuttal Testimonies)
Warner L. Baxter (Direct, Supplemental Direct, Second Supplemental Direct, Surrebuttal and Supplemental Surrebuttal Testimonies)
Douglas W. Kimmelman (Direct Testimony)
Maureen A. Borkowski (Direct, Supplemental Direct and Surrebuttal Testimonies)
Jerre E. Birdsong (Direct and Surrebuttal Testimonies)
Gary L. Rainwater (Direct and Surrebuttal Testimonies)
Craig D. Nelson (Surrebuttal Testimony)
James A. Reid (Surrebuttal Testimony)

Commission Staff:

Daniel I. Beck (Rebuttal and Supplemental Rebuttal Testimonies)
David W. Elliott (Rebuttal Testimony)
Cary G. Featherstone (Rebuttal Testimony)
Charles R. Hyneman (Rebuttal Testimony)
Thomas M. Imhoff (Rebuttal Testimony)
Tom Y. Lin (Rebuttal Testimony)
Jay W. Moore (Rebuttal Testimony)
Mark L. Oligschlaeger (Rebuttal Testimony)
James D. Schwieterman (Rebuttal and Supplemental Rebuttal Testimonies)
Michael J. Wallis (Rebuttal Testimony)

Office of Public Counsel:

Russell W. Trippensee (Rebuttal Testimony)
Mark Burdette (Rebuttal Testimony)
Ryan Kind (Rebuttal and Cross-Surrebuttal Testimonies)

Missouri Industrial Energy Consumers:

Maurice Brubaker (Direct Testimony)

17. Waive Rights to Cross Examination, etc.

In the event the Commission accepts the specific terms of this Stipulation And Agreement, the signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo. 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo. 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo. 1994. This waiver applies only to a

Commission Report And Order issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation And Agreement.

18. Operative Dates

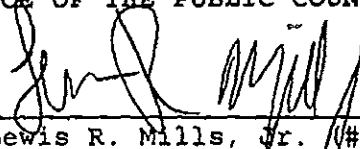
The following sections of this Stipulation And Agreement shall become operative upon approval of this agreement by the Commission: Sections 1-5 and 8-17.

The following sections shall become operative at the expiration of the ARP on June 30, 1998: Sections 6-7.

Respectfully submitted,


OFFICE OF THE PUBLIC COUNSEL

By


Lewis R. Mills, Jr. (#35275)
Deputy Public Counsel
P.O. Box 7800
Jefferson City, MO 65102
(573) 751-4857

UNION ELECTRIC COMPANY/CIPSCO

By


James J. Cook (#22697)
Associate General Counsel
P. O. Box 149, MC 1310
St. Louis, MO 63166
(314) 554-2237

STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION

ANHEUSER-BUSCH, INC., ET AL.
(MIEC)

By Steven Dottheim
Steven Dottheim (#29149)
Deputy General Counsel
Aisha Ginwalla (#41608)
Roger W. Steiner (#39586)
Assistant General Counsel
P.O. Box 360
Jefferson City, MO 65102
(573) 751-7489

By Robert C. Johnson By SD
Robert C. Johnson (#15755)
Michael R. Annis (#47374)
Peper, Martin, et al.
720 Olive Street, 24th Fl.
St. Louis, MO 63101-2396
(314) 421-3850

TRIGEN-ST. LOUIS ENERGY CORP.

UTILICORP UNITED INC.
THE EMPIRE DISTRICT ELECTRIC CO.

By Richard W. French By SD
Richard W. French (#27356)
French & Stewart
1001 Cherry St., Suite 302
Columbia, MO 65201
(573) 499-0635

By James C. Swearingen By SD
James C. Swearingen (#21510)
Brydon, Swearingen & England
P.O. Box 456
Jefferson City, MO 65102
(573) 635-7166

MISSOURI GAS ENERGY, A DIVISION
OF SOUTHERN UNION COMPANY

LACLEDE GAS COMPANY

By Gary W. Duffy By SD
Gary W. Duffy (#24905)
Brydon, Swearingen & England
P.O. Box 456
Jefferson City, MO 65102
(573) 635-7166

Will not sign, and will not
support or oppose -- letter
By to follow. By SD
Michael C. Pendergast (#31763)
Laclede Gas Company
720 Olive St., Room 1520
St. Louis, MO 63101
(314) 342-0532

STATE OF MISSOURI
OFFICE OF ATTORNEY GENERAL

By Paul K. Atch
Jeremiah W. Nixon
Daryl R. Hylton (#35605)
Office of Attorney General
P.O. Box 899
Jefferson City, MO 65102
(573) 751-1143

INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS
LOCALS 702, 309, 1455, AND 2

Will not sign, and will not
support or oppose -- see
By letter this date. By SD
Marilyn S. Teitelbaum (#26074)
Schuchat, Cook & Werner
1221 Locust St., 2nd Floor
St. Louis, MO 63101
(314) 621-2626

ILLINOIS POWER COMPANY

Will not sign, and will not
support or oppose -- letter
By to follow. By SD
Paul S. DeFord (#29509)
Lathrop & Gage
2345 Grand Blvd., Suite 2500
Kansas City, MO 64108
(816) 460-5827

KANSAS CITY POWER & LIGHT CO.

By James M. Fischer
James Fischer (#27543)
Attorney at Law
101 W. McCarty, Suite 215
Jefferson City, MO 65101
(573) 636-6758

DATED: 7/12/96 SD

JAMES K. COOK
CHARLES A. WERNER
CHRISTOPHER T. HEXTER
MARILYN S. TETTELBAUM
JAMES I. SINGER
SALLY E. BARKER
ARTHUR J. MARTIN
THOMAS J. GRADY
MARY M. LINDMARK
KEVIN P. FAGAN
ELLIOT M. UCHITELLE

LAW OFFICES
SCHUCHAT, COOK & WERNER
THE SHELL BUILDING, SECOND FLOOR
1221 LOCUST STREET
SAINT LOUIS, MISSOURI 63103-2384

STANLEY R. SCHUCHAT
(1939-79)
ARTHUR H. NISSENBAUM
OF COUNSEL
MARSAN K. STROMBERG
OF COUNSEL

314 621-2626
FAX: 314 621-2378
July 12, 1996

Mr. David L. Rauch, Executive Secretary
Missouri Public Service Commission
P.O. BOX 360
Jefferson City, MO 65102

RE: Case No. EM-96-149

Dear Mr. Rauch:

Intervenors IBEW, Locals 702, 1455, 309 and 2 do not concur or acquiesce in the Stipulation and Agreement in the above mentioned case, but they are not in opposition to it either. Furthermore, they are not requesting a hearing.

I am enclosing 14 copies of this letter for distribution. If you have any questions, please contact me.

Sincerely,

Marilyn S. Teitelbaum
Marilyn S. Teitelbaum

MST:jlm

Enclosures

cc: Parties of Record
Judge Joseph Derque
Steve Dottheim
Mike Datillo, Local 1455
Jim Berger, Local 309
Dave White, Local 2
Danny Miller, Local 702

6723.1

Service list for:
Case No. EM-96-149
Updated: 7-12-96

James J. Cook
Union Electric Company
1901 Chouteau Avenue
P.O. Box 149 (M/C 1310)
St. Louis, MO 63103

Richard W. French
French & Stewart
1001 E. Cherry Street
Suite 302
Columbia, MO 65201

Michael C. Pendergast
Laclede Gas Company
720 Olive Street
Room 1530
St. Louis, MO 63101

Robert C. Johnson/Diana M. Schmidt
Peper, Martin, Jensen, Maichel and Hetlage
720 Olive Street
24th Floor
St. Louis, MO 64141-9679

Jeremiah W. Nixon/Daryl R. Hylton
Attorney General's Office
221 W. High Street
P.O. Box 899
Jefferson City, MO 65102

Susan B. Cunningham
Kansas City Power & Light Co.
1201 Walnut Street
P.O. Box 418679
Kansas City, MO 64141-9679

Lewis R. Mills, Jr.
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

James C. Swearengen
Brydon, Swearengen & England
312 E. Capitol
P.O. Box 456
Jefferson City, MO 65102

Marilyn S. Teitelbaum
Schuchat, Cook & Werner
1221 Locust Street
2nd Floor
St. Louis, MO 63103

Gary W. Duffy
Brydon, Swearengen & England
312 E. Capitol Avenue
P.O. Box 456
Jefferson City, MO 65102

Paul S. DeFord
Lathrop & Norquist, L.C.
2345 Grand Blvd.
Suite 2500
Kansas City, MO 64108

James M. Fischer
Mutual Savings Bank
1001 W. McCarty, Suite 215
Jefferson City, MO 65101

PROCEDURES TO DETERMINE RATE REDUCTION

1. For each month, the Hourly Electric Load Model (HELM) will be used to estimate actual and weather normalized sales by calendar months for the following rate sub-classes (Missouri retail only):
 - residential;
 - commercial small general service;
 - industrial small general service;
 - commercial large general service;
 - commercial small primary service; and
 - commercial large primary service.

2. UE's Corporate Planning Department will utilize the following load research data in the HELM model for the specified "Sharing Periods":

<u>Sharing Period</u>	<u>Load Research Data</u>
July 1, 1995 - June 30, 1996	24 months ending: September 30, 1995
July 1, 1996 - June 30, 1997	24 months ending: September 30, 1995
July 1, 1997 - June 30, 1998	24 months ending: September 30, 1996

3. For the 12 months ended June 30, 1996 Sharing Period, UE's Corporate Planning Department will use its current version of the HELM model. To the extent that this version is modified during the "Sharing Periods" ending June 30, 1997 and June 30, 1998, all signatories to the Stipulation And Agreement in Case No. EM-96-149 will be provided in writing the following information within 30 days of the effective date of the change to the model as determined by UE's Corporate Planning Department:

- description of the changes made;
- reasons for the changes; and

- effective date of the changes to the HELM model for purposes of calculating the Annual Weather-Normalized Credit.

For purposes of calculating the Annual Weather-Normalized Credit, all changes to the HELM model, as well as other changes to the data and assumptions utilized in the HELM model, will be incorporated prospectively from the effective date of the change.

4. Monthly, the difference between normal weather energy sales and actual energy sales by rate sub-class, as determined in Step 1 above, will be calculated (Missouri only). These amounts represent the impact of weather on sales during that period.
5. In order to determine the impact that deviations from normal weather had on revenues, the amounts calculated in Step 4 will be multiplied by the rate components specified below of the Missouri electric rates for that rate class in effect for service on the first day of the month. The summer rate will be applied in June through September.

The winter rate will be applied in October through May. The sum of the rate sub-class revenue adjustments will be the total weather adjustment to revenues for that month. The following rate components will be used for each rate class:

<u>Rate Class</u>	<u>Rate Component</u>	
• Residential	Summer	1(M) Energy Charge - All kWh
	Winter	1(M) Energy Charge - Initial Block (first 750 kWh)
• Small General Service	Summer	2(M) Energy Charge - All kWh
	Winter	2(M) Energy Charge - Base Use

- Large General Service Summer 3 (M) Energy Charge - Over
350 kWh per kW
Winter 3 (M) Energy Charge - Over
350 kWh per kW
- Small Primary Service Summer 4 (M) Energy Charge - Over
350 kWh per kW
Winter 4 (M) Energy Charge - Over
350 kWh per kW
- Large Primary Service Summer 11 (M) Energy Charge - All
kWh
Winter 11 (M) Energy Charge - All
kWh

Exhibit I hereto reflects the specific rates expected to be utilized to perform this calculation.

6. In order to determine the impact that weather had on fuel costs, the amount calculated in Step 4 will first be factored up for line losses and then will be multiplied by the average cost of fuel per kWh. The average cost of fuel will be calculated utilizing information from UE's Monthly Financial and Statistical Report (F&S). Total fossil fuel cost (from F&S Schedule C6-1 - Total Electric Fuel Burned Less Nuclear and Handling Costs) plus the cost of purchased power (F&S Schedule C4-1) will represent total fuel costs. Total generation (from F&S Schedule C5-2 - Total Steam Generation Plus Total Combustion Turbine and Diesel Generation) plus the purchased power (F&S Schedule C4-2, including Regulating Energy) will represent total output (expressed in kWhs). The total fuel cost divided by total output will equate to the average fuel cost per kWh. To the extent that the referenced schedules change in format or content, comparable reports will be developed, maintained and supplied to the appropriate signatories.

7. Steps 1, 4, 5 and 6 will be performed monthly during the Sharing Period. The sum of the twelve months will represent the "adjustment to revenues and fuel costs."
8. The "adjustment to revenues and fuel costs" calculated in Step 7 will be added to or deducted from revenues and fuel costs used in determining the "actual" credit under the Stipulation And Agreement in Case No. ER-95-411 for the particular Sharing Period. These adjusted revenues and fuel costs will be used to calculate the Annual Weather-Normalized Credit for the sharing period using the procedures used to calculate the "actual" credit.
9. If the "actual" credit calculated under the Stipulation And Agreement in Case No. ER-95-411 for any Sharing Period is zero, the Annual Weather-Normalized Credit will be zero for that Sharing Period.
10. The Annual Weather-Normalized Credit cannot be a "negative" amount for any Sharing Period. Under this circumstance, the Annual Weather-Normalized Credit for that Sharing Period will be zero.
11. The Rate Reduction will be calculated as the average of the Annual Weather-Normalized Credits for each of the three sharing periods. (The divisor will always be three, even if one or more of the Annual Weather-Normalized Credits is zero).

MISSOURI ELECTRIC RATES
EFFECTIVE AUGUST 1, 1995

<u>Rate Class</u>	<u>Rate per kWh</u>
• Residential - Summer	8.271¢
• Residential - Winter	5.998¢
• Small General Service - Summer	8.22¢
• Small General Service - Winter	6.13¢
• Large General Service - Summer	4.09¢
• Large General Service - Winter	2.96¢
• Small Primary Service - Summer	3.76¢
• Small Primary Service - Winter	2.73¢
• Large Primary Service - Summer	2.69¢
• Large Primary Service - Winter	2.38¢

MISSOURI ELECTRIC RATES
(TO BE USED FOR JULY 1995 ONLY)

<u>Rate Class</u>	<u>Rate per kWh</u>
• Residential - Summer	8.439¢
• Small General Service - Summer	8.38¢
• Large General Service - Summer	4.17¢
• Small Primary Service - Summer	3.83¢
• Large Primary Service - Summer	2.74¢

PROCEDURES FOR SHARING CREDITS FROM THE NEW THREE-YEAR
EXPERIMENTAL ALTERNATIVE REGULATION PLAN

A. Eligibility Requirements for Sharing Credits

Any Missouri retail electric customer whose account is active as of the date of billing during the "credit application period," as defined below in B., shall be eligible for a credit. Customer accounts which are inactive as of the date of billing during the "credit application period" are ineligible for any credit.

B. Determination of the Credit Application and Calculation Periods

The "credit application period" shall be the UE monthly billing period during which the credit will be applied to an eligible customer's bill for electric service. The "credit calculation period" will be the twelve UE billing months prior to the month before the credits first appear on customers' bills. For example, if the credit first appears on customers' bills in the October 1999 billing period, then the credit calculation period would be the twelve UE billing months of September 1998 - August 1999.

C. Determination of Applicable Credit Period Kilowatt-hours

The applicable credit calculation period kilowatt-hours for all eligible customers shall be the total sales billed by UE to each eligible customer's current premises during the entire 12-month credit calculation period, as defined above in B., without regard to each customer's occupancy date of such premises.

D. Determination of Per Kilowatt-hour Credit

The credit per kilowatt-hour will be calculated by dividing the total dollar amount to be credited by the total applicable credit calculation period kilowatt-hours, as defined in C. above, for all eligible Missouri retail accounts.

E. Determination of Individual Customer Credit

Each individual active customer's credit will be calculated by multiplying the per kilowatt-hour credit, as defined in D. above, by the eligible customer's applicable credit calculation period kilowatt-hours as defined in C. above.

F. Treatment of Any Difference Between the Actual Amount Credited to Customers and the Sharing Credits Amount

1. If the difference between the actual amount credited to eligible customers and the sharing credits amount is less than \$1 million, this credit amount will be carried over and be an adjustment to eligible customers' share of earnings in the subsequent sharing period.
2. If the difference between the actual amount credited to eligible customers and the sharing credits amount is \$1 million or greater, an additional credit will be made as soon as reasonably possible for an under-credit. If an over-credit of \$1 million or more is made, the over-credit will be treated as in the paragraph immediately above.

G. Treatment of Sharing Credits

1. If the calculation of UE's return on common equity indicates that sharing credits are to be granted and the amount for the sharing period is \$1 million or greater, or the amount for the sharing period plus any amount carried over from a prior sharing period is \$1 million or greater, then credits will be made to eligible customers for that sharing period.
2. If the calculation of UE's return on common equity indicates that sharing credits are to be granted, but the amount is less than \$1 million or the amount for the sharing period plus any amount carried over from a prior sharing period is less than \$1 million, said amount will be carried over and be an adjustment to eligible customers' share of earnings in the subsequent sharing period.

3. The signatories to this Stipulation And Agreement will determine the disposition of any accumulated balance of credits that is less than \$1 million at the end of the third year of the New Plan.
4. Any accumulated balance of credits that is \$1 million or greater at the end of the third year of the New Plan will result in credits to customers' bills.

RECONCILIATION PROCEDURE

1. The period used in determining sharing will be a year ending June 30. An earnings report will be filed with the Commission and submitted to all parties to this agreement by one hundred and five (105) days after the end of each year of the New Experimental Alternative Regulation Plan ("the New Plan"). The earnings report will be in accordance with this Attachment C and Schedule 1 hereto.

2. The earnings report will reflect the following:

- a. UE's Missouri electric net operating income and common equity return (ROE) will be based upon year ending June 30 operating revenues, expenses and average rate base.

The Missouri electric allocation factors shown in Schedule 1 hereto will be calculated and applied consistent with past UE rate proceedings and will be updated for each Sharing Period of the New Plan.

Any sale of emission allowances shall be reflected above-the-line in the ROE calculation.

- b. The annual depreciation expense will be based upon the depreciation rates in effect at December 31, 1994.

- c. The Company will make the following income statement adjustments which have been traditionally made in UE rate proceedings:

- Normalize the expense of refueling the Callaway nuclear plant to provide an annual expense level.
- Synchronize gross receipts tax expense with amounts included in revenues.
- Eliminate \$250,000 of goodwill advertising.
- Include interest on customer deposits and the residential insulation programs.

- Exclude the cost, net of refunds, for nuclear replacement power insurance.
 - Eliminate differences between the provision for and the actual bad debt charges.
 - Exclude lobbying expenses. (Edison Electric Institute dues.)
 - Allocate system revenues, including revenues from interruptible sales, consistent with the treatment in Case No. EC-87-114.
- d. Net operating income will be normalized for the effect of any prior year "sharing" credits.
- e. Net operating income will reflect changes in the recovery of nuclear decommissioning costs ordered by the Commission as provided in Section 7.i. of this Stipulation And Agreement.
- f. The earnings report will utilize:
- The direct assignment, as ordered in Case No. EC-87-114, of the Callaway plant costs disallowed in Case No. ER-85-160.
 - Staff's rate base offsets for income tax and interest expense, as calculated in past UE rate proceedings.
 - Coal inventory equal to a 75-day supply and a 13-month average for all other non-nuclear fuel, materials and supplies, and prepayments.
 - Nuclear fuel inventory reflecting an 18-month average of the unspent fuel in the reactor core.
 - Staff's traditional calculation of the interest deduction for income taxes.

- A cash working capital rate base offset of \$24 million.
 - Average the beginning and ending period capital structures and embedded costs for determining the average weighted costs of debt and preferred stock. (See also attached Schedule 1, page 1.)
 - Staff's traditional calculation of income tax (refer to the income tax calculation in Case No. EC-87-114).
 - Staff's position regarding the calculation of Pension and OPEB expense as exemplified in the St. Louis County Water Company rate case, Case No. WR-95-145.
 - The amortization of transaction and transition costs as set forth in Section 4 of the Stipulation and Agreement in Case No. EM-96-149.
- g. The earnings level upon which sharing is based are those described in items 2.a. through 2.f. above. UE/Staff/OPC reserve the right to petition the Commission for resolution of disputed issues relating to the operation or implementation of this Plan.

CORRECTED PAGE

Attachment C
Page 4 of 9

Schedule 1
Page 1 of 6

UNION ELECTRIC COMPANY
CAPITAL STRUCTURE AND
EMBEDDED COST OF DEBT AND PREFERRED

BEGINNING OF SHARING PERIOD

	(i) <u>Capital Structure</u> <u>(Dollars)</u>	(ii) <u>%</u>	(iii) <u>Embedded</u> <u>Cost</u>	(iv) <u>Wgtd Avg</u> <u>Cost</u>
Common Stock Equity*			N/A	N/A
Preferred Stock				col. (ii)
Long-Term Debt				times
Short-Term Debt		<u>(if applicable)</u>		col. (iii)
Total Capitalization				_____
Return Portion Related to Debt and Preferred				Sum col. (iv)

END OF SHARING PERIOD

	(v) <u>Capital Structure</u> <u>(Dollars)</u>	(vi) <u>%</u>	(vii) <u>Embedded</u> <u>Cost</u>	(viii) <u>Wgtd Avg</u> <u>Cost</u>
Common Stock Equity*			N/A	N/A
Preferred Stock				col. (vi)
Long-Term Debt				times
Short-Term Debt		<u>(if applicable)</u>		col. (vii)
Total Capitalization				_____
Return Portion Related to Debt and Preferred				Sum col. (viii)
Return Portion Related to Debt and Preferred Average Beginning and End of Sharing Period				[]
Average Common Stock Equity* Beginning and End of Sharing Period (%)				[]

* Since common dividends payable at the end of a quarter and preferred dividends payable during the subsequent quarter are removed from common equity in their entirety during the first month of every quarter, the balance for common stock equity for the end of the first or second month in each quarter (if used as the beginning or end of the sharing period) should be adjusted from actual book value. The balance for the end of the first month in the quarter should be adjusted by adding back two-thirds of the quarterly preferred and common dividend. The balance for the end of the second month in the quarter should be adjusted by adding back one-third of the quarterly preferred and common dividend.

Schedule 1
Page 3 of 6

UNION ELECTRIC COMPANY
12 MONTHS ENDED XX / XX / XX

	<u>TOTAL</u> <u>ELECTRIC</u>	<u>MISSOURI</u> <u>JURISDICTIONAL</u>
Plant in Service	\$	\$
Reserve for Depreciation		
<hr/>		
Net Plant		
Add:		
Fuel and Materials & Supplies		
Cash Working Capital		
Prepayments		
Less:		
Income Tax Offset (Staff Method)		
Interest Expense Offset (Staff Method)		
Customer Advances		
Customer Deposits		
Accumulated Deferred Income Taxes:		
Account 190		
Account 282,		
<hr/>		
(A) Total Rate Base	\$	\$
(B) Net Operating Income	\$	\$
(C) Return on Rate Base ((B)/(A))		%
(D) Return Portion Related to Debt & Preferred		%
(E) Return Portion Related to Common Equity ((C)-(D))		%
(F) Equity Percentage of Capital Structure		%
(G) Achieved Cost of Common Equity ((E)/(F))		%

Schedule 1
Page 4 of 6

UNION ELECTRIC COMPANY
12 MONTHS ENDED XX / XX / XX

	<u>TOTAL ELECTRIC</u>	<u>MISSOURI JURISDICTIONAL</u>
Operating Revenues	\$	\$
Operating & Maintenance Expenses:		
Production:		
Fixed Allocation		
Variable Allocation		
Directly Assigned		
Total Production Expenses		
Transmission Expenses (Fixed)		
Distribution Expenses (Distr. Plant)		
Customer Accounting Expenses (Direct)		
Customer Serv. & Info. Expenses (Direct)		
Sales Expenses (Direct)		
Administrative & General Expenses:		
Directly Assigned		
Labor Allocation		
Total Administrative & General Expenses		
Total Operating & Maintenance Expenses		
Depreciation & Amortization Expense:		
Fixed Allocation		
Labor Allocation		
Directly Assigned		
Total Depreciation & Amortization Expense		
Taxes Other than Income Taxes:		
Fixed Allocation		
Variable Allocation		
Labor Allocation		
Directly Assigned		
Total Taxes Other than Income Taxes		
Income Taxes:		
Federal Income Taxes		
Environmental Tax (Net Plant)		
Missouri State Income Tax		
Other States' Income Taxes		
Total Income Taxes		
Net Operating Income	\$	\$

CALCULATION OF CUSTOMER SHARING CREDITS
FOR UNION ELECTRIC COMPANY

<u>Earned Return on Common Stock Equity Scenarios</u>	<u>Customer Sharing Credits</u>
A. If Earned Return on Common Stock Equity is < 10.00%, then: no sharing occurs and Union Electric Company has the option to file a rate increase case before the Missouri Public Service Commission.	
B. If Earned Return on Common Stock Equity is = to or > 10.00% and is < or = to 12.61%, then: no sharing occurs.	\$ XX
C. If Earned Return on Common Stock Equity is > 12.61% and is < or = to 14.00%, then: that portion of Earned Return on Common Stock Equity between 12.61% and 14.00% is shared with 50% being retained by Union Electric Company and 50% being credited to Union Electric Company's Missouri retail electric customers. If [G] > 12.61% and < or = to 14.00%, then: $\{([G] - 12.61\%) * 50\% * ([A] * [F])\}$ If [G] > 14.00%, then: $\{(14.00\% - 12.61\%) * 50\% * ([A] * [F])\}$	\$ XX
D. If Earned Return on Common Stock Equity is > 14.00% and is < or = to 16.00%, then: that portion of Earned Return on Common Stock Equity between 14.00% and 16.00%, along with the 50% portion addressed above, is shared with 10% being retained by Union Electric Company and 90% being credited to Union Electric Company's Missouri retail electric customers. If [G] > 14.00% and < or = to 16.00%, then: $\{([G] - 14.00\%) * 90\% * ([A] * [F])\}$ If [G] > 16.00%, then: $\{(16.00\% - 14.00\%) * 90\% * ([A] * [F])\}$	\$ XX
E. If Earned Return on Common Stock Equity is > 16.00%, then: that portion of Earned Return on Common Stock Equity above 16.00%, along with the 50% and 90% portions addressed above, is credited to Union Electric Company's Missouri retail electric customers. If [G] > 16.00%, then: $\{[G] - 16.00\% * 100\% * ([A] * [F])\}$	\$ XX
CUSTOMER SHARING CREDITS	<hr/> \$ XX
Associated Income Tax Expense Reduction {Customer Sharing Credits * [(1/(1 - Effective Tax Rate)) - 1]} Effective tax rate was 38.3886% as of 6/30/94.	\$ XX
TOTAL CUSTOMER SHARING CREDITS	\$ XX

UNION ELECTRIC COMPANY
12 MONTHS ENDED XX / XX / XX

ALLOCATION FACTORS

	<u>TOTAL</u> <u>ELECTRIC</u>	<u>MISSOURI</u> <u>JURISDICTIONAL</u>
Fixed	100.00%	%
Variable	100.00%	%
Nuclear	100.00%	%
Distribution	100.00%	%
Mo. Distribution Plant	100.00%	%
Labor	100.00%	%
Net Plant	100.00%	%
Operating Revenues	100.00%	%
Operating Expenses	100.00%	%

CONTINGENT JURISDICTIONAL STIPULATION

1.0 APPLICABILITY

- 1.1 Principles stated in this Contingent Jurisdictional Stipulation ("Jurisdictional Stipulation") shall govern the situations described in Sections 8.h. and 8.i. of the Stipulation And Agreement.
- 1.2 Changes to this Jurisdictional Stipulation may be proposed from time-to-time by Union Electric Company ("UE" or "Company"), the Commission Staff or the OPC; subject to the approval of the Commission; provided, however, that UE, the Staff and the OPC shall meet and discuss any such proposed changes prior to the submission of such changes to the Commission by UE, the Commission Staff or the OPC.

2.0 DEFINITIONS

When used in this Jurisdictional Stipulation, the following terms shall have the respective meanings set forth below:

- 2.1 "Affiliate" means an Entity that is UE's Holding Company, a Subsidiary of UE, a Subsidiary of UE's Holding Company (other than UE), or other subsidiary within the Holding Company organization.
- 2.2 "Affiliate Contract" means an Affiliate Operating Contract, an Affiliate Sales Contract, an Affiliate Surety Contract, a Section 205 Contract, a Service Agreement or an amendment to any such contract.
- 2.3 "Affiliate Operating Contract" means a contract, other than a Section 205 Contract, between UE and one or more of its Affiliates providing for the operation of any part of UE's generating, transmission and/or distribution facilities by such Affiliate(s).
- 2.4 "Affiliate Sales Contract" means a contract, other than an Affiliate Operating Contract or a Section 205 Contract, between UE and one or more of its Affiliates involving the purchase of Assets, Goods or Services.

- 2.5 "Affiliate Surety Contract" means a contract between UE and one or more of its Affiliates involving the assumption by UE of any liability as a guarantor, endorser, surety, or otherwise in respect of any security or contract of an Affiliate.
- 2.6 "Assets" means any land, plant, equipment, franchises, licenses, or other right to use assets.
- 2.7 "Commission" means the Missouri Public Service Commission or any successor governmental agency.
- 2.8 "Commission Staff" or "Staff" means the staff of the Missouri Public Service Commission.
- 2.9 "Entity" means a corporation or a natural person.
- 2.10 "FERC" means the Federal Energy Regulatory Commission, or any successor governmental commission.
- 2.11 "Goods" means any goods, inventory, materials, supplies, appliances, or similar property (except electric energy and capacity).
- 2.12 "Non-Utility Affiliate" means an Affiliate which is neither a public utility nor a Utility Service Company.
- 2.13 "OPC" means the Office of the Public Counsel.
- 2.14 "Review Period" means a period of ninety (90) consecutive calendar days commencing on the first day immediately following the date that UE, Ameren Corporation or Ameren Services Company submits an Affiliate Contract to the Commission for the Commission Staff's review. Any part of the Review Period for a particular Affiliate Contract may be waived by agreement of UE, the Commission Staff and the OPC.
- 2.15 "SEC" means the United States Securities and Exchange Commission, or any successor governmental agency.
- 2.16 "Section 205 Contract" means an interconnection, interchange, pooling, operating, transmission, power sale or ancillary power services contract or similar contract

entered into between UE and an Affiliate and subject to regulation by the FERC pursuant to § 205 of the Federal Power Act, 15 U.S.C. § 824d, or any successor statute.

- 2.17 "Service Agreement" means the agreement entered into between UE, CIPSCO and Ameren Services Company under which Services are provided by Ameren Services Company to UE and CIPSCO.
- 2.18 "Services" means the performance of activities having value to one party, such as managerial, financial, accounting, legal, engineering, construction, purchasing, marketing, auditing, statistical, advertising, publicity, tax, research, and other similar services.
- 2.19 "Subsidiary" means any corporation 10 percent or more of whose voting capital stock is controlled by another Entity; Subsidiaries of UE are those corporations in which UE owns directly or indirectly (or in combination with UE's other Affiliates) 10 percent or more of such corporation's voting capital stock.
- 2.20 "UE's Holding Company" means Ameren Corporation or its successor in interest.
- 2.21 "Utility Affiliate" means an Affiliate of UE which is also a public utility.
- 2.22 "Utility Service Company" means an Affiliate whose primary business purpose is to provide administrative and general or operating services to UE and Utility Affiliate(s).

3.0 AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE SEC

The following will apply to Affiliate Contracts that are required to be filed with the SEC.

- 3.1 Prior to filing any such Affiliate Contract with the SEC or the Commission, UE will submit to the Commission Staff, the OPC and appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the SEC and the Commission.

- 3.1.1 If the Commission Staff clears the contract for filing, or does not object to it, and no objections from affected parties are submitted to UE (with a copy to the Commission Staff) during the Review Period for such contract, UE may file such contract with the SEC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.
- 3.1.2 If during or upon the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if an objection(s) is submitted to UE (with a copy to the Commission Staff) by an affected party (or parties), UE may file the contract with the Commission, but shall not file the contract with the SEC until at least (30) days after the date that it is filed with the Commission; provided, that both such filings shall disclose the Commission Staff's recommendation or the objection(s) regarding the contract; provided, further, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, UE shall not file the contract with the SEC unless and until UE receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary authorizations.
- 3.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law reject or disapprove the contract, and upon such rejection or disapproval:

3.2.1 If such contract has not yet been accepted or approved by the SEC, UE will, as soon as possible, file to seek to withdraw its filing requesting SEC acceptance or approval of such contract; or

3.2.2 If such contract has been accepted or approved by the SEC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, UE will:

a. terminate such contract according to its terms; or

b. at its sole option, take such steps as are necessary to cause such contract to be amended in order to remedy the Commission's adverse findings with respect to such contract; UE will refile such amended contract with both the Commission and the SEC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will remain in effect until such authorizations are received; if the SEC does not finally accept or approve such amendment within 1 year from the date of UE's filing of such amendment with the SEC, UE will, upon request of the Commission, terminate the contract according to its terms.

3.2.3 If such contract has been accepted or approved by the SEC and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, UE will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. UE will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject

contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, UE shall file such amended contract with the Commission and the SEC under the procedure set forth in this Section 3. If no agreement can be reached satisfactory to each contracting party and to each affected state commission, after good faith negotiations, UE has no further obligations under this Jurisdictional Stipulation. Nothing herein affects, modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.

4.0 AFFILIATE CONTRACTS REQUIRED TO BE FILED WITH THE FERC

The following will apply to Affiliate Contracts that are required to be filed with the FERC.

4.1 Prior to filing any Affiliate Contract with the FERC or the Commission, UE will submit to the Commission Staff, the OPC and appropriate parties requesting a copy, a copy of the Affiliate Contract which it proposes to file with the FERC and the Commission.

4.1.1 If the Commission Staff clears the contract for filing, or does not object thereto, and no objections from affected parties are submitted to UE (with a copy to the Commission Staff) during the Review Period for such contract, UE may file such contract with the FERC and the Commission. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.

4.1.2 If during or upon the expiration of the Review Period for such contract, the Commission Staff recommends that the Commission reject, disapprove or establish a proceeding to review such contract, or if any objection(s) is submitted to UE (with a

copy to the Commission Staff) by an affected party (or parties), UE may file the contract with the Commission, but shall not file the contract with the FERC until at least thirty (30) days after the date that it is filed with the Commission; provided, that both such filings shall disclose the Commission Staff's recommendation or the objection(s) regarding the contract; provided, further, that if the Commission, within twenty (20) days after the contract is filed, institutes a proceeding to review such contract, UE shall not file the contract with the FERC unless and until UE receives a Commission Order which resolves issues raised with regard to the contract and which does not reject or disapprove the contract. The contract will become effective upon the receipt of all necessary regulatory authorizations and will continue in effect until it is terminated pursuant to its terms or is amended or superseded, subject to the receipt of all necessary regulatory authorizations.

- 4.2 After the Affiliate Contract has been filed with the Commission, the Commission may in accordance with Missouri law reject or disapprove the contract, and upon such rejection or disapproval:
- 4.2.1 If such contract has not yet been accepted or approved by the FERC, UE will, as soon as possible, file to seek to withdraw its filing requesting FERC acceptance or approval of such contract; or
- 4.2.2 If such contract has been accepted or approved by the FERC and none of the other contracting parties are Utility Affiliates subject to any other state utility regulatory commission's jurisdiction, UE will:
- a. terminate such contract according to its terms; or
 - b. at its sole option, take such steps as are necessary to cause such contract to be

amended in order to remedy the Commission's adverse findings with respect to such contract; UE will refile such amended contract with the Commission and the FERC; such amendment will become effective only upon the receipt of all necessary regulatory authorizations, and the previous contract (to the extent already in effect) will continue in effect until such authorizations are received; if the FERC does not finally accept or approve such amendment within one year from the date of UE's filing of such amendment with the FERC, UE will, upon request of the Commission, terminate the contract according to its terms.

- 4.2.3 If such contract has been accepted or approved by the FERC and one or more of the other contracting parties are Utility Affiliates subject to another state utility regulatory commission's jurisdiction, UE will make a good faith effort to terminate, amend or modify such contract in a manner which remedies the Commission's adverse findings with respect to such contract. UE will request to meet with representatives from the affected state commissions and make a good faith attempt to resolve any differences in their respective interests regarding the subject contract. If agreement can be reached to terminate, amend, or modify the contract in a manner satisfactory to the contracting parties and the representatives of each state commission, UE shall file such amended contract with the Commission and the FERC under the procedure set forth in this Section 4. If no agreement can be reached satisfactory to each contracting party and each affected state commission, after good faith negotiations, UE has no further obligations under this Jurisdictional Stipulation. Nothing herein affects, modifies or alters in any way the rights and duties of the Commission under applicable state and federal law.

Att/Sec'y:

Debra Pope

Date Circulated

2-21

CASE NO.

EM-96-149

K. S. ... (Commence to follow)

Commissioner

[Signature]

Commissioner

[Signature]

Commissioner

[Signature]

Commissioner

Concurrence follows.

Agenda Date

2-21

Action taken:

5-0, A/Am
(KZ, con. with. H. follow)
(MOB, con. with. H. follow)

STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 21 day of FEBRUARY, 1997.

Cecil I. Wright
Cecil I. Wright
Executive Secretary