
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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FOR IMMEDIATE RELEASE

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Docket Nos. EC02-96-000 and
ER02-2595-000

COMMISSION CONDITIONALLY APPROVES MIDWESTERN MERGER; ACTIONS WILL BOOST REGIONAL MARKETS

The Federal Energy Regulatory Commission today conditionally approved a merger among jurisdictional utilities in Illinois and Missouri, which will help advance the development of the Midwest Independent System Operator (MISO).

The Commission reviewed the proposed merger among jurisdictional utilities owned, in whole or in part, by Ameren Corporation, Central Illinois Light Company (CILCO) and AES Medina Valley Cogen (No.4), LLC, based on its 1996 Merger Guidelines (Order No. 592). Such reviews focus on a merger's effect on competition, rates and regulation.

Key to approval of the merger was the utilities' commitment to participate in the MISO. Participation in MISO will broaden the Regional Transmission Organization's (RTO) coverage and eliminate a gap that presently exists in its territory. In addition, access to a more efficient, non-discriminatory transmission system across the Midwest will be enhanced, since both Ameren's and CILCO's transmission will be independently controlled by the MISO, the Commission said.

As part of the merger conditions, Ameren has agreed to several transmission system upgrades which will increase the import and export capability of Ameren's service area, and serve to mitigate market concentration concerns. In the interim, pending completion of the first series of upgrades, Ameren has agreed to sell to non-affiliated companies, 100 megawatts of power and energy. Pending completion of a further

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transmission upgrade, Ameren agrees to sell 50 megawatts of power and energy to non-affiliated companies. The merging parties are required to file quarterly reports regarding the status of the transmission upgrades.

Ameren Corp., an exempt holding company, owns approximately 4,500 miles of transmission lines, through its jurisdictional subsidiaries -- Union Electric Company d/b/a Ameren UE, Central Illinois Public Service Company d/b/a Ameren CIPS, Ameren Energy Development Company, Ameren Energy Generating Company, Ameren Energy Marketing Company, and Ameren Energy, Inc. Ameren Corp. Ameren also has a controlling interest in Electric Energy.

Illinois-based CILCO, with about 333 circuit miles transmission lines, 13 kilovolt and above, has three wholly-owned subsidiaries--CILCO Exploration and Development Company, CILCO Energy Corporation, and Central Illinois Generation, Inc. Medina is an exempt wholesale generator and sells wholesale power exclusively to CILCO.

In a separate action, the Commission also acted on certain tariff revisions proposed by MISO to recover costs associated with the system development of MISO that will allow the RTO to move forward (Docket No. ER02-2595-000) . The Commission conditionally accepted the MISO proposal, but cautioned that costs must be reasonable and prudent and directed MISO to file detailed reports of estimated expenditures. The Commission expressed its expectation that MISO's Board of Directors would be proactive in this area.

Specifically, MISO has asked to add two rate schedules to its Open Access Transmission Tariff (OATT) in order to collect costs associated with implementing Financial Transmission Rights (FTRs) and day-ahead and real-time energy market services. The Commission set for a paper hearing before the Commission, issues regarding appropriate cost allocation and the formula used to assign costs.

The Indiana-based MISO was the first RTO approved by the Commission. It extends over a 14-state area from Montana to Kentucky and also includes the Canadian province of Manitoba.