

**AmerenUE**

**Thomas R. Voss, P.E.**  
President & Chief Executive Officer

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November 5, 2008

**VIA FAX: (573) 526-7341**

Commissioner Robert M. Clayton, III  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 85102

**RE: City of Hannibal/AmerenUE/MISO Congestion Charges**

Dear Commissioner Clayton:

The Hannibal Board of Public Works (BPW) by letter dated October 22, 2008, has given AmerenUE permission to release information concerning billing between AmerenUE, BPW and the Midwest Independent System Operator, Inc. (MISO). Accordingly, AmerenUE is now able to provide responses to the seven inquiries set forth in your letter dated October 15, 2008. A copy of AmerenUE's responses are attached hereto as Attachment 1. As requested, AmerenUE has included only public information in its responses. Note that in this letter and in Attachment 1, we refer to the BPW also as The City of Hannibal.

Before turning to your inquiries, I wanted to try and clear up some confusion that may have been caused by the article that appeared in the Hannibal Courier-Post on October 10, 2008, which was attached to your letter. The article incorrectly states that MISO notified AmerenUE that the amounts billed BPW were incorrect. MISO never notified AmerenUE of such a billing error. Rather, AmerenUE notified BPW by letters dated September 19 and October 3, 2008, that it had underbilled BPW for its share of congestion charges. Copies of these letters are attached hereto as Attachment 2.

Consequently, what is described in your inquiries as a "dispute" between the parties is, in fact, a billing error. AmerenUE is not aware of, and has not received notice of, any dispute with the City of Hannibal with respect to the congestion charges.

Commissioner Robert M. Clayton, III  
November 5, 2008  
Page Two

We hope that this information and our responses to your inquiries are helpful in understanding the circumstances surrounding the October 10<sup>th</sup> Hannibal Courier-Post article. Please let me know if you require any further information.

Sincerely,



Thomas R. Voss  
President & CEO, AmerenUE

Attachments

cc: Mr. Jeff Davis, Chairman  
Ms. Connie Murphy, Commissioner  
Mr. Terry Jarrett, Commissioner  
Mr. Kevin Gunn, Commissioner  
Mr. Don Willis, BPW General Manager  
Mr. Graham Edwards, President, Midwest ISO

**Attachment 1**  
**AmerenUE Responses to Commissioner Clayton's October 15, 2008 Inquiries**

- 1. The article describes the charges as being related to congestion costs incurred by AmerenUE from the Midwest ISO. Identify the specifics of the charges involved in this dispute, the time period involved in the dispute and a description of how the charges were computed.*

The specific charges at issue are described in Schedule B to the Amended and Restated Memorandum of Understanding, dated March 29, 2006 ("MOU"), between the City of Hannibal and AmerenUE as "Day-Ahead Financial Bilateral Charges" ("Congestion Charges"). The Congestion Charges were owed by the City of Hannibal to AmerenUE during the period January 1, 2007 to July 11, 2008 (the "Billing Period").

The Congestion Charges are determined by AmerenUE consistent with the definition of "Cost of Congestion" in Section 1.45 of the Midwest ISO's Transmission Energy Markets Tariff ("TEMT"). We address how the City of Hannibal's share of these Congestion Charges are allocated in our response to Question 4 below.

- 2. Identify the document, rule, statute or tariff, as well as the specific reference therein, which authorizes such charges to be levied against the Hannibal BPW. If other entities are similarly affected and if their identity is public information, please identify those other similarly affected parties.*

Section 6.1 of the MOU provides in relevant part as follows:

"For all energy deliveries made during the Load Transfer Period, [AmerenUE] shall allocate to [the City of Hannibal], through a corresponding charge or credit on the [AmerenUE] Invoice, [the City of Hannibal]'s load ratio share of the day-ahead congestion charges assessed to [AmerenUE] by the Midwest ISO. [The City of Hannibal] shall pay [AmerenUE] for such day-ahead congestion charges in accordance with the terms and conditions of the [Service Agreement, dated January 27, 1998, between AmerenUE and the City of Hannibal]."

All of the Billing Period falls within the "Load Transfer Period" referenced above in Section 6.1 of the MOU.

Section 5.3(b) of the MOU further provides in relevant part as follows:

"[AmerenUE shall assess the amount owed by [the City of Hannibal] for all charges issued to [AmerenUE] on the MISO Invoice that have been identified in Schedule B or otherwise to be the responsibility of [the City of Hannibal]

("Customer MISO Charges"). [AmerenUE] shall assess [the City of Hannibal] for such Customer MISO Charges by including a corresponding charge on the [AmerenUE] Invoice."

The Congestion Charges provided for in Section 6.1 of the MOU are identified on Schedule B to the MOU as the responsibility of the City of Hannibal.

There are other similarly situated customers, all of whom were subject to, and notified about, the Congestion Charges billing error in the same manner that AmerenUE notified the City of Hannibal. As with the City of Hannibal, we generally do not release billing-related information about our customers without their permission. Consequently, we do not want to identify the names of the other similarly situated customers until we receive their permission. We have not yet sought their permission, but can do so if you require this information. However, we can advise you at this time that none of the other similarly situated customers have notified us of a dispute with respect to the Congestion Charges billing error and most have already paid in full the first of four installment payments on the amount of under billed Congestion Charges. See also our response to Question 7 below.

3. *It is my understanding that the BPW does not fit the description of a "market participant" that would normally be able to hedge the type of congestion charges referenced in the attached news article. Explain whether BPW or AmerenUE is responsible for hedging Midwest ISO congestion costs for BPW, and how that responsibility was determined. Explain why delivery of power from AmerenUE to BPW is subject to congestion cost rather than a fixed contractual rate for power.*

The City of Hannibal is, in fact, a "market participant" as defined in the TEMT. As a result, it is able to hedge against the Congestion Charges through revenue credits from the Financial Transmission Rights ("FTRs") that it receives directly from the Midwest ISO.

Under Section 7.0 of the MOU, the parties agreed that AmerenUE would assist the City of Hannibal in hedging its load against the Congestion Charges. Specifically, Section 7.1 of the MOU provides in relevant part as follows:

"The [City of Hannibal] hereby authorizes [AmerenUE] to nominate and select [FTRs] to hedge [the City of Hannibal's] load against congestion charges. [AmerenUE] will nominate and select FTRs in a manner intended to provide the same degree of congestion protection to [the City of Hannibal] as [AmerenUE] itself will obtain through its own selection of FTRs."

Consistent with Section 7.1 of the MOU, AmerenUE has nominated FTRs for the City of Hannibal in the same manner that it nominates FTRs for its own native load.

As indicated in the table in our response to Question 5 below, throughout the Billing Period, the City of Hannibal received in the aggregate \$384,218 of FTR revenue credits. Comparing the FTR revenue credits to the Congestion Charges (as correctly determined) during the Billing Period, the FTR revenue credits hedged approximately 58% of the City of Hannibal's exposure to the Congestion Charges. This is generally comparable to the level of congestion protection achieved by AmerenUE for its native load during the same period.

The table also shows that over the Billing Period, the City of Hannibal received \$139,552 more in FTR revenue credits than it paid to AmerenUE in Congestion Charges. This occurred because while the FTR revenue credits were correctly allocated to the City of Hannibal based on the load-ratio share methodology, the Congestion Charges were incorrectly allocated based on an energy-cost stacking methodology. (A discussion of these two methodologies appears in our response to Question 4 below.) The excess \$139,552 in FTR revenue credits received by the City of Hannibal during the Billing Period should be viewed as an offset against the \$417,695 in under billed Congestion Charges which AmerenUE should have billed (based on the load-ratio share methodology) and which the City of Hannibal owed during the Billing Period. Thus, the City of Hannibal's exposure to the under billed Congestion Charges during the Billing Period can more accurately be viewed as \$278,143 (*i.e.*, \$417,695 - \$139,552).

The City of Hannibal is subject to Congestion Charges because AmerenUE is selling power to the City of Hannibal at the generation busbar. Consequently, the City of Hannibal has the risk of the cost of the delivery of that power from generation to its load. The City of Hannibal agreed to and accepted this risk when it negotiated the MOU.

4. *What time period is covered by the bills in dispute? Did either entity err in computing the bills in dispute? Explain the type of error made in computing the bills in dispute and what was the cause of the error.*

As discussed in our response to Question 1 above, the billing errors occurred during the period January 1, 2007-July 11, 2008 (*i.e.*, the Billing Period).

As indicated in our letters to the City of Hannibal dated September 19 and October 3, 2008 (the "Congestion Charges Letters"), AmerenUE recently learned that amounts billed to the City of Hannibal during the Billing Period did not properly reflect the full amount of the City of Hannibal's share of the Congestion Charges based on the load-ratio share allocation specified in Section 6.1 of the MOU. Copies of the Congestion Charge Letters are attached hereto as Attachment 2.

Prior to January 1, 2007, AmerenUE allocated Congestion Charges to the City of Hannibal pursuant to the load-ratio share methodology specified in Section 6.1 of the MOU. The load-ratio share methodology simply allocates to each load on the AmerenUE system a percentage of the total Congestion Charges incurred by AmerenUE equal to the percentage such load bears to AmerenUE's total system load. So, for example, if the City

of Hannibal makes up 1% of AmerenUE's total system load for a particular month, then it would be allocated 1% of the total Congestion Charges incurred by AmerenUE for that particular month.

Starting Jan 1, 2007, AmerenUE inadvertently changed the methodology used for allocating Congestion Charges from the load-ratio share methodology to an energy-cost stacking methodology, which is otherwise used by AmerenUE to allocate the lowest cost generation to its native load. The energy-cost stacking methodology is more complicated than the load-ratio share methodology described above. The energy-cost stacking methodology takes the various types of loads on the AmerenUE system (e.g., native customer load, wholesale customer load, etc.) and creates a single stack of these various loads, with the native load customers being stacked first at the top ("load stack"). A second stack is created that has all of the generation units with the least costly base load units being stacked first at the top ("generation stack"). The generation stack and the load stack are then matched together with the least cost generation units (at the top of the generation stack) being matched first with the native load customers (at the top of the load stack) and working down through both stacks. The Congestion Charges for each particular generation unit in the generation stack is then allocated consistent with the allocation of such generation unit to the load stack.

In practice, the energy-cost stacking methodology resulted in a lower amount of Congestion Charges being allocated to the City of Hannibal than was supposed to be allocated under the load-ratio share methodology required by Section 6.1 of the MOU. The table below shows how Congestion Charges are allocated to the City of Hannibal during the Billing Period under the incorrect energy-cost stacking methodology and the correct load-ratio share methodology.

5. *Identify the amount of the bill associated with the dispute or whether it remains under review. Please explain the methodology used to determine the alleged outstanding amount.*

The table below identifies the total amount of Congestion Charges billed to the City of Hannibal by AmerenUE and the total amount of FTR revenue credits received by the City of Hannibal each month during the Billing Period. In the second column from the left, we have provided the amount of Congestion Charges originally billed in error to the City of Hannibal each month during the Billing Period. In the third column from the left, we have provided the corrected amount of Congestion Charges that should have been billed to the City of Hannibal each month during the Billing Period. Finally, in the fourth column from the left we have provided the total amount of FTR revenue credits received by the City of Hannibal directly from the Midwest ISO each month during the Billing Period.

Billing Period	Original Total Congestion Charges Billed to City of Hannibal	Corrected Total Congestion Charges Billed to City of Hannibal	Total FTR Revenue Credits Received by City of Hannibal
January 2007	\$3,550	\$6,427	\$5,380
February 2007	\$3,103	\$5,920	\$6,400
March 2007	\$6,745	\$6,991	\$5,317
April 2007	\$1,534	\$1,257	\$1,110
May 2007	\$2,865	\$3,702	\$13,191
June 2007	\$11,924	\$27,642	\$26,679
July 2007	\$8,273	\$53,018	\$40,982
August 2007	\$49,125	\$332,091	\$258,592
September 2007	\$5,207	\$14,676	\$7,784
October 2007	\$9,799	\$18,940	\$11,627
November 2007	\$36,481	\$34,482	\$20,777
December 2007	\$3,340	\$116	\$(656)
January 2008	\$16,265	\$16,494	\$11,502
February 2008	\$7,969	\$16,392	\$9,366
March 2008	\$6,685	\$6,484	\$4,677
April 2008	\$8,055	\$14,297	\$12,057
May 2008	\$42,139	\$34,564	\$36,399
June 2008	\$11,104	\$62,771	\$(74,411)
July 2008	\$10,504	\$6,099	\$(12,555)
<b>Total</b>	<b>\$244,666</b>	<b>\$662,361</b>	<b>\$384,218</b>

In our response to Question 4 above, we explain the incorrect methodology (*i.e.*, the energy-cost stacking methodology) which was used during the Billing Period and the correct methodology (*i.e.*, the load-ratio share methodology) which was used thereafter by AmerenUE to allocate to the City of Hannibal its share of the Congestion Charges. The difference between the totals in the second and third columns from the left (*i.e.*, \$417,695) represents the City of Hannibal's aggregate amount of under billed Congestion Charges.

6. *How many wholesale customers of AmerenUE are served through bi-lateral contracts such as the Hannibal BPW, the city of Kirkwood and others involved in this billing dispute? Are other bi-lateral contract customers of AmerenUE subject to similar types of congestion charges, or is the question of who bears the congestion charges a matter for negotiation between AmerenUE and the customer?*

As is the case with the City of Hannibal, AmerenUE is not aware of, and has not received notice of, any billing dispute with its other similarly situated customers over the under billed Congestion Charges. Moreover, AmerenUE has received the first of the four installments of the under billed Congestion Charges from the City of Hannibal and most of the other similarly situated customers. Finally, as we have discussed in our response to Question 3 above, allocation of the Congestion Charges to the City of Hannibal and the other similarly situated customers was the direct outcome of negotiations between the respective parties and is reflected in the MOU with each customer.

7. *If you are alleging the BPW is required to pay an amount similar to the above-referenced \$435,000, please provide options in lessening the impact of these charges on BPW and their customers?*

In order to lessen the impact of these charges on the City of Hannibal, as indicated in the Congestion Charges Letters attached hereto as Attachment 2, AmerenUE has given the City of Hannibal (and the other similarly situated customers) four months over which to pay the under billed amount of Congestion Charges. The City of Hannibal recently paid in full the first of its four monthly installment payments of the under billed Congestion Charges. Although the City of Hannibal has not requested an extension on the term of payment, AmerenUE is willing to discuss with the City of Hannibal alternative payment arrangements for the outstanding balance of under billed Congestion Charges.

**Attachment 2**  
**Copies of the Congestion Charge Letters**

NO. 0097

AmerenUE

One Ameren Plaza  
1901 Chouteau Avenue  
PO Box 88140  
St. Louis, MO 63168-6140  
314.621.3222

F314-613-9567

Attn: JR



October 3, 2008

Mr. Don Willis  
GM Board of Public Works, City of Hannibal  
3 Industrial Loop Drive  
Hannibal, MO 63401

Re: CORRECTION TO LETTER OF SEPTEMBER 19, 2008 REGARDING  
CONGESTION CHARGES



Dear Mr. Willis:

This is a correction to the letter I sent you on September 19. That letter was inaccurate as to the "Corrected Amount of Congested Charges". The table below includes the newly corrected amount. We are also enclosing a CD with the corrected information which replaces Exhibit A from the September 19 letter. In all other respects, the current letter is identical to the letter of September 19. I apologize for the confusion caused by our original letter.

As stated in the Amended and Restated Memorandum of Understanding (MOU) dated March 29, 2006, the City of Hannibal is responsible for its share of congestion charges billed to AmerenUE by the Midwest Independent System Operator, Inc. Specifically, Section 6.1 of the MOU provides that congestion charges shall be allocated between AmerenUE's native load and wholesale customers, such as the City of Hannibal, on a load ratio share basis.

We recently learned that amounts billed to the City of Hannibal for congestion during the period January 1, 2007 - July 11, 2008 did not properly reflect the full amount of the City of Hannibal's share of congestion charges based on the load ratio share allocation specified in the MOU. Although the congestion charges were not correctly billed during this period, the FTR credits, which serve as a hedge against the congestion charges, were properly allocated to the City of Hannibal. This explains why the FTR credits, which historically are less than 100% of the congestion charges, were greater than the congestion charges incorrectly billed to the City of Hannibal during this period.

We have re-calculated the amounts which the City of Hannibal owes during the period January 1, 2007 - July 11, 2008 based on the load ratio share and arrived at the following:

AmerenUE

One Ameren Plaza  
1901 Chouteau Avenue  
PO Box 86149  
St. Louis, MO 63188-6149  
314.637.3222

Jan 1, 2007 - Jul 11, 2008	FTRs Credited to City of Hannibal	Incorrect Amount of Congestion Charges	Corrected Amount of Congestion Charges
	\$384,218	\$244,666	\$662,361.00
	<i>Amount of under-charge:</i>		\$417,695.00



As set forth above, the additional amount to be billed to your account for the City of Hannibal's load ratio share of congestion charges for the period January 1, 2007- July 11, 2008 is \$417,695.00. A CD is enclosed showing the corrected information.

In order to give the City of Hannibal additional time in which to pay this amount, we will be including only one fourth of this amount (i.e., \$104,423.75) on each of the next four monthly bills that you will receive, commencing with the September bill, which you will receive in October. Starting at the billing cycle of July 12, your congestion charges have been calculated and billed correctly based upon your load-ratio share and will continue to be calculated in this manner until the end of your contract term of December 31, 2008.

If there are any questions regarding the foregoing, you may call me at (314) 613-9052 or email me at [jharo@ameren.com](mailto:jharo@ameren.com).

We plan to discuss this with you in person in the near future.

We apologize for any inconvenience this may cause you and your community.

Sincerely,

  
\_\_\_\_\_  
Director, Trading  
AmerenUE, Asset Mgmt & Trading

AmerenUE

One Ameren Plaza  
1801 Chouteau Avenue  
PO Box 66149  
St. Louis, MO 63166-6149  
314.621.3222

September 19, 2008

Mr. Don Willis  
GM Board of Public Works, City of Hannibal  
3 Industrial Loop Drive  
Hannibal, MO 63401



Dear Mr. Willis,

As stated in the Amended and Restated Memorandum of Understanding (MOU) dated March 29, 2006, the City of Hannibal is responsible for its share of congestion charges billed to AmerenUE by the Midwest Independent System Operator, Inc. Specifically, Section 6.1 of the MOU provides that congestion charges shall be allocated between AmerenUE's native load and wholesale customers, such as the City of Hannibal, on a load ratio share basis.

We recently learned that amounts billed to the City of Hannibal for congestion during the period January 1, 2007 – July 11, 2008 did not properly reflect the full amount of the City of Hannibal's share of congestion charges based on the load ratio share allocation specified in the MOU. Although the congestion charges were not correctly billed during this period, the FTR credits, which serve as a hedge against the congestion charges, were properly allocated to the City of Hannibal. This explains why the FTR credits, which historically are less than 100% of the congestion charges, were greater than the congestion charges incorrectly billed to the City of Hannibal during this period.

We have re-calculated the amounts which the City of Hannibal owes during the period January 1, 2007 – July 11, 2008 based on the load ratio share and arrived at the following:

<i>Jan 1, 2007 – Jul 11, 2008</i>	<b>FTRs Credited to City of Hannibal</b>	<b>Incorrect Amount of Congestion Charges</b>	<b>Corrected Amount of Congestion Charges</b>
	<b>\$384,218</b>	<b>\$244,666</b>	<b>\$677,195</b>
	<i>Amount of under-charge:</i>		<b>\$432,529</b>

AmerenUE

One Ameren Plaza  
1801 Chouteau Avenue  
PO Box 66148  
St. Louis, MO 63166-6148  
314.621.3222

As set forth above, the additional amount to be billed to your account for the City of Hannibal's load ratio share of congestion charges for the period January 1, 2007-July 11, 2008 is \$432,529. Exhibit A attached hereto shows a monthly breakdown of the incorrect and corrected amounts of congestion charges as well as the FTRs credited to the City of Hannibal during this period.

In order to give the City of Hannibal additional time in which to pay this amount, we will be including only one fourth of this amount (i.e, \$108,132.25) on each of the next four monthly bills that you will receive, commencing with the September bill, which you will receive in October. Starting at the billing cycle of July 12, your congestion charges have been calculated and billed correctly based upon your load-ratio share and will continue to be calculated in this manner until the end of your contract term of December 31, 2008.

If there are any questions regarding the foregoing, you may call me at (314) 613-9052 or email me at [jharo@ameren.com](mailto:jharo@ameren.com).

We plan to discuss this with you in person in the near future.

We apologize for any inconvenience this may cause you and your community.

Sincerely,

  
\_\_\_\_\_  
Director, Trading  
AmerenUE, Asset Mgmt & Trading

AmerenUE

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 1901 Chouteau Avenue  
 PO Box 66149  
 St. Louis, MO 63166-6149  
 314.671.3222

**Exhibit A**

**Jan 1 2007 - Jul 11 2008 DA NATIVE  
 CONGESTION COST**

		LTB AMMO UE HANNUL STACK	LTB AMMO UE HANNUL RATIO
CONGESTION COST	January	\$ 3,550	\$ 6,407
	February	\$ 3,103	\$ 5,874
	March	\$ 6,745	\$ 6,822
	April	\$ 1,534	\$ 1,237
	May	\$ 2,865	\$ 3,618
	June	\$ 11,924	\$ 27,951
	July	\$ 8,273	\$ 52,739
	August	\$ 49,125	\$ 327,098
	September	\$ 5,207	\$ 14,503
	October	\$ 8,799	\$ 20,109
	November	\$ 36,481	\$ 32,616
	2007 December	\$ 3,340	\$ 77
2008	January	\$ 16,285	\$ 16,375
	February	\$ 7,969	\$ 16,169
	March	\$ 6,885	\$ 6,330
	April	\$ 8,055	\$ 14,326
	May	\$ 42,139	\$ 35,791
	June	\$ 11,104	\$ 62,226
	July	\$ 10,504	\$ 26,926
<b>TOTAL</b>	<b>\$ 244,666</b>	<b>\$ 677,196</b>	
<b>Difference</b>		<b>\$ 432,529</b>	

**Jan 1 2007 - Jul 11 2008  
 FTR REVENUE**

LTB AMMO UE HANNUL PTR	FTR REVENUE
\$ 5,380	
\$ 6,400	
\$ 5,317	
\$ 1,110	
\$ 13,191	
\$ 26,679	
\$ 40,982	
\$ 258,592	
\$ 7,784	
\$ 11,627	
\$ 20,777	
\$ (656)	
\$ 11,502	
\$ 9,366	
\$ 4,677	
\$ 12,057	
\$ 36,399	
\$ (74,411)	
\$ (12,555)	
<b>\$ 384,218</b>	<b>TOTAL</b>

