BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Application of Union Electric Company d/b/a AmerenUE for Approval of Decommissioning Cost Estimate and Funding Level of Nuclear Decommissioning Trust Fund.	))))	Case No. EO-2006-0098

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW Union Electric Company d/b/a AmerenUE ("AmerenUE""), the Staff of the Missouri Public Service Commission ("Staff"), and the Office of the Public Counsel ("Public Counsel"), and submit this Unanimous Stipulation And Agreement ("Agreement") to the Missouri Public Service Commission ("Commission") in resolution of Case No. EO-2006-0098.

INTRODUCTION

The Legislature provided, in Section 393.292 RSMo 2004,[1] that the Commission may authorize changes to the rates and charges of an electrical corporation as a result of a change in the level or annual accrual of funding necessary for its nuclear power plant decommissioning trust fund. This statute creates a narrow exception to the general requirement that the Commission must consider "all relevant factors," prior to changing any rate charged by a utility under its jurisdiction. See State ex. rel. Utility Consumers Council of Missouri, Inc. v. Public Serv. Comm'n, 585 S.W.2d 41 (Mo. banc 1979). Under Section 393.292, the Commission may limit its review in nuclear decommissioning trust fund cases to only those factors relevant to the funding level or accrual rate of the trust fund when deciding matters related to the rates and charges associated with that fund. Further, Section 393.292 gives the Commission authority to

[1] All statutory references are to Revised Statutes of Missouri 2004, unless otherwise noted. Section 393.292 was enacted by the Missouri Legislature in Laws 1989 and has not been amended.

adopt rules and regulations governing the procedures associated with these tariff changes as well as to ensure that the amounts contained in the trust funds will be neither "greater nor lesser than the amounts necessary to carry out the purposes of the trust." In Case No. EX-90-110, the Commission adopted the original decommissioning rule, 4 CSR 240-20.070.

4 CSR 240-3.185(3) states, in part: "On or before September 1, 1990 and every three (3) years after that, utilities with decommissioning trust funds shall perform and file with the commission cost studies detailing the utilities' latest cost estimates for decommissioning their nuclear generating unit(s) along with the funding levels necessary to defray these decommissioning costs."

AmerenUE established an external nuclear decommissioning trust fund as a result of its Callaway Plant ("Callaway") rate case decided by the Commission in 1985. Re Union Electric Co., Case Nos. EO-85-17 and ER-85-160, 27 Mo.P.S.C. (N.S.) 183, 249, 256-57 (1985); See also, Re Union Electric Co., Case Nos. ER-84-168 and EO-85-17, 27 Mo.P.S.C. (N.S.) 164 (1984).

On August 30, 2002, AmerenUE filed an Application (Case No. EO-2003-0083 [2]) with the Commission for approval of its then-current decommissioning cost estimate and continuation of the then-current authorized funding level for its nuclear decommissioning trust fund for Callaway. A Unanimous Stipulation And Agreement, settling all issues pertaining to Case No. EO-2003-0083 was filed on December 10, 2002. Among other things, said Unanimous

[2] Application of Union Electric Company, d/b/a AmerenUE for Approval of Decommissioning Cost Estimate and Funding Level of Nuclear Decommissioning Trust Fund.

Stipulation And Agreement maintained the annual decommissioning expense accrual and trust fund payment at $6,214,184.

On May 2, 2005, the Company closed the "Metro East Property Transfer", as approved by the Commission in its Report And Order On Rehearing in Case No. EO-2004-0108. As of the closing, all of AmerenUE's Illinois customers were transferred to AmerenCIPS. Thus, AmerenUE ceased to have any Illinois ratepayers at that point in time and no further decommissioning revenues will be collected from those former ratepayers. As Missouri ratepayers receive almost all of the Callaway Plant capacity formerly received by the Illinois ratepayers, the majority of the decommissioning liability formerly borne by the Illinois ratepayers was likewise shifted to the Missouri ratepayers. In accordance with the Commission's Report And Order On Rehearing in Case No. EO-2004-0108, ninety-eight percent of the Illinois jurisdictional sub-account of the decommissioning trust fund was transferred to the Missouri jurisdictional sub-account upon the closing, with the remainder transferred to the Wholesale (FERC) jurisdictional sub-account. The Illinois jurisdictional sub-account was subsequently eliminated. Prior to the May 2, 2005 closing, annual decommissioning expenses of $6,214,184 and $272,554 were collected from AmerenUE's Missouri and Illinois electric ratepayers, respectively. Quarterly contributions of $1,553,546.00 and $68,138.50 were made to the Missouri and Illinois jurisdictional sub-accounts of the decommissioning trust fund, respectively. Upon the closing, in accordance with the Report And Order On Rehearing, the annual Missouri decommissioning expense and contribution amount was increased from $6,214,184 to $6,486,378 to reflect the increased liability for decommissioning costs assumed by the Missouri ratepayers. The decommissioning expense and contribution amount associated with the Illinois jurisdiction ceased upon the closing. The contribution to the Missouri jurisdictional sub-account

of the decommissioning trust for the quarter ending June 30, 2005 was pro-rated to reflect the number of days in the quarter prior to the May 2, 2005 closing date that the $6,214,184 annual decommissioning expense and contribution amount was in effect and the number of days following the transfer that the $6,486,378 annual decommissioning expense and contribution amount was in effect. The resulting pro-rated contribution to the sub-account for the quarter was in the amount of $1,598,413.14.

THE 2005 COST STUDY

On August 30, 2005, AmerenUE, pursuant to 4 CSR 240-3.185(3), filed its Application for Approval of Decommissioning Cost Estimate for Callaway Plant and Funding Level of Nuclear Decommissioning Trust Fund (the "Application"). Attachment 1 to the Application is a cost study (the "2005 Study") detailing AmerenUE's latest cost estimate for decommissioning Callaway entitled "Decommissioning Cost Analysis for the Callaway Plant," dated August 29, 2005. TLG Services, Inc. ("TLG"), a consulting engineering firm, prepared the 2005 Study for AmerenUE[3]. Attachment 2 to the Application is AmerenUE's analysis of the current funding level for the decommissioning trust, as set forth in a five-page document entitled "Callaway Plant Tax-Qualified Nuclear Decommissioning Trust Fund Projection, Missouri Jurisdiction" (the "Economic Analysis").

In the Application, AmerenUE requested that the Commission: (1) approve the 2005 Study and the Economic Analysis, which are AmerenUE's estimate of decommissioning costs and the funding level necessary to defray said costs, and (2) specifically find that the annual

[3] Since 1982, TLG has provided engineering and field services for contaminated facilities including estimates of decommissioning costs for nuclear generating units. TLG also prepared the decommissioning cost estimates for Callaway that were filed with and approved by the Commission in 1999 and 2002.

funding level contributed to the decommissioning trust fund is included in AmerenUE's current cost of service for rate-making purposes and is based on the underlying assumptions contained in the Economic Analysis.

In the 2005 Study, TLG examined three decommissioning options: (a) DECON,[4] (b) SAFSTOR,[5] and (c) ENTOMB.[6] All three alternatives are acceptable to the Nuclear Regulatory Commission ("NRC"). However, the ENTOMB option is currently not considered viable because the NRC is considering a rulemaking to alter the 60-year completion window and to clarify the use of engineered barriers for reactor entombments. Therefore, no 2005 cost analysis is provided for the ENTOMB option pending outcome of a possible new NRC rulemaking. For the purposes of the 2005 Study, the final shutdown date of Callaway is projected to occur in 2024[7].

[4] DECON assumes decontaminating and decommissioning immediately following conclusion of power operations in 2024, when the 40 year operating license expires. Work is anticipated to be completed by 2034. DECON consists of removal of fuel assemblies, source material, radioactive fission and corrosion products, and other radioactive materials immediately after cessation of power operations. Total estimated cost to decommission in 2005 Dollars is $586,515,200.

[5] SAFSTOR places the facility in protective storage for deferred decontamination to levels that permit release for unrestricted use. Delayed decontamination and dismantling activities are initiated once spent fuel and source material are removed, such that license termination is accomplished within the 60-year time period set by the NRC. This process is anticipated to be completed by 2087. Total estimated cost to decommission in 2005 Dollars is $759,143,000.

[6] ENTOMB places the facility in protective storage. Radioactive contaminants are encased in a long-lived material such as concrete and the entombed structure is appropriately maintained and continued surveillance is carried out until the radioactive material decays to a level permitting unrestricted release of the property. Initial activities include: removing contaminated components, systems, and structures outside the designated entombment boundary, and sealing the remaining radioactivity within the reactor containment building. This process is restricted in overall duration to 60 years and is anticipated to be completed by 2086. The 2005 study states: "The 60-year restriction has limited the practicality of the ENTOMB alternative at commercial reactors that generate significant amounts of long-lived radioactive material. As such, the NRC is currently re-evaluating this option and the technical requirements and regulatory actions that would be necessary for entombment to become a viable option."

[7] If decommissioning financial assurance is provided by an external sinking fund, 10 CFR 50.75(e)(1)(ii) requires that "the total amount of funds would be sufficient to pay decommissioning costs at the time termination of operation is expected." Because AmerenUE does not contemplate shutting down Callaway prior to the end of its license life, the shutdown date used in the Economic Analysis is 2024, the year in which Callaway's NRC Operating license expires.

The Economic Analysis summarizes a detailed analysis by AmerenUE based on the premise that the current contribution to the decommissioning trust should be changed only if it does not result in a final trust account balance which is just sufficient to cover the predicted decommissioning costs under a reasonable set of economic, financial, and investment assumptions. The calculations called for in the Economic Analysis were performed in a manner consistent with previous filings. AmerenUE owns 100 percent of Callaway and the Economic Analysis allocated 98.40 percent of Callaway to AmerenUE's Missouri retail operations. [8]

AmerenUE performed its Economic Analysis to verify the adequacy of the current annual funding level ($6,486,378), given the revised prediction of decommissioning costs from the 2005 Study ($586,515,200). Based on this analysis, AmerenUE has concluded that its current funding level should result in a final decommissioning trust amount which is sufficient to cover the costs estimated in the 2005 Study under what AmerenUE believes are a reasonable set of economic, financial and investment assumptions. Consequently, AmerenUE does not seek any changes to its funding level, and asks the Commission to approve the current funding level amount, which is consistent with the Commission's Report And Order On Rehearing in Case No. EO-2004-0108. Because AmerenUE is not proposing a change in the funding level, AmerenUE has not filed new tariffs regarding its funding of decommissioning, is not requesting a hearing, and does not believe that a hearing is required respecting its decommissioning cost study filing.

[8] Commission rule 4 CSR 240-20.070(4)(C) states, in relevant part: "Amounts to be contributed annually for Missouri jurisdictional customers shall be computed based on the jurisdictional allocator used in the company's last general rate proceeding unless otherwise ordered by the commission." As decommissioning funding analysis is by its nature a forward looking projection, using a historical Missouri jurisdictional allocator that did not incorporate the effects of significant recent events, including the Metro-East Property Transfer and the Noranda contract, would understate the Missouri demand allocation and could subsequently result in inadequate decommissioning funding. To avoid this, AmerenUE used a pro forma jurisdictional demand allocator of 98.40%, which incorporates the effects of the Metro-East Property Transfer and the Noranda contract, in the Economic Analysis.

STIPULATIONS AND AGREEMENTS

AmerenUE, the Staff, and Public Counsel, the only parties to this case have reached certain understandings, and therefore stipulate and agree as follows:

1. AmerenUE's Missouri retail jurisdiction annual decommissioning expense accrual and trust fund payment was set by the Commission at $6,214,184, first in Case No. EO-91-300, Re Union Electric Co., Mo.P.S.C.3d 356 (1992), again in Case No. EO-94-81, Re Union Electric Co., 3 Mo.P.S.C.3d 68 (1994), again in Case No. EO-97-86, again in Case No. EO-2000-205, and again in Case No. EO-2003-0083.[9] In Case No. EO-2004-0108, the Commission addressed decommissioning trust funding along with the transfer of AmerenUE's Metro East property to AmerenCIPS. In its Report And Order On Rehearing in that case, the Commission ordered an increase in the annual Missouri decommissioning expense and contribution amount from $6,214,184 to $6,486,378[10] to reflect the increased liability for decommissioning costs

[9] In 1984 in AmerenUE's Callaway rate case, AmerenUE and the Staff stipulated that the decommissioning cost of Callaway was $120,000,000 in 1983 Dollars. As a result of the Commission's Callaway Report And Order, AmerenUE's Missouri jurisdictional annual trust fund payment requirement was set at $2.9 million. Re Union Electric Co., Case Nos. EO-85-17 and ER-85-160, 27 Mo.P.S.C.(N.S.) 183, 249 (1985). In Case No. EO-91-300, which was AmerenUE's first filing pursuant to 4 CSR 240-20.070, a Unanimous Stipulation And Agreement was accepted by the Commission which identified the cost in 1990 Dollars to immediately decommission Callaway, as if it had completed 40 years of service, as being $347 million and set AmerenUE's Missouri retail jurisdiction annual trust fund accrual and payment requirement as $6,214,184. The great increase in the cost estimate was due principally to a major increase in the projected cost charged by licensed facilities for disposal of low-level radioactive waste. (Low-level radioactive waste should not be confused with high-level radioactive waste and spent nuclear fuel. The federal fee, which is collected with each kilowatt hour of electricity generated by Callaway, relates to disposal facilities for high-level radioactive waste and spent nuclear fuel, not disposal facilities for low-level radioactive waste.) In Case Nos. EO-94-81, EO-97-86, EO-2000-205 and EO-2003-0083, Unanimous Stipulation And Agreements were accepted by the Commission which identified the costs in 1993, 1996, 1999 and 2002 Dollars, respectively, to immediately decommission Callaway, as if it had completed 40 years of service, as being $371,511,680, $419,975,000, $509,451,856 and $515,339,000, respectively. In all four cases, AmerenUE's Missouri retail jurisdiction annual trust fund accrual and payment requirement remained at $6,214,184, as that amount was determined to be adequate for the funding of future decommissioning expenses.

[10] The Report And Order On Rehearing in Case No. EO-2004-0108 contains a typographical error that transposed the second and third digits from the right in the annual contribution amount to the Missouri jurisdictional subaccount. Because this error has an insignificant impact on trust fund funding, AmerenUE used this actual ordered amount as its present annual contribution amount.

assumed by the Missouri ratepayers. Now, in the instant Application, AmerenUE requested the Commission continue the annual accruals at $6,486,378, the amount ordered by the Commission in Case No. EO-2004-0108.

2. On August 30, 2005, AmerenUE filed its Application along with the 2005 Study and Economic Analysis. AmerenUE, the Staff and Public Counsel request that the Commission recognize in its Order for this case that AmerenUE's Application, 2005 Cost Study and Economic Analysis meet the requirements of 4 CSR 240-3.185(3).

3. The 2005 Study estimates the decommissioning cost for the DECON alternative to be $586,515,200 in 2005 dollars, which is 13.8% higher than the 2002 estimate of $515,339,000 and represents approximately a 4.41% annualized escalation rate over the 3-year period.

4. AmerenUE deems the current contribution of $6,486,378 to be reasonable inasmuch as it results from a set of economic, financial and investment assumptions, including inflation rates, which are themselves considered reasonable by AmerenUE. (See Attachment 2 to the Application.) Therefore, AmerenUE believes that it is reasonable and prudent to continue the annual Missouri jurisdictional accruals at the current level of $6,486,378.

5. AmerenUE shall continue its Missouri retail jurisdiction expense accruals and trust fund payments at current levels without any change in its Missouri retail jurisdictional rates.

6. Annual decommissioning costs in the amount of $6,486,378 are, and should continue to be, included in AmerenUE's cost of service and reflected in its current rates for ratemaking purposes. AmerenUE, the Staff and Public Counsel request that this finding be specifically recognized in the Commission's Report and Order and note that this finding is required in order for the decommissioning fund to retain its qualified tax status.

7. AmerenUE, the Staff and Public Counsel request that the Commission in its Order in this case approve, pursuant to 4 CSR 240-20.070(4)(C), the use of a jurisdictional demand allocator of 98.40%.

8. AmerenUE or its trustee shall file, on a prospective basis in the instant docket, one copy of the quarterly reports required by 4 CSR 240-3.185(1) and one copy of the annual reports required by 4 CSR 240-3.185(2). Payments to the trustee of the external trust fund are made on a quarterly basis in the month following the end of the quarter to which the payment applies.

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

10. 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, regarding cross-examination or a decision in accordance with Section 536.080.1 RSMo or Art. V, Section 18 Mo. Const. The parties shall retain all procedural and due process rights as fully as though this Agreement had not been presented for approval, and any testimony or exhibits that may have been offered or received in support of or in opposition to 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.

11. To assist the Commission in its review of this Agreement, the parties also request that the Commission advise them of any additional information that the Commission may desire from the parties related to the matters addressed in this Agreement, including any procedures for furnishing such information to the Commission.

12. The Staff is filing a Staff Recommendation in conjunction with this Agreement. The Staff intends that the Staff Recommendation serve as its suggestions in support of the Agreement. The other parties shall have the right to file responses. Any memorandum submitted shall not bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Agreement, whether or not the Commission approves and adopts this Agreement.

13. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum responsive to the Commission's request. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all parties. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Agreement, whether or not the Commission approves and adopts this Agreement.

14. The Staff also shall have the right to provide, at any agenda meeting at which this Agreement is noticed to be considered by the Commission, whatever oral explanation the

Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

15. Because this is an Agreement with the sole purpose of addressing the authority requested by the Application of AmerenUE, except as specified herein, the parties to the 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 the Agreement or in any way condition its approval of the same, except as stated herein. Because this is an Agreement for the purpose of settling matters in this case, it shall not be cited as precedent or referred to in testimony as an assertion of the particular position of any party in any subsequent or pending judicial or administrative proceeding, except that this shall not be construed to prohibit reference to its existence in future proceedings, including proceedings to enforce compliance with its terms.

16. The 2005 Study and the Economic Analysis shall be received into evidence.

17. Pursuant to 393.292 RSMo and 4 CSR 240-3.185, the parties agree that the Commission may review for good cause, including a change of circumstances of a material nature, and authorize changes to AmerenUE's rates and charges as a result of a change in the annual accrual of funding for the Missouri jurisdictional sub-account of the Callaway decommissioning trust, after a full hearing, including but not limited to any general rate increase

case or excess earnings complaint case, and after considering all facts relevant to such accrual rate.

18. The provisions of this Agreement have resulted from numerous discussions/negotiations among the signatory 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 no party hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof unless otherwise provided herein.

19. In the event the Commission accepts the specific terms of this Agreement, the signatories waive their respective rights: a) to cross-examine witnesses pursuant to Section 536.070(2) RSMo; b) to present oral argument and written briefs pursuant to Section 536.080.1 RSMo; c) to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo; and d) to judicial review pursuant to Section 386.510 RSMo. This waiver applies only to a Commission Report and Order respecting 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.

WHEREFORE, the signatories hereto request that the Commission issue an order:

1. Approving the Unanimous Stipulation And Agreement;
2. Receiving into evidence this Unanimous Stipulation And Agreement, the 2005 Study, and the Economic Analysis;
3. Finding, pursuant to this Unanimous Stipulation And Agreement, that AmerenUE's retail jurisdiction annual decommissioning expense accruals and trust fund payments shall continue at the current level of $6,486,378;

4. Finding, in order for the Callaway decommissioning trust fund to retain its qualified tax status, that the current decommissioning costs for Callaway are included in AmerenUE's current cost of service and are reflected in its current rates for ratemaking purposes;

5. Recognizing that AmerenUE's 2005 Cost Study meets the requirements of 4 CSR 240-3.185(3);

6. Directing that AmerenUE or its trustee file, on a prospective basis in Case No. EO-2006-0098, one copy of the quarterly reports required by 4 CSR 240-3.185(1) and one copy of the annual reports required by 4 CSR 240-3.185(2); and

7. Approving, pursuant to 4 CSR 240-20.070(4)(C), the use of a jurisdictional demand allocator of 98.4%.

Respectfully submitted,

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile, or electronically mailed to all counsel of record this 15th day of December 2005.

/s/ Dennis L. Frey