

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

In the Matter of the Application of UNION)	
ELECTRIC COMPANY d/b/a AmerenUE)	
for an order authorizing the Applicant to issue)	
up to \$436,585,000 aggregate principal amount)	Case No. EF-2004-0205
of First Mortgage Bonds to secure its obligations)	
relating to certain outstanding revenue bonds)	
issued by the State Environmental Improvement)	
and Energy Resources Authority of the State of)	
Missouri in connection with insuring/credit)	
enhancing such revenue bonds and to amend)	
outstanding Loan Agreements relating)	
to the revenue bonds)	

**REPLY TO STAFF'S RESPONSE TO
MOTION FOR EXPEDITED TREATMENT**

COMES NOW, Union Electric Company d/b/a AmerenUE ("AmerenUE"), by and through its counsel, and pursuant to the Order Establishing Time for Reply issued November 12, 2003 by the Missouri Public Service Commission ("Commission"), states as follows in reply to the Staff's Response to AmerenUE's Motion for Expedited Treatment filed on November 10, 2003:

1. On October 31, 2003, concurrently with the filing of its Motion for Expedited Treatment, AmerenUE filed an application (the "Application") with the Commission seeking permission and authority, under Sections 393.180 and 393.200, RSMo. (2000), and 4 CSR 240-2.060, 4 CSR 240-3.120 and 4 CSR 240-3.220 to issue up to \$436,585,000 aggregate principal amount of first mortgage bonds to secure its obligations relating to certain outstanding revenue bonds (the "Authority Bonds") issued by the State Environmental Improvement and Energy Resources Authority of the State of Missouri (including its predecessors in interest, the "Authority") in connection with insuring the Authority Bonds and thus enhancing their credit

quality, and authorizing AmerenUE to amend outstanding Loan Agreements relating to the Authority Bonds. The Commission has previously authorized AmerenUE to enter into the Loan Agreements with the Authority in connection with the issuance of each issue of Authority Bonds in Commission Case Nos. EF-92-105, EF-93-125, EF-99-5 and EF-2000-385. The Authority Bonds currently bear interest at variable interest rates, which are determined by an auction agent using a competitive bidding process or dutch auction procedure (the "Auction Procedure").

2. In its Application, AmerenUE stated that it had determined that credit enhancing the Authority Bonds with bond insurance would be prudent, generating significant interest savings and increasing the marketability of the Authority Bonds. Indeed, based on current indications, AmerenUE believes that it can lower the nominal variable interest rate of the Authority Bonds by 0.50% after adding insurance and gaining "AAA" bond ratings, which would result in an aggregate after-tax net present value savings of approximately \$10,000,000 over the life of the Authority Bonds after taking into account all related insurance premiums.

3. AmerenUE further stated in its Application that the bond insurers, which have agreed to issue bond insurance policies securing one or more issues of the Authority Bonds, have required that AmerenUE issue First Mortgage Bonds under its Mortgage. The effect and purpose of the issuance of additional First Mortgage Bonds is solely to provide additional security (collateral) for AmerenUE's obligations and not to raise additional capital. The Mortgage is to be supplemented by Supplemental Indentures relating to each issue of Authority Bonds. The Loan Agreements relating to each series of the Authority Bonds are to be amended, primarily to reflect the addition of the First Mortgage Bonds to secure AmerenUE's obligations under each Loan Agreement. The Commission's Staff is familiar with AmerenUE's Mortgage and issuance of Supplemental Indentures due to prior filings with the Commission for approval to issue First Mortgage Bonds. In addition, as explained in the Application, the First Mortgage Bonds will not

represent additional debt, as AmerenUE is already obligated under the Loan Agreements to pay amounts sufficient to pay the principal of and interest on the Authority Bonds.

4. In the Staff's Response to AmerenUE's Motion for Expedited Treatment filed November 10, 2003, the Staff, among other things, seeks clarification of the Auction Procedure and its timing mechanisms as they relate to AmerenUE's stated need for expedited treatment. The Authority Bonds' rates are set by a Dutch auction process every seven or thirty-five days. Of the \$436,585,000 total principal amount, \$250,085,000 is auctioned every thirty-five days with the remaining \$186,500,000 auctioned every seven days. At every auction, holders have the option of selling (sell order), holding at the rate to be set (hold order) or bidding a new rate (bid order). The bid orders from the existing holders as well as the potential buyers (new bidders) are ordered by rate and the rate that clears the auction (i.e., represents the incremental amount of bonds to be purchased such that all bonds to be sold are purchased) sets the new interest rate on the Authority Bonds for the next thirty-five (or seven) day period. For application to the request for expedited treatment, see paragraph 7 below.

5. The Staff in its Response further suggests that AmerenUE did not make timely efforts to communicate to Staff AmerenUE's need to expedite the Staff's review of the Application. However, AmerenUE did explicitly discuss with Staff the filing of the Application and the proposed timing of the transaction over a week prior to the filing of the Application. Indeed, based on that discussion, AmerenUE included additional information and reworked its proposed schedule to account for what AmerenUE believed to be adequate time for the Staff to review the Application on an expedited basis. The need for timely consideration of financing dockets is illustrated by the Staff's comment in its Response to the effect that during the past three years 16 of 18 financing cases have been accompanied by a request for expedited treatment. AmerenUE contends that is for good reason. AmerenUE and other companies need

to react timely to changing market conditions and certainly to the extent a transaction will provide significant savings, the sooner such savings are realized, the greater the overall benefit.

6. The Staff in its Response suggests that AmerenUE was not clear in its Application how the transaction will be executed or how the purported savings in interest costs will accrue. As explained in the Application, the following steps outline the general process of the transaction:

A. AmerenUE issues \$436,585,000 of First Mortgage Bonds to the trustee to secure its obligations under the Loan Agreements with the Authority (which were previously approved by the Commission).

B. The insurers issue bond insurance policies, insuring the timely payment of principal and interest.

C. The rating agencies (Moody's, Standard & Poor's and Fitch) amend the credit ratings on the Authority Bonds to "AAA", reflecting the presence of the bond insurance policies.

D. The agents/underwriters market to both existing holders and potential investors of the Authority Bonds the presence of the bond insurance policies and the "AAA" credit ratings.

E. On the first auction date following the securing of the "AAA" ratings, the interest rate is set, as in past auctions, via a dutch auction process. The new interest rate, however, will be based on the higher credit rating and will be lower than it would had the prior credit ratings still been in effect. This initial lower interest rate and rates at each future auction are what drives the savings expected to result from the proposed transaction.

F. As explained in paragraph 3 above, the First Mortgage Bonds will not represent additional debt of AmerenUE above the principal amount previously approved by the Commission. No capital or funds will be raised as a result of this transaction.

7. As Staff points out in its Response, the Commission should review the Application on an expedited basis when AmerenUE can set out with particularity the harm that will be avoided or the benefit that will accrue if the Motion for Expedited Treatment is granted. AmerenUE in its Motion for Expedited Treatment seeks an Order of the Commission on or before December 31, 2003 (as to which the Commission believes it would need a Recommendation of the Staff by December 15). The Staff in its Response indicates that it could provide a Recommendation on or before February 12, 2004, which schedule suggests that the Commission might be in the position to issue an Order in late February, 2004. AmerenUE requests a quicker resolution due to, among other factors, timing issues related to the auction process. Since the interest rate on \$250,085,000 of the \$436,585,000 total principal amount of Authority Bonds is set every thirty-five days, once an auction takes place under the existing terms of the Authority Bonds, any benefit of the credit enhancement cannot take effect until at least another thirty-five days with respect to those bonds. Using the assumption given in AmerenUE's Application of a 0.50% higher nominal interest rate without the credit enhancement, AmerenUE will accrue additional interest expense of approximately \$5,980 per day on the entire principal amount of the Authority Bonds. Of this additional interest, approximately \$3,425 per day relates to the bonds that auction every thirty-five days which could equate to as much as \$120,000 in additional interest expense over the thirty-five day period.

8. Respecting the Staff's attention to other financings and dockets and in view of the timing of the Auction Procedure set forth in paragraphs 5 and 6 above, AmerenUE would be amenable to a schedule such that the Staff would file its Recommendation on or before January

15, 2004 (a 76 day review period) and the Commission would issue an Order on or before January 30, 2004 (which would become effective by no later than February 10, 2004). This schedule would allow AmerenUE to close the transaction on or before February 11, 2004, and initiate a new auction procedure for the auction scheduled to commence February 18, 2004.

WHEREFORE, AmerenUE respectfully requests that the Commission proceed expeditiously to review the Application and issue a decision on or before January 30, 2004 (which would become effective by no later than February 10, 2004).

Respectfully submitted,

UNION ELECTRIC COMPANY
d/b/a AmerenUE

By Ronald S. Gieseke
Its Attorneys

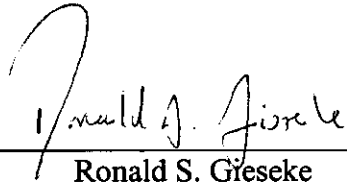
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Dated at St. Louis, Missouri this 17th day of November, 2003.

VERIFICATION

STATE OF MISSOURI)
)
CITY OF ST. LOUIS) SS

On this 17th day of November, 2003, before me appeared Ronald S. Gieseke, Associate General Counsel for Ameren Services Company, to me personally known, who being by me first duly sworn, states that he is duly authorized to execute Union Electric Company's Reply to Staff's Response to Motion for Expedited Treatment in Case No. EF-2004-0205.



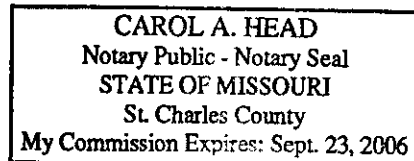
Ronald S. Gieseke

Subscribed and sworn to before me, a notary public, on this 17th day of November, 2003.



Notary Public

My Commission expires: 9-23-2006

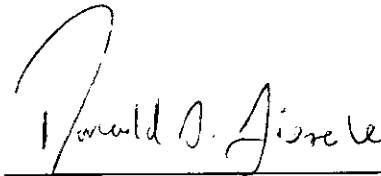


CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed to the following counsel on
this 17th day of November, 2003.

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A handwritten signature in cursive script, reading "Ronald S. Gieseke", written over a horizontal line.

Ronald S. Gieseke