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April 22, 1999

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Secretary/Chief Regulatory Law Judge

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General Counsel

FILED

APR 22 1999

Missouri Public
Service Commission

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

RE: EO-98-413 - In the Matter of the Application of Union Electric Company for an Order Authorizing It to Participate in the Midwest ISO

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **STIPULATION AND AGREEMENT**.

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,

Steven Dottheim
Chief Deputy General Counsel
(573) 751-7489
(573) 751-9285 (Fax)

SD/jb
Enclosure
cc: Counsel of Record

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BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Union)
Electric Company for an Order Authorizing)
It to Participate in the Midwest ISO)

Case No. EO-98-413

FILED
APR 22 1999
Missouri Public
Service Commission

STIPULATION AND AGREEMENT

Comes now the undersigned parties, Union Electric Company d/b/a AmerenUE (AmerenUE or the Company), the Staff of the Missouri Public Service Commission (Staff), the Office of the Public Counsel (Public Counsel), and the Missouri Industrial Energy Consumers (the MIEC) ¹, and submit to the Missouri Public Service Commission (Commission) for its consideration and approval the following Stipulation and Agreement (Stipulation) in settlement of the above-styled case.

Background

1. On January 15, 1998, AmerenUE and several other transmission owners filed applications with the Federal Energy Regulatory Commission (FERC) requesting permission to transfer control of their transmission facilities to the Midwest Independent Transmission System Operator, Inc. (Midwest ISO). These transmission owners requested approval of the Midwest ISO's Transmission Tariff (Tariff) and Operating Agreement (Agreement).
2. On March 30, 1998, AmerenUE filed with the Commission an Application for an order authorizing the Company to participate in the Midwest ISO. AmerenUE's filing was designed to comply with the Commission's Report and Order of February 21, 1997 in Case No. EM-96-149 approving the merger of Union Electric and CIPSCO, Inc.

¹ Adam's Mark Hotel, Alumax Foils, Inc., Anheuser-Busch Companies, Inc., The Boeing Company, Ford Motor Company, Holnam, Inc., Hussman Corporation, Mallinckrodt Inc., MEMC Electronic Materials, Inc., Monsanto Company and Precoat Metals.

3. In its Report and Order of February 21, 1997, the Commission approved the merger on the condition that AmerenUE "participate in a regional ISO that eliminates pancaked transmission rates and that is consistent with the ISO guidelines set out in FERC Order 888". (at page 16)

4. On September 16, 1998, the FERC issued its order conditionally approving the establishment of the Midwest ISO. The FERC also conditionally approved the transfer of control of transmission facilities to the Midwest ISO. It also conditionally accepted the Midwest ISO Tariff and Agreement. AmerenUE filed a copy of the FERC order in this proceeding on October 15, 1998. In its Order, the FERC concluded that the Midwest ISO would eliminate pancaked transmission rates. (at page 33) The FERC also concluded that the Midwest ISO was consistent with FERC's ISO principles set forth in its Order 888, either as proposed by the Midwest ISO or as modified by the FERC. (at pages 19-60)

Items Specific to this Settlement

5. The undersigned parties agree that the Commission should grant AmerenUE's Application, and should allow the Company to participate in the Midwest ISO, subject to the conditions set forth in this Stipulation.

6. The undersigned parties agree that the Commission should grant the Company permission to join the Midwest ISO for the six year transition period. The transition period is defined in the Midwest ISO's Tariff as "The period from the first day the ISO begins providing transmission service to the last day of the sixth year after the ISO begins providing transmission service". (Section 1.44a)

7. AmerenUE shall request that the Midwest ISO file its position on the following issues with the FERC at least one year before the end of the transition period:

- a. Implementation of congestion pricing that allows the Midwest ISO to measure the most valued use of scarce transmission capacity;
- b. An equitable resolution of the post-transition application of the Midwest ISO Tariff to bundled retail load; and
- c. A proposal for addressing incentives for the efficient location of generation and construction of transmission facilities within the Midwest ISO.

Additionally, AmerenUE and the other undersigned parties, at their option, may file their positions on these issues with the FERC at or before the same time.

8. No later than six months prior to the end of the six year transition period, AmerenUE shall file with the Commission a request to join on a permanent basis the Midwest ISO, another ISO, or some appropriate regional transmission entity. In this filing, AmerenUE shall address the issues in paragraph no. 7 a) through c).

9. If by six months prior to the end of the transition period, the issues set forth in paragraph no. 7 a) through c) have not been addressed in a FERC Order concerning the Midwest ISO, the undersigned parties agree that AmerenUE may file a petition with the Commission requesting an extension of its membership in the Midwest ISO, and an extension of the Company's requirement to file with the Commission as set forth in paragraph no. 8 .

10. AmerenUE shall also address the need, if any, for independence in the control area functions not being performed by the Midwest ISO. The Company shall address this issue when the earlier of the following two events occurs: 1) the filing required by paragraph no. 8 above; or 2) the time the Commission considers market power issues subsequent to a legislative mandate to allow retail customers in Missouri to choose their suppliers of electricity other than on a pilot basis.

11. In the event that AmerenUE seeks to withdraw from its participation in the

Midwest ISO pursuant to Article Five or Article Seven of the Midwest ISO Agreement, the Company shall file a Notice of Withdrawal with the Commission, and with any other applicable regulatory agency, and such Withdrawal shall become effective when the Commission, and such other agencies, approve or accept such Notice or have otherwise allowed it to become effective.

12. AmerenUE states that to the best of its knowledge, information, and belief all of its transmission facilities—that is, facilities accounted for as transmission under the FERC Uniform System of Accounts—will be transferred to the control of the Midwest ISO, except for the following transmission facilities: Generator Step-Up Transformers, generator lead lines, and their breaker positions. These non-transferred transmission facilities serve to connect the Company's power plants to Ameren's transmission system. They are not networked facilities. Pursuant to the Midwest ISO Agency Agreement, all of the transmission owners will make such non-transferred transmission facilities available to the Midwest ISO so that it may provide "one stop shopping" under the ISO's Tariff over all transmission facilities in the Midwest ISO region. (Agreement, Appendix G to the ISO Operating Agreement)

General Items for Settlement

13. 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. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of the 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 are settlement discussions under the Commission rules, shall be maintained on a confidential basis by all parties, 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. 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 this Stipulation, whether or not the Commission approves and adopts this Stipulation.

14. The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation 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, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

15. None of the parties to this Stipulation shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, decommissioning methodology, ratemaking principle, valuation methodology, cost of service methodology or determination, cost of capital methodology, capital structure, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence that may underlie this Stipulation, or for which provision is made in this Stipulation.

16. The Stipulation represents a negotiated settlement. Except as specified herein, the parties to this Stipulation shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve the Stipulation in the instant proceeding, or in any way condition its approval of same.

17. The provisions of this Stipulation have resulted from extensive negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation in total, it shall be void and no party hereto shall be bound by, prejudiced, or in any way affected by any of the agreements or provisions hereof unless otherwise provided herein.

18. The prepared testimonies and schedules of the following witnesses shall be received into evidence without the necessity of these witnesses taking the witness stand:

R. Alan Kelley, AmerenUE (Direct and Surrebuttal)

James R. Dauphinais, MIEC (Rebuttal)

Ryan Kind, OPC (Rebuttal and Cross-Surrebuttal)

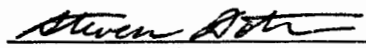
Michael S. Proctor, Staff (Rebuttal and Cross-Surrebuttal)

19. In the event the Commission accepts the specific terms of this Stipulation, the signatories waive their respective rights to cross-examine witnesses, their respective rights to present oral argument and written briefs pursuant to Section 536.080.1 RSMo 1994; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 RSMo 1994; and their respective rights to judicial review pursuant to Section 386.510 RSMo 1994. This waiver applies to a Commission Report And Order respecting this Stipulation issued in these proceedings, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation.

WHEREFORE, the undersigned parties request that the Commission approve this Stipulation and Agreement.

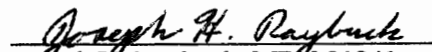
COMMISSION STAFF

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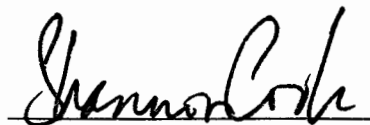

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Respectfully submitted,

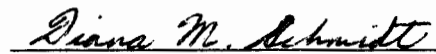
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, postage prepaid, or hand-delivered to all counsel of record as shown on the attached service list this 22nd day of April, 1999.



**SERVICE LIST FOR
CASE NOS. EO-98-413
Revised: April 22, 1999**

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