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November 16, 1998

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FILED

NOV 16 1998

Missouri Public
Service Commission

RE: Case No.EO-98-401 - Union Electric Company

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **STIPULATION AND AGREEMENT, AUTHORITY FOR AMERENUE TO MANAGE SO₂ ALLOWANCES.**

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Carol Keith By SD

Carol Keith
Assistant General Counsel
(314) 230-6453
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Enclosure
cc: Counsel of Record

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILED
NOV 16 1998
Missouri Public
Service Commission

In the Matter of the Application of Union)
Electric Company for Authorization to)
Manage Sulfur Dioxide Emission Allowance)
Inventory)

Case No. EO-98-401

STIPULATION AND AGREEMENT
Authority For AmerenUE To Manage SO₂ Allowances

COMES NOW the Staff of the Missouri Public Service Commission (Staff), Union Electric Company d/b/a AmerenUE (or Company), and Kansas City Power & Light Company and agree and stipulate as follows:

1. AmerenUE will have the authority to manage its allowance inventory, with the restrictions discussed below. The Staff and the Office of Public Counsel reserve the right to reexamine and modify their positions respecting the Commission granting AmerenUE the authority to manage its sulfur dioxide emission allowance inventory, when the New Experimental Alternative Regulation Plan resulting from the Union Electric Company-CIPSCO, Inc. merger Case No. EM-96-149 expires on June 30, 2001. Any profits or losses that are realized from the sales or any other transactions associated with allowances, will be booked to utility operating income according to generally accepted accounting principles. The regulatory treatment of these profits and losses as well as the prudence of any allowance transaction is subject to review and adjustment as part of any audit and/or examination in a future sharing calculation or future rate case.

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2. The Company is authorized to manage the entire allowance inventory, but may sell only up to one-half of all Phase I allowances without seeking specific Commission approval. This includes sales to AmerenCIPS and other utilities. AmerenUE may request authorization to sell additional allowances, above this level, through a filing with the Commission.

3. Sales in combination with other transactions, such as power contracts, are also authorized as a portion of the level discussed above. However, the Company must book a profit from the sale of the allowances at least equal to the current market value as established by the monthly price index published by Cantor Fitzgerald Environmental Brokerage Service. Should either the Staff, the Office of Public Counsel or the Company wish to use a different index for this purpose in the future, notice will be given to the other parties and all parties will negotiate in good faith to agree on a substitute. The Commission will be asked to resolve the matter if no agreement is reached in a reasonable time period.

4. The Company will be required to provide detailed reporting of all the transactions involving allowances once each year. The reporting date will be August 31 for the previous twelve months ending on June 30. The database to support allowance transactions and inventory balances will be maintained and available to the Staff upon request during the year.

5. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission

does not adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

The stipulations herein are specific to the resolution of this proceeding and are made without prejudice to the rights of the signatories to take other positions in other proceedings.

6. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties waive, with respect to the issues resolved herein, their respective rights pursuant to §536.080.1, RSMo., to present testimony, to cross-examine witnesses, and to present oral argument or written briefs; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2, RSMo.; and their respective rights to seek rehearing pursuant to §386.500, RSMo.; and to seek judicial review pursuant to §386.510, RSMo. The parties agree to cooperate with the Applicant and with each other in presenting this Stipulation and Agreement for approval to the Commission and shall take no action, direct or indirect, in opposition to the request for approval of the Stipulation and Agreement.

7. The Staff may submit a Staff Recommendation concerning matters not addressed in this Stipulation and Agreement. In addition, if requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record herein shall be served with a copy of any such memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive

memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties and participants, and shall not become a part of the record of this proceeding or bind or prejudice the party submitting such memorandum in any future proceeding or in this proceeding whether or not the Commission approves this Stipulation and 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 the Stipulation and Agreement whether or not the Commission approves and adopts this Stipulation and Agreement. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and 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.

8. Although not a signatory to this agreement, the Office of Public Counsel has reviewed the agreement and has stated that it is not opposed.

WHEREFORE, the signatories respectfully request the Commission to issue its Order approving the terms of this Stipulation and Agreement.

Respectfully submitted,

Carol Keith by SD

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 16th day of November, 1998.

Carol Keith by SD

Service List for Case No. EO-98-401
Revised: November 16, 1998

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