

Application of Union Electric Company)
for Authority to participate in the Midwest) Case No. _____
ISO through a contractual relationship)
with GridAmerica)

COMES NOW Union Electric Company d/b/a AmerenUE (“Company” or “AmerenUE”), and submits its Application for authority to participate in the Midwest Independent Transmission System Operator, Inc. (the “Midwest ISO”) through a contractual arrangement with GridAmerica, and submits its Motion for Expedited Treatment pursuant to 4 CSR 240-2.080(16). In support of its Application and Motion, AmerenUE states as follows:

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decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of this Application. In addition, AmerenUE has no annual report or assessment fees that are overdue.

2. Communications with regard to this Application should be directed to:

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Relevant Procedural Background

3. On February 21, 1997, the Commission, in Commission Case No. EM-96-149, approved a Stipulation and Agreement that required the Company to file or join in the filing of a regional Independent System Operator ("ISO") that would eliminate pancaked transmission rates and be consistent with the ISO guidelines set forth in Federal Energy Regulatory Commission ("FERC") Order No. 888.

4. In accordance with the Commission's directive in Commission Case No. EM-96-149, on March 30, 1998, the Company filed an application, in Commission Case No. EO-98-413, requesting Commission authority to participate in the Midwest ISO.

5. On May 24, 1999, in Commission Case No. EO-98-413, the Commission approved the Company's application to participate in the Midwest ISO. The Commission conditioned its approval so that "in the event that UE seeks to withdraw from its participation in the Midwest ISO pursuant to Article Five or Article Seven of the Midwest ISO Agreement, the

Company shall file a Notice of Withdrawal with the Commission, and with any other applicable regulatory agency, and such Withdrawal shall become effective when the Commission, and such other agencies, approve or accept such Notice or have otherwise allowed it to become effective" (Commission Case No. EO-98-413, Stipulation and Agreement at pp. 2-3).

6. On November 9, 2000, following the announced withdrawals of Illinois Power Company and Commonwealth Edison Company from the Midwest ISO, Ameren Services Company ("Ameren"), on behalf of its operating companies AmerenUE and Central Illinois Public Service Company ("AmerenCIPS"), provided written notice to the Midwest ISO of its intent to withdraw from participation in the Midwest ISO. At that time, it was AmerenUE's intent to become a transmission owning member of the Alliance RTO, subject to receipt of all necessary regulatory approvals.

7. On January 16, 2001, Ameren filed with FERC, in FERC Docket No. ER01-966-000, on behalf of its operating companies AmerenUE and AmerenCIPS, a notice of intention to withdraw from the Midwest ISO pursuant to Article Five of the Midwest ISO Agreement.

8. On January 24, 2001, in FERC Docket No. ER01-123-000, FERC issued an order establishing settlement judge procedures suggesting that it would be in the best interest of all interested parties in the Midwest Region to jointly assess the Midwest ISO and Alliance RTO situation further and make one last effort at resolving their differences before the FERC rules in Docket No. ER01-123-000.

9. On February 1, 2001, pursuant to the Order issued in FERC Docket No. ER01-123-000, the Chief Administrative Law Judge convened settlement procedures that continued through February 23, 2001. On March 21, 2001, a formal Stipulation and Agreement

("Settlement Agreement") was reached by the parties to that Docket at the settlement proceedings and was filed with FERC. The Settlement Agreement permitted Ameren and its operating companies, AmerenUE and AmerenCIPS, to withdraw from the Midwest ISO and join the Alliance RTO upon payment of an \$18 million exit fee to the Midwest ISO.

10. On April 6, 2001, the Chief Administrative Law Judge certified the Settlement Agreement to FERC. On May 8, 2001, FERC issued its Order on the Settlement Agreement accepting it after making some minor modifications and clarifications.

11. On May 14, 2001, the Alliance Companies filed with FERC a letter of acceptance indicating that the Alliance Companies, the Midwest ISO and certain other transmission owners in the Midwest Region ("Transmission Owners") had accepted the minor modifications and clarifications made by FERC to the Settlement Agreement contained in the FERC's May 8, 2001 Order.

12. On May 15, 2001, in accordance with the terms of the Settlement Agreement, Ameren tendered to the Midwest ISO the \$18 million (\$12.5 million from AmerenUE, \$5.5 million from AmerenCIPS) exit fee required to be paid upon withdrawal.

13. On June 11, 2001, AmerenUE filed an application with the Commission requesting an order (as required by the Commission's order in Commission Case No. EO-98-413) authorizing it to withdraw from the Midwest ISO to participate in the Alliance RTO (the "Withdrawal Application"). AmerenUE's Withdrawal Application was docketed as Commission Case No. EO-2001-684.

14. Thereafter, the Commission granted intervention to certain parties, accepted written testimony, held a hearing on October 10, 2001, and accepted the filing of initial and reply briefs, with the last of the reply briefs being filed on November 7, 2001.

15. Prior to the issuance of a decision by the Commission on the Withdrawal Application, on December 20, 2001, the FERC issued five interrelated orders codifying certain major announcements affecting the future of regional transmission organizations ("RTOs") in the Midwest. FERC's orders were "intended to move the process forward in establishing an optimally sized [RTO] in the Midwest and to support the establishment of viable, for-profit transmission companies that operate under an RTO umbrella and may, depending on their level of independence from market participants, perform certain of the RTO functions contained in [FERC's] Order No. 2000." More specifically, in the order issued by FERC in Docket Nos. RT01-88-000 et al., FERC denied the Alliance Companies' request to be a stand-alone RTO. FERC also directed the Alliance Companies to explore how their business plan (including the proposal for National Grid to become the managing member of the Alliance) can be accommodated within the Midwest ISO.

16. Recognizing that the Alliance Companies would need some time to react to this order, FERC directed the Alliance Companies "to file a statement of their plans to join an RTO, including the timeframe, within 60 days of the date of [the December 20] order." As a result of the December 20 order, on December 27, 2001, AmerenUE requested that the Commission suspend all further action on its Withdrawal Application until March 1, 2002. Because the issues raised by FERC's December 20, 2001 orders were not resolved by March 1, 2002, AmerenUE subsequently requested that the Commission continue to suspend further proceedings beyond March 1, 2002.

17. Thereafter, the Alliance Companies and the Midwest ISO entered into extensive discussions and negotiations in response to FERC's December 20, 2001 orders, and on April 25, 2002, FERC issued an Order On Petition For Declaratory Order (the "April 25th Order") that,

inter alia, directed the Alliance Companies and National Grid to make a compliance filing within 30 days of the date of the April 25th Order detailing which RTO the petitioners planned to join and whether such participation would be collective or individual. (See 99 FERC ¶ 61,105)

18. As a result of the April 25th Order, AmerenUE was required to select, within 30 days of the April 25th Order, an RTO in which to participate. In order for AmerenUE to properly evaluate its options, one of which was returning to the Midwest ISO, on May 3, 2002, the Company respectfully requested that the Commission continue to suspend further proceedings on its Withdrawal Application until June 1, 2002.

19. On May 24, 2002, in response to FERC's April 25th Order, Ameren Services Company, as agent for AmerenUE and AmerenCIPS (collectively the "Ameren Companies"), and the Midwest ISO, entered into a memorandum of understanding ("MOU") that provides for the Ameren Companies return to the Midwest ISO in accordance with the terms and conditions of the MOU. The MOU required the Ameren Companies to apply for membership in the Midwest ISO within thirty days of execution of the MOU. Moreover, in compliance with FERC's April 25th Order, on May 28, 2002, Ameren made a filing at FERC advising FERC that the Ameren Companies will participate in the Midwest ISO.

20. Accordingly, on June 3, 2002, pending FERC action, AmerenUE requested that the Commission continue to suspend further action on its Withdrawal Application until July 1, 2002 in order to provide AmerenUE with additional time to make additional necessary filings with the Commission arising from the events that had occurred since issuance of FERC's December 20, 2001 orders.

21. On July 3, 2002, Ameren, on behalf of AmerenUE and AmerenCIPS, FirstEnergy Corp. ("FirstEnergy"), on behalf of its subsidiary American Transmission Systems, Incorporated,

Northern Indiana Public Service Company (“NIPSCO”), and National Grid USA (“National Grid”) filed a number of agreements with FERC indicating their intent to form the GridAmerica. It was the intent of the above-referenced companies, including AmerenUE, to participate in the Midwest ISO through GridAmerica after GridAmerica was formed.

22. On July 11, 2002, AmerenUE filed a Motion to Dismiss with the Commission by which it sought dismissal of its Withdrawal Application. AmerenUE’s Motion to Dismiss advised the Commission of its agreement to participate in the Midwest ISO through a contractual arrangement with GridAmerica as described above, respectfully submitted to the Commission that AmerenUE’s decision to participate in the Midwest ISO in this fashion rendered moot AmerenUE’s Withdrawal Application, and requested the Commission to dismiss its Withdrawal Application as moot.

23. Thereafter, the Commission’s Staff and AmerenUE submitted additional filings to the Commission that related to AmerenUE’s Motion to Dismiss, and by Order Closing Case effective November 24, 2002, the Commission granted AmerenUE’s Motion to Dismiss. In granting AmerenUE’s Motion to Dismiss, the Commission advised AmerenUE that it was the Commission’s belief that if AmerenUE wanted to participate in the Midwest ISO on any basis other than that approved in Commission Case No. EO-98-413, AmerenUE would be required to file a further application with the Commission, supported by written testimony, requesting the Commission’s authority for such participation. Specifically, the Commission indicated that a new application would be required for AmerenUE’s participation in the Midwest ISO through membership in GridAmerica.

24. As a result of the views expressed by the Commission in its November 24, 2002 order, AmerenUE makes this Application, and requests that the authorizations requested herein be granted by the Commission.

AmerenUE's Participation in the Midwest ISO

25. As generally described above, AmerenUE seeks the Commission's authority to participate in the Midwest ISO through a contractual relationship with a limited liability company known as GridAmerica.

26. Subject to final approval by FERC and contingent upon this Commission's approval of the present Application, Ameren, on behalf of the Ameren Companies, including AmerenUE, has executed the necessary agreements that govern the formation and operation of GridAmerica and its participation in the Midwest ISO on behalf of the GridAmerica companies, including AmerenUE. Those agreements were filed with FERC on November 1, 2002 and, by FERC order dated December 19, 2002, have been conditionally accepted subject to certain changes requested by FERC and necessary compliance filings relating thereto as discussed in more detail below. Because of the voluminous nature of such agreements, AmerenUE has not filed them with this Application, but intends to file them as part of its testimony in this case. The agreements are available electronically via FERC's FERRIS system at <http://ferris.ferc.gov/>, FERC Case Nos. EC03-14-000 and ER02-2233-001.

27. The managing member of GridAmerica is GridAmerica Holdings, Inc., an affiliate of National Grid, a world-class company with excellent capabilities and experience in managing the operation of transmission infrastructure.

28. It is the intent of the GridAmerica companies and the Midwest ISO that GridAmerica be fully operational prior to the Summer of 2003. The GridAmerica companies also have requested expedited treatment from FERC in an effort to meet this operational date.

29. AmerenUE has determined that it is in its best interest and in the best interest of its customers to participate in the Midwest ISO through GridAmerica for, among others, the following reasons: as a for-profit independent transmission company (“ITC”), GridAmerica will clearly focus on transmission as a business; it is able to link transmission ownership with operation; it provides an excellent vehicle for and a commitment to necessary transmission infrastructure investment; and it improves access to the capital markets when needed for transmission.

30. GridAmerica will, when operational, be the world’s largest transmission-only company, consolidating 14,000 miles of transmission lines across 46,000 square miles in five states. Its formation and participation will add 4 million customers to the Midwest ISO.

31. Furthermore, and of equal importance, GridAmerica will enable greater connectivity between load centers in the Midwest ISO which will set the stage for service innovations while minimizing to the greatest extent possible, costs to customers, a benefit to AmerenUE and its customers. It also completes an important part of the puzzle of RTO/ITC development in the Midwest which brings benefits to transmission customers and the energy marketplace, which ultimately benefits retail customers by allowing companies such as AmerenUE greater access to a larger, more competitive power market in order to obtain needed power at competitive prices.

Basis of Motion for Expedited Treatment

32. When the Commission issued its November 24, 2002, order, the FERC had not yet acted on AmerenUE's filings with regard to participation in the Midwest ISO through GridAmerica. Therefore, AmerenUE could not file this Application at that time.

33. As noted above, FERC conditionally accepted the GridAmerica agreements by order dated December 19, 2002, but requested certain changes that required additional compliance filings with FERC.

34. The changes requested by FERC required additional consideration by AmerenUE and other potential GridAmerica participants, and due to the intervening Holidays and other scheduling issues, it was only recently that the GridAmerica companies determined that such modifications would not change the desires of the GridAmerica companies nor National Grid to form GridAmerica.

35. After finally making that determination, AmerenUE believed it important to provide the Commission and its Staff with information about GridAmerica and the Midwest ISO in advance of formally seeking the Commission's authority pursuant to the Commission's November 24, 2002, order. The presentation of such information to the Commission and its Staff was not possible until only recently. Specifically, AmerenUE was only able to meet with the Commission and its Staff to present such information on Thursday, January 23, 2003. At that time, representatives from AmerenUE, the Midwest ISO, and National Grid were able to provide the Commission and its Staff with information about the benefits GridAmerica will bring to AmerenUE and the Midwest ISO.

36. Having now presented such information, AmerenUE has expeditiously prepared and filed this Application as soon as it could have been filed under the circumstances.

37. For the reasons set forth below, AmerenUE respectfully requests that the Commission issue its order granting AmerenUE the authority sought herein by, if possible, April 15, 2003, but in any event on or before May 1, 2003.

38. Granting AmerenUE the authority sought within the above-stated time frame is necessary in order to allow GridAmerica to properly integrate its operations with the Midwest ISO and the GridAmerica companies prior to the peak Summer usage season. If an order approving this Application is not obtained within said time-frame, it will not be possible for GridAmerica to become operational until after the Summer of 2003. Delaying the operation of GridAmerica will deprive the entire Midwest of the operational synergies that will accrue from the GridAmerica companies' participation in the Midwest ISO through GridAmerica.

Relief Requested

AmerenUE respectfully requests that the Commission make and enter its order granting AmerenUE's Application and Motion herein, and specifically, that the Commission order the following:

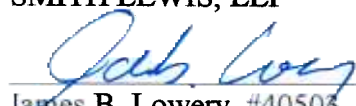
- a. That AmerenUE be granted all necessary authority, permission, and approval required from the Commission for participation by AmerenUE in the Midwest ISO through a contractual relationship with GridAmerica;
- b. That this Application be given Expedited Treatment in accordance with the Commission's rules, and specifically, that the Commission enter its order granting AmerenUE's Application by, if possible, April 15, 2003, but in any event on or before May 1, 2003; and
- c. That the Commission promptly order that a prehearing conference be held as soon as possible, immediately set an early intervention period, and enter such other

orders as it deems appropriate to ensure that an expedited procedural schedule in this case is set that will allow issuance of the Commission's order within the time-frame prayed for herein.

Dated: February 4, 2003

Respectfully submitted,

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VERIFICATION

STATE OF MISSOURI)

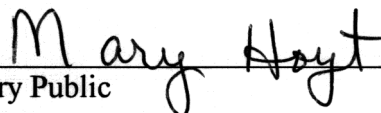
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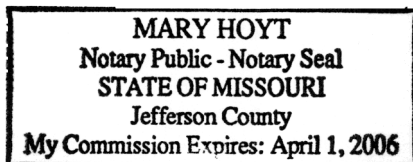
CITY OF ST. LOUIS

I, James B. Lowery, an attorney for Union Electric Company, being duly sworn upon my oath, do hereby state that I have read the foregoing document and that the facts stated therein are true and correct to the best of my knowledge, information and belief, and that I am authorized to file such document on behalf of Union Electric Company.


James B. Lowery

Subscribed and sworn to before me this 4th day of February, 2003


Notary Public




CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served on the following parties of record via U.S. First-Class Mail on this 4th day of February, 2003:

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James B. Lowery