

June 8, 2001

FILED²

JUN 11 2001

Missouri Public
Service Commission

VIA FEDERAL EXPRESS

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



Re: In the matter of the Application of Union Electric Company
(d/b/a AmerenUE) for an Order Authorizing It to Withdraw
from the Midwest ISO to Participate in the Alliance RTO
Case No. EO-2001-684

Dear Mr. Roberts:

Enclosed for filing in the above-referenced matter are an original and eight (8) copies of the Application of AmerenUE.

Please kindly acknowledge receipt of this filing by stamping as filed a copy of this letter and returning it to the undersigned in the enclosed, self-addressed, stamped envelope.

Sincerely,

A handwritten signature in cursive script, reading "David B. Hennen".

David B. Hennen
Associate General Counsel

DBH:rd
enclosures

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 It to withdraw from the)
Midwest ISO to Participate in the Alliance RTO)

Case No. *EO-2001-684*

FILED²
JUN 11 2001
Missouri Public
Service Commission

**APPLICATION OF UNION ELECTRIC COMPANY FOR
AN ORDER AUTHORIZING IT TO WITHDRAW FROM THE
MIDWEST ISO TO PARTICIPATE IN THE ALLIANCE RTO**

COMES NOW Applicant Union Electric Company, d/b/a AmerenUE ("AmerenUE" or "Company"), and pursuant to the Commission's Order dated May 13, 1999 in Case No. EO-98-413, hereby respectfully requests that the Missouri Public Service Commission ("Commission") authorize AmerenUE to withdraw from the Midwest Independent System Operator, Inc. ("Midwest ISO") in order to participate in the Alliance Regional Transmission Organization ("ARTO"). In support thereof, the Company respectfully states the following:

1. AmerenUE is a Missouri corporation, in good standing in all respects, with its principal office and place of business located at 1901 Chouteau Avenue, St. Louis, Missouri 63103. AmerenUE is engaged in providing electric, gas and steam heating utility services in portions of Missouri as a public utility under the jurisdiction of the Commission. AmerenUE is also engaged in providing electric and gas service in portions of Illinois. There is already on file with the Commission a certified copy of AmerenUE's Restated Articles of Incorporation (see Commission Case No. EA-87-105), and a copy of AmerenUE's Fictitious Name Registration as filed with the Missouri Secretary of State's Office (see Commission Case No. GO-98-486), and said documents are incorporated herein by reference and made a part hereof for all purposes.

2. Pleadings, notices, orders and other correspondence concerning this Application should be addressed to:

David B. Hennen
Associate General Counsel
Ameren Services Company
1901 Chouteau Avenue
P.O. Box 66149 (MC 1310)
St. Louis, MO 63166-6149
(314) 554-4673
Fax: (314) 554-4014
Dhennen@ameren.com

3. AmerenUE does not have any pending action or 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 the last three (3) years. Furthermore, AmerenUE does not have any annual report or assessment fees that are overdue.

Background

4. On November 7, 1995, Union Electric Company ("UE") filed an application with the Commission in Case No. EM-96-149 requesting an order from the Commission authorizing certain merger transactions to effectuate a proposed merger between UE and CIPSCO, Incorporated. Under the terms of the merger agreement, a new holding company, Ameren Corporation ("Ameren") would be formed, and UE and Central Illinois Public Service Company would become wholly-owned subsidiaries of Ameren.

5. On July 12, 1996, the parties to Case No. EM-96-149 filed a Stipulation and Agreement with the Commission which, among other things, specified that the proposed merger should be approved by the Commission, subject to certain conditions and modifications contained therein.

6. On February 21, 1997, the Commission entered its Report and Order in Case No. EM-96-149 approving the Stipulation and Agreement and requiring AmerenUE to file or join in the filing of a regional Independent System Operator ("ISO") proposal at the Federal Energy Regulatory Commission ("FERC") that would eliminate pancaked transmission rates and be consistent with the ISO guidelines set out in FERC Order 888. The February 21, 1997 Order also required UE to file with this Commission a request for approval to participate in the proposed ISO. (Order at p.20)

7. On January 15, 1998, the Midwest ISO filed various documents with the FERC in Docket No. ER98-1438-000 seeking authorization pursuant to Section 205 of the Federal Power Act ("FPA") to become an independent system operator. This filing also sought FERC approval of the Midwest ISO's Open Access Tariff and Midwest ISO Agreement. On the same date, in a related filing, the Midwest ISO also submitted an Application with the FERC pursuant to Section 203 of the FPA requesting authorization to transfer control over certain transmission facilities from their owners (including AmerenUE) to the Midwest ISO.

8. On March 30, 1998, AmerenUE filed an application, in Case No. EO-98-413, requesting Commission authority to participate in the Midwest ISO. The other utilities agreeing to participate in the Midwest ISO at the time of the filing included: Cincinnati Gas & Electric Company, Commonwealth Edison Company (IL), Commonwealth Edison Company of Indiana, Illinois Power, PSI Energy Inc., Wisconsin Electric Power Company, Union Electric Company, Central Illinois Public Service Company, Louisville Gas and Electric Company, and Kentucky Utilities.

9. On September 16, 1998, the FERC issued its order in Docket No. ER98-1438-000

conditionally authorizing the establishment of the Midwest ISO. The FERC also conditionally accepted the Midwest ISO Tariff and Agreement and conditionally approved the transfer of control of transmission facilities to the Midwest ISO, whereby such facility transfer would take place only after the Midwest ISO was determined to be functionally operational. As of the date of this Application filing, the Midwest ISO is not functionally operational.

10. On October 15, 1998, AmerenUE filed a copy of the FERC order issued in Docket No. ER98-1438-000 with the Commission. In its Order the FERC concluded that the Midwest ISO was consistent with FERC's ISO principles set forth in Order 888 and that the Midwest ISO would eliminate pancaked transmission rates.

11. On April 22, 1999, some of the parties in Case No. EO-98-413 filed with the Commission a Stipulation and Agreement. In the Stipulation and Agreement, the parties agreed that the Commission should approve AmerenUE's application to participate in the MISO, subject to certain conditions. One of the conditions in the Stipulation and Agreement was that "[i]n the event that AmerenUE seeks to withdraw from its participation in the Midwest ISO pursuant to Article five or Article Seven of the Midwest ISO Agreement, the Company shall file a Notice of Withdrawal with the Commission, and with any other applicable regulatory agency, and such Withdrawal shall become effective when the Commission, and such other agencies, approve or accept such Notice or have otherwise allowed it to become effective." (Stipulation and Agreement at p. 2-3)

12. On May 13, 1999, the Commission issued its Order in Case No. EO-98-413 approving the Stipulation and Agreement.

13. On June 3, 1999, the Alliance Companies filed an application, in Docket No.

ER99-3144-000, under Section 205 of the FPA, seeking approval for the creation of the Alliance Regional Transmission Organization ("Alliance RTO") and acceptance of the proposed Alliance RTO OATT. On that same day, the Alliance Companies, which consisted of American Electric Power Service Corporation, Consumers Energy Company, The Detroit Edison Company, FirstEnergy Corporation, and Virginia Electric and Power Company (collectively the "Alliance Companies"), also submitted an application, in Docket No. EC99-80-000, under Section 203 of the FPA, requesting the FERC to permit the transfer of jurisdictional facilities to the Alliance RTO.

14. On December 20, 1999, the FERC issued an order ("Alliance Companies I") conditionally authorizing the Alliance Companies to transfer ownership and/or functional control of their transmission facilities to the Alliance RTO, conditionally approving the general framework of the proposed Alliance RTO, and conditionally accepting the Alliance Agreement and each of the agreements and related documents incorporated therein. The FERC's order in Alliance Companies I also directed the Alliance Companies to submit compliance filings for various aspects of their proposal.

15. Also on December 20, 1999, the FERC issued Order 2000, which among other things, set forth the four RTO Characteristics and eight RTO Functions that must be complied with in order to obtain approval from FERC. FERC also established, in Order 2000, "an 'open Architecture' policy regarding RTOs, whereby all RTO proposals must allow the RTO and its members the flexibility to improve their organizations in the future in terms of structure, operations, market support and geographic scope to meet market needs." (United States of America, Federal Energy Regulatory Commission, 89 FERC ¶ 61,285, December 20, 1999.)

16. On February 17, 2000, the Alliance Companies submitted to the FERC their compliance filing providing additional explanation for various aspects of the Alliance Companies' proposal and modified portions of the proposed ISO Bylaws, the Transco Term Sheet and the Operating Protocol, as directed by the FERC in Alliance Companies I.

17. On May 18, 2000, the FERC issued an order ("Alliance Companies II") on the Alliance Companies compliance filing accepting portions while requesting further compliance filings.

18. On September 15, 2000, the Alliance Companies submitted to the FERC another compliance filing providing further clarification as directed by FERC in the orders issued in Alliance Companies I and II. The Alliance Companies claim that the proposed Alliance RTO, as revised by this filing, meets all of the minimum RTO characteristics and functions set forth in Order No. 2000.

19. On September 20, 2000, Illinois Power provided written notice to the Midwest ISO of its intent to withdraw from participation in the Midwest ISO.

20. On October 13, 2000, Dynegy Incorporated, for and on behalf of Illinois Power Company, filed with FERC a Notice of Withdrawal requesting authorization to withdraw Illinois Power's participation in the Midwest ISO. In its Notice of Withdrawal, Illinois Power stated that its decision to withdraw from the Midwest ISO was based on the company's belief that the Alliance RTO is better suited to both its own needs and those of entities that receive transmission service over Illinois Power transmission facilities. (Illinois Power Company, ER01-123-000, October 13, 2000, p. 3.)

21. On October 31, 2000, Commonwealth Edison Company provided written notice to

the Midwest ISO of its intent to withdraw from participation in the Midwest ISO.

22. On November 9, 2000 Ameren Services Company, on behalf of its operating companies Union Electric Company and Central Illinois Public Service Company, provided written notice to the Midwest ISO of its intent to withdraw from participation in the Midwest ISO. Ameren cited in its withdrawal notice a concern for the continued viability of the Midwest ISO and that as a result of the departures of Illinois Power and Commonwealth Edison Company, Ameren's continued participation could create significant operational problems for its operating companies.

23. On December 22, 2000, Exelon Corporation, filed with FERC in Docket No. ER01-780-000 a Notice of Withdraw requesting authorization to withdraw the transmission system of its operating companies, Commonwealth Edison Company and Commonwealth Edison Company of Indiana from participation in the Midwest ISO.

24. On January 11, 2001, Ameren executed an Amendment to the Alliance Agreement to become a transmission owning member of the Alliance RTO. This membership is contingent upon Ameren receiving FERC approval or acceptance for withdrawal from the Midwest ISO and any other required regulatory approvals or acceptances necessary for the release of Ameren's prior commitment to participate in the Midwest ISO and to join the Alliance RTO.

25. On January 16, 2001, Ameren filed with the FERC in Docket No. ER01-966-000, on behalf of its operating companies Union Electric Company and Central Illinois Public Service Company, an unconditional notice of intention to withdraw from the Midwest ISO. Ameren sought permission to withdraw immediately but, in no event later than the earliest date the FERC authorizes the withdrawal of any other transmission system owner from the Midwest ISO.

26. This same day, the Alliance Companies filed their Order No. 2000 compliance filing, which among other things, demonstrated the Alliance Companies' satisfaction of the RTO requirements of Order No. 2000. In addition, this compliance filing contained amendments to the Alliance Agreement to admit new members to the Alliance Agreement. The new members included Dayton Power and Light Company, Commonwealth Edison Company and Commonwealth Edison Company of Indiana, Illinois Power Company, AmerenUE and AmerenCIPS. The filing also included an application under Section 203 of the FPA requesting the FERC to permit the transfer of ownership and/or functional control of transmission facilities of these new members to the Alliance RTO.

27. Also on this same day, the Midwest ISO filed its Order No. 2000 compliance filing, which among other things, demonstrated that the Midwest ISO, as currently comprised, satisfied the RTO requirements of Order No. 2000. However, the Midwest ISO noted in its compliance filing that requests from current members to withdraw would jeopardize the Midwest ISO's ability to meet the Order No. 2000 requirements.

28. On January 24, 2001 the FERC issued an order in the Illinois Power Company withdrawal case in Docket No. ER01-123-000 establishing settlement judge procedures. In this order the FERC stated that "[w]e believe that flexibility for transmission utilities to join the proper RTO is especially important while these organizations form." (Illinois Power Company, 94 FERC ¶ 61,069, January 24, 2001.) The FERC went on to say that "it would be in the best interest of all interested parties in the Midwest region ... to jointly assess the [the differences between the Midwest ISO and the Alliance RTO], and to make one last effort at resolving their differences amicably before the [FERC] rules in this proceeding." Id. The FERC also "encourage[d] the state

commissioners to actively participate in these [settlement judge procedures.] Id.

29. Also on January 24, 2001, the FERC issued an order ("Alliance Companies III") accepting in large part the Alliance Companies' September 15, 2000 filing indicating its complete compliance with the four characteristics and most of the eight functions set forth in Order No. 2000. Most notably, the FERC determined that the current membership of the Alliance (which did not include Illinois Power, Commonwealth Edison or Ameren) along with its intent to negotiate and implement an Inter-RTO-Cooperation Agreement met the Order No. 2000 RTO Characteristic No. 2: Scope and Regional Configuration requirement. However, FERC did require the Alliance Companies to provide further clarification on a few issues and directed that such clarification be made in a compliance filing to be submitted no later than May 15, 2001. The FERC also ordered the Alliance Companies to participate in the settlement judge procedures established by the FERC Order issued in the Illinois Power withdrawal case in Docket No. ER01-123-000.

30. On February 1, 2001, pursuant to the Order issued in Docket No. ER01-123-000, the Chief Administrative Law Judge convened settlement procedures that continued through February 23, 2001. Numerous parties actively and diligently participated in the settlement process including the Missouri Public Service Commission and the Missouri Office of Public Counsel.

31. On February 23, 2001, the Chief Administrative Law Judge issued a report to the FERC stating that a unanimous comprehensive settlement that disposes of all issues in this proceeding and other proceedings pending before the FERC had resulted.

32. On March 21, 2001, a formal Stipulation and Agreement ("Settlement Agreement") was filed with the FERC. Among other things, the Settlement Agreement, if

approved by the FERC, would: (i) eliminate the pancaking of rates between the two RTOs by establishing a super regional rate that will allow for the delivery of energy from any source from within the Alliance RTO and Midwest ISO regions ("Super Region") to any load within the Super Region for a single rate; (ii) provide the basis for a seamless market throughout the Alliance RTO and Midwest ISO; (iii) establish a process for stakeholder involvement in the Alliance RTO; (iv) permit Illinois Power, Commonwealth Edison and Ameren to withdraw from the Midwest ISO and participate in the Alliance RTO by collectively paying an exit fee of \$60 million which will make the Midwest ISO financially sound; and (v) constitute a complete and final resolution of all issues raised or which reasonably could have been raised in the Union Electric Company and Central Illinois Public Service Company withdrawal case pending at FERC in Docket No. ER01-966-000.

33. On March 30, 2001, initial comments to the Settlement Agreement were filed by numerous parties including the Missouri Public Service Commission and the Missouri Office of Public Counsel. Neither the Missouri Public Service Commission nor the Missouri Office of Public Counsel contested approval of the Settlement Agreement.

34. On April 6, 2001, the Chief Judge certified the Settlement Agreement to the FERC. The Chief judge noted that the Settlement Agreement "is the absolute best product that is possible given the state of the energy market at the present time. [The Settlement Agreement] benefits not only all parties, but also the entire consuming public in the Super-Region." (Illinois Power Company, 95 FERC ¶ 63,003, April 6, 2001.) Moreover, "[n]o party or participant objects to the certification of the [Settlement Agreement]. Id.

35. On May 8, 2001, FERC issued its Order on the Settlement Agreement accepting it

after making some minor modifications and clarifications.

36. On May 14, 2001, the Alliance Companies filed with FERC a letter of acceptance indicating that the Alliance Companies, the Midwest ISO, Inc. and the certain Midwest Transmission Owners have accepted the minor modifications and clarifications made by FERC to the Settlement Agreement contained in the FERC's May 8, 2001 Order.

37. On May 15, 2001, Ameren tendered to the Midwest ISO, in accordance with the terms of the Settlement Agreement approved by FERC in its May 8, 2001 Order, \$18 million (\$12.5 million from AmerenUE, \$5.5 million from AmerenCIPS).

The Alliance RTO Structure

38. The Alliance Companies intend to establish the Alliance RTO by forming two companies: Alliance Transmission Company, Inc. ("Alliance Publico") and Alliance Transmission Company, LLC ("Alliance Transco"). Alliance Publico may not be formed upon day 1 of operation.

39. Alliance Transco will be a Delaware limited liability company and will own all the transmission assets divested by the Alliance Companies. Alliance Transco will control, but not own, the transmission facilities of the remaining Alliance Companies through execution of an operating agreement with each of the non-divesting Alliance Companies. It is intended for the Alliance Transco structure to be comprised of one managing member and one or more non-managing members. The managing member will be the entity that elects to form the Alliance Publico, a registered public utility holding company that will be owned and controlled by the public through the sale of voting securities in an initial public offering. The managing member will be the sole holder, at formation, of voting Class A securities in Alliance Transco. A

transmission owner participating in the Alliance RTO will be eligible to own non-voting Class B interests in Alliance Transco if it divests its transmission to Alliance Transco. A non-divesting transmission owner will likewise be eligible to own non-voting Class C interest (if issued) in Alliance Transco, which interests will be exchangeable for non-voting Class B interests when and if the transmission owner makes a capital contribution to Alliance Transco by the divestiture to Alliance of its transmission assets.

40. Once formed, the Alliance Publico will be governed by a board of directors appointed by the shareholders, and the directors of Alliance Publico may not be affiliated with any of the Alliance Companies.

AmerenUE's Participation in the Alliance RTO

41. AmerenUE intends to participate in the Alliance RTO as a non-divesting transmission owner. AmerenUE will be required to execute an operating agreement with the Alliance RTO that will allow the Alliance RTO to control and operate the transmission assets of AmerenUE in accordance with the operating agreement.

42. In exchange for its participation in the Alliance RTO, AmerenUE could receive (if issued) non-voting Class C shares in the Alliance Transco. These non-voting Class C shares will be fully exchangeable for non-voting Class B shares should AmerenUE decide in the future to divest or contribute its transmission assets to the Alliance Transco. The Alliance RTO will compensate AmerenUE for the use of its transmission assets in accordance with the terms and conditions of the Alliance Agreement.

43. AmerenUE will be required to transfer control of its transmission assets to the Alliance RTO once the Alliance RTO is determined to be functionally operational. Until that

time, which is projected to be on, or some short time after, December 15, 2001, AmerenUE will maintain complete control over its transmission assets. The transfer of control of its transmission assets to the Alliance RTO will have no impact on AmerenUE's other ownership rights in its transmission assets.

Requests

44. In accordance with and pursuant to the Stipulation and Agreement approved by the Commission in Case No. EO-98-413, AmerenUE hereby respectfully requests that the Commission continue to demonstrate its support of the Settlement Agreement approved by FERC in its May 8, 2001 Order, that the Commission continue supporting the development of a large, seamless market in the midwest, and in furtherance thereof, that the Commission support the formation of the Alliance RTO, which has been determined by FERC to meet the minimum requirements for an independent system operator, and which when operational will cover an area of 174,500 square miles in eleven states, encompass a population of 39.8 million people, represent a peak load of approximately 108 gigawatts, provide direct connection to generation capacity of 115 gigawatts, and facilitate "one-stop shopping" for transmission service on 54,000 miles of transmission lines making it the single largest RTO in the United States, by approving AmerenUE's withdrawal from the Midwest ISO in order to participate in the Alliance RTO.

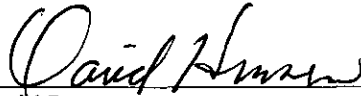
45. To facilitate the goal of the Alliance RTO and the Midwest ISO to be operational by December 15, 2001, AmerenUE respectfully requests that the Commission issue its order in this proceeding as soon as reasonably possible and preferably by a date not later than September 15, 2001.

WHEREFORE, AmerenUE respectfully requests that this Commission enter an order

granting all necessary permission, consent, approval and authority to AmerenUE to withdraw from the Midwest ISO in order to participate in the Alliance RTO.

Respectfully submitted

UNION ELECTRIC COMPANY d/b/a AmerenUE



David B. Hennen

MBE# 0046776

Ameren Services Company

P.O. Box 66149 (MC 1310)

St. Louis, Mo. 63166-6149

(314) 554-4673

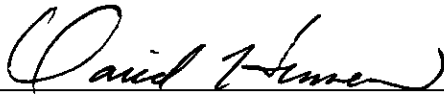
(314) 554-4014 - fax

DHennen@ameren.com

VERIFICATION


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

I, David B. Hennen, an attorney for Union Electric Company, being duly sworn upon my oath, do hereby state that I have read the foregoing document and that the facts stated therein are true and correct to the best of my knowledge, information and belief, and that I am authorized to file such document on behalf of Union Electric Company.



David B. Hennen

Subscribed and sworn to before me this 8th day of June, 2001



Notary Public

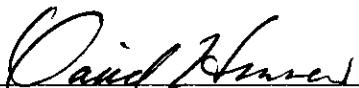
DEBBY ANZALONE
Notary Public - Notary Seal
STATE OF MISSOURI
St. Louis County
My Commission Expires: April 18, 2002

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing document was served on the following parties of record via U.S. First-Class Mail on this 8th day of June, 2001:

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102



David B. Hennen