

**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.
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)	

APPLICATION

COMES NOW Union Electric Company d/b/a AmerenUE (the "*Applicant*"), and pursuant to 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 of the Rules of Practice and Procedure of the Missouri Public Service Commission (the "*Commission*"), requests the Commission to enter its order authorizing the Applicant to issue up to \$436,585,000 aggregate principal amount 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 (including its predecessors in interest, the "*Authority*") in connection with insuring these revenue bonds and thus enhancing their credit quality, and authorizing the Applicant to amend outstanding Loan Agreements relating to the revenue bonds. The revenue bonds currently outstanding were issued to refinance pollution control and solid waste disposal projects on behalf of the Applicant. In support thereof, the Applicant states as follows:

1. The Applicant is a corporation doing business under the fictitious name of AmerenUE, duly organized and existing under Missouri law, with its principal place of business located at One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. The

Applicant is a public utility which provides electric and gas utility services in portions of Missouri and is subject to the jurisdiction of the Commission. In addition, the Applicant provides electric and gas utility services in portions of Illinois and is subject to the jurisdiction of the Illinois Commerce Commission. The Applicant is a subsidiary of Ameren Corporation, which is a registered public utility holding company under the Public Utility Holding Company Act of 1935 ("*PUHCA*"). The Applicant has previously filed with the Commission in Case No. GO-98-486 a Fictitious Name Registration as filed with the Missouri Secretary of State's Office and said document is incorporated by reference herein. The Applicant's Certificate of Good Standing from the Missouri Secretary of State's Office is attached hereto as Exhibit 1 and made a part hereof. The Applicant has no pending action or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred within three years of the date of this Application. No annual report or assessment fees are overdue.

2. Communications in regard to this Application should be addressed to Ronald S. Gieseke and Ronald K. Evans, Attorneys for the Applicant, whose address is Ameren Services Company, P. O. Box 66149 (MC1310), St. Louis, Missouri 63166-6149.

3. The Authority has previously issued eight separate issues of environmental improvement revenue refunding bonds in the aggregate principal amount of \$436,585,000, as more specifically described in Exhibit 2 attached hereto and made a part hereof (collectively, the "*Authority Bonds*" and separately, the "*Series 1991 Bonds*," the "*Series 1992 Bonds*," the "*Series 1998A Bonds*," the "*Series 1998B Bonds*," the "*Series 1998C Bonds*," the "*Series 2000A Bonds*," the "*Series 2000B Bonds*," and the "*Series 2000C Bonds*"). 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.

4. The Commission's Order Approving Issuance of Bonds for the Series 1991 Bonds was issued on December 10, 1991 for Case No. EF-92-105. The Commission's Order Approving Financing for the Series 1992 Bonds was issued on October 30, 1992 for Case No. EF-93-125. The Commission's Order Approving Financing for the Series 1998A Bonds, the Series 1998B Bonds and the Series 1998C Bonds (collectively, the "*Series 1998 Bonds*") was issued on August 26, 1998 for Case No. EF-99-5. The Commission's Order Approving Financing for the Series 2000A Bonds, the Series 2000B Bonds and the Series 2000C Bonds (collectively, the "*Series 2000 Bonds*") was issued on February 17, 2000 for Case No. EF-2000-385. In the above-referenced prior Commission cases in this paragraph 4, the Commission, among other things, authorized the Applicant to enter into Loan Agreements with the Authority in connection with the issuance of each issue of Authority Bonds. None of the Applicant's obligations related to the Authority Bonds are presently secured by Applicant's First Mortgage Bonds.

The Series 1991 Bonds were issued to refund environmental bonds of the Authority issued in 1977, which 1977 bonds were issued to refund environmental bonds of the Authority issued in 1975 and 1974 to finance pollution control facilities.

The Series 1992 Bonds were issued to refund environmental bonds issued by the Authority in 1984, which 1984 bonds were issued to finance pollution control and solid waste disposal facilities.

The Series 1998 Bonds were issued to refund two issues of environmental bonds issued by the Authority in 1984, which 1984 bonds were issued to finance pollution control and solid waste disposal facilities.

The Series 2000 Bonds were issued to refund two issues of environmental bonds issued by the Authority in 1985 and one issue of environmental bonds issued by the Authority in 1990.

The bonds issued in 1985 were issued to finance certain pollution control and sewage and solid waste disposal facilities and to refinance certain short-term financing for such facilities. The bonds issued in 1990 were issued to refund environmental bonds issued by the Authority in 1980, which 1980 bonds were issued to finance certain air pollution control, sewage and solid waste disposal facilities.

5. Based on discussions over the last several months with broker-dealers and insurers, as well as on internal analyses, the Applicant has determined that credit enhancing the Authority Bonds with bond insurance is prudent, generating significant interest savings and increasing the marketability of the Authority Bonds. The Authority Bonds, currently rated "A2" by Moody's, BBB+ by Standard and Poors and "A" by Fitch, are expected to be upgraded to "AAA" by all three rating agencies upon gaining insurance coverage. This is expected to significantly lower the interest rates paid in the future from where they would otherwise be with the current ratings. This lower expected interest cost on the Authority Bonds greatly outweighs the premiums paid to the insurers. Also, having a "AAA" rating increases the number of potential investors and thus enhances the liquidity of the Authority Bonds and provides for more efficient auctions. Although the auction market has always favored "AAA" ratings, the pace of utility downgrades over the last year has put even more of a premium on ratings. Further, "AAA" status shields issuers from "flight-to-quality" and event risks that can occur from time to time which can have a significant effect on the marketability on all but the highest rated securities. Current indications are that the Applicant can lower the nominal variable interest rate of the Authority Bonds by 0.50% after adding insurance and gaining "AAA" bond ratings, which will result in an aggregate after-tax net present value savings of approximately \$10 million over the life of the Authority Bonds after taking into account all related insurance premiums.

The Applicant has received commitments from two bond insurers pursuant to which such bond insurers have agreed to issue bond insurance policies securing one or more issues of the Authority Bonds. The insurers will deliver at the closing of the transaction a financial guaranty insurance policy for the Authority Bonds, which will insure the payment of principal and interest on the Authority Bonds when due. The bond insurers have required that, as a condition to the issuance of their respective bond insurance policies, the Applicant issue its First Mortgage Bonds under its Mortgage and Deed of Trust dated June 15, 1937, as amended May 1, 1941, April 1, 1971, February 1, 1974, and July 7, 1980, February 1, 2000 and August 15, 2002, between the Applicant and The Bank of New York, as successor trustee, as supplemented by one or more supplemental indentures relating to the first mortgage bonds (collectively the "Mortgage"). A copy of Applicant's Indenture of Mortgage and Deed of Trust was filed with this Commission in Case No. 9,632; a copy of the May 1, 1941 Amendment was filed with this Commission in Case No. 10,050; a copy of the April 1, 1971 Amendment was filed with this Commission in Case No. 17,177; a copy of the February 1, 1974 Amendment was filed with this Commission in Case No. 17,960; a copy of the July 7, 1980 Amendment was filed with this Commission in Case No. EF-80-306; and a copy of the February 1, 2000 Amendment and the August 15, 2002 Amendment were filed with this Commission in Case No. EF-2003-0514. The Mortgage is to be supplemented by Supplemental Indentures relating to each issue of Authority Bonds. The principal, interest and redemption provisions of the First Mortgage Bonds will correspond to those of the related issue of Authority Bonds and will be used only to secure Applicant's payments and other obligations under the related Loan Agreement. Loan Agreements relating to each series of the Authority Bonds are to be amended. The amendments to each Loan Agreement will be made primarily for the purposes of adding (a) a series of the First Mortgage

Bonds to secure the Applicant's obligations under each such Loan Agreement and (b) provisions relating to the rights of the bond insurers.

6. While the Applicant acknowledges that the First Mortgage Bonds are technically "evidence of indebtedness" pursuant to Sections 393.180 and 393.200 RSMo. (2000) (and, as such, the Applicant seeks the Commission's authority to proceed thereunder), the First Mortgage Bonds will not represent additional debt, as the Applicant is already obligated under the Loan Agreements to pay amounts sufficient to pay the principal of and interest on Authority Bonds. The proposed arrangement will not be detrimental to the public interest but will be advantageous to the interests of the Applicant and its service to customers, and the public will be inconvenienced hereby, as a result of the anticipated savings described in paragraph 5 above.

7. A five-year capitalization expenditure schedule is not being filed with this Application because the Applicant is not raising additional long-term capital as part of this transaction.

8. In the above-referenced prior Commission cases in paragraph 4, the Applicant did not pay a fee since the proceeds were used to discharge outstanding obligations of the Applicant. No fee is required pursuant to Section 386.300-2 RSMo (2000) because the proposed issuance of "evidence of indebtedness" as described in this Application will not result in additional borrowings by the Applicant.

9. A balance sheet and income statement of the Applicant as of June 30, 2003, as specified in 4 CSR 240-3.120(1)(E) and 4 CSR 240-3.220(1)(E), are attached hereto as Exhibit 3 and made a part hereof. Due to the nature of the transaction (i.e., no increase in Applicant's indebtedness), there are no adjustments showing the effects of the proposed transaction.

10. The capitalization ratios of the Applicant as of June 30, 2003 were: long-term debt and unamortized discount and premium – 40.9 percent; preferred stock – 2.5 percent; and

common equity – 56.6 percent. The capitalization ratios would not change due to the Applicant's issuance of First Mortgage Bonds to secure its obligations relating to the same aggregate principal amount of the Authority Bonds which are already outstanding.

11. Certified copy of resolutions of the Board of Directors of the Applicant with respect to the proposed transaction are attached hereto as Exhibit 4.

12. The following exhibits are also submitted to the Commission:

Exhibit 5 — Forms of First Amendments to Loan Agreements to be entered into between the Applicant and the Authority with respect to Series 1991 Bonds, Series 1992 Bonds, Series 1998 Bonds and Series 2000 Bonds.

Exhibit 6 — Form of Supplemental Indenture to be entered into between the Applicant and the Mortgage Trustee.

13. The current time schedule provides for the closing of the proposed transaction in January, 2004. To accommodate this schedule, the Applicant requests the Commission to issue an order effective on or before December 31, 2003.

WHEREFORE, for all the foregoing reasons, the Applicant respectfully requests the Commission to issue its order as follows:

(i) authorize the Applicant to issue, execute and deliver an Amendment to Loan Agreement relating to each issue of Authority Bonds and all documents necessary to facilitate the securing of the Applicant's obligations related to the Authority Bonds and credit enhancing the Authority Bonds with bond insurance;

(ii) authorize the Applicant to issue, execute and deliver eight separate issues of its First Mortgage Bonds and the Supplemental Indentures relating thereto, and all other necessary agreements and instruments (including such that constitute evidence of the Applicant's indebtedness) necessary to secure its obligations related to the Authority Bonds with its First Mortgage Bonds;

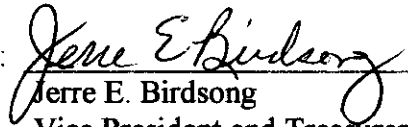
(iii) authorize the Applicant to do any and all other things incidental, necessary or appropriate to the performance of any and all acts specifically to be authorized in such order or orders; and

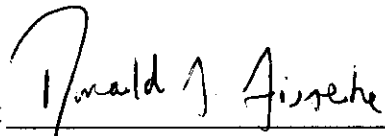
that the Commission make such other order or orders as it may deem just and proper.

Dated at St. Louis, Missouri, this 31st day of October, 2003.

Respectfully submitted,

UNION ELECTRIC COMPANY d/b/a
AMERENUE

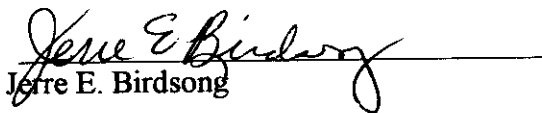
By: 
Jerre E. Birdsong
Vice President and Treasurer

By: 
Ronald S. Gieseke MBE# 31054
Ronald K. Evans MBE# 22597
Ameren Services Company
One Ameren Plaza
1901 Chouteau Avenue
P.O. Box 66149 (M/C 1310)
St. Louis, MO 63166-6149
(314) 554-4198; rgieseke@ameren.com
(314) 554-2156; revans@ameren.com
(314) 554-4014 (fax)

Attorneys for Applicant
Union Electric Company d/b/a AmerenUE

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

I, Jerre E. Birdsong, first being duly sworn upon oath depose and say that I am a Vice President and Treasurer of Union Electric Company, d/b/a AmerenUE, a Missouri corporation; that I have read the above and foregoing Application by me subscribed and know the contents thereof; that said contents are true in substance and in fact, except as to those matters stated upon information and belief, and as to those, I believe same to be true.


Jerre E. Birdsong

Subscribed and sworn to before me this 31st day of October, 2003.


Notary Public

My Commission Expires: _____

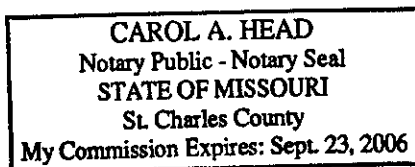


EXHIBIT 2
AUTHORITY BONDS

Series 2000 Bonds

\$63,500,000 Environmental Improvement Revenue Refunding Bonds (AmerenUE Project)
Series 2000A (the "*Series 2000A Bonds*")

\$63,000,000 Environmental Improvement Revenue Refunding Bonds (AmerenUE Project)
Series 2000B (the "*Series 2000B Bonds*")

\$60,000,000 Environmental Improvement Revenue Refunding Bonds (AmerenUE Project)
Series 2000C (the "*Series 2000C Bonds*")

Series 1998 Bonds

\$60,000,000 Environmental Improvement Revenue Refunding Bonds (Union Electric Company
Project) Series 1998A (the "*Series 1998A Bonds*")

\$50,000,000 Environmental Improvement Revenue Refunding Bonds (Union Electric Company
Project) Series 1998B (the "*Series 1998B Bonds*")

\$50,000,000 Environmental Improvement Revenue Refunding Bonds (Union Electric Company
Project) Series 1998C (the "*Series 1998C Bonds*")

Series 1992 Bonds

\$47,500,000 Environmental Improvement Revenue Refunding Bonds (Union Electric Company
Project) Series 1992

Series 1991 Bonds

\$42,585,000 Environmental Improvement Revenue Refunding Bonds (Union Electric Company
Project) Series 1991