

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”).³ 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.

³ 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 time⁴ 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

⁴ 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.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

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