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May 17, 2002

Mr. Dale H. Roberts
Secretary/Chief Regulatory Law Judge
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Re: **Acquisition of Cilcorp by Ameren Corporation
Case No.**

Dear Mr. Roberts:

Enclosed for filing in the above-referenced case please find the original and eight copies of **Motion to Review Proposed Acquisition of Cilcorp by Ameren Corporation**. Please "file" stamp the extra-enclosed copy and return it to this office.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script, appearing to read "M. Ruth O'Neill".

M. Ruth O'Neill
Assistant Public Counsel

MRO:jb

cc: Counsel of Record

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

In the Matter of the Proposed Acquisition)	
of Cilcorp by Ameren Corporation, Parent)	Case No. _____
Company of Union Electric Co. d/b/a)	
Ameren UE.)	

**MOTION TO REVIEW PROPOSED ACQUISITION OF CILCORP
BY AMEREN CORPORATION**

COMES NOW, the Office of the Public Counsel (Public Counsel), and respectfully moves the Missouri Public Service Commission (Commission) to open a docket to review the proposed acquisition of Cilcorp, Inc., the parent of regulated Central Illinois Light Company (Cilco), by Ameren Corporation, the parent holding company of Union Electric Company, d/b/a Ameren UE. Ameren UE is regulated by the Commission. Ameren Corporation was created when this Commission approved the merger between Union Electric Company, a Missouri-regulated utility, and Central Illinois Public Service Company (now AmerenCIPS), an Illinois regulated company.

Public Counsel requests the Commission to open a docket to investigate whether the proposed transaction will be detrimental to the public interest of Ameren's regulated Missouri customers. In support of this request, Public Counsel states as follows:

1. Ameren Corporation is a holding company formed as a result of the merger of Union Electric Company (now AmerenUE), a Missouri-regulated public

utility, and Central Illinois Public Service Company (now AmerenCIPS), an Illinois-regulated public utility. AmerenUE is a public utility as defined by §386.020() RSMo (2000). AmerenUE provides electric and gas utility service in the State of Missouri.

2. This transaction has significant potential of causing detriment to the interests of Missouri rate paying customers. Public Counsel has undertaken a preliminary review of the proposal, and is concerned about the likely effect this proposed acquisition will have on Missouri customers. This preliminary review revealed the following:

--The acquisition will cost Ameren \$1.4 billion, which includes the assumption at closing of \$875 million of Cilcorp's debt and \$41 million of preferred stock, as well as \$500 million in cash, according to Standard & Poor's, which placed Ameren UE on CreditWatch with negative implications following the announcement of the acquisition on April 29, 2002. Moody's and Fitch have also indicated that they may cut Ameren's debt ratings.

-- Ameren UE filed for \$750 million in shelf financing with the SEC on May 3, 2002, according to Reuters.com news service. According to the news article, the money from the sale of up to \$750 million in debt securities and first mortgage bonds may go "toward general corporate purchases."

-- Cilcorp is "short on power" according to a Wall Street Journal article on the proposed transaction published April 29, 2002. The current joint dispatch agreement between AmerenUE and AmerenCIPS has resulted in inequities to

Missouri customers. It is unclear how Ameren will address the "short on power" condition of Cilcorp.

3. The Commission has jurisdiction over the proposed transaction pursuant to §§386.250 and 393.190 RSMo (2000). The Commission's authority to regulate the sale, transfer, or disposition of a utility's system or assets is broad. State ex rel. Marigney Creek v. PSC, 537 S.W.2d 388 (Mo. banc 1988). In addition, §386.250 RSMo provides the Commission with jurisdiction and supervision over "all public utility corporations and persons whatsoever subject to the provisions of this chapter." §386.250(5). §386.250(1) RSMo grants the Commission jurisdiction over the "manufacture, sale or distribution of ... electricity for light, heat or power, within the state, and to persons or corporations owning, leasing, operating or controlling the same..."

4. This preliminary review of information has raised numerous issues for Public Counsel. Depending on how these issues are resolved, it is extremely likely that this acquisition will be detrimental to AmerenUE's Missouri customers. Therefore, Public Counsel respectfully requests that the Commission open a docket to investigate the following issues related to the proposed acquisition of Cilcorp:

(1) Will the acquisition have a negative impact on UE's cost of Capital? This inquiry should include an analysis of how any negative impacts would be tracked and quantified, and how UE proposes to treat such costs in the setting of its future rates.

(2) What are Ameren's plans for integrating the Cilcorp electric load and units into activities covered by the "Joint Dispatch Agreement" between AmerenCIPS and AmerenUE, and what will be the resulting dollar impact on UE? Specifically, will AER perform short-term power marketing for CILCORP as well as UE and AEG? Will output from CILCORP plants be bundled together with output from UE and AEG plants for short-term sales? If so, how will off system sales margins be allocated? Will AER make separate sales for CILCORP plants not bundled with output from UE and AEG plants? If so, how can UE's customers be assured that AER is not giving preferential treatment to CILCORP sales since 100% of the margin from these sales would be non-regulated whereas the margins from short term sales from UE and AEG are partially regulated?

(3) If AEM performs long term-power marketing for CILCORP as well as AEG, how will this increase the likelihood that Ameren is steering profitable long-term sales opportunities to its unregulated affiliates instead of UE?

(4) What detriments are associated with potential diversion of UE power operations personnel assisting in the operation and maintenance of CILCORP power plants to improve maintenance procedures, availability, and operating efficiency of those plants? Would such a diversion have adverse impacts on the costs and reliability of UE power plants?

(5) Will potential increased efficiencies in the purchase of fuel for power plants be shared with UE?

(6) What plan, if any, does Ameren have regarding the combination of Ameren's Missouri gas purchasing activities with those activities required for Cilcorp gas customers?

(7) Will Missouri regulators have access to all of the information (including, but not limited to, fuel purchase and fuel trading information, information on long-term and short-term power sales at all affiliates, gas supply procurement information), at Ameren and its affiliates, including the new CILCORP affiliate, to enable the determination just and reasonable gas and electric rates in Missouri for UE?

(8) What are the possible adverse impacts on the regional electricity market (due to increased concentration of ownership of generation and transmission assets) that Ameren has increasingly relied on to provide for UE's power supply needs?

(9) Any other issues that may arise as additional data is provided to the Commission, similar to the information that would be provided if Ameren were to file for approval of the transaction.

WHEREFORE, Public Counsel respectfully requests that the Commission open a docket to investigate whether the proposed transaction will be detrimental to the public interest of Ameren's Missouri customers.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: 
M. Ruth O'Neill (#49456)
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following this 17th day of May 2002:

General Counsel
Missouri Public Service Commission
P O Box 360
Jefferson City MO 65102

James Cook
Ameren Service Company
PO Box 66149
St Louis MO 63166-6149


