Notice of *Ex Parte* Contact

TO: Data Center
All Parties in Case No. **ER-2007-0002**

FROM: Chairman Jeff Davis
Commissioner Connie Murray
Commissioner Steve Gaw
Commissioner Robert Clayton
Commissioner Lin Appling

DATE: January 4, 2007

On January 4, 2007 we received the attached letter from Mr. Thomas R. Voss regarding Ameren. The Commission is currently considering the issues discussed in this document in case **ER-2007-0002** which is a contested case. In contested cases, the Commission is bound by the same *ex parte* rule as a court of law.

Although communications from members of the public and members of the legislature are always welcome, those communications must be made known to all parties to a contested case so that those parties have the opportunity to respond. According to the Commission's rules (4 CSR 240-4.020(8)), when a communication (either oral or written) occurs outside the hearing process, any member of the Commission or Regulatory Law Judge who received the communication shall prepare a written report concerning the communication and submit it to each member of the Commission and the parties to the case. The report shall identify the person(s) who participated in the *ex parte* communication, the circumstances which resulted in the communication, the substance of the communication, and the relationship of the communication to a particular matter at issue before the Commission.

Therefore, we submit this report pursuant to the rules cited above. This will ensure that any party to this case will have notice of the attached information and a full and fair opportunity to respond to the comments contained therein.

cc: Commissioners
Executive Director
Secretary/Chief Regulatory Law Judge
General Counsel

AmerenUE

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1901 Chouteau Avenue
PO Box 66149
St. Louis, MO 63166-6149
314.621.3222

January 4, 2007

Mr. Jeff Davis, Chairman
Missouri Public Service Commission
Governor Office Building
200 Madison Street
Jefferson City, MO 65102

Dear Chairman Davis:

This is in response to Mr. Warren Wood's December 6, 2006, letter to Gary Rainwater that outlined a request from the Missouri Public Service Commission to offer potential actions that AmerenUE could take to improve the reliability of electric service, in particular during severe weather events. A uniquely devastating combination of two tornado-laden summer storms within two days of each other, followed four months later by the worst ice storm this region has seen in almost 30 years, has prompted this request. I understand the frustration AmerenUE customers have faced and the frustration the Commission sees in dealing with such complex and uncontrollable events. Customers' expectations in the 21st century are very high, and we want to explore the ways and issues to meet these expectations. We appreciate the Commission's inquiry and look forward to a constructive dialog on the issues raised by these storms.

From our perspective, a discussion of issues surrounding system reliability is not simply a discussion of what can be done to prevent significant outages during a severe storm. As we have witnessed in the Midwest, the Gulf Coast and more recently the Northwest, severe storms cause significant outages in terms of number of customers and duration. The results of severe storms do not necessarily show that a distribution system is poorly designed or maintained. Instead, they show that severe storms have severe results.

Second, AmerenUE's storm response was immediate and well executed. The Commission Staff in its November 17, 2006, report on the July storms said "AmerenUE's planning process was well developed" and "AmerenUE's restoration effort was well executed." We agree. Yet

when looking at the overall weather situation for 2006, the National Oceanographic and Atmospheric Administration's weather forecast office in St. Louis reported experiencing more severe weather than any other office in the National Weather Service this year, with a total of 723 severe weather events recorded.

Third, AmerenUE's present tree trimming policies or schedule were not an overriding factor in these storms. Some of the most severe damage and lengthy customer outages in the July 2006 storm were in an area recently trimmed. In Illinois, Ameren is on a four-year trim cycle, and 235,000 customers still lost service in the November 30 – December 1 ice storm. A new tree removal program and more aggressive trimming approach that will require customer consent may be needed, along with full and timely rate recovery of incurred costs, to appropriately address the threat trees have on the electric system during severe storms.

I am convinced there is no simple solution or immediate action that can be taken to solve the problem of extreme weather damage. However, I agree it is appropriate to start a public dialog to determine future actions and investments that are necessary to "harden" the AmerenUE system.

In response to the issues raised in Mr. Wood's December 6, 2006, letter, we have assembled the attached list of possible programs, process changes, and regulatory/legislative approaches to address customer needs and desires on a going-forward basis. Also attached for convenience is a copy of AmerenUE's December 26, 2006, response to Mr. Wood's December 7, 2006, letter to me requesting specific data from the November 30 – December 1 ice storm.

The attached list of possible approaches to improve customer reliability in severe storms includes ideas that vary in perspective from shorter term to longer term, although we have not attempted to separate them into categories. Also, while the list is extensive, it is not exhaustive. There are many ways to improve reliability, some with smaller impacts and some with larger impacts. I believe that one key to success will be

in working with the Commission to determine the best public policy approach to investment in greater reliability. AmerenUE supports many of the recommendations found in the November 17, 2006, Staff report on the July 2006 storms as discussed in our December 21, 2006, response to that report. We will continue to address the findings from the July 2006 storms as called for in our response, regardless of the conclusions reached about the November 30 – December 1 ice storm. If the Commission ultimately decides that increased reliability during severe weather events is needed, the attached list of approaches can form the basis for addressing that desire.

As you know, in each major storm event, AmerenUE coordinates with public service agencies, state and local government agencies, and emergency response groups to assist customers with special needs. A part of this effort establishes priority restoration for particular customers identified by these agencies. However, for many of these customers priority restoration will not be enough, and they must have an alternative in place or rely on customer-owned generation. Commissioner Gaw's point about livestock owners will most likely fall in this last category. As one way of dealing with this issue, we have included customer generation options in the list of possible approaches.

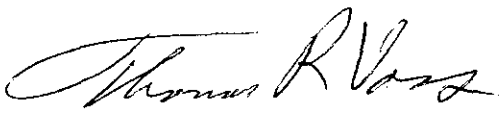
AmerenUE is currently in the process of selecting a consultant who has had experience evaluating storm response protocols and making recommendations to harden the distribution systems of other utilities. This consultant will help craft and evaluate the approaches outlined in the attached list, as well as develop other approaches based on their experience and evaluation of the AmerenUE system. The consultant will also review the elements of AmerenUE's storm response processes and plans. I anticipate that the study phase of this effort will be completed in approximately six months. AmerenUE will report back to the Commission when the consultant is in place and periodically as this work unfolds.

Finally, it is important to note that the ultimate reliable delivery of electric service to our customers requires continued investment in generation and transmission infrastructure, in addition to the distribution system that is the primary focus of this letter. While the recent storms have not had a significant impact on generation or transmission facilities, AmerenUE will need to continue to invest in significant additions to generation and transmission facilities in order to meet the needs of our customers in Missouri, including potentially a new base load generating plant.

As you can imagine, many of the approaches to improve reliability that may be chosen for implementation will require additional resources from the company, from local communities, and from AmerenUE customers. We will need to engage in a constructive dialog with the Commission and other entities on innovative ways to make sure those resources are available and appropriately funded. In the same spirit as your request that we consider all alternatives to improve reliability, we should consider all options for financing them. This might include special riders, recovery of construction work in progress, forward looking rate base adjustments with annual true-ups, cost sharing with state and local government bodies, location specific/customer specific rate allocation, rate base socialization, and other innovative financing means.

In conclusion, I welcome the Commission's inquiry because it provides an important opportunity for stakeholders to engage in constructive dialog around the complex issues associated with system reliability.

Sincerely,



Thomas R. Voss, P.E.
President & Chief Executive Officer
AmerenUE

Attachments

cc: Commissioner Linward Appling
Commissioner Robert Clayton
Commissioner Steve Gaw
Commissioner Connie Murray
Mr. Wess Henderson
Mr. Warren Wood
Ms. Lena Mantle

Attachment A

Possible Approaches To Improve Customer Reliability In Severe Storms

The list below includes preliminary ideas and concepts for improving customer reliability during severe storms. Each idea will require further work to determine potential benefits, costs, and barriers to implementation. The first three items alone are not a solution. However, they are positive first steps and can be started while further development work proceeds on the other nine approaches.

Approaches That Can Be Started Quickly

1. Recommendations from July 2006 Storms

Implement the recommendations of the November 17, 2006, Missouri Commission Staff report on the July 2006 storms as described in AmerenUE's response dated December 21, 2006.

2. Implement and Fund Measures Recommended in AmerenUE's Rate Case

As described in AmerenUE's filed testimony related to reliability improvement, approve and fund the following opportunity:

- Approve $15 million annual tree removal program and more aggressive trimming, with future increased funding depending upon customers' acceptance.

In addition, approve and fund the following opportunities:

- Approve funds for a full pole inspection program.
- Approve funds for completion of the tap fusing program.
- Approve funds for new line inspection program.

3. Improve Customer Systems/Communications

Improve the responsiveness, data collection, and information flow in AmerenUE's present customer service systems to assist in restoration efforts and provide customers with more accurate, timely, and complete information. Specifically:

- Enhance outage information communication with customers, including improved estimated restoration times, outage cause, and progress toward completing restoration.
- Improve the Outage Analysis System for internal AmerenUE use to correct errors and work-arounds, location of records, and upgrading analysis capabilities.
- Allow customers to report outages via the internet.

- Improve usability of automated meter reading data during outage restoration.
- Increase public awareness programs associated with trees and service drop responsibilities.
- Increase the information provided to customers about planting the right tree in the right place so as to avoid future conflicts and vegetation costs.

Approaches That Require Further Development/Consideration

4. Modify AmerenUE Tariff to Reflect Underground Imperative

Change the approach to all future construction on the distribution system to require underground installation versus the combined overhead/underground approach used today. Currently, new 3-phase facilities are typically built using overhead construction unless there are engineering reasons for placing them underground or if another party pays for the difference in cost. New subdivision facilities are installed underground. This policy would be changed to require that all new distribution facilities are buried as the preferred method unless there are overriding engineering reasons to the contrary.

As of March 2006, AmerenUE had 26,800 miles of distribution overhead circuits with voltages between 1kV and 100kV and 6,600 miles of underground circuits of the same voltage classes – about an 80/20 mix. Over the past two years, AmerenUE has installed an average of 106 miles of overhead circuits annually compared to 262 miles of underground circuits – a 30/70 mix. From a new construction standpoint in terms of number of miles, AmerenUE is already predominately an "underground" utility. The possible approach here would be to extend that to 100% underground for new distribution facilities. However, it is important to note that the remaining 30% will predominately be 3-phase circuits, many along roadways that will be more expensive to construct.

5. Implement a Program to Place Existing Overhead Distribution Facilities Underground

Systematically start replacing a certain amount of the existing 26,800 miles of overhead circuits with underground circuits. Analysis would be required to determine the best approach to choosing which circuits are addressed first.

6. Implement a Program to Place All New Customer Services Underground

This idea involves working with various municipalities to develop local ordinances that would require all new and upgraded services to be located underground. For

example, in St. Louis County about half of the municipalities require underground service for new and upgraded services. This idea would extend that to all AmerenUE service areas.

7. Implement a Program to Place All Existing Customer Services Underground

Systematically start to replace existing customer services underground. This is essentially an extension of #6 above, although the implications are more extensive. In this case, customers would likely have make-ready work on their electric service entrance. The program could be approached from two directions: providing customers an option of converting to underground or making the conversion mandatory. Analysis would be required to determine the best approach to prioritizing the locations and number of services to be addressed each year. Coordination with local municipalities and customer groups would be essential for this program to be a success.

8. Rebuild Higher Voltage Distribution Circuits (34kV and 69kV) to a More Robust Design

The higher voltage distribution circuits supply distribution substations that generally connect to thousands of customers. If these circuits are damaged, more customers are impacted. While priority is given to these circuits for restoration, providing a more robust design would reduce outages to large numbers of customers. As an example, during the July 2006 storms, there were 73 extended outages on 57 different 34kV circuits on the AmerenUE system. These outages resulted in over 143,000 customer interruptions. This approach would systematically rebuild the higher voltage distribution circuits to a substantially more robust design.

While AmerenUE's existing designs meet or exceed National Electric Safety Code standards, there are options to make the design of these circuits more robust. These options include strengthening the structures using stronger poles, framing and hardware to withstand much higher wind and ice conditions and expanding the cleared area around the circuits to reduce tree related outages. Analysis would be required to determine the best approach to choosing which circuits are addressed first and how they would be modified/rebuilt. Another option would be placing these circuits underground as described in #5 above.

A subcategory of this approach would be to change the design of new circuits only and not systematically replace existing circuits.

9. Rebuild Lower Voltage Distribution Circuits (4kV and 12kV) to a More Robust Design

The lower voltage distribution circuits typically run down streets, alleys, and along customer property lines to provide direct supply to customers. As noted above, there are over 20,000 miles of these circuits on the AmerenUE system. While AmerenUE's existing designs meet or exceed National Electric Safety Code standards ("Grade C" construction on all facilities), there are options to make the design of these circuits more robust. These options include upgrading to "Grade B" construction on all circuits or just the main 3-phase sections of those circuits by using stronger poles, framing and hardware and expanding the cleared area around the circuits to reduce tree related outages. Analysis would be required to determine the best approach to choosing which circuits are addressed first and how they would be modified/rebuilt. Another option would be placing these circuits underground as described in #5 above.

A subcategory of this approach would be to change the design of new circuits only and not systematically replace existing circuits.

10. Implement an Extensive Circuit Rehabilitation and Rebuild Program

The purpose of this program would be to systematically evaluate the overall condition of circuits against the need for complete rebuild where the poles exceed 40 years of age. We know that the age of many poles is reaching the 40-year mark, and the results of the inspection program may indicate a growing need for complete replacement or repair of a majority of the circuit. Essentially, this is an extension of the existing pole inspection program and a more extensive application of inspections from that proposed in the existing AmerenUE rate case. Guidelines would be established for determining whether rehabilitation or rebuild would be required. This program could be used in conjunction with the options described in #8 and #9 above.

11. Provide for More Aggressive Vegetation Management Practices

This alternative would be a substantial change to existing vegetation management practices resulting in a more aggressive approach to tree trimming and removal. There are a number of alternatives that could be considered here including: acquiring new or expanded easements to provide greater clearing width, increasing space and rights along public street rights-of-way, aggressively removing danger trees with property owner consent, working with municipalities to establish a tree inspection program that tags dead and problem trees for removal by the property owner, establishing a "tree replacement" program to remove problem species with overhead line compatible species, determine what regulatory

or legislative action is required to place responsibility for damage done by customer danger trees on the customer when danger tree removal is not allowed, and significantly increase customer education and awareness programs.

12. Develop a Customer Generator Installation Program

One of the reasons customers do not own an emergency generator to guard against impacts from severe weather is the initial cost and difficulty in hooking up the generator. This program could provide customers with access to an emergency generator and assure it is installed by a licensed electrical contractor with an appropriate anti-backfeed safety device installed. This would establish a premium level of service. Depending on the approach used, the program could eliminate all but the shortest momentary outages. Several approaches from permanent installations to providing a "rental pool" of generators can be considered, although considering the number of customers experiencing an interruption in recent storms, having a large enough "rental pool" may be a challenge.

An option to providing the generators, installation, and related services would be to provide residential customers with a safe, convenient way to connect a customer-owned generator to the home's existing wiring. This program would include a device that fits between the meter and the meter box and provides for the connection to the generator. Appropriate anti-backfeed safety devices would be included.

Discussion on this possible approach should include consideration of requirements and needs of special groups of customers, such as nursing homes.

Attachment B

AmerenUE December 26, 2006, Response to December 7, 2006, MoPSC Request for Data from the November 30 – December 1 Ice Storm

December 26, 2006

Warren Wood
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

Dear Mr. Wood:

This letter and the attachment are in response to your December 7, 2006 letter to Tom Voss requesting data related to the November 30 and December 1, 2006 winter storms. Also included in the response is the requested information for a section of distribution circuit on Moorland Drive in Saint Louis County.

Please let me know if you need further clarification on the attached response of if you need additional information.

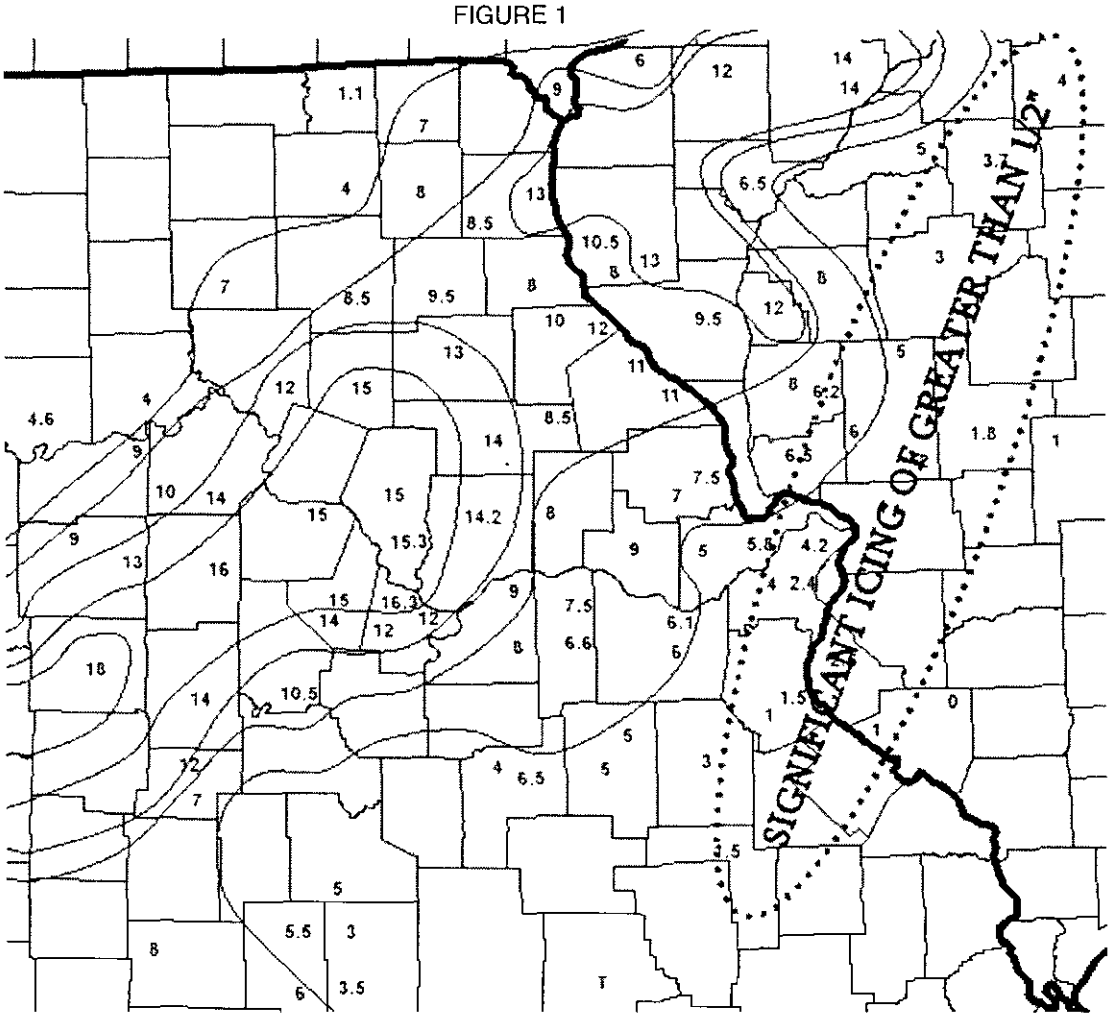
Sincerely,

David N. Wakeman
Manager Distribution Operating

1. Ice accumulation data across AmerenUE's service territory as a result of the storms on November 30 and December 1, 2006.

Data from the National Weather Service:
A very powerful early season winter storm produced significant amounts of snow and ice across much of the middle of the country on November 30th and December 1st. Over a foot of snow fell from Oklahoma to southeastern Wisconsin and accumulations of sleet and freezing rain in excess of 2 inches were common across eastern Missouri and western Illinois. The last winter weather event of this magnitude occurred on January 1st of 1999.

FIGURE 1



Field reports indicated ice accumulations in excess of an inch in some areas. Local meteorologists reported ice accumulations of up to an inch.

2. Number of AmerenUE customer's out-of-service in Missouri each morning and evening for the duration of the restoration effort.

Figure 2

Outages

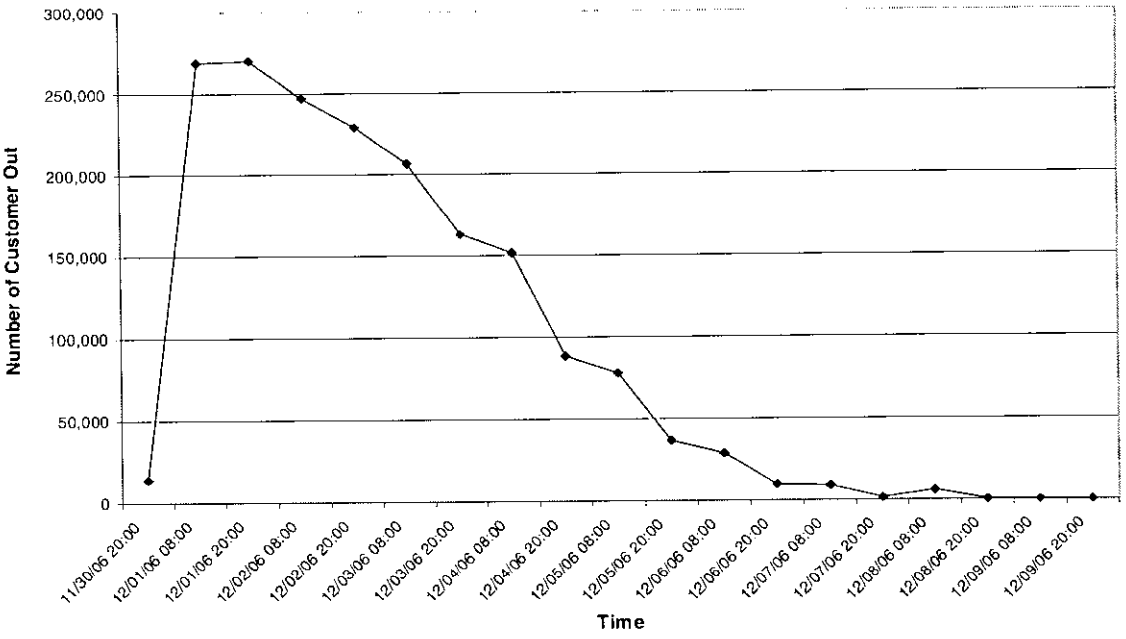


Table 1

Time	Outages
11/30/2006 20:00	13763
12/01/2006 8:00	268718
12/01/2006 20:00	270082
12/02/2006 8:00	247116
12/02/2006 20:00	229023
12/03/2006 8:00	206479
12/03/2006 20:00	162548
12/04/2006 8:00	151338
12/04/2006 20:00	88602
12/05/2006 8:00	77936
12/05/2006 20:00	36662
12/06/2006 8:00	29114
12/06/2006 20:00	9439
12/07/2006 8:00	8889
12/07/2006 20:00	1276
12/08/2006 8:00	5803
12/08/2006 20:00	268
12/09/2006 8:00	296
12/09/2006 20:00	110

3. When the Ameren storm center was activated.

   Emergency Operations began at 9:30 PM on November 30th with the storm center being manned at 11:00 PM.

4. When Ameren started seeking assistance from outside contractors and utilities.

   Ameren began to contact contractors on Thursday evening, this continued throughout the night, the following morning and for the next several days. Mutual assistance utilities were contacted at 7:00 AM Friday morning.

5. Please describe any delays in receiving assistance from outside contractors and utilities.

   The delays were primarily the result of two situations. The first situation was the result of ice and snow to the west of St. Louis including 18 inches of snow in central Missouri. Specifically the closure of Highway 70, travel restriction on the Oklahoma Turnpike, and the deep snow caused delays in moving crews on Friday December 1st. Ameren crews from central Missouri, contractors and mutual assistance partners were all impacted by these travel difficulties. These issues were generally cleared by Saturday morning and crews were able to reach St. Louis from the west. The second situation was the continued winter storm that was moving to the east carrying heavy snow/ice and high winds to the south and east. This storm moved off to the east early in the day on Saturday and utilities to the east started to release crews and contractors began their travels to the Ameren service area.

6. Which states provided assistance and how many crews were provided by state

Table 2

Contractor/Mutual Assistance/Coop	CONTRACTOR	Mutual Assistance	Grand Total
AK		91	91
KS	63	42	105
LA		61	61
MI	78		78
MN		55	55
MO	1165	68	1233
MS		33	33
OH	25		25
OK		52	52
TX		49	49
Grand Total	1331	451	1782

Note: Table 2 outlines only crews working in the state of Missouri

7. How many personnel were assigned to work on this outage in Missouri for each day of the outage restoration effort?

   At the peak there were 4391 personnel assigned to work on the restoration effort in Missouri. See the Figure 3 for a breakdown of lineman per day.

8. A labor task breakdown of the personnel assigned to work on this outage in Missouri.

Table 3

Ameren Linemen	528
Contractor Linemen	1324
Mutual Assistance Linemen	364
Tree Clearing Crews	851
Customer Service Reps	197
Field Checkers/Damage Assessors	229
Crew Guides/Clerical Support	49
Stores/Material Management	99
Distribution Dispatch/EOC Staff	60
Crew Supervision/Crew Dispatch	245
Fleet Services	135
Safety Professionals	60
Logistics Support	250
Total	4391

9. When the first crews were released by Ameren to leave.

   No crews were released in general until late Friday December 8, 2006, after the restoration effort was clearly coming to a conclusion. Minimal crews were released before that time due to very specific circumstances but this was only the result of the needs of those specific crews.

10. If any contractors or utilities were turned away from providing assistance.

    In general, no utilities or contractors were turned away. Ameren did receive calls from contractors that were unknown to us and ones that we could not verify their qualifications. Offers from utilities or contractors late in the restoration efforts were not accepted as a result of the limits imposed by travel time.

11. Describe any call center and/or internet site access problems.

No call center or internet site problems were reported during the outage event.

12. Number of utility poles that were replaced.

392 Poles were replaced in Missouri.

13. Number of circuit miles of conductor that were replaced.

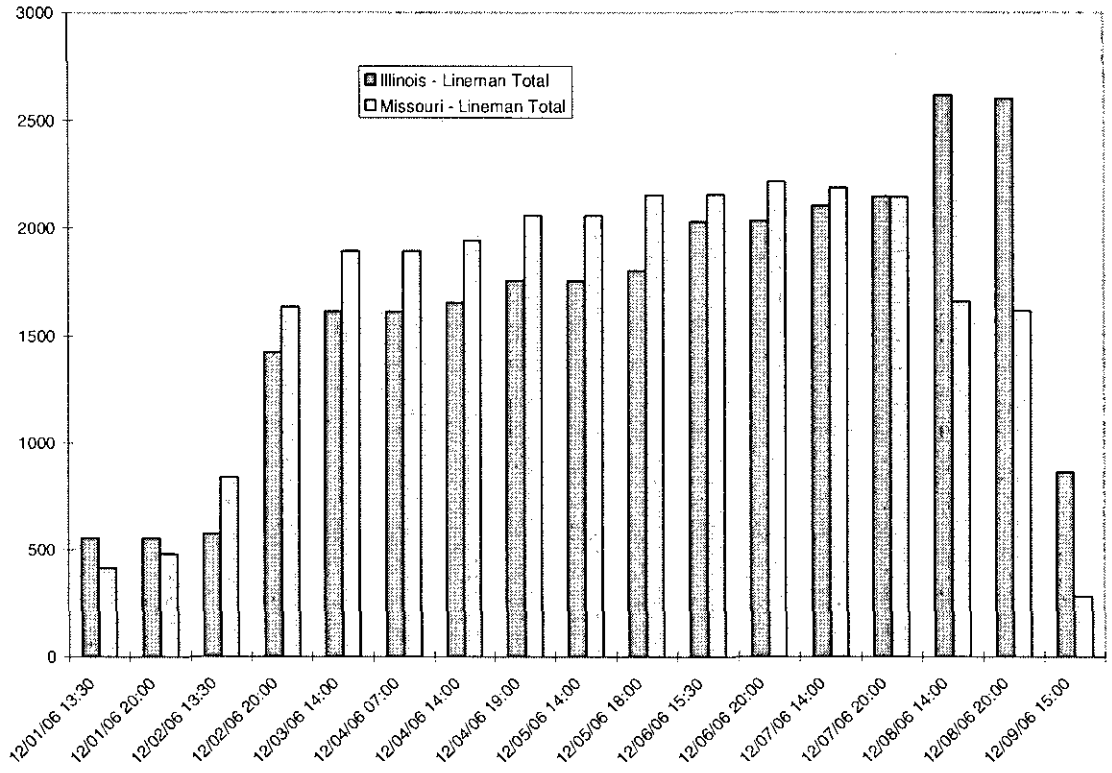
214 miles of new cable and conductor were installed. Many additional miles of downed conductor were reinstalled.

14. Total estimated cost of AmerenUE restoration efforts for the most recent storm.

We expect that the cost of the December storm to be larger than the cost of the July 2006 storms. The data is still being compiled at this time.

15. How were repair crews dispatched between Missouri and Illinois?

Figure 3



16. Does AmerenUE plan to request the inclusion of the restoration costs of the most recent storm in its current rate case?

AmerenUE believes that the costs of storm restoration activities are eligible to be included in our rate case. The Company is still in the process of accumulating all of its costs from the storms and has not determined how such costs will be addressed in its current rate case at this time.

AmerenUE indicated to Staff, prior to this most recent outage, that some particularly problematic circuits had already been trimmed to provide greater side clearances and removal of overhangs. These more aggressive trimming approaches would represent some of the methods proposed by Mr. Ronald C. Zdellar in his testimony in AmerenUE's rate case. Please provide the Staff with an assessment of how these more aggressively trimmed circuits performed in these recent storms versus other circuits without more aggressive trimming.

Feeders 54, 56, and 60 served from the Ballas substation had been aggressively trimmed with customer cooperation prior to the December ice storm. Feeders 52 and 58 had not been aggressively trimmed. Feeders 52 and 58 both experienced a feeder outage during the ice storm while the aggressively trimmed feeders did not experience a feeder outage, in the section aggressively trimmed, during the same event. This trimming did not prevent all outages on the feeder but it did improve the performance from an overall perspective.

Information was requested regarding a specific distribution circuit on Moorlands Dr.

Please provide the following data regarding this circuit:

1. The date when these utility poles were installed.

   The poles were installed and are owned by Southwestern Bell.

2. The date these utility poles were last inspected.

   This is the responsibility of the owner of the poles.

3. The failure rate of these utility poles when they were last inspected.

   Unknown

4. The date when these conductors were installed.

   Some of the facilities were installed in the late 50's with some installed in the 60's and 70's.

5. The date these conductors were last inspected.

   The circuit was trimmed in spring of 2005 and tree crews perform a line inspection at that time. In addition Ameren first responder was in the area in August of 2006 and he would also perform an inspection of the local Ameren facilities in the area.

6. The failure rate of these conductors when there were last inspected.

   Conductors are repaired when damage occurs

7. The date when this circuit was last trimmed according to AmerenUE's vegetation management procedures.

   The trimming was completed on this feeder on 4/4/2005

8. *[Information removed to protect customer privacy.]*