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March 18, 1998

FILED

MAR 23 1998

VIA FEDERAL EXPRESS

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
P. O. Box 360
Jefferson City, MO 65102

MISSOURI
PUBLIC SERVICE COMMISSION

EO-98-401

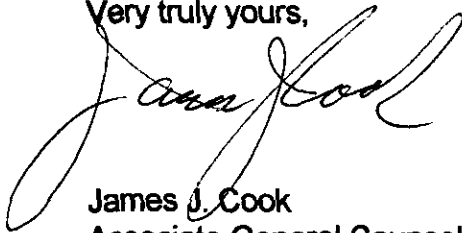
Re: Application of Union Electric Company for Authorization to Manage Sulfur
Dioxide Emission Allowance Inventory

Dear Mr. Roberts:

Enclosed for filing on behalf of Union Electric Company in the above-referenced matter are an original and fourteen (14) copies of its Application in the above-referenced matter.

Kindly acknowledge receipt of this filing by date-stamping a copy of the enclosed letter and returning it to the undersigned in the enclosed self-addressed stamped envelope.

Very truly yours,



James J. Cook
Associate General Counsel

JJC/bb
Enclosure(s)
cc: Office of Public Counsel



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

FILED
MAR 23 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

**Application Of Union Electric Company For Authorization
To Manage Sulfur Dioxide Emission Allowance Inventory**

COMES NOW Union Electric Company ("UE"), pursuant to Section 393.190, RSMo,
and requests authorization to manage its sulfur dioxide ("SO₂") emission allowance
("allowances") inventory. In support thereof, UE states:

1. Union Electric Company, an "electrical corporation" under the laws of the State of Missouri, and a public utility involved in the generation, transmission, distribution and sale of electric energy and power in Missouri and Illinois, is an operating company in the Ameren Corporation system. Ameren Corporation is a registered public utility holding company, which includes UE and Central Illinois Public Service Company ("CIPS") as operating companies, and Ameren Services Company ("Ameren Services") as the services company for the Ameren system. Ameren Services provides various services to the operating companies, including corporate planning, environmental, financial analysis, legal and other services, including those necessary for the management of emission allowances, as discussed below.
2. Communications respecting this filing should be addressed to:

James J. Cook
Associate General Counsel
Ameren Services Company
1901 Chouteau Avenue
Box 66149 (M/C 1310)
St. Louis, MO 63166-6149

3. SO₂ emission allowances were created by the 1990 Amendments to the federal Clean Air Act ("Amendments"). An allowance is an authorization to emit one ton of SO₂, 42 USC 7651a(3). The Amendments allocate allowances to UE each year, based on historical operations at UE's fossil power plants. These allowances are transferable and various public and private markets have developed to facilitate allowance trading.

4. Ameren Services currently forecasts an allowance surplus for UE through at least the year 2007 and most likely much longer. Ameren Services and UE are requesting the flexibility to manage the allowance inventory by utilizing various trading techniques such as allowance forwards, buying and selling allowances, writing allowance options, swapping allowances, loaning allowances and other financial instruments that may be used to earn a return on the inventory. No specific price range is proposed because the market price is subject to rapid change and various allowance mechanisms anticipated to be used have no published price index.

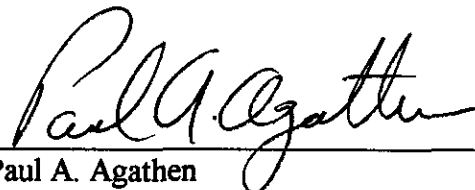
Due to the nature of the allowance market, UE does not deem it advisable to be more specific in this pleading concerning its plans. UE will, however, discuss proposed management strategies with the Staff and work to draft appropriate documents for the Commission's consideration and approval.

5. Ameren Services and UE are not at this time requesting any particular ratemaking or accounting treatment for allowance sales. Pursuant to the Experimental Alternative Regulation Plans approved in Case Nos. ER-95-411 and EM-96-149, "Any sale of emission allowances shall be reflected above-the-line in the ROE calculation." (Attachment C - Reconciliation Procedure) No modification to that procedure is requested here.

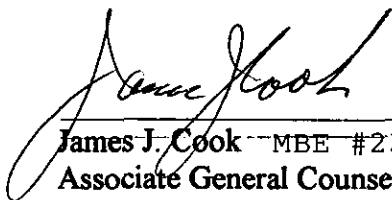
WHEREFORE, Union Electric Company respectfully requests an Order of the
Commission authorizing it to manage its SO₂ allowance inventory.

Respectfully submitted,

UNION ELECTRIC COMPANY
d/b/a AmerenUE



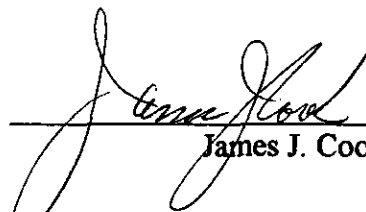
Paul A. Agathen
Senior Vice President
Energy Supply Services
Ameren Services Company
As Agent for AmerenUE



James J. Cook MBE #22697
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VERIFICATION

I, James J. Cook, being first duly sworn on oath, state that I am an attorney for Ameren Services Company, that I have read the foregoing instrument, and that the matters stated therein are true to the best of my knowledge and belief.


James J. Cook

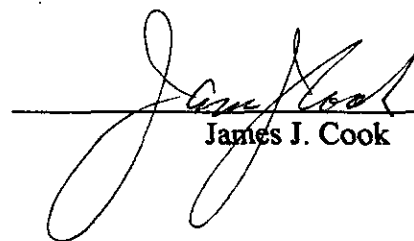
Subscribed to and sworn to before me this 18th day of March, 1998.

BARBARA LUNGWITZ
Notary Public — Notary Seal
STATE OF MISSOURI
City of St. Louis
My Commission Expires: September 2, 1999


Notary Public

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via first-class, U.S. mail, postage prepaid, on this 18th day of March, 1998, to all parties on the service list.


James J. Cook