



PSC NEWS

MISSOURI PUBLIC SERVICE COMMISSION

Contact: *Kevin Kelly*

Office: (314) 751-9300

*Harry S Truman State Office Building
5th floor - North*

FY-96-11

PSC APPROVES RATE REDUCTION/ALTERNATIVE RATE REGULATION

PLAN FOR UNION ELECTRIC

Jefferson City (July 21, 1995)--- Union Electric Company will become the first regulated electric utility in Missouri to operate under an experimental alternative rate regulation plan under an agreement approved today by the Missouri Public Service Commission. The agreement also calls for an electric rate reduction of approximately \$30 million (1.8%) a year and a one-time bill credit of approximately \$30 million. Under the experimental alternative regulation plan, customers will benefit from the efficient operations of the company by sharing in company earnings if those earnings reach a certain level.

The Commission's order approving the agreement takes effect August 1, 1995.

Under the terms of the agreement approved by the Commission, electric customers of Union Electric will receive a rate reduction plus a one-time bill credit. For a typical residential customer, the one-time bill credit will be approximately \$12. In addition, electric rates for that typical residential customer will fall by approximately \$1.00 a month under the \$30 million rate reduction.

The amount of the one-time bill credit varies according to customer usage. For example, the average one-time bill credit for small general service customers will be approximately \$30.60. The one-time bill credit for large general service customers will be approximately \$1,054 and for large industrial customers, the one-time bill credit will be approximately \$12,890.

The Commission stated in its order approving the agreement, "The Commission finds that a settlement of this magnitude is in the public interest when it allows for a reduction of rates as well as a one-time credit to UE

(More)

Exhibit No. 41
Date 6/9/99 Case No. EO-96-14
Reporter KRM

customers and does so without the expense and delay of evidentiary proceedings. This Stipulation will reduce electric rates during the summer months when usage is at or near system peak. This settlement will provide UE with stable rates for a three-year period and based upon assertions of UE, it allows UE to continue to be a strong and financially healthy company."

The agreement approved by the Commission was submitted by the PSC Staff, Union Electric Company, the Office of the Public Counsel, several industrial customers of UE and some other entities that usually intervene in Union Electric rate proceedings at the Commission. The agreement was reached as a result of extensive negotiations conducted by the above parties. Negotiations started after the PSC Staff, under the Commission's direction, conducted an earnings review of the state's largest electric company.

Alternative Regulation Plan Details:

Under the agreement, the experimental alternative regulation plan would be in effect for a three year period. Rate stability for customers will occur under this agreement approved by the Commission. Union Electric may not file an electric rate increase case during the three year period unless:

- (1) UE's return on equity falls below 10% for a 12 month period;
- (2) An unusual event occurs which would have a significant adverse impact on electric operations, such as, an act of God, a significant change in the federal or state tax laws, or an extended outage or shutdown of a major operating plant.

The experimental alternative regulation plan establishes a sharing grid under which customers share in earnings if they rise above a specified return on equity.

(More)

The sharing grid appears below:

<u>Earning Level</u>	<u>Sharing Level</u> <u>Union Electric</u>	<u>Sharing Level</u> <u>UE Customer</u>
Up to and including 12.61% Return on Equity	100%	0%
That portion of earnings greater than 12.61% up to and including 14.00% Return on Equity	50%	50%
That portion of earnings greater than 14.00% Return on Equity	0%	100%

If sharing occurs under the above grid, customers would receive a one-time bill credit.

The Commission stated in its order, "The 12.61 percent trigger for sharing should allow UE sufficient incentive to manage its operations in an efficient manner. The 12.61 percent ROE sharing trigger should also provide a sufficient cushion to allow for increases in interest rates. The Commission finds a 50-50 sharing at this level is also reasonable."

Union Electric Company serves about 1 million electric customers in Missouri.

---0---

Case No. ER-95-411