

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

In the Matter of the Joint Application of	)	
Union Electric Company d/b/a AmerenUE,	)	
Aquila, Inc., d/b/a Aquila Networks – MPS	)	
and Aquila Networks – L&P for an Order	)	
Authorizing Sale and Transfer of Certain	)	
Assets of Aquila, Inc. Located in Missouri	)	<b><u>Case No. GM-2004-0244</u></b>
to AmerenUE and Either Authorizing the	)	
Transfer of Existing Certificates of Public	)	
Convenience and Necessity, or Granting	)	
a New Certificate of Public Convenience	)	
and Necessity to AmerenUE in Conjunction	)	
with same.	)	

**COME NOW** the Parties to the case, Union Electric Company d/b/a AmerenUE (AmerenUE); Aquila, Inc., d/b/a Aquila Networks – MPS and Aquila Networks – L&P (Aquila); the Staff of the Commission; and the Office of the Public Counsel (OPC), and submit the following Unanimous Stipulation and Agreement to resolve the issues in this case.

**UNANIMOUS STIPULATION AND AGREEMENT**

1. On December 3, 2003, AmerenUE and Aquila filed an application (Joint Filing) for authority to sell and transfer certain assets from Aquila to AmerenUE that are used to provide natural gas distribution service in the cities of Rolla, Salem and Owensville, Missouri and their vicinity (Eastern System).
2. In its December 16, 2003 Order and Notice, the Missouri Public Service Commission (Commission) set the time for intervention with December 29, 2003 as the final date for parties wishing to intervene in this case to file their applications to intervene.
3. On January 2, 2004, Staff requested that the Commission establish an early prehearing conference to determine if the issues in this case could be resolved. As a result of the

prehearing conference and subsequent negotiations, the undersigned parties (Parties) have reached the following stipulations and agreements.

4. The standard for Commission authorization of the sale and transfer of parts of a utility's franchise, system, works, or assets and for approval of mergers is found in Section 393.190 RSMo 2000 and applicable case law. In order to authorize the proposed transfer, the Commission must find that the transaction is not detrimental to the public interest.

5. Consequently, the purpose of the settlement is to ensure that there is no detriment to the public interest as a result of the sale and transfer. The Parties to the Stipulation have structured this agreement so that the sale and transfer of the Eastern System from Aquila to AmerenUE is not detrimental to the public interest.

6. Current Eastern System customers will benefit from this transaction in several ways including:

- They will receive access to significant firm storage capacity on Panhandle Eastern Pipe Line Company's (PEPL) system;
- They will benefit from economies of scale resulting from their integration into AmerenUE's customer base and from AmerenUE's expertise in price hedging;
- They will be served by AmerenUE regional gas operations and engineering/construction support from Jefferson City District; and
- Their service will be supported by Ameren Corporation's strong credit rating.

7. AmerenUE has a separate Purchased Gas Adjustment (PGA) rate for the area served by PEPL. The Eastern System that AmerenUE is purchasing will continue to be served by PEPL, and PGA costs will be allocated in accordance with the following provisions.

8. One hundred percent (100%) of the PEPL and Missouri Pipeline Company capacity costs will be included in the AmerenUE PEPL PGA factor. The AmerenUE PEPL PGA factor will apply to the existing AmerenUE customers served by the PEPL system as well as the Eastern System customers formerly served by Aquila.

9. One hundred percent (100%) of Missouri Gas Company (MGC) reservation costs and one hundred percent (100%) of the MGC variable costs shall be included in the incremental MGC PGA factor. This factor shall be applied to the Eastern System customers and is in addition to the AmerenUE PEPL PGA factor. This factor shall remain in effect for Eastern System customers until there is a determination by the Commission to discontinue the factor.

10. A separate, incremental Actual Cost Adjustment (ACA) reconciliation for over/under recoveries of MGC costs (MGC ACA) shall be established for use in the Annual ACA reconciliation process. Any under or over recovery balance remaining in the Aquila ACA account for the Eastern System at the time of the closing (expected to be on or about May 1, 2004) shall be included in the MGC ACA. The balance is unknown at this time and will be audited after AmerenUE's November 2004 ACA filing. The balance and the underlying costs and revenues that create the balance shall be subject to adjustment based upon the Commission's ACA reviews. This shall include any prior period ACA adjustments that are due to be refunded to customers by Aquila.

11. Pro forma tariff sheets are attached hereto as Exhibit A which reflect the revised rates and other tariff provisions necessary to effectuate this settlement.

12. AmerenUE will continue to charge the Aquila base rates effective on March 16, 2004 until such time as the Commission approves new rates as a result of a rate proceeding.

Aquila shall allocate all corporate and overhead costs in accordance with Aquila's allocation policy and procedures and cost allocation manual methodology.

13. Records related to plant and other property transferred by Aquila to AmerenUE as a result of this transaction shall include plant cost by unit of property. Any deficiencies in the detailed property records shall be corrected prior to transfer. AmerenUE agrees to book depreciation expense for the newly acquired Aquila property in accordance with AmerenUE's Commission-approved depreciation rates. AmerenUE's records shall reflect Aquila's year-end 2002 impairment, subsequently transferred to Aquila Networks - MPS's financial books in 2003, of the regulated value of the Eastern System plant.

14. The Parties recommend that if the Commission requires an on-the-record presentation of this Unanimous Stipulation and Agreement, prior to approval of the Stipulation, such hearing be held to allow sufficient time to permit the transaction to take place as planned on May 1, 2004.

15. The signatories agree that the Commission should approve the sale and transfer of assets as requested in the Joint Filing, and the transfer of the related certificates of public convenience and necessity from Aquila to AmerenUE, because, subject to the agreements above, the sale and transfer is not detrimental to the public interest. No ratemaking determination has been made regarding the book value of the plant transferred or any interim adjustments to the sales price.

16. This Unanimous Stipulation and Agreement is being entered into solely for the purpose of settling this case. None of the signatories to this Unanimous Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, including, without limitation, any method of cost determination or cost allocation, rate

design method, depreciation or revenue related methodology or any service or payment standard, and none of the signatories shall be prejudiced or bound in any manner by the terms of this Unanimous Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

17. This Unanimous Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve this Unanimous Stipulation and Agreement by the issuance date of its Report and Order in this case, or approves this Unanimous Stipulation and Agreement with modifications or conditions (other than a modification to the recommended effective date of the tariff sheets attached hereto as Schedule 1) that a Party to this proceeding objects to prior to the effective date of the Order approving this Unanimous Stipulation and Agreement, then this Unanimous Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

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

part of the administrative or evidentiary record before the Commission for any further purpose whatsoever.

19. In the event the Commission accepts the specific terms of the Stipulation, the signatories waive their respective rights to call, examine and cross-examine witnesses, pursuant to Section 536.070(2) RSMo 2000; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 2000; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; their respective rights to seek rehearing, pursuant to Section 386.500 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. This waiver applies only to a Commission Report and Order respecting this Stipulation 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.

20. The Staff shall submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each of the Parties shall be served with a copy of any such memorandum and shall be entitled to submit to the Commission, within five days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. 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, whether or not the Commission approves and adopts this Stipulation.

21. The Staff also shall have the right to provide, at any agenda meeting at which this 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.

**WHEREFORE** the Parties submit this Stipulation as resolution of the issues in this case and recommend the Commission find that the sale, transfer and merger is not detrimental to the public interest, and approve the Stipulation and Agreement as submitted.

Respectfully submitted,

UNION ELECTRIC COMPANY  
d/b/a AmerenUE

STAFF OF THE MISSOURI  
PUBLIC SERVICE COMMISSION

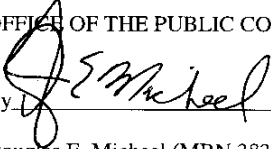
DANA K. JOYCE  
General Counsel

By /s/ Thomas M. Byrne  
Thomas M. Byrne (MBN 33340)  
Associate General Counsel  
Ameren Service Company  
1901 Chouteau Avenue  
P. O. Box 66149 (MC 1310)  
St. Louis, MO 66149-6649  
(314) 554-2156  
(314) 554-4014 (fax)  
[tbyrne@ameren.com](mailto:tbyrne@ameren.com)

By /s/ Lera L. Shemwell  
Lera L. Shemwell (MBN 43792)  
Senior Counsel  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-5239  
(573) 751-9285 (fax)  
[lera.shemwell@psc.mo.gov](mailto:lera.shemwell@psc.mo.gov)

OFFICE OF THE PUBLIC COUNSEL

AQUILA INC. d/b/a AQUILA NETWORKS-MPS  
AQUILA NETWORKS-L&P

By   
Douglas E. Micheel (MBN 38371)  
Senior Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102  
(573) 751-5560  
(573) 751-5562 (fax)  
[doug.micheel@ded.mo.gov](mailto:doug.micheel@ded.mo.gov)

By /s/ Dean L. Cooper  
Dean L. Cooper (MBN 36592)  
Brydon, Swearingen & England  
P.O. Box 456  
Jefferson City, MO 65102  
(573) 636-7150  
(573) 636-3847 (fax)  
[dcooper@brydonlaw.com](mailto:dcooper@brydonlaw.com)

**Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 30<sup>th</sup> day of March, 2004.

/s/ Lera L. Shemwell