

## **Meetings with the Missouri Public Service Commission (MoPSC) Commissioners**

Monday, August 8, 2011 @ 9<sup>th</sup> floor Agenda Room, PSC Building

Tuesday, August 9, 2011 @ Wainwright State Office Building, St. Louis

Attendance at 9:30 – 10:30 August 8 meeting – Commissioner Davis and Advisor Mark Hughes, Maurice Brubaker from Brubaker and Associates, Ameren Missouri President and CEO Warner Baxter, Vice President Warren Wood, Vice President Mark Birk, and Gaye Suggett.

Attendance at 10:30 – 11:30 August 8 meeting – Chairman Gunn, Commissioner Jarrett (via phone), Advisor Janet Wheeler, Advisor Cherlyn Voss, Ameren Missouri President and CEO Warner Baxter, Vice President Warren Wood, Vice President Mark Birk, and Gaye Suggett.

Attendance at 4:00 – 5:00 August 9 meeting – Commissioner Robert Kenney, Ameren Missouri President and CEO Warner Baxter, Vice President Warren Wood, Vice President Mark Birk, and Gaye Suggett.

Lewis Mills and the Office of the Public Counsel were invited to all meetings.

Mr. Baxter discussed two subjects with Commissioners – both of which had recent press releases. A press release related to the Company's environmental compliance strategy was handed out. A copy is attached to this summary.

- 1) Environmental Compliance
- 2) The Economy and its Effect on Ameren Missouri

Mr. Baxter first discussed Ameren Missouri's environmental compliance strategy put in place to meet a new federal rule that requires a significant reduction in sulfur dioxide (SO<sub>2</sub>) emissions. He said the new Cross State Air Pollution Rule (CSAPR) will require reductions of SO<sub>2</sub> emissions by 73% and NOX emissions by 54% compared to the 2005 levels. To comply with these new rules, Ameren Missouri has contracted for a long-term purchase of 91 million tons of ultra-low sulfur coal from Peabody Energy through 2017. Transportation contracts are also in place.

The benefits of this new ultra low coal contract are: Ameren Missouri is purchasing coal needed for operations; it is priced at a fair market price; this will prolong the time needed to install additional scrubbers; and Ameren Missouri will therefore not have to install approximately \$1 billion in equipment necessary to meet the new federal guidelines between now and 2014. This will avoid rate increases of approximately 15-20% for our customers which would have been necessary just to meet the reduced levels of SO<sub>2</sub> in the CSAPR rule. Mr. Baxter went on to say that Ameren Missouri would not have been able to employ this strategy if the Sioux Scrubbers had not already been installed.

Mark Birk said Ameren Missouri has reduced NOX emissions by 75% since 1990, and is in the process of formulating strategy to meet the new NOX guidelines. He said the NOX rules recently issued were more stringent than expected. There will be additional cost required to comply with the NOX portion of the CSAPR rule.

Mr. Baxter and Mr. Birk then discussed the requirements of the proposed MACT rule and the need to potentially upgrade electrostatic precipitators at Labadie, Meramec and Rush Island along with the commensurate costs. Mr. Baxter also pointed out the need for an additional year of compliance that the state DNR could grant under the currently proposed EPA rules.

Mr. Baxter said there are additional rules that will require compliance by Ameren, including rules that deal with water, ash, and air. At this time there are no new rules pending relating to carbon, but it is also a concern of Ameren Missouri.

Commissioner Kenney said he plans to open a docket at the PSC where each electric utility can submit costs and concerns for their utility as related to the new EPA rules. Mr. Baxter stated that flexibility with the EPA rules is very important.

Mr. Baxter then visited on the state of the economy. He said residential and industrial use (except for Noranda) is down, and commercial usage is flat. He stated we are not seeing the rate of economic recovery we had hoped.

Mr. Baxter discussed the Site Permit legislation and said he was hopeful this could be resolved during the special session in September. He also briefly discussed the renewable legislation and said he did not feel it had to be tied to the site permit legislation.

## Media Releases



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**Ameren Missouri Announces Proactive, Cost-Effective Environmental Compliance Strategy  
Customer benefits are estimated to result in avoided electric rate increases of 15-20 percent by 2017**

Aug 4, 2011

Today Ameren Missouri announced its environmental compliance strategy to meet a new stringent federal rule that requires significant reductions in sulfur dioxide (SO<sub>2</sub>) emissions. The backbone of the strategy is a long-term contract for the purchase of 91 million tons of ultra-low sulfur coal from Peabody Energy through 2017.

The new federal regulation, the Cross State Air Pollution Rule, will require reductions of SO<sub>2</sub> emissions by 73 percent and nitrogen oxide emissions by 54 percent from 2005 levels.

“This agreement reflects a proactive business strategy to comply with recently issued federal environmental regulations at significantly lower costs for our customers. In particular, this contract will allow us to avoid significant levels of environmental expenditures by 2014 as well as defer the installation of costly clean air filtration equipment well beyond 2017 to meet the federal government’s new stringent standards for sulfur dioxide emissions reductions. In total, this strategy will avoid rate increases that would have been necessary just to meet the SO<sub>2</sub> reduction requirements – those would have been in the range of 15 to 20 percent by 2017 for our customers,” says Warner Baxter, Ameren Missouri President and CEO.

“The contract represents a major commitment between the largest Powder River Basin producer and the largest Powder River Basin customer,” said Peabody Chairman and Chief Executive Officer Gregory H. Boyce. “This contract is a win-win for Ameren and Peabody, reinforcing the strong relationship between our companies and the growing market for low sulfur Powder River Basin coal.”

Baxter added, “For many years, we have anticipated that more stringent rules would be coming and have been taking proactive steps to mitigate the impact on our operations and customers.”

A key component of that strategy was the installation of \$600 million of clean air filtration equipment, also known as scrubbers, which eliminate nearly 100 percent of all sulfur dioxide emissions from Ameren Missouri’s Sioux Plant. Installation of this equipment provided the flexibility to employ the ultra-low sulfur coal compliance strategy that will result in significant customer benefits.

“The bottom line is that this strategy is a win-win for our customers, the environment and the state’s economy,” said Baxter, “With this approach, we will produce cleaner air, reduce the impact of stringent environmental standards on our customers, strengthen our state’s energy and economic future, and enter into a long-term contract with one of Missouri’s leading companies---Peabody Energy.”

Baxter said that while there will still be significant cost savings from this strategy, environmental compliance costs will continue to rise from current cost levels under the recently issued regulations. In addition, the U.S. Environmental Protection Agency is considering additional regulations for air quality, coal ash and water. These new regulations mean compliance costs are likely to rise even more in the

future as final regulations are issued.

This contract is another step in Ameren's long history of aggressively reducing emissions. Since 1990, Ameren Missouri has reduced mass emissions of sulfur dioxide (SO<sub>2</sub>) by 62 percent and mass emissions of nitrogen oxide (NO<sub>x</sub>) by 75 percent.

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Ameren Missouri has been providing electric and gas service for more than a century, and our electric rates are among the lowest in the nation. We serve 1.2 million electric and 126,000 natural gas customers in central and eastern Missouri. Our mission is to meet their energy needs in a safe, reliable, efficient and environmentally responsible manner. Our service area covers 63 counties and more than 500 towns, including the greater St. Louis area. For more information, visit [AmerenMissouri.com](http://AmerenMissouri.com).

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