

STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION  
JEFFERSON CITY

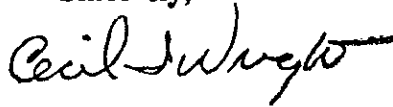
SEPTEMBER 25, 1996

CASE NO: EM-96-149

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Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,



Cecil I. Wright  
Executive Secretary

**Uncertified Copy:**

Earl Eakins, 1649 State Highway N, Chaffee, MO 63740  
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**STATE OF MISSOURI  
PUBLIC SERVICE COMMISSION**

At a session of the Public Service  
Commission held at its office  
in Jefferson City on the 25th  
day of September, 1996.

In the Matter of the Application of Union Electric )  
Company for an Order Authorizing (1) Certain Merger )  
Transactions Involving Union Electric Company; )  
(2) the Transfer of Certain Assets, Real Estate, )  
Leased Property, Easements and Contractual ) **Case No. EM-96-149**  
Agreements to Central Illinois Public Service )  
Company; and (3) in Connection Therewith, Certain )  
Other Related Transactions. )  
)

**ORDER REQUESTING ADDITIONAL INFORMATION**

On September 5, 1996, the Commission conducted a hearing and received evidence on the proposed stipulation and agreement negotiated by the parties.

However, the Commission is concerned that the issue of market power has not been adequately explored either in the proposed stipulation, the filed testimony, or at the hearing. Therefore, the Commission requests the parties to submit additional testimony, either individually or jointly, regarding the market power which will be created in Ameren Corporation, the proposed new holding company which will own Union Electric Company (UE), Central Illinois Public Service Co., and a non-utility investment company if the merger is approved.

**A. Concerns About Market Power.**

The term "market power" is commonly used in the electric industry to refer to the ability of a competitor to exercise some degree of control over the price which it receives for the sale of electricity. An individual competitor exercising such control may raise its prices and

lower the quantity of electricity sold, thereby increasing its profits. The public interest may be harmed by the exercise of such market power. Despite the advent of open access in the wholesale electricity market, the ability of a competitor to control prices and restrict output could have a detrimental effect on ratepayers in general. Moreover, while any increased profits for Ameren Corporation could mean reduced rates for Missouri's UE ratepayers in the immediate future, the exercise of such power in the long run could be harmful to consumers.

Proposed federal legislation mandating direct access to the electricity market for retail customers raises additional questions whether Ameren's profits from electricity sales would necessarily benefit consumers in UE's certificated territory if those consumers were given direct access to alternative suppliers of electricity or to wholesale power marketers. It is also true that utilities serving other customers within the State of Missouri are now engaged in wholesale transactions with UE, and can be expected to engage in such transactions with Ameren if the merger is approved. To the extent that Ameren can increase prices and decrease sales, the retail customers of other Missouri utilities might be adversely affected.

Therefore, the ability of Ameren Corporation to exercise such control over price and its effect upon the public interest should be addressed by the parties in their additional testimony.

## **B. Points of Analysis.**

### **1. Relevant Market.**

Each party should define what it considers the relevant market for UE today and for Ameren, if the merger is approved. The parties should describe and quantify, if possible, the factors or assumptions influencing

their definitions of these markets, including transmission access, transfer capability on transmission interfaces, transmission congestion, and transmission pricing. Because market power might be of greatest concern to Missouri customers if full retail competition were authorized throughout the Ameren market area, assumptions based upon that scenario should be included. Finally, the parties should note any significant barriers to entry into the post-merger relevant market that could restrict the number of competitors or cause competitors to be at a disadvantage when competing for the sale of electricity with Ameren.

## **2. Measuring Market Power.**

The parties should set forth how the exercise of market power by Ameren can be measured or tested. If any party believes that an increase in market power is likely to occur as a result of the merger, it should state whether such an increase will be or may be detrimental to the public interest.

## **3. Mitigation of Market Power.**

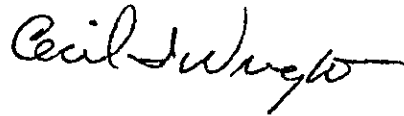
If a potential increase in market power will be or may be detrimental to the public interest, the parties should state what measures could mitigate or circumscribe such market power. The Commission is specifically interested in knowing whether an increase in market power could be mitigated by means of (1) the creation of an Independent System Operator (ISO) for the transmission system; (2) a regional transmission tariff, approved by the Federal Energy Regulatory Commission, which would eliminate the pancaking of transmission rates; (3) the expansion of the transfer capability of restricted transmission interfaces, or (4) any other means which a party may propose.

All submissions by the parties will be filed no later than the close of business, November 1, 1996.

**IT IS THEREFORE ORDERED:**

1. That the parties file additional testimony as described in this order no later than the close of business, November 1, 1996.
2. That this order shall become effective on the date hereof.

**BY THE COMMISSION**



**Cecil I. Wright  
Executive Secretary**

( S E A L )

Zobrist, Chm., McClure, Kincheloe,  
Crumpton and Drainer, CC., concur.

ALJ: Derque

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CASE NO. EM-96-149

K.Z.  
Chairman

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Commissioner

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9-19 & 9-24)

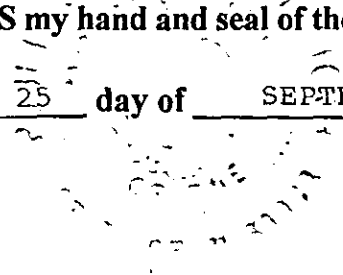
**STATE OF MISSOURI  
OFFICE OF THE PUBLIC SERVICE COMMISSION**

I have compared the preceding copy with the original on file in this office and

I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,

Missouri, this 25 day of SEPTEMBER, 1996.



Cecil I. Wright  
Cecil I. Wright  
Executive Secretary