

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

In re: Application of Union Electric Company	)	
for Authority to participate in the Midwest	)	Case No. EO-2003-0271
ISO through a contractual relationship	)	
with GridAmerica	)	
	)	

**STATUS REPORT**

COMES NOW Union Electric Company d/b/a AmerenUE (the “Company” or “AmerenUE”), and hereby files this status report to inform the Missouri Public Service Commission (hereinafter “Commission”) of an order (attached hereto as Attachment 1) that was recently issued by the Federal Energy Regulatory Commission (hereinafter “FERC”) in Docket No. ER04-571-000 accepting the Service Agreement between the Midwest ISO and AmerenUE as filed (hereinafter “FERC Order”). As a result, AmerenUE believes that the FERC Order satisfies the condition precedent set forth in Section B.II(A) of the Stipulation and Agreement filed in this case. Therefore, unless otherwise directed by the Commission, AmerenUE intends to transfer functional control of the AmerenUE transmission system along with the transmission system of AmerenCIPS to the Midwest ISO through a contractual arrangement with GridAmerica effective May 1, 2004<sup>1</sup>.

**I. BACKGROUND**

After more than six months of negotiations, on February 9, 2004, the parties<sup>2</sup> filed a Stipulation and Agreement (the “Agreement”) in this proceeding codifying the terms and

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<sup>1</sup> The transfer of functional control of the AmerenUE and AmerenCIPS transmission systems to the Midwest ISO is also contingent on the readiness of the Midwest ISO and Ameren for such transfer. Ameren will not transfer function control of its transmission system to the Midwest ISO if all of the required closing conditions have not been met.

<sup>2</sup> The Empire District Electric Company, Aquila, Inc., Kansas City Power & Light Company, and the Missouri Energy Group, were parties to the case but did not sign the Stipulation and Agreement. However, all of these parties filed pleadings stating that they did not oppose it, and none requested a hearing.

conditions of a settlement reached by the parties that would allow AmerenUE to participate in the Midwest ISO through a contractual arrangement with GridAmerica for a five year interim and conditional period (hereinafter “MISO Participation”).<sup>3</sup> An integral part of the Agreement approved by the Commission was a Service Agreement executed by AmerenUE and the Midwest ISO that, *inter alia*, codified the terms and conditions under which the Midwest ISO would provide transmission service to AmerenUE for purposes of serving AmerenUE’s bundled retail load in Missouri. More specifically, the Service Agreement preserved the Commission’s jurisdiction to determine the transmission component of the bundled retail rates, required the Midwest ISO to provide AmerenUE with information that would aid AmerenUE in its efforts to secure Financial Transmission Rights to hedge AmerenUE against congestion charges, and provided a process for securing the Commission’s approval for constructing transmission lines that are not part of the resource plans of the Company. On February 26, 2004, the Commission approved the Agreement. However, the Commission’s approval of the Agreement provided that as a condition precedent to AmerenUE’s MISO Participation, the FERC must approve the Service Agreement as filed.

On February 19, 2004 the Midwest ISO and AmerenUE jointly filed the Service Agreement with FERC. A number of entities filed timely motions to intervene in the FERC proceeding and one entity, the Missouri Joint Municipal Electric Utility Commission (hereinafter “MJMEUC”), filed to protest the Service Agreement.

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<sup>3</sup> The FERC Order references a five and one half year transition period which recognizes that the Service Agreement might continue for up to six months after the end of the five year period of interim and conditional approval obtained from this Commission while the Company either reestablishes functional control of its system if it is no longer in an RTO at all, or while the Company effectuates a transfer of functional control to another RTO pursuant to further Commission orders, all as contemplated by the Agreement and the Service Agreement. The period of the Company’s interim and conditional approval pursuant to this Commission’s Order approving the Agreement expires five years after May 1, 2004 (if functional control is indeed transferred to the MISO at that time), subject only to a short extension of this possible six month period if needed.

## **II. FERC ORDER**

On March 25, 2004, the FERC issued the FERC Order accepting the Service Agreement as filed. However, in the face of the protest filed by MJMEUC, and with the realization that the Service Agreement could become a template for other utilities participating in a Regional Transmission Organization, the FERC, in its order approving the Service Agreement, was compelled to clarify its interpretation of a few areas of the Service Agreement. For example, in order to comply with the requirements of the Federal Power Act, the FERC needed to impute a rate into the Service Agreement for the transmission service to be provided by the Midwest ISO to AmerenUE's bundled retail load. Because AmerenUE does not have a discrete rate at this time<sup>4</sup> for the transmission component of its bundled retail rate, the rate imputed by FERC into the Service Agreement is the transmission rate contained in Ameren's Open Access Transmission Tariff. The FERC also clarified a portion of the Service Agreement related to the self-provision of ancillary services. The FERC Order states that AmerenUE can self-supply ancillary services needed for providing service to its bundled retail load as stated in the Service Agreement, provided that AmerenUE's self-supply of such services is done in accordance with the Midwest ISO OATT. Finally, the FERC clarified that if AmerenUE were to seek to end its participation in the Midwest ISO by terminating the Service Agreement in the future, the termination of the Service Agreement would need to be effectuated pursuant to a filing under Section 205 of the Federal Power Act.

The Company firmly believes that these clarifications of the Service Agreement language in no way impair or alter the intent or purpose for the Service Agreement. Moreover, the

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<sup>4</sup> AmerenUE does not believe that the FERC Order requires it to unbundle its rates in the future to calculate a discrete rate for the transmission component of the bundled retail rate.

Company has no reason to believe that any of the clarifications made by FERC will alter the implementation or application of the Service Agreement to the provision of transmission service to AmerenUE's bundled retail load.

### **III. CONCLUSION**

AmerenUE is extremely pleased with the FERC Order. After all, the Service Agreement accepted by FERC is the first of its kind. As we all know from the lengthy negotiations needed to craft the Service Agreement, balancing this Commission's interest to preserve its jurisdictional authority over the bundled retail load with the interests of FERC to create an open, non-discriminatory transmission environment and marketplace was an extremely difficult task. We believe that we were successful in preserving this delicate balance of jurisdictional interests with the language contained in the Service Agreement. The Company also believes that the FERC Order accepting the Service Agreement as filed is FERC's acknowledgement that we were successful in this effort as well.

Dated: April 16, 2004

Respectfully submitted,

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## CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served on the following parties of record, on this 16<sup>th</sup> day of April, 2004, via email at the email addresses set forth below:

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