

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
December 15, 1998**

CASE NO: EO-98-401

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65012

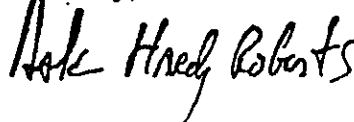
James J. Cook
Ameren Services Company
1901 Chouteau Avenue Boox 66149
St. Louis, MO 63166

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Joseph A. Rosa
Kansas City Power & Light Company
1201 Walnut
P.O. Box 418679
Kansas City, MO 64141

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Uncertified Copy:

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 15th
day of December, 1998.

In the Matter of the Application of)	
Union Electric Company for Authorization)	<u>Case No. EO-98-401</u>
to Manage Sulfur Dioxide Emission)	
Allowance Inventory.)	

ORDER APPROVING STIPULATION AND AGREEMENT

On March 23, 1998, Union Electric Company d/b/a AmerenUE (AmerenUE) filed an application for authorization to manage its sulfur dioxide emission allowance inventory. On April 6, the Commission issued an Order and Notice allowing proper persons the opportunity to request intervention. On May 6, Kansas City Power & Light Company (KCPL) timely filed an application to intervene which was granted on September 16, 1998.

On November 16, AmerenUE, Staff, and KCPL filed a stipulation and agreement (Stipulation). Although the Office of the Public Counsel (Public Counsel) was not a signatory, the Stipulation indicates that Public Counsel reviewed it and did not oppose it. No party requested a hearing, so the Commission will treat the Stipulation as unanimous pursuant to 4 CSR 240-2.115.

The salient points of the Stipulation are as follows. AmerenUE will have the authority to manage its allowance inventory, with certain restrictions. The Staff and Public Counsel will be able to reexamine and

modify their positions concerning AmerenUE's management of 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. AmerenUE will book to utility operating income any profits or losses realized from the sales or any other transactions associated with allowances. The parties propose that ratemaking treatment of these profits and losses as well as the prudence of any allowance transaction be deferred to a future case. AmerenUE will be allowed to manage the entire allowance inventory, but may sell only up to one-half of all Phase I allowances without seeking specific Commission approval, including sales to AmerenCIPS and other utilities. AmerenUE may request authorization to sell additional allowances, above this level, through a filing with the Commission.

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, they must give notice to the other parties and all parties must negotiate in good faith to agree on a substitute. The parties propose to ask the Commission to resolve the matter if no agreement is reached in a

reasonable time period. AmerenUE will 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. AmerenUE will maintain and make available to the Staff the database to support allowance transactions and inventory balances.

On December 8, Staff filed Suggestions in Support of the Stipulation and Agreement. Staff states that allowing AmerenUE the flexibility to manage its allowances may produce profits that will be shared with ratepayers pursuant to the Experimental Alternative Regulatory Plans adopted by the Commission in Case Nos. ER-95-411 and EM-96-149. Staff believes that AmerenUE has sufficient allowances to offset emissions, and that the provisions of the Stipulation will not threaten the allowance inventory.

The Commission finds that allowing AmerenUE to manage its sulfur dioxide emission allowance inventory according to the terms of the Stipulation is not detrimental to the public interest. Pursuant to Section 536.060 RSMo 1994, the Commission may accept the Stipulation and Agreement as a resolution of the issues in this case. The Commission has reviewed the Stipulation and Agreement and verified application and finds the Stipulation to be reasonable and in the public interest and will, therefore, approve it.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement, Attachment A to this order, is hereby approved.

2. That Union Electric Company d/b/a AmerenUE is authorized to manage its sulfur dioxide emission allowance inventory according to the terms of the Stipulation and Agreement.

3. That the Commission reserves the right to determine any ratemaking treatment to the revenues associated with Union Electric Company d/b/a AmerenUE's management of its sulfur dioxide emission allowance inventory for a future proceeding.

4. That this order shall become effective on December 29, 1998.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur.
Schemenauer C., absent.

Mills, Deputy Chief Regulatory Law Judge

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

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.

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

Carol Keith
Assistant General Counsel
Missouri Bar No. 45065
Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(314) 230-6453
cmkeith@earthlink.net

James J. Cook by SD

James J. Cook
Managing Associate General Counsel
Missouri Bar No. 22697
Attorney for Ameren Services Company
P.O. Box 66149 (M/C 1310)
St. Louis, MO 63166-6149
(314) 554-2237
(314) 554-4014 (Fax)
JAMES_J_COOK@AMEREN.COM

Joseph A. Rosa by SD

Joseph A. Rosa
Missouri Bar No. 41220
Attorney for Kansas City Power &
Light Company
1201 Walnut
P.O. Box 418679
Kansas City, MO 64141-9679
(816) 556-2210
(816) 556-2787 (Fax)

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

James J. Cook
Associate General Counsel
Ameren Services Company
P.O. Box 66149
St. Louis, MO 63166

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

Joseph A. Rosa
Kansas City Power & Light Company
1201 Walnut, 20th Floor
Kansas City, MO 64106

Alt/Sec'y:

M. H. Roberts

Date Circulated

12-8

CASE NO.

EO-98-401

[Signature]
Lumpe, Chair

[Signature]
Cunningham, Commissioner

[Signature]
Murray, Commissioner

[Signature]
Schemenauer, Commissioner

[Signature]
Drainer, Vice-Chair

Agenda Date

12-15

Action taken:

4-0414

Must Vote Not Later Than

STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City,
Missouri, this 15th day of December, 1998.



Dale Hardy Roberts

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge