

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

In the Matter of the Application of Union Electric)	
Company d/b/a Ameren Missouri for Authority to)	Case No. EO-2012-_____
Exchange SO ₂ Emissions Allowances for NO _x Emissions)	
Allowances.)	

APPLICATION

Union Electric Company d/b/a Ameren Missouri (hereinafter “Ameren Missouri” or “Company”), pursuant to and in accordance with § 393.190.1, RSMo, 4 CSR 240-2.060, and 4 CSR 240-3.110, hereby seeks authority from the Missouri Public Service Commission (“Commission”) for: (i) a one-time exchange of surplus sulfur dioxide (“SO₂”) emission allowances for annual nitrogen oxide (“NO_x”) emission allowances, which would enable Ameren Missouri to acquire a sufficient number of annual NO_x allowances to comply with the requirements of the United States Environmental Protection Agency’s “Cross-State Air Pollution Rule,” which takes effect January 1, 2012; and (ii) authorization to defer to Account 254, Other Regulatory Liabilities, the revenues associated with the SO₂ portion of the proposed exchange of emissions allowances and to amortize the deferred amounts concurrently with the Company’s use of the acquired NO_x allowances. In support of its application, Ameren Missouri states as follows:

I. GENERAL INFORMATION ABOUT THE APPLICANT

1. Ameren Missouri is a Missouri corporation that is engaged in the business of providing electric and gas utility services to customers in its Missouri service areas. Its principal office and place of business is located at 1901 Chouteau Avenue, St. Louis, Missouri 63103. Company is an “electrical corporation,” a “gas corporation,” and a “public utility,” as those terms are defined in § 386.020, RSMo; consequently, Ameren Missouri is subject to the general jurisdiction and supervision of the Commission, as provided by law.

2. Ameren Missouri has no overdue Commission Annual Reports or assessment fees, and it has no pending or final unsatisfied judgments or decisions against it from any state or federal agency or court

that involve customer service or rates and that have occurred within the three years immediately preceding the filing of this application, except for the August 24, 2010 judgment of the Pemiscot and Stoddard County Circuit Courts (in consolidated writ of review proceedings) in Case Nos. 09PECV00070-01 and 10PE-CC00418, which judgment involves the review proceedings involving Ameren Missouri's 2009 electric rate case (Commission Case No. ER-2008-0318) and which judgment has been suspended pending appeal to the Missouri Court of Appeals for the Southern District of Missouri (Case No. SD30865).

3. There is already on file with the Commission a certified copy of Ameren Missouri's Articles of Incorporation (see Case No. EA-87-105), Applicant's Fictitious Name Registrations as filed with the Missouri Secretary of State's Office (see Case Nos. GO-98-486 and EO-2011-0069) as well as a copy of its Certificate of Corporate Good Standing (see Case No. EO-2012-0134), and those documents are incorporated herein by reference and made a part hereof for all purposes, as authorized by 4 CSR 240-2.060(1)(G).

4. Correspondence, communications, orders, and other documents and notices related to this application should be sent to the following representatives of the Company:

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II. CHANGES TO FEDERAL AIR QUALITY RULES

5. On July 6, 2011, the United States Environmental Protection Agency ("EPA") finalized a rule designed to reduce air pollution and attain the ozone and fine particle objectives contained in the National

Ambient Air Quality Standards. The EPA's new rule, which is commonly referred to as the "Cross-State Air Pollution Rule" ("CSAPR"), 40 CFR Parts 51, 52, 72, 78, and 97, replaces the agency's 2005 rule, commonly known as the "Clean Air Interstate Rule" ("CAIR"), which was vacated as unlawful by the United States Court of Appeals for the District of Columbia Circuit in *North Carolina v. EPA*, 531 F.3d 896 (2008). In its order vacating that rule, the court allowed the EPA to keep the pollution reduction requirements of CAIR in effect temporarily pending the agency's adoption of a new rule. CSAPR is that new rule and its requirements supersede the CAIR requirements.

6. CSAPR requires twenty-seven states, including Missouri, to reduce power plant emissions that cross state lines and thereby contribute to ozone and fine particle pollution in other states. CSAPR reduction requirements will take effect January 1, 2012, for SO₂ and annual NO_x emissions and May 1, 2012, for ozone season NO_x emissions.¹

7. Under CSAPR, Ameren Missouri will receive SO₂ and NO_x allowances based on the emissions characteristics of its generating facilities. The Company will then use those allowances to comply, in whole or in part, with the emissions restrictions prescribed by that rule. Based on the emissions characteristics of its generating facilities, Ameren Missouri has received 108,672 vintage 2012 SO₂ allowances and 23,261 vintage 2012 annual NO_x allowances. The Company currently believes its initial grant of SO₂ allowances will greatly exceed its 2012 CSAPR compliance requirements, but is concerned that its initial grant of annual NO_x allowances will barely cover what it will need to comply with that aspect of CSAPR. That means that if its current estimates are accurate, Ameren Missouri's 2012 allocation of annual NO_x allowances will provide little, if any reserve to deal with any variances between estimated and actual compliance requirements.

III. AMEREN MISSOURI'S PROPOSAL TO EXCHANGE EMISSIONS ALLOWANCES

8. In March 1998, the Company requested increased regulatory flexibility that would allow it to better manage the inventory of SO₂ allowances, including authority to sell surplus allowances without

¹ Missouri is not currently subject to the ozone season NO_x reduction requirements of CSAPR; however, the EPA is considering a proposed amendment to CSAPR that would subject Missouri to those requirements.

obtaining prior, specific Commission approval for each such sale. In its Report and Order in Case No. EO-98-401, the Commission approved a non-unanimous stipulation that authorized the Company to, among other things, sell up to one-half of its Phase 1 SO₂ allowances, either through direct sale or through sales that were combined with other transactions such as power contracts, without seeking prior, specific Commission approval for each such sale. Earlier this year Ameren Missouri asked the Commission to expand the authority granted in Case No. EO-98-401 to include NO_x allowances granted under CAIR. In an Order issued October 26, 2011, under that same docket number, the Commission granted the Company's request.

9. Because the authority granted by the Commission in Case No. EO-98-401 to sell or trade allowances does not extend to allowances granted under CSAPR, any future sales or trades of either SO₂ or NO_x allowances will require additional authority from the Commission under § 393.190.1, RSMo, and applicable rules.

10. As noted previously in this application, Ameren Missouri is concerned that its 2012 allocation of annual NO_x allowances will not provide a sufficient margin of additional allowances in case the Company's actual compliance requirements exceed current estimates. To provide a prudent margin of annual NO_x allowances, Ameren Missouri believes it should acquire additional allowances for 2012. As was the case under CAIR, CSAPR allows utilities that have excess SO₂ and NO_x allowances after the effective date of that rule to sell those allowances. Instead of using cash, Ameren proposes to exchange a portion of its excess SO₂ allowances for additional annual NO_x allowances. More specifically, by this application the Company seeks authority for a one-time trade or exchange one thousand fifty (1,050) of the Company's excess 2012 SO₂ allowances – which represents approximately one percent (1%) of its total allocation of such allowances – for five-hundred (500) 2012 annual NO_x allowances. Ameren Missouri believes that this is the most efficient and cost-effective way to ensure that it has sufficient SO₂ and NO_x allowances to remain in compliance with CSAPR requirements.

11. In addition, Ameren Missouri seeks authority to defer to Account 254, Other Regulatory Liabilities, all revenues associated with the SO₂ allowances portion of the exchange and to amortize the

amounts deferred to that account concurrently with the Company's utilization of the acquired NO_x allowances. The net cost of all SO₂ and NO_x allowances is part of the formula used to calculate rate changes under the Company's approved fuel adjustment clause ("FAC") tariff. Because the exchange of allowances proposed in this application will not involve an exchange of cash, if Ameren Missouri is granted the deferral authority it seeks in this application amortizations will be made from Account 254 and the net cost of an acquired annual NO_x allowance will flow through the FAC in the accumulation period during which the allowance is used. Matching revenues and expenses associated with the exchange of allowances in this manner will ensure that the proposed exchange will have no effect on the Company's FAC-related rates and also that those rates reflect as closely as possible Ameren Missouri's actual net fuel costs. Procedures already in place to monitor the operation of the FAC – e.g., routine reviews of proposed rate changes, annual true-ups, and periodic prudence reviews – will allow the Commission, the Staff, and other interested parties to monitor and review both the timing and amount of disbursements from the deferred account to ensure that they comply with the authority granted by the Commission in this case.

12. If Ameren Missouri is granted the authority it seeks in this application the Company does not believe the proposed exchange of SO₂ allowances for NO_x allowances will have any significant effect on the tax revenues of any of the political subdivisions in which it serves. This is because Ameren Missouri believes the proposed exchange of allowances is not subject to either local or state sales taxes.

IV. CONTINGENT REQUEST FOR WAIVER

13. Ameren Missouri does not anticipate, nor should it anticipate, that this matter will be a contested case. The Commission has held that an application regarding a transfer of asset pursuant to § 393.190, RSMo is not a contested case:

Moreover, this is not a contested case pursuant to 536.010(2) because it does not involve a proceeding before an agency in which legal rights, duties or privileges of specific parties are required by law to be **determined after hearing**. (Emphasis added). Neither

Section 393.190, nor Section 393.106, nor any other provision of law requires a hearing be held for these determinations.²

Accordingly, the Company was not required to file a 60-day Notice of Filing pursuant to 4 CSR 240-4.020(2). However, to the extent that a 60-day Notice of Filing could otherwise be required under 4 CSR 240-4.020(2), Ameren Missouri respectfully requests that such notice requirement be waived for good cause since expedited approval of this application is required as previously set forth herein. 4 CSR 240-4.020(2)(B).

14. Ameren Missouri is not requesting expedited treatment of this application; however, a prompt decision regarding this application, which would facilitate the Company's efforts to plan its compliance with CSAPR for 2012, would be appreciated.

WHEREFORE, for the reasons stated in this application, the Company respectfully requests the Commission to issue an order that:

(i) Authorizes Ameren Missouri to make a one-time trade or exchange of one thousand fifty (1,050) surplus 2012 SO₂ allowances for five-hundred (500) 2012 annual NO_x allowances to ensure that the Company can comply with the requirements of CSAPR and also maintain prudent balances in its allowance bank;

(ii) Grants all authorizations and waivers necessary under § 393.190.1, RSMo, and the Commission's rules to allow Ameren Missouri to make the trade or exchange described in this application;

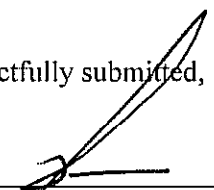
(iii) Authorizes Ameren Missouri to defer to Account 254, Other Regulatory Liabilities, the revenues associated with the SO₂ portion of the proposed exchange of emissions allowances, to amortize the deferred amounts concurrently with the Company's use of the acquired annual NO_x allowances, and to flow the net cost of each acquired NO_x allowance through the FAC during the accumulation period in which the allowance is used;

² *In the Matter of the Application of The Empire District Electric Company for Authority to Sell and Transfer Part of its Works or System to the City of Monett, Missouri*, Case No. EO-2009-0159, Order Approving The Transfer Of Assets, Footnote 4, February 11, 2009.

(iv) Authorizes Ameren Missouri to do such acts and things, including making, executing, and delivering any and all documents that may be necessary, advisable, or proper, to implement the authority granted by the Commission; and

(v) Grants such other relief as the Commission deems appropriate under the circumstances.

Respectfully submitted,

By: 
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**ATTORNEYS FOR APPLICANT
UNION ELECTRIC COMPANY
d/b/a AMEREN MISSOURI**

VERIFICATION

STATE OF MISSOURI)
) ss
COUNTY OF ST. LOUIS)

LYNN M. BARNES, being duly sworn on oath, deposes and says that she is the Vice President, Business Planning and Controller of Union Electric Company d/b/a Ameren Missouri, that she has read the foregoing application, knows the contents thereof, and that the information contained in that application is true and correct to the best of her knowledge and belief.

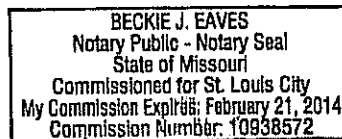
UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

BY: *Lynn M Barnes*
LYNN M. BARNES

Subscribed and sworn to before me, the undersigned Notary Public in and for the county and state aforesaid, on the 21st day of November 2011.

Beckie J. Eaves
Notary Public

My Commission expires: 2-21-14



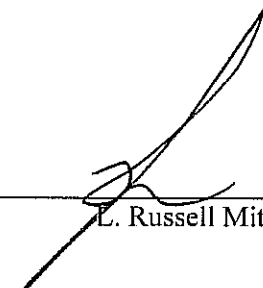
CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing application has been served on the following parties, via electronic mail, on this 22nd day of November 2011.

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