

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

In the Matter of Union Electric Company)	
d/b/a AmerenUE for Authority to File)	
Tariffs Increasing Rates for Natural Gas)	Case No. GR-2007-0003
Service Provided to Customers in the)	
Company's Missouri Service Area.)	

STIPULATION AND AGREEMENT

COME NOW Union Electric Company, d/b/a AmerenUE (AmerenUE or Company), the Staff of the Missouri Public Service Commission (Staff), the Office of the Public Counsel (OPC), the Missouri Department of Natural Resources (DNR), the Missouri School Boards' Association and the Missouri Retailers Association (collectively, the Parties) and for their Stipulation and Agreement (Agreement) to resolve all issues in this case, state as follows:

1. AmerenUE shall be authorized to file revised tariff sheets containing rate schedules for natural gas service designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues, exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes, of \$6 million, effective for services rendered on and after April 1, 2007. The revised specimen tariff sheets designed to implement this agreement are attached as Schedule 1. The rates reflected in Schedule 1 have been calculated based on the billing determinants developed by the Company and Staff in this proceeding. The billing units are set forth in Schedule 2 to this Agreement.

2. The Company's revenue requirement established by this Agreement includes \$263,000 for the annual funding of a weatherization program and \$100,000 for the annual

funding of programs promoting energy efficiency. Subject to the provisions herein, the stipulated rate increase resolves all revenue requirement issues in this case.

3. The Parties agree that there shall be a uniform distribution of the rate increase among rate classes based on test year, weather-normalized base-rate revenues for each class. The tariff sheets set forth in Schedule 1 to this Agreement reflect the Parties' agreement as to the various rates, including:

- A. Revisions to AmerenUE's Residential Service Rate (Tariff Sheet No. 5):
 - (1) Monthly Customer Charge of \$15.00;
 - (2) Delivery Charge of 24.09 cents per Ccf; and
 - (3) Creation of one residential rate class.
- B. Revisions to AmerenUE's General Service Rate (Tariff Sheet No. 6):
 - (1) Monthly Customer Charge of \$24.00; and
 - (2) Delivery Charge of 27.77 cents per Ccf for the first 7,000 Ccf per month and 18.16 cents per Ccf for all quantities or volumes over 7,000 Ccf per month.
- C. Revisions to AmerenUE's Interruptible Service Rate (Tariff Sheet No. 7):
 - (1) Monthly Customer Charge of \$221;
 - (2) Delivery Charge of 27.77 cents per Ccf for the first 7,000 Ccf per month and 14.67 cents per Ccf for all quantities or volumes over 7,000 Ccf per month; and
 - (3) Assurance Gas Surcharge of 1.00 cents per Ccf for the first 250 Ccf per day and 1.38 cents per Ccf for all quantities or volumes over 250 Ccf per day.
- D. Revisions to Transportation Rate (Tariff Sheet No. 10):

(1) Monthly Customer Charges of \$24 and \$1,205 for Standard and Large Volume Transportation respectively; and

(2) Monthly Transportation Charge of 27.77 cents for the first 7,000 Ccf per month for Standard and Large Volume Transportation and 15.67 and 13.34 cents per Ccf for all volumes over 7,000 Ccf per month for Standard and Large Volume Transportation respectively.

4. The non-base rate tariff sheets attached to AmerenUE witness Wilbon L. Cooper's direct testimony are accepted with the following changes, as set forth in Schedule 1:

(A) P.S.C. No. 2, Sheet 5 and 6 – the tariff has been modified to provide an exemption from the residential seasonal disconnect charge in the event that the Company has collected the monthly customer charge from an interim customer. The proposed tariff sheets for seasonal disconnect charges for nonresidential classes have been withdrawn.

(B) P.S.C. No. 2, Sheet 10 - the tariff has been modified so that participating schools pay 0.4 cents per Ccf as an Aggregation and Balancing Charge instead of the existing monthly administrative charge of \$40.

(C) P.S.C. 2, Sheet 13, Part B and Sheets 16.4 through 16.8 – the tariff has been modified to reinstate and update the transportation contract.

(D) P.S.C. 2, Sheet 19, Part A – the tariff has been modified to charge \$260 per tap connection. Part B – the tariff has been modified to charge \$260 for connection taps and \$260 for meter relocations. Part D – the tariff has been modified to charge \$70 for reconnection.

(E) P.S.C. 2, Sheet 42.1 – the tariff has been modified to allow Company discretion to not serve a new non-residential sales customer with an annual load which exceeds 40,000 Ccf, when the new load threatens system integrity because of insufficient gas supplies, storage

availability and/or pipeline capacity. AmerenUE shall immediately notify Staff and OPC any time AmerenUE exercises its discretion under this provision.

(F) P.S.C. 2, Sheet 69.1 – the tariff has been modified so that the Company has the discretion to forgive curtailment violations when the customer can demonstrate that the violation was incurred because of reasons of public health and/or safety.

(G) P.S.C. No. 2, Sheet 69, Part 3 – the tariff has been modified so that the Company has the discretion to deviate from the curtailment prioritization during an extreme emergency, such as the loss of firm service from an interstate or intrastate pipeline or the loss of a critical transmission line segment on the company's system. An interstate or intrastate pipeline's issuance of an Operational Flow Order (OFO) would not constitute an extreme emergency under this section.

5. Effective November 1, 2007, AmerenUE shall have a state-wide, single Purchased Gas Adjustment (PGA) rate for all districts, with customers served from the Missouri Gas Company (MGC) continuing to pay the MGC transportation incremental PGA charge in addition to the PGA rate. As of November 1, 2007, the PGA will change as follows:

(A) PGA Transition Mechanism (charges/credits). Sales customers served from the Panhandle Eastern Pipe Line Company (PEPL) system will receive a \$0.50 per month credit on their bills. Sales customers served from the Texas Eastern Transmission Corporation (TETCO) system will pay a \$2.55 per month surcharge on their bills. The PEPL and TETCO customer credits and surcharges will be applied to the single ACA account. This arrangement will continue until AmerenUE's next natural gas rate case at which time the mechanism will be reviewed to see if any changes are warranted, including the elimination of these charges.

(B) Actual Cost Adjustment (ACA). The Parties agree to create a single ACA balance starting September 1, 2007, effective with the new 2007/2008 ACA period. AmerenUE will take all reasonable actions to achieve *de minimus* ending balances for each 2006-2007 ACA by August 31, 2007. It is understood that sales customers served from MGC will continue to pay the amount necessary to true-up the MGC transportation incremental PGA charge each year. The Parties agree that following levels will be considered *de minimus*:

- PEPL - a balance of no more than \$1 million, which is about \$0.01 (1 cent) per Ccf annually for all rate classes;
- TETCO - a balance of no more than \$200,000, which is about \$0.01 (1 cent) per Ccf annually for all rate classes; and
- Natural Gas Pipeline Company of America (NGPL) - a balance of no more than \$20,000, which is about \$0.01 (1 cent) per Ccf annually for all rate classes.

In the event any of the ACA balances reflect an underpayment by the sales customers that is not *de minimus*, that amount will be recovered through a bill surcharge. However, if any of the ACA balances reflect an overpayment, that amount shall be credited back to sales customers in a bill credit.

6. AmerenUE shall include in its tariffs the statement that concurrently with its annual ACA filing, it shall:

(A) Provide all documentation necessary to reconcile the Company's actual gas costs with its billed revenues and provide all documentation of all natural gas purchases (commodity, demand or reservation charges or other charges) of the LDC to support that the claimed costs are properly attributed to the ACA period and that the pipelines, natural gas suppliers, and any other

vendors have charged or invoiced the LDC for the volumes nominated and received at the proper rates.

(B) Provide all documentation to support decisions made at the time of the Company's natural gas supply planning, capacity planning, purchasing practices, and operating decisions for the ACA period.

(C) Provide documentation of the financial impact on customers of the LDC's decisions regarding its gas supply, transportation and storage contracts.

(D) Provide copies of all contracts in effect at any time during the ACA period and include copies of all contracts related to the procurement of natural gas including but not limited to transportation, storage, and supply contracts and all schedules and exhibits and letter agreements related to gas procurement, gas costs and/or gas constraints.

(E) The documentation provided shall include fully functioning electronic spreadsheets. The term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies or data, recordings, transcriptions and printed, typed electronic or written materials of every kind in your possession, custody or control or within your knowledge.

7. The Parties agree that AmerenUE will use depreciation rates as set forth in Schedule 3 for its facilities used to provide natural gas service and will continue to use those rates until otherwise ordered by the Missouri Public Service Commission (Commission).

8. AmerenUE agrees not to file a natural gas rate case until three years after the date of Commission approval of this Agreement. This paragraph is not intended to prevent AmerenUE from filing for an Infrastructure System Replacement Surcharge (ISRS) rider at its discretion during this three year period.

9. The interest rate on customer deposits for each calendar year shall be set at prime plus 1%, as published in the Wall Street Journal as in effect on the last business day of November of the prior year.

10. The Parties agree that the agreed upon revenue requirement includes all plant in rate base through the known and measurable period which ends September 30, 2006.

11. The Parties agree that the Return on Equity to be used by AmerenUE for purposes of a future ISRS rider shall be 10.0%.

12. The Parties agree that the agreed upon revenue requirement reflects Deferred Income Taxes in the amount of \$29,041,092.

13. The Parties agree that AmerenUE may establish and use a Pension and OPEBs tracker. The specifics of this tracker are attached as Schedule 4 to this Agreement.

14. For purposes of and only for this and AmerenUE's currently pending electric rate case, Case No. ER-2007-0002, the Parties agree that the allocation of costs between AmerenUE's electric and gas operations will be the allocations contained in Staff's December 15, 2006 filing in this case and in the accounting exhibits for both Case No. GR-2007-0003 and Case No. ER-2007-0002.

15. AmerenUE agrees to develop a recommendation for splitting the General Service rate class into two separate rate classes and to file that recommendation as part of its next natural gas rate case.

16. AmerenUE agrees to fund a low-income weatherization program in the amount of \$263,000 per year. Program details shall be determined by the Collaborative established in Case No. GR-2003-0517, which includes representatives from the Company, Staff, OPC and DNR (Collaborative). In the event an issue related to weatherization arises where consensus cannot be

reached, the issue will be brought before the Commission for resolution. AmerenUE shall forward the entire annual funding to the Environmental Improvement and Energy Resources Authority (EIERA) for disbursement to weatherization agencies within AmerenUE's service territory. The funds to be paid under this program are to be segregated from any AmerenUE electric weatherization funds and are to be specifically used for AmerenUE natural gas space-heating residential customers. This proposal is subject to approval by EIERA Board of Directors. The EIERA shall serve as a repository for funds received in accordance with this Stipulation and Agreement. Funds will be dispersed to weatherization agencies based upon the recommendations of the DNR Energy Center and the Collaborative to assure program consistency between the AmerenUE low income weatherization program and the federal weatherization program administered by the DNR. If this disbursement mechanism is not approved by EIERA, then AmerenUE will forward the funds to weatherization agencies as agreed upon by the Collaborative for use in residential weatherization or energy audits provided in conjunction with weatherization services.

17. AmerenUE agrees to fund programs to promote customer use of energy-efficient equipment in the amount of \$100,000 annually. The Collaborative will determine the details of these programs, giving due consideration to the administrative costs that will be incurred by AmerenUE. If an issue arises where consensus cannot be reached, the issue will be brought before the Commission for resolution.

18. The Parties agree that any funding remaining from the experimental programs developed for Stoddard and Scott Counties in Case No. GR-2003-0517 (currently \$270,958) shall be used as determined by the Collaborative. These funds may be spent anywhere in AmerenUE's natural gas territory and are not limited to Stoddard and Scott Counties. The

Collaborative will consider cost effectiveness and the optimal design of implementing energy efficiency programs. The programs the Collaborative may consider include, but are not limited to, the following:

(A) Home energy evaluations offered to moderate and middle income households at discounted cost; and

(B) Funding for moderate and middle income households for installation of energy-efficient natural-gas- space-heating equipment, including furnaces and boilers, with the funding being repaid over time by the customer through an adder to the monthly bill. Such funding may consider income levels.

19. If AmerenUE elects to fund demand-side management programs in addition to those described above, the Parties agree the costs of those additional programs may be placed in a regulatory asset account and amortized over a ten-year period. These costs shall include the costs of development, implementation and evaluation of these programs, as well as the program cost itself. The amounts accumulated in this regulatory asset account will earn a return not greater than AmerenUE's Allowance for Funds Used During Construction (AFUDC) rate. At the time of AmerenUE's next natural gas rate case, the Commission will review the amount in this regulatory asset for a determination of the prudence of the planning and implementation of the programs prior to allowing recovery in rates.

20. Any Party may file suggestions, a memorandum or other pleading in support of this Agreement and all other Parties shall have the right to file responsive suggestions, memorandum or other pleading in response. The contents of any suggestions, memorandum, response or other pleading provided by any Party may or may not reflect the positions of the other Parties.

21. If the Commission has questions for the Signatories' witnesses or Signatories, upon notice of the need for an on-the-record session, the Signatories will make available their witnesses and attorneys on the issues resolved by this Agreement. The Signatories agree to cooperate in presenting this Agreement to the Commission for approval, and shall take no action, direct or indirect, in opposition to the request for approval of this Agreement.

21. None of the signatory Parties shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, or prudence that may underlie this Agreement, or for which provision is made in this Agreement.

22. This Agreement represents a negotiated settlement. Except as specified herein, the Parties to this Agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Agreement in the instant proceeding, or in any way condition its approval of same.

23. The provisions of this Agreement have resulted from extensive negotiations between the Parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Agreement in total, it shall be void and none of the signatory Parties shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof, unless otherwise agreed to by the signatory Parties.

24. If approved and adopted by the Commission, this Agreement shall constitute a binding agreement among the signatory Parties. The Parties shall cooperate in defending the

validity and enforceability of this Agreement and the operation of this Agreement according to its terms.

25. This Agreement does not constitute a contract with the Commission. Acceptance of this Agreement by the Commission shall not be deemed as constituting an agreement on the part of the Commission to forego the use of any discovery, investigative or other power which the Commission presently has. Thus, nothing in this Agreement is intended to impinge or restrict in any manner the exercise by the Commission of any statutory right, including the right to access information, or any statutory obligation.

26. If the Commission does not unconditionally approve this Agreement without modification, and notwithstanding its provision that it shall become void thereon, neither this Agreement, nor any matters associated with its consideration by the Commission, shall be considered or argued to be a waiver of the rights that any Party has to a hearing on the issues presented by the Agreement, for cross-examination, or for a decision in accordance with Section 536.080 RSMo 2000 or Article V, Section 18 of the Missouri Constitution, and the Parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any suggestions, memoranda, testimony or exhibits that have been offered or received in support of this Agreement shall thereupon become privileged as reflecting the substantive content of settlement discussions and shall be stricken from and not be considered as part of the administrative or evidentiary record before the Commission for any further purpose whatsoever, unless otherwise agreed to by the Parties.

27. In the event the Commission accepts the specific terms of the Agreement, the signatory Parties waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 2000; their

respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 2000; and their respective rights to judicial review pursuant to Section 386.510 RSMo 2000. This waiver applies only to a Commission Order Approving Agreement or other Report and Order approving this Agreement issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Agreement.

28. The State of Missouri, as represented by the Attorney General in this case, neither supports nor opposes the Stipulation and Agreement, and has indicated it will not request a hearing.

WHEREFORE, for the foregoing reasons, the signatory Parties respectfully request that the Commission issue an Order approving the terms and conditions of this Unanimous Stipulation and Agreement.

Respectfully submitted,

/s/ Wendy K. Tatro

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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via e-mail, to all parties listed on the service list in Case No. GR-2007-0003 on the 8th day of March, 2007.

/s/Wendy K. Tatro
Wendy K. Tatro