

**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 Commission)	
Approval for a Sale of Utility Assets by)	Case No. _____
Union Electric Company d/b/a AmerenUE to)	
Citizens Electric Cooperative.)	

APPLICATION

COMES NOW Union Electric Company doing business as AmerenUE, pursuant to Section 393.190 RSMo. 2000, 4 CSR 240-2.060(1) and 4 CSR 240-3.110, and for its Application in the above matter, states as follows:

1. Union Electric Company, a Missouri corporation doing business under the fictitious name of AmerenUE (“AmerenUE”), is 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 and gas services in portions of Missouri as a public utility under the jurisdiction of the Missouri Public Service Commission (“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 Articles of Incorporation and Certificate of Corporate Good Standing (see Commission Case No. EF-2003-0514) and AmerenUE’s Fictitious Name Registration as filed with the Missouri Secretary of State’s Office (see Commission Case No. GO-98-486). Said documents are incorporated herein by reference and made a part hereof for all purposes in accordance with 4 CSR 240-2.060(1)(G).

2. To the best of AmerenUE’s knowledge, it does not have any pending actions or final unsatisfied judgments or decisions against it from any state or federal regulatory agency or

court which involves customer service or rates, which action, judgment or decision has occurred within three (3) years of the date of this Application.

3. AmerenUE does not have any overdue Commission annual reports or assessment fees.

4. Correspondence, communications and orders of the Commission regarding this Application should be addressed to:

Mr. David B. Hennen
Associate General Counsel
Ameren Services Company
1901 Chouteau Avenue
P.O. Box 66149 (MC 1301)
St. Louis, MO 63166-6149

5. In the past, AmerenUE was the sole supplier of electric energy to Citizens Electric Corporation (“Citizens”) and sold said electric energy to Citizens pursuant to bundled energy and transmission contracts subject to and approved by the Federal Energy Regulatory Commission (“FERC”).

6. In 1996, the FERC issued Order No. 888 which required transmission owning utilities, including AmerenUE, to provide non-discriminatory, open-access transmission service over its transmission system to all eligible customers, including Citizens, pursuant to an open access transmission tariff (“OATT”) that was consistent with or superior to the “pro forma OATT” contained in Order No. 888.

7. Consistent with FERC Order No. 888, AmerenUE and its affiliate Central Illinois Public Service Company d/b/a AmerenCIPS (“AmerenCIPS”), have provided transmission service to all eligible customers pursuant to a single, FERC approved OATT.

8. However, on May 1, 2004, after receiving the necessary regulatory approvals, including approval from this Commission, AmerenUE and AmerenCIPS transferred functional control of their transmission systems to the Midwest ISO through a contractual arrangement with GridAmerica, LLC. As a result, AmerenUE and AmerenCIPS no longer provide transmission service pursuant to the Ameren OATT. As of May 1, 2004, the Midwest ISO now provides non-discriminatory, open access transmission service on the AmerenUE and AmerenCIPS transmission systems (“Ameren Transmission System”) to eligible customers pursuant to the Midwest ISO OATT.

9. Pursuant to the terms of a Wholesale Electric Service Agreement dated November 18, 1988, between AmerenUE and Citizens (hereinafter referred to as the “Service Agreement”), Citizens was given the right to acquire ownership of certain 138 kV transmission lines as more fully described below. A copy of the Service Agreement, as amended on March 22, 1993, is attached hereto as Appendix 3 and incorporated herein by reference.

10. Section 14 of the Service Agreement states that “[a]t the termination of this Agreement . . . , Purchaser [Citizens] may acquire ownership of Line Sections A, B, C (except as hereinafter otherwise provided) as described in Exhibit B” Page 3 of Exhibit B to the Service Agreement describes Line Sections A and B, to wit:

Company [AmerenUE] will continue to own, operate and maintain the following transmission line sections for delivery of service to delivery points described herein.

Line Section A – Company [AmerenUE] will continue to own, operate and maintain its 138,000 volt line from Company’s Rivermines Substation to Purchaser’s New Bourbon Substation near Ste. Genevieve, Missouri.

Line Section B – Company [AmerenUE] will continue to own, operate and maintain its 138,000 volt line to Purchaser’s [Citizens’] Seminary Substation near Perryville, Missouri, from

Central Illinois Public Service Company's (CIPS) Grand Tower
Power Plant.

11. By letters dated May 21, 2001, addressed to Mr. Charles W. Mueller and September 27, 2001, addressed to Mr. Richard J. Kovach, Citizens notified AmerenUE of its intent to purchase Line Sections A and B.

12. The lines AmerenUE proposes to sell to Citizens are described as follows:

a. Line Section A, known as the Ste. Genevieve-Rivermines-1 138 kV transmission line (hereinafter referred to as "Line Section A"), is approximately 28 miles in length, and extends from AmerenUE's Rivermines Substation located in St. Francois County, Missouri, to Citizens' New Bourbon Substation located approximately two (2) miles southwest of Ste. Genevieve, Missouri.

b. Line Section B, known as the Grand Tower-Perryville 138 kV transmission line (hereinafter referred to as "Line Section B"), is approximately 23 miles in length and extends from Ameren Energy Generating Company's Grand Tower Power Plant to Citizens' Seminary Substation located within the city limits of Perryville in Perry County, Missouri. Line Section B includes Mississippi River crossing conductors and a single AmerenUE steel tower in Illinois to which the conductors are connected.

13. Citizens already owns the 138 kV line which connects the Ste. Genevieve-Rivermines-1 and Grand Tower-Perryville lines together. Citizens refers to this connecting line as the Seminary-New Bourbon T35 line, which is approximately 17.48 miles in length ("Line Section Z").

14. Upon approval of the proposed sale by the Commission, and upon receipt of approval by FERC, AmerenUE and Citizens intend to consummate an Asset Purchase Agreement (the "Asset Agreement"), a form of which is attached hereto as Appendix 1 and

incorporated herein by reference, pursuant to which AmerenUE proposes to sell and Citizens agrees to buy Line Sections A and B for a purchase price of \$787,643.83, which price represents Ameren's net plant value of the lines as adjusted in accordance with the Service Agreement. The parties have not yet executed the form Asset Agreement attached hereto in order to allow the parties more time to incorporate provisions related to (i) a reservation that AmerenUE needs incorporated into the assignment of easement rights to Citizens in conjunction with the sale of Line Section A that will permit AmerenUE to access a thirty (30) foot wide strip of property along the entire length of such easement where AmerenUE's 138kV St. Francois – New Bourbon line runs parallel and adjacent to Line Section A and that AmerenUE will continue to own and operate after the sale of Line Section A; (ii) the vegetation management responsibility for the portion of Line Section A right-of-way that will be adjacent to AmerenUE's St. Francois – New Bourbon line; and (iii) the arrangements that will need to be made regarding the portion of Line Section A where only the conductors will be sold to Citizens and the towers to which these conductors are attached will continue to be owned by AmerenUE after the sale of Line Section A to Citizens. Once the parties have finalized these terms and executed the contract, AmerenUE will supplement this application with the revised Asset Agreement.

15. A copy of a map illustrating the approximate configuration of Line Sections A, B and Z is attached hereto as Appendix 2 and is incorporated herein by reference.

16. The original purpose for AmerenUE's construction of Line Sections A and B was to increase AmerenUE's ability to deliver electric energy to Citizens and to satisfy Citizens' future demands for electric service. The Commission approved construction of Line Section A in Case No. 15,628 by virtue of a Report and Order dated November 2, 1964. Line Section A was placed into service on June 10, 1966. The Commission approved construction of Line

Section B in Case No. 16,861 by virtue of a Report and Order dated February 10, 1970. Line Section B was placed into service on October 18, 1971.

17. AmerenUE has one substation connected to Line Section A known as Esther Substation. AmerenUE's long-range plan is to feed Esther Substation from a different 138 kV source within its system. In the interim, AmerenUE will be able to continue to feed this substation from Line Section A.

18. No other AmerenUE retail customers are served through distribution facilities directly tied to Line Sections A and B. Rather, Line Sections A and B have served, and will continue to serve, as a means to deliver energy to Citizens and to carry regional flows. Line Sections A and B will continue to further the original goal of maintaining adequate delivery capability to serve Citizens' growing load requirements.

19. The sale of Line Sections A and B is not detrimental to the public interest. As noted above, no other AmerenUE retail customers are served through distribution facilities directly tied to Line Sections A and B. Consequently, the sale will not cause any customer to change its service provider. Further, Line Sections A and B will continue to serve as a viable and useful facility for the interchange of electric energy between AmerenUE and Citizens and other regional utilities. The change in ownership of Line Sections A and B will be inconsequential in that regard. The sale of Line Sections A and B to Citizens should be entirely transparent to AmerenUE's customers. There will be no interruption or deterioration in the reliability of electric service to AmerenUE's Esther Substation as a consequence of the proposed transaction.

20. Pursuant to Section 30.9 of the Midwest ISO OATT, upon purchasing Line Section A and B, Citizens would "be eligible to receive consideration either through a billing

credit or some other mechanism” from the Midwest ISO due to its ownership of Line Sections A and B. The payment of a billing credit to Citizens is designed to allow Citizens to recover from third party users of Line Sections A and B, including AmerenUE, the cost of owning and operating Line Sections A and B. The amount of the Citizens’ billing credit that would come from AmerenUE would be based on AmerenUE’s load ratio share of the use of the Ameren Transmission System within the Midwest ISO (which for purposes of calculating the billing credit would include Line Sections A and B) relative to all other users of the Ameren Transmission System. Effectively, if the sale of Line Sections A and B is approved and Citizens receives a billing credit under the Midwest ISO OATT, AmerenUE will continue to pay approximately 66% of the annual revenue requirement associated with Line Sections A and B and Citizens would be responsible for approximately 2% of the annual revenue requirement. The remaining 32% of the annual revenue requirement will come from other users of the Ameren Transmission System.

21. The sale of Line Sections A and B should have no material impact on the tax revenues of the political subdivisions in which any of the structures, facilities or equipment involved in the sale are located. Any reduction in AmerenUE’s local tax obligation to the political subdivisions will be offset by Citizens’ obligation on a prospective basis to make the property tax payments to the local political subdivisions where Line Sections A and B are located.

WHEREFORE, for the foregoing reasons, AmerenUE respectfully requests an order of the Commission authorizing the sale of Line Sections A and B to Citizens pursuant to the terms of the form of Asset Purchase Agreement attached hereto as Appendix 1, subject to the receipt of

approval by FERC, and for authority to execute and deliver any and all reasonably necessary documentation required in furtherance of the stated objectives of this Application.

Respectfully submitted,

AMEREN SERVICES COMPANY

By: _____

David B. Hennen
Missouri Bar No. 0046776
Associate General Counsel
Ameren Services Company
1901 Chouteau Ave.
P.O. Box 66149, MC630
St. Louis, MO 63166-6149

July 30, 2004

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the above and foregoing document was sent via U.S. mail, postage prepaid on this 30th day of July, 2004, to:

General Counsel's Office
Missouri Public Service Commission
200 Madison Street
P.O. Box 360
Jefferson City, MO 65102

Office of the Public Counsel
Governor Office Building
200 Madison Street
P.O. Box 7800
Jefferson City, MO 65102

David B. Hennen

AFFIDAVIT

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

I, David B. Hennen, having been duly sworn upon my oath, state that I am an Associate General Counsel of Union Electric Company d/b/a AmerenUE, that I am duly authorized to make this affidavit on behalf of Union Electric Company and that the matters and statements contained in the foregoing Application and attached appendices and exhibits are true and correct to the best of my information, knowledge and belief.

Subscribed and sworn to before me this 30th day of July, 2004.

Notary Public

My Commission Expires:

Attachments Provided:

Appendix 1 is a form of the Asset Purchase Agreement

Appendix 2 is a map illustrating the locations of Line Sections A & B.

Appendix 3 is a copy of the 1988 Wholesale Electric Service Agreement