

Exhibit No.:	
Issue:	SO ₂ Emission Allowances
Witness:	James C. Moore, II
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Union Electric Company d/b/a AmerenUE
Case No.:	EO-2004-0108
Date Testimony Prepared:	March 1, 2004

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EO-2004-0108

SURREBUTTAL TESTIMONY

OF

JAMES C. MOORE, II

ON

BEHALF OF

**UNION ELECTRIC COMPANY,
d/b/a AmerenUE**

**St. Louis, Missouri
March 1, 2004**

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

In the matter of the Application of Union)
Electric Company (d/b/a AmerenUE) for)
an order to authorizing the sale, transfer)
and assignment of certain assets, real)
estate, leased property, easements and)
contractual agreements to Central Illinois)
Public Service Company (d/b/a AmerenCIPS))
and, in connection therewith, certain other)
related transactions.)

Case No. EO-2004-0108

AFFIDAVIT OF JAMES C. MOORE, II

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

James C. Moore, II, being first duly sworn on his oath, states:

1. My name is James C. Moore, II. I work in the City of St. Louis, Missouri, and I am employed by Ameren Energy Fuels and Services ("AFS") as a Senior Emissions Executive.

2. Attached hereto and made a part hereof for all purposes is my Surrebuttal Testimony consisting of pages 1 through 4, including Appendix A, all of which has been prepared in written form for introduction into evidence in Missouri Public Service Commission Case No. EO-2004-0108 on behalf of Union Electric Company, d/b/a AmerenUE.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.


James C. Moore, II

Subscribed and sworn to before me this 15th day of March, 2004.


Notary Public

My Commission Expires: 12/10/06

VALERIE W. WHITEHEAD
Notary Public - Notary Seal
STATE OF MISSOURI
Jefferson County
My Commission Expires: Dec. 10, 2006

1 **Q. Mr. Kind states that Mr. Voytas did not include increased environmental compliance**
2 **costs in his least cost analysis. Is this true?**

3 A. Yes, Mr. Voytas did not include increased environmental compliance costs in his
4 least cost analysis. It is very difficult to determine what future regulations will be
5 in place and what requirements for technology installations will be required at
6 AmerenUE power plants over the next decade. Numerous proposals have been
7 made covering a wide range of compliance requirements over the past five to ten
8 years. None of these proposals have resulted in a change to the current emission
9 regulations for SO2 Allowances. Increased environmental compliance costs
10 depend on uncertain legislative and regulatory proposals that have not been
11 finalized. AmerenUE monitors proposed laws and regulations to estimate their
12 impact and determine what SO2 Allowance strategy should be pursued.
13 AmerenUE currently has sufficient SO2 Allowances to comply with current
14 regulations.

15 **Q. Mr. Kind states that AmerenUE has been selling large quantities of SO2 Allowances**
16 **over the past few years and this could deplete the bank of SO2 Allowances leading to**
17 **accelerated installation of additional controls. What is AmerenUE's SO2 Allowance**
18 **strategy?**

19 A. AmerenUE's original strategy was to build the bank of SO2 Allowances during
20 the 1990s. By 1999, AmerenUE had one of the largest SO2 Allowance banks in
21 the country. Starting around 1999–2000, laws and regulations were proposed that
22 could have substantially reduced the value of the SO2 Allowances that
23 AmerenUE held. AmerenUE determined at that time that it would be prudent to
24 sell some of the large SO2 Allowance bank.

- 1 **Q. How were these sales pursued?**
- 2 A. AmerenUE pursued a strategy to sell SO2 Allowances on a fairly regular basis
3 over the past four years. This was done to avoid inundating the market with large
4 volumes. The SO2 Allowance market is relatively illiquid and large volumes
5 could adversely impact the price received.
- 6 **Q. Did AmerenUE deplete the bank?**
- 7 A. No. The bank has been reshaped to reduce the risk of regulatory impacts by
8 moving allowances into different vintages. The bank has also been managed to
9 earn a return on this asset. The large bank of earlier vintage SO2 Allowances was
10 swapped into later vintages, resulting in a substantial increase in the supply of
11 allowances due to price differentials in the market.
- 12 **Q. How many additional SO2 Allowances was AmerenUE able to create using**
13 **vintage swaps?**
- 14 A. Nearly 200,000 SO2 Allowances have been added to AmerenUE's holdings
15 through the use of vintage swaps to date.
- 16 **Q. Is it true, as Mr. Kind states, that SO2 Allowances will be required to**
17 **economically operate AmerenUE's coal plants in the future?**
- 18 A. This is highly dependent on what laws and regulations are put in place over the
19 next several years. Some legislative proposals could make SO2 Allowances
20 essentially worthless. Other proposals could increase their value. The emission
21 regulations are evolving and AmerenUE will continue to monitor the likely
22 effects and change its SO2 Allowance management strategy as appropriate.
- 23 **Q. Will AmerenUE's current budgeted sales deplete the SO2 Allowance bank?**

1 A. The budgeted sales could deplete the SO2 Allowance bank depending on the
2 market price of the SO2 Allowances. The budget does not take into account the
3 potential change in strategy due to proposed regulations. Depleting the bank may
4 be the appropriate strategy depending on what regulations are implemented.

5 **Q. Has AmerenUE complied with the limits on SO2 Allowance sales set by the**
6 **Missouri Commission in Case No. EO-98-401?**

7 A. Yes, AmerenUE believes it is well within the limits set by the Missouri
8 Commission in Case No. EO-98-401. In that proceeding, the Commission
9 granted the Company broad authority to manage its entire allowance inventory,
10 but it limited the Company's sale of Phase I allowances to no more than one-half
11 of all Phase I allowances. Thus far, AmerenUE's total allowance sales are much
12 less than one-half of its Phase I allowances.

13 **Q. Does this conclude your testimony?**

14 A. Yes, it does.

QUALIFICATIONS OF JAMES C. MOORE, II

My name is James C. Moore, II and my business address is One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. I reside in St. Louis County, Missouri.

My educational background consists of a Bachelor of Science in Electrical Engineering from the University of Missouri – Rolla, an MBA from the John M. Olin School of Business at Washington University, and an Advanced Certificate in International Affairs from Washington University.

I have been in the energy business since 1983 in various capacities. I have been actively involved in the emissions markets since their inception in 1994. I have also traded electricity and natural gas during the 1990's. I am intimately familiar with the energy markets, how the energy markets are structured, and how the energy markets work.

My duties as Senior Emissions Trader include monitoring the emission markets and executing Ameren's emission strategy.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing has been sent to all parties of record this 1st day of March, 2004 by electronic mail (e-mail) or U.S. Mail.

/s/ Joseph H. Raybuck
