

June 4, 2002

VIA FEDERAL EXPRESS



Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, MO 65101

Re: MPSC Case No. EO-2002-1082

Dear Mr. Roberts:

Enclosed for filing on behalf of Union Electric Company, d/b/a AmerenUE, in the above matter, please find an original and eight (8) copies of its Reply to Staff's Response.

Kindly acknowledge receipt of this filing by stamping a copy of the enclosed letter and returning it to me in the enclosed self-addressed envelope.

Thank you.

Very truly yours,

A handwritten signature in black ink that reads "Joseph H. Raybuck". The signature is fluid and cursive, with the first name "Joseph" and last name "Raybuck" clearly legible.

Joseph H. Raybuck
Associate General Counsel

JHR/vww

Enclosures

cc: M. Ruth O'Neill, Assistant Public Counsel
Dan Joyce, General Counsel, MPSC

16048

BEFORE THE PUBLIC SERVICE COMMISSION

STATE OF MISSOURI

In the Matter of the Proposed Acquisition)	
Of CILCORP by Ameren Corporation,)	
Parent Company of Union Electric Company)	Case No. EO-2002-1082
D/b/a AmerenUE)	

**REPLY OF UNION ELECTRIC COMPANY
TO THE COMMISSION STAFF'S RESPONSE
TO THE MOTION TO REVIEW OF THE OFFICE OF THE PUBLIC COUNSEL**

COMES NOW Union Electric Company, doing business as AmerenUE

(AmerenUE or the Company), pursuant to 4 CSR 240-2.080(15), and submits this reply to the Response filed by the Commission Staff (Staff) to the Motion to Review Proposed Acquisition of CILCORP by Ameren Corporation (Motion) filed on May 17 by the Office of Public Counsel (OPC).

As set forth in the Company's Response to the OPC's Motion, the Commission should deny the Motion because the Commission does not have jurisdiction over the proposed acquisition. Staff's Response offers no reason why the Commission must or should assert any jurisdiction at the present time to investigate the effects of the acquisition.

I. STAFF'S REQUEST FOR AN INVESTIGATION OVER THE EFFECTS OF THE ACQUISITION IS PREMATURE.

In its Response, Staff makes the following contention regarding the Commission's jurisdiction:

While the Staff does not assert that Missouri Public Service Commission approval of Ameren Corporation's acquisition of CILCORP, [Inc.i](#)s required, the Staff does assert that the

Commission does have jurisdiction to review the transaction to investigate and determine what effects and consequences it may have on Union Electric Company from a regulatory perspective, both immediately and in the future.

(Staff Response, paragraph no. 7)

As a result, it appears that Staff agrees with the Company that the Commission has no jurisdiction to approve or disapprove the acquisition. That is consistent with what the Commission has said on numerous occasions in the past, as cited in the Company's Response to the OPC Motion. The Commission's consistent precedent has been such that it has not asserted jurisdiction over an acquisition involving two non-regulated parent companies, such as Ameren Corporation and CILCORP. (Company's Response, pp. 3-4) Further, it would be inconsistent with Missouri statutory law for the Commission to do so.

The Staff contends that the Commission should nevertheless assert jurisdiction "to investigate and determine" the effects and consequences of the acquisition based on the Commission's general authority to monitor and investigate public utilities. Although the Commission has broad authority to investigate, the question at hand is whether the Commission must or should investigate anything now about the potential effects of the acquisition on AmerenUE. The answer is no, for several reasons. First, it would be premature for the Commission to investigate the potential effects of any acquisition before its closing. Although the Company expects that the acquisition by Ameren Corporation of CILCORP will be accomplished, there remains the possibility that this may not occur for any number of reasons. Clearly, it would be a waste of Commission and Company resources to investigate something that might not occur.

Second, there does not appear to be any precedent supporting the Staff's request for a Commission investigation prior to closing. Instead, the Commission's practice has been to exercise its full authority to investigate the effects on a Missouri utility of an acquisition involving non-regulated entities after closing in a rate proceeding or other regulatory proceeding. There is nothing about this acquisition which requires the Commission to depart from its past practice. As indicated in the Company's Response to the OPC Motion, there will be no change to AmerenUE's operations, services or tariffs. As a result, a preclosing investigation is unnecessary.

Lastly, in any case, the Staff's request is not appropriate because it would interfere with the ability of Ameren Corporation to lawfully acquire entities not regulated by the Commission. For example, if a preclosing investigation occurred, and a party such as Staff or OPC expressed concerns about the effects of the acquisition, such a party might argue that the Commission should block the acquisition or condition it in some way to prevent those effects from occurring. This would be improper, especially since the acquisition will not violate any law or Commission order, will not create any safety issues, and will not jeopardize service to the public. Missouri law is clear that the Commission has no authority to take over the general management of any utility it regulates, and certainly has no authority to take over the management decision making of a holding company of such a utility. Laclede Gas Company v. Public Service

As indicated in the Company's Response to the OPC's Motion, the acquisition will not create any changes in the operations of AmerenUE. It will remain as a separate operating utility subsidiary of Ameren Corporation, just as it was before the acquisition.

See Appendix A, attached, for diagram showing AmerenUE before and after the acquisition. This same two page

Commission, 600 S.W.2d 222 (Mo. App. W.D. 1980); State ex rel. City of St. Joseph v. Public Service Commission, 30 S.W.2d 8, 14 (Mo. 1930); State of Missouri ex rel. Southwestern Bell v. Public Service Commission, 43 S. Ct. 544, 547 (U.S. 1923).

Therefore, the Commission should not undertake any investigation at present over Ameren Corporation's acquisition of CILCORP.

II. STAFF'S CONCERN ABOUT THE JOINT DISPATCH AGREEMENT IS UNWARRANTED IN THAT THE ACQUISITION WILL NOT IMPACT SUCH AGREEMENT.

In its Response, the Staff raises only one concern relating to the acquisition. The Staff's single concern relates to the Joint Dispatch Agreement (JDA). In particular, the Staff requests that the Commission "determine what effect that merger [sic] will have on the Joint Dispatch Agreement". (paragraph no. 15) The simple answer is that the acquisition will have no impact on the JDA.

As the Company indicated in its response to the OPC, the JDA will not be amended or otherwise affected by the Ameren-CILCORP transaction. AmerenUE will not be jointly dispatching its generating units with those of CILCO. Further, CILCO's customers will not have any right or entitlement to any of the UE generating units which are subject to the JDA. As a result, the acquisition will not impose any changes on the operation or dispatch of AmerenUE's generating units. (at p. 5)

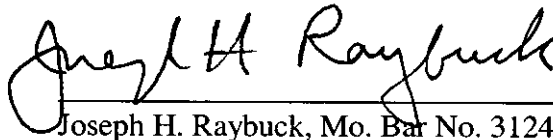
In its Response, the Staff correctly cites the Unanimous Stipulation and Agreement (Stipulation) approved by the Commission in Case No. EA-2000-37. The Company fully intends to abide by the commitments it made as set forth in that Stipulation. In particular, the Company will submit to the Staff and OPC all proposed Appendix was attached to the Company's Response to the OPC.

changes to the JDA. However, the Company has no plans to change the JDA, **nor** does it expect to propose any changes to it, as a result of Ameren Corporation's acquisition of CILCORP.

WHEREFORE, AmerenUE requests that the Commission deny the request of the Staff to investigate now Ameren Corporation's acquisition of CILCORP.

Respectfully submitted,

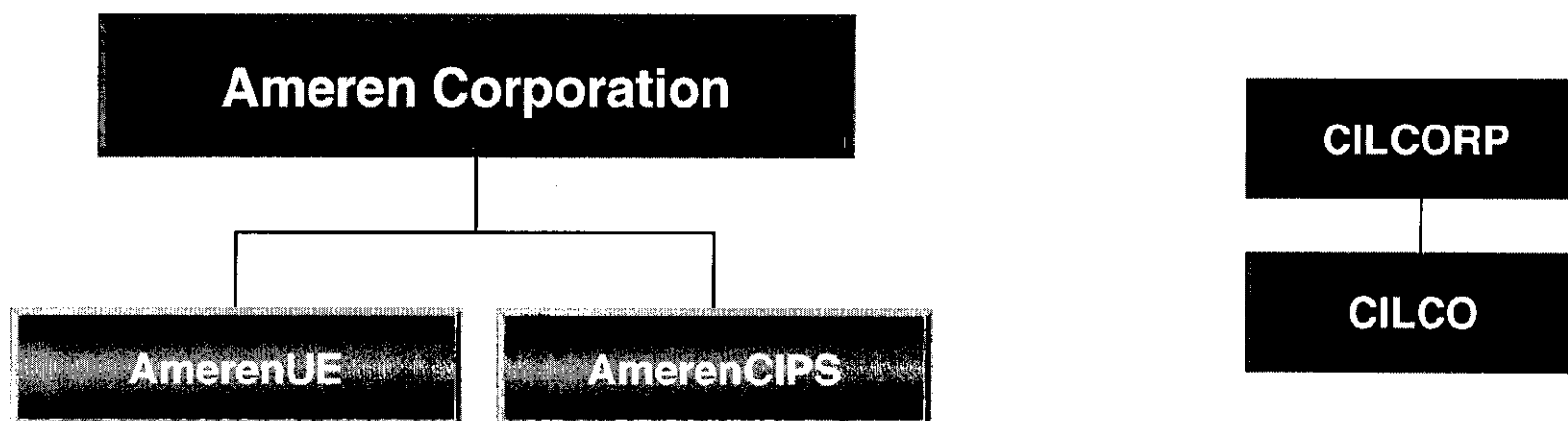
UNION ELECTRIC COMPANY
d/b/a AmerenUE

A handwritten signature in black ink, reading "Joseph H. Raybuck". The signature is written in a cursive style with a large, looping initial "J".

Joseph H. Raybuck, Mo. Bar No. 31241
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Acquisition Structure - Before Closing

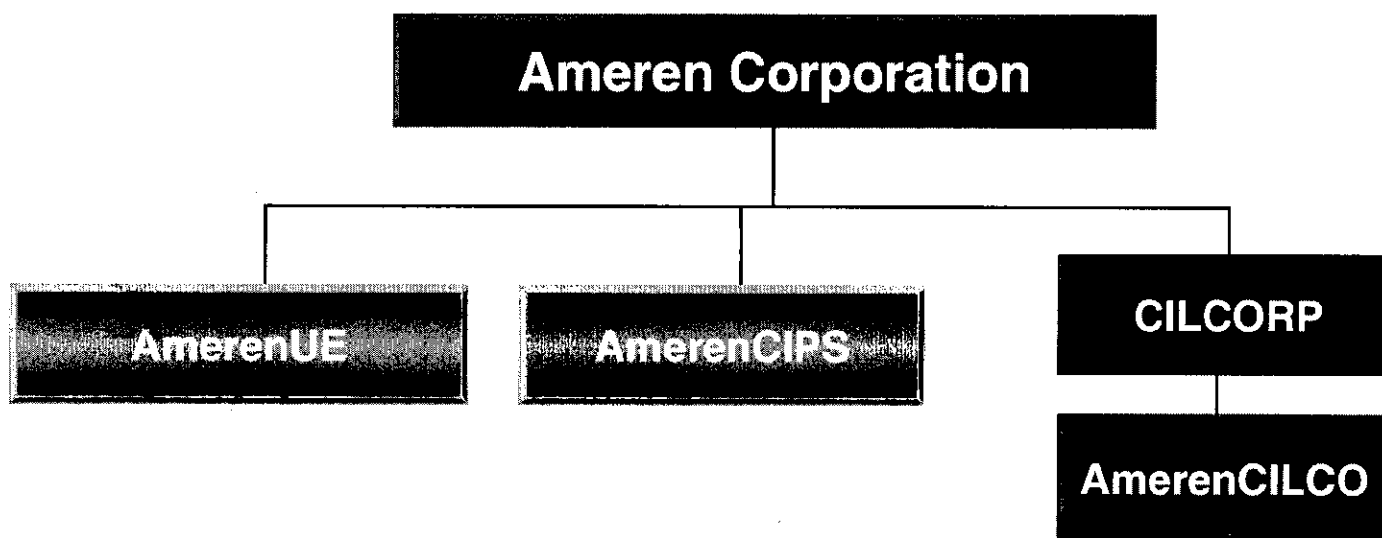
Appendix A



NOTE: To simplify matters, this shows only the operating utility subsidiaries of Ameren Corporation and CILCORP.

Acquisition Structure - After Closing

Appendix A

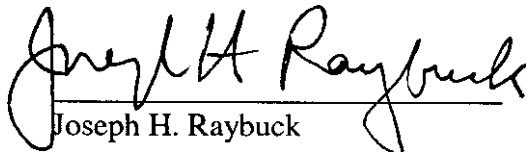


CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via first class U.S. mail, postage prepaid, on this 4th day of June, 2002, on the following:

Nathan Williams
Associate General Counsel
Missouri Public Service Commission
200 Madison Street
Governor Office Building
Jefferson City, MO 65 101

M. Ruth O'Neill
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Office of the Public Counsel
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Joseph H. Raybuck