BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

CASE NO. ER-83-163

In the matter of Union Electric Company of St. Louis, Missouri, for authority to file tariffs increasing rates for electric service provided to customers in the Missouri service area of the company.

APPEARANCES: Paul A. Agathen, Attorney at Law, and James J. Cook, Attorney at Law, P. O. Box 149, St. Louis, Missouri 63166, for Union Electric Company.

Robert M. Lee, Associate General Counsel, Laclede Gas Company, 720 Olive Street, St. Louis, Missouri 63101, for Laclede Gas Company.

Michael Madsen, Attorney at Law, 211 East Capitol, P. O. Box 235, Jefferson City, Missouri 65102, and Paul M. Murphy, Attorney at Law, Three First National Plaza, Chicago, Illinois 60602, for Dundee Cement Company.

Robert C. Johnson, Attorney at Law, 720 Olive Street, 24th Floor, St. Louis, Missouri 63101, for ACF Industries, Inc.; Anheuser-Busch, Inc.; Ford Motor Company; General Motors Corporation; Monsanto Company; Nooter Corporation; Pea Ridge Iron Ore Company; PPG Industries, Inc.; and St. Joe Minerals Corporation.

Robert C. McNicholas, Associate City Counselor, 314 City Hall, St. Louis, Missouri 63103, for the City of St. Louis, Missouri, and James J. Wilson, City Counselor.

Richard W. French, Assistant Public Counsel, 1014 Northeast Drive, Jefferson City, Missouri 65101, for the Office of the Public Counsel and the public.

William C. Harrelson, Deputy General Counsel, Martin C. Rothfelder and Edward J. Cadieux, Assistants General Counsel, Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

REPORT AND ORDER

Procedural History

On December 3, 1982, Union Electric Company of St. Louis, Missouri, submitted to this Commission revised tariffs reflecting increased rates for electric service provided to customers in the Missouri service area of the Company. The

proposed tariffs had a proposed effective date of January 2, 1983, and were designed to produce an increase of approximately $122 million or 16 percent in charges for electric service.

By order issued December 23, 1982, the Commission suspended the tariffs until November 2, 1983, and scheduled the matter for hearing.

The following parties have intervened in this proceeding: the City of St. Louis; Laclede Gas Company; Rockwood School District; Dundee Cement Company; ACF Industries, Inc., Anheuser-Busch, Inc., Ford Motor Company, General Motors Corporation, Mallinckrodt, Inc., McDonnell Douglas Corporation, Monsanto Company, Nooter Corporation, Pea Ridge Iron Ore Company, PPG Industries, Inc.; St. Joe Minerals Corporation; and Missouri Public Interest Research Group, (MoPIRG).

By order issued May 25, 1983, the Commission modified the schedule of proceedings, setting the prehearing conference for June 13, 1983 through June 24, 1983, the hearing for July 5 through July 22, 1983, and additional hearings for August 24 and 25, 1983, to address the Company's Callaway II cancellation costs.

On July 5, 1983, a Stipulation and Agreement was presented to the Commission with respect to the revenue requirement leaving three issues remaining to be heard: the Callaway II cancellation costs; rate design; and the management audit. By order issued July 6, 1983, the Commission approved the Stipulation and Agreement with respect to the revenue requirement and authorized the Company to file tariffs designed to comply with the Stipulation and Agreement. By order issued July 8, 1983, the Commission approved interim tariffs designed to increase gross annual revenues in the amount of $30,500,000, which tariffs were filed by the Company in compliance with the Commission's Report and Order issued July 6, 1983.

On July 19, 1983, hearings were held to address the management efficiency issue. On July 20, 1983, a Stipulation and Agreement was presented to the Commission respecting the rate design issue. Hearings were held on July 20 and July 21, addressing the residential class rate design. Continued hearings were held

August 24, 25 and 26, 1983, addressing the issue of the recovery of cancellation costs of the Company's Callaway II nuclear unit.

The parties have not waived the provisions of Section 536.080. The Company, the Staff and Laclede Gas Company have filed briefs addressing the residential rate design issue and the Company, the Public Counsel, the Staff and MoPIRG have filed briefs addressing the Callaway II cancellation costs issue.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

Pursuant to the various agreements of the parties and Stipulations and Agreements presented herein, the issues to be determined by the Commission consist of the following: the treatment of Callaway II cancellation costs; the Company's residential rate design; and whether the Company should contract with an outside consultant for a comprehensive management audit.

Callaway II Cancellation Costs

The Company proposes to include in its cost of service the cancellation costs associated with Callaway Nuclear Unit No. II. The unit was the second of two 1150 megawatt nuclear units planned by the Company and approved by the Commission in March of 1975. Callaway II was cancelled in October of 1981. The Company estimates the total cost of cancellation to be $84 million which the Company proposes to amortize over five years with no rate base treatment to be afforded the unamortized balance. The Company has broken down the $84 million in the following manner: $22 million represents incurred costs for engineering, field labor, materials and supplies associated with work accomplished on the Callaway II plant construction project prior to termination; $10 million represents AFUDC and taxes associated with the incurred costs; and $52 million represents the estimated costs of settling termination claims by suppliers under contract for the project. Based on Exhibit 74,

the joint reconciliation, the Missouri jurisdictional portion of the Company's estimated total cancellation costs is approximately $63 million.

Staff, Public Counsel and MoPIRG oppose the recovery of cancellation costs on the ground that the Commission is precluded by law to allow such recovery. They contend that Proposition I, Section 393.135, RSMo 1978, prohibits the Commission from allowing the recovery of the cancellation costs at issue in this proceeding. In addition, the Public Counsel argues that the principle against retroactive ratemaking bars recovery.

The Staff also disagrees with the Company's estimate of total Callaway II cancellation costs. Based on alternate scenarios the Staff estimates the total cancellation costs to be $117 and $130 million. Exhibit 74 shows the Missouri jurisdictional portion estimated by the Staff to be approximately $100 million. The difference between Staff and Company's total cancellation costs is based on the allocation to Callaway I and Callaway II of architectural and engineering costs prior to cancellation. Staff contends that the Company has not allocated enough costs to Callaway II. In addition, if recovery is allowed, Staff does not propose recovery of total Callaway costs. Rather, it proposes disallowance of AFUDC, the allowance of 50 percent of settlements currently estimated or as incurred, and the reduction of rate base during the amortization period by the amount of accumulated deferred taxes. Staff recommends a 20-year amortization.

Prior to taking up the question on the merits the Commission must consider the legal arguments advanced by the parties with respect to Proposition I and retroactive ratemaking, which are determinative of the case if decided adversely to the Company. The Commission has carefully considered the briefs filed by the parties on these crucial legal questions. Proposition 1 states as follows:

> Any charge made or demanded by an electrical corporation for service, or in connection therewith, which is based on the costs of construction in progresss upon any existing or new facility of the electrical corporation, or any other cost associated with owning, operating, maintaining, or financing any property before it is fully operational and used for service, is unjust and unreasonable, and is prohibited.

There is no Missouri case law on this particular statute to guide the Commission. The Commission's General Counsel, representing the Staff, has ably shown in its brief that meritorious arguments exist both for and against the position that Section 393.135 prohibits recovery of the cancellation costs at issue herein. General Counsel also pointed out that it is highly likely that the question will ultimately be decided by a reviewing court on appeal, and the Commission agrees. The Commission has the legal responsibility to adopt a position although we recognize that the Supreme Court has held:

> The commission order has a presumption of validity and the burden is on those attacking it to prove its invalidity. In determining the statutory authorization for, or lawfulness of, the order we need not defer to the commission, which has no authority to declare or enforce principles of law or equity. (citations omitted)

State ex rel. Utility Consumers Council of Missouri, Inc., v. Public Service Commission, 585 S.W.2d 41, 47 (Mo. en banc 1979).

Finally, it appears that there is no method available, such as a declaratory judgment action, that could provide the Commission with a court determination prior to its decision herein. However, as a practical matter the Commission must adopt some position. Therefore, the Commission hereby adopts the position of its General Counsel that Proposition I bars recovery and that allowance of costs, if not barred by Proposition I, is not barred by the doctrine of retroactive ratemaking. This result preserves the status quo allowing no recovery pending appeal which will result in receipt by the Commission of guidance on these determinative legal issues by a court of law. If the Commission were to adopt a contrary position followed by a reversal on appeal, the ratepayers could be placed in the position of paying rates based on unlawful charges with no assurance of refunds.

In making the above finding, the Commission does not reach the questions of whether under the facts of this case recovery of Callaway II cancellation costs is desirable and reasonable under general ratemaking principles, the amount of cancellation costs attributable to Callaway II, the amortization period, or Staff's proposed adjustments with respect to AFUDC, settlements and deferred taxes.

In partial support of its position the Company offered Exhibit 47 which contains what purports to be campaign literature dealing with Proposition I. The exhibit is an attempt to show that the intent of Proposition I is to preclude the inclusion of CWIP in rate base, but not preclude recovery of cancellation costs. Public Counsel strenuously objected to the receipt of Exhibit 47 on the ground that no foundation had been laid for its introduction and that it constitutes hearsay. The Hearing Examiner reserved ruling on the Public Counsel's objection stating that the objection would be ruled upon in the Report and Order. MoPIRG contends that portions of Exhibit 47 should be received into evidence.

The Commission, having considered the matter concludes that the Public Counsel's objection should be sustained since no foundation has been laid for the exhibit's introduction. Company's witness merely asserted that the material is campaign literature retrieved from the Company's files. No attempt has been made to identify the authors of the literature or to describe their connection with the drafting and passage of Proposition I. The authenticity of the materials has not been established.

Based on the foregoing, the Commission determines that the costs associated with the cancellation of Callaway II shall not be included in the Company's cost of service.

Rate Design

The parties, except for the Laclede Gas Company have entered into a Stipulation and Agreement with respect to all class revenue allocations, rate design and other tariff issues. The Stipulation and Agreement which was received into evidence as Exhibit 41, is attached to this Report and Order and is incorporated herein by reference. Laclede Gas Company takes issue only with the joint recommendation of the parties regarding the intra-class residential rate design contained in section 3(a) of the proposed Stipulation and Agreement. Section 3(a) provides as follows:

The parties hereto stipulate and agree that the final rate design in this case should be as follows:

Residential Class. The customer charge for the residential class shall be $4.30 per month. There shall be a flat energy charge for summer usage, and a second block for winter usage in excess of 1,000 kwh per month. Starting with the existing rates, any amount allowed for the Callaway cancellation costs shall be split between summer and winter seasons on a kwh basis. Such amounts will then be added to each energy block on a per kwh basis, except that any amount which would cause the second winter block to increase by more than 10.32% above the winter tail block rate in effect prior to the interim increase in this case shall be applied to the winter block for usage from 0-1,000 kwh.

A comparison of the Company's existing residential rate design, the joint recommendation and the Laclede proposal is set forth below:

	Existing Permanent Rates	Joint Recommendation With No Callaway Cancellation Costs	Joint Recommendation With Full Callaway Cancellation Costs	Laclede Proposal
Minimum Bill	$8.14*	---	---	---
Customer Charge	---	$4.30	$4.30	$4.30
Summer Usage (Per KWH)	5.86¢	6.10¢	6.19¢	5.91¢
Winter Usage (Per KWH)				
0-1,000 KWH	4.58¢	4.75¢	4.87¢	4.67¢
Over 1,000 KWH	2.81¢	3.10¢	3.10¢	4.67¢
Average Winter Rate	4.16¢	4.39¢	4.45¢	4.67¢

*Monthly Charge Includes 100 KWH Usage.

It became apparent at the hearing that the residential rate under the joint recommendation places the October billing month in the winter rate. This treatment was recommended in Staff's testimony based on Staff's finding that the energy and demand costs for usage associated with the October billing month were below average. Thus, the usage in the October billing month does not show a time of use cost that is high enough to warrant the inclusion of the October billing month in the summer month rating period.

Laclede contends that: the recommended rate continues the present winter/summer rate differential which is below the cost of service differential; the recommended rate continues the winter declining block rates which is without cost justification; and the rate shifts the cost to serve large winter users to other customers and is therefore discriminatory. Laclede recommends that the declining block winter rate be eliminated and that the summer/winter differential be reduced to an amount between .95¢ to 1.24¢ per kwh. (The summer/winter differential will be hereafter referred to as the "differential"). This range is based on Laclede witness Strevell's .95¢ recommended differential and Staff witness Dr. Proctor's original recommendation of 1.24¢ differential. Laclede partially bases its recommendation on Dr. Proctor's testimony. However, Laclede contends that Dr. Proctor is inconsistent in that he recommends narrowing the differential and at the same time recommends a rate level which maintains the cents per kwh differential. The current differential is 1.70¢ and the differential under the joint recommendation is 1.71¢.

Staff in its direct testimony found that the cost of service differential is 23.78 percent. The differential under the existing rate is 40.87 percent while the differential under the joint recommendation is 38.46 percent. Thus, there is a narrowing of the differential under the joint recommendation. Laclede's expression of the differential in absolute cents per kwh is not meaningful since the differential is expressed by Dr. Proctor in terms of a percentage which describes the relative differential between the rates being compared.

Staff recommends that the Commission proceed slowly in the movement toward cost of service based summer/winter residential rates. In support of its recommendation, Staff points out that it has not thoroughly considered the question of the proper allocation method for distribution facilities. For purposes of its analyses Staff allocated 50 percent of distribution facilities to each of the two seasons based on the average maximum customer demand in each season. The Company allocated distribution costs based on the class noncoincidental peak demand. Staff has illustrated that the method of allocation has a significant effect on the

resulting cost-based differential. For example, if a distribution facility were allocated to the summer/winter periods based on a 65 percent/35 percent basis, the cost of service differential would be 44.32 percent.

The declining block rate is characterized by Staff as a form of space heating rate. While no cost studies have been presented in this docket to support the winter declining block rate, various justifications for the rate have been asserted: if competition exists the tail block should be set at a competitive rate as long as the rate covers the short run incremental variable cost and make some contribution to fixed cost; the lower tail block rate improves the Company's load factor which benefits all customers; and the two-step rate is a means to collect customer costs not included in the customer charge.

It is apparent from the evidence that more research is necessary in order to arrive at the proper method to allocate costs to the two seasonal rating periods within the residential class and to arrive at a cost of service based winter two-step rate.

Given the above uncertainties, the Commission is persuaded that the movement toward a cost-based residential design should be gradual in this case since Staff's recommended cost of service summer/winter differential is only a benchmark. The joint recommendation results in a slight flattening of the declining block rate and a slight reduction in the differential. The Commission has taken into consideration the fact that Laclede's proposed residential rate results in an increase of 66.19 percent for usage above 1,000 kwh in the winter months. This proposal is unreasonable in terms of its potential impact on space heating customers and is inconsistent with Laclede witness Strevell's own statement that a factor to be considered in rate design along with revenue stability is the minimization of abrupt change from prior precedents.

Based on the foregoing, the Commission finds that the joint recommendation with respect to the residential rate design is reasonable and should be approved for purposes of this case. The Commission expects the Company to design its rates based

on the cost of service and to this end the parties should address in the Company's next rate case the proper cost-based differential including the cost justification for the winter declining block rate.

Finally, the Commission finds that the Stipulation and Agreement concerning class revenue allocations, rate design and other tariff issues is reasonable in all respects and should be approved in its entirety.

Management Audit

Staff recommends that the Commission be ordered to contract with a private consulting firm for the performance of a comprehensive management audit. The Company opposes Staff's recommendation on the ground that: there is no basis for the recommendation since Staff has not alleged management inefficiency; the Company conducts audits as specific needs arise; an audit at this time would be untimely and burdensome on the Company with the pending merger and Callaway 1 project; and the expense is unwarranted where the benefits are unknown.

In Staff's experience independent management audits are beneficial in that they identify areas which produce quantitative and qualitative benefits. Staff contends that a management audit will provide an objective overall view of the Company's operations in contrast to the Company's limited scope audits. Although Staff does not allege management inefficiency, it has expressed concern with the Company's management job descriptions, oil inventory and coal blending facilities at certain plants and the Company's capacity expansion program.

At the hearing the Company estimated the cost of a comprehensive management audit to be approximately $1 million. Staff estimated that the audit would take one and one-half to two years and recommended that $250,000 to $330,000 be recovered in rates in this case. In its brief Staff proposes recovery of $360,000 which represents the first phase of the audit.

This Commission in its first Suspension Order with respect to this Company has expressed an interest in exploring the efficiency and economy of the Company's management. This Company has never had a comprehensive management audit. The

Commission is persuaded that such an audit is likely to result in benefits that outweigh the costs involved. However, in order to ensure that such an audit proceeds in an orderly manner, that it does not unduly burden the Company during a period of pending merger and start up of operation of Callaway I, and that it reviews Company operations as they will be, the Commission determines that a management audit docket should be opened and Staff should conduct its own preliminary investigation concerning a proposed management audit of the Company. The Staff shall file its recommendation thirty (30) days after the effective date of the Commission's Report and Order in the merger case, Docket No. EM-83-248. The Staff's recommendation shall state what the general parameters of the audit should be, when the audit should take place, a reasonable estimate of its cost, who should pay for such cost, what role Staff will take in the audit, taking into consideration the availability of Staff resources and the necessity of outside resources and, what, if any, role the audit information should play in the Company's next general rate case. The Company, Public Counsel and other interested parties will then have fifteen (15) days to respond to Staff's recommendation.

Based on the foregoing, the Commission rejects the Staff's recommendation that the Company should contract at this time with a private consulting firm for the purpose of conducting a comprehensive management audit. Instead, the Commission determines that a management audit docket shall be instituted for the purpose of investigating the question.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law:

The Company is a public utility subject to the jurisdiction of this Commission pursuant to Chapters 386 and 393, RSMo 1978. The Company's tariffs which are the subject matter of this proceeding were suspended pursuant to the authority vested in this Commission by Section 393.150, RSMo 1978.

The burden of proof to show that the proposed increased rates are just and

reasonable is upon the Company.

Orders of this Commission must be based upon competent and substantial evidence upon the whole record.

The Commission after notice and hearing, may order a change in the rate, charge, or rental, in any regulation or practice affecting the rate, charge or rental, and it may determine and prescribe the lawful rate, charge or rental and the lawful regulation or practice affecting said rate, charge or rental thereafter to be observed.

The Commission may consider all facts, which in its judgment, have any bearing upon a proper determination of the price to be charged with due regard, among other things, to a reasonable average return upon the capital actually expended, and to the necessity of making reservations out of income for surplus and contingencies.

Any evidence received without objection which has probative value shall be considered along with other evidence in the case. Evidence which is not of such quantity to be persuasive of the fact to be established may be rejected even if not objected to or controverted.

The Commission may accept a stipulation and agreement in disposition of the issues in a rate proceeding when it appears that the proposed settlement is fair and equitable to all concerned.

Pursuant to Section 393.135, RSMo 1978, the Commission is prohibited from including the cost of a cancelled electric plant in an electric company's cost of service.

When the Company's existing rates and charges are insufficient to yield reasonable compensation for electric service rendered by it in this State, and accordingly, revisions in the Company's applicable tariff charges, as herein authorized, are proper and appropriate and will yield the Company a fair return on the net original cost rate base or the fair value rate base found proper herein, new

rates resulting from the authorized revisions that will be fair, just, reasonable and sufficient and not unduly discriminatory or unduly preferential should be authorized.

Any motion not previously ruled on should be considered denied, and any objection not previously ruled on should be considered overruled.

It is, therefore,

ORDERED: 1. That the proposed revised electric tariffs filed by Union Electric Company of St. Louis, Missouri, and herein suspended, are hereby disapproved and the Company is authorized to file in lieu thereof, for approval by this Commission, permanent tariffs designed to reflect the revenue increase authorized in the Commission's Report and Order issued in this case on July 6, 1983.

ORDERED: 2. That the tariffs to be filed herein shall embody the rate design herein found to be reasonable and proper, and may be charged for service rendered on and after the effective date of this Report and Order.

ORDERED: 3. That except as herein altered, the Commission's Report and Order issued on July 6, 1983, remains in full force and effect.

ORDERED: 4. That Case No. EO-84-73 be, and it is, hereby instituted for the purpose of investigating the question of a Company management audit. Staff shall file its recommendation and the Company, Public Counsel and other interested parties shall respond in the manner and at the times set forth above.

ORDERED: 5. That this Report and Order shall become effective on November 2, 1983.

BY THE COMMISSION

Harvey G. Hubbs
Secretary

(S E A L)

Shapleigh, Chm., Musgrave, Mueller, and Hendren, CC., Concur and certify compliance with the provisions of Section 536.080, RSMo 1978.

Dated at Jefferson City, Missouri, this 21st day of October, 1983.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the matter of Union Electric Company of St. Louis, Missouri for authority to file tariffs increasing rates for electric service provided to customers in the Missouri service area of the Company	)	Case No. ER-83-163

STIPULATION AND AGREEMENT ON CLASS REVENUE ALLOCATIONS, RATE DESIGN AND OTHER TARIFF ISSUES

The parties hereto (the Company, Staff, Public Counsel, Industrial Intervenors Monsanto, et al., Dundee Cement, the City of St. Louis and Rockwood School District) respectfully submit this Stipulation and Agreement for the Commission's consideration and approval. If approved, all issues in this case would be resolved among the parties hereto except for: 1) whether the Callaway II cancellation costs should be allowed in the cost of service, and if so, the total annual amount thereof; and 2) the matter of the management efficiency report, as referenced in part IX.C of the Hearing Memorandum.

As used herein, the terms "existing rates" and "existing rate design" refer to the interim rates and rate design approved in this case by the Commission's Order of July 6, 1983.

1. Implementation

The provisions of this Stipulation and Agreement are to be implemented in conjunction with the final Commission Order in this case, thereby avoiding a second "interim" set of rates prior to the final resolution of the remaining issues referred to above.

Exhibit No. 41
Date 7-20-83 Case No. ER-83-163
Reporter DUB

2. Class Allocations

The $30.5 million increase already approved in this case is to be spread among customer classes in the same manner as said amount was spread on the interim basis pursuant to the Commission's Order in this case of July 6, 1983.

With the exception of Public Counsel, the parties hereby stipulate and agree that any additional amount allowed in the cost of service in this case for the Callaway II cancellation costs should be allocated among customer classes as follows: Residential class, 41%; Small General Service, 14.05%; Large General Service, 20.34%; Primary, 22.85%; Lighting, 1.76%. Public Counsel considers the inclusion in cost of service of any costs associated with the cancellation of Callaway II to be improper, illegal and beyond the jurisdiction of this Commission. Therefore, Public Counsel deems it unnecessary to state any position with regard to the spreading of any such costs to rate schedules, but will not contest the allocation specified above.

3. Rate Design

The parties hereto stipulate and agree that the final rate design in this case should be as follows:

a) Residential Class. The customer charge for the residential class shall be $4.30 per month. There shall be a flat energy charge for summer usage, and a second block for winter usage in excess of 1,000 kwh per month. Starting with the existing rates, any amount allowed for the Callaway cancellation costs shall be split between summer and winter seasons on a kwh basis. Such amounts will then be added to each energy block on a per kwh basis, except that any amount which would cause the second winter block to increase by more than 10.32% above the winter tail block rate in effect

prior to the interim increase in this case shall be applied to the winter block for usage from 0-1,000 kwh.

b) Small General Service. The monthly customer charge for the Small General Service class shall be $7.15. Starting with the existing rates, any amount allowed for the Callaway cancellation costs (less additional revenue resulting from the $7.15 customer charge) shall be spread within the class on a per kwh basis.

c) Large General Service. The monthly customer charge for the Large General Service class shall be $85.00. The existing rate design shall be unchanged, except as otherwise noted herein, and except that 1) the blocking for the demand charges shall be eliminated; and 2) the minimum summer demand to qualify for this rate shall be reduced from 150 kw to 100 kw. The energy charge shall be the same as is finally calculated pursuant to paragraph (d) for the Primary class, adjusted as necessary to reflect a differential for losses between the two classes. The remaining revenue requirement for the Large General Service class shall be accounted for by an increase in the winter demand charge.

d) Primary Service Class. The monthly customer charge for the Primary Service class shall be $135.00. Except as otherwise specified herein, the existing rate design shall be retained. The energy charge shall be 2.261¢ per kwh, increased by 50% of any costs allocated to this class for the Callaway II cancellation. The other 50% of such cancellation costs shall be spread by an equal percentage increase in the winter demand charges. The "excess demand" provision shall be eliminated, and the Rider B credits shall be as follows:

	demand credit (per kw)	energy credit (per kwh)
138 kv Delivery with measurement at:		
Delivery voltage	78¢	.05¢
34.5 or 69 kv	76¢	.03¢
Primary Voltage	74¢	-
34.5 or 69 kv Delivery with measurement at:		
Delivery voltage	49¢	.03¢
Primary voltage	47¢	-

Uniform proportionate adjustments shall be made to the winter demand blocks to reflect revenue changes resulting from increases in the Rider B credits and other rate design changes described herein.

e) Lighting. Except as specified herein, the existing rate design shall be retained, with any costs for the Callaway II cancellation added to the energy charges.

f) Other tariff and rate design provisions. For all customer classes with seasonally differentiated rates, the summer billing season shall be changed from June through October to the billing months of June through September.

The reconnection charge shall be $25.00.

A new rate shall be added to the Company's tariffs for interruptible service, as set forth on Appendix A hereto.

The revision in Special Service Facilities originally filed by the Company shall be adopted with the following modifications: 1) the monthly charge for customers currently paying at the rate of 1.50% shall be increased to 1.75%; 2) the monthly payment option shall be limited to only those customers receiving such service as of the effective date of this revision; 3) customers currently paying the monthly charge of 1.50% who request changes or rearrangements of such facilities, shall thereafter pay a

monthly charge of 2.00% of the total cost of such facilities so installed.

Except as otherwise specified herein, the Company proposals referred to in paragraph VIII of the Hearing Memorandum (Joint Exhibit 2) shall be adopted.

4. Disclaimers of Precedent

This Stipulation and Agreement represents a negotiated settlement among the parties hereto for the sole purpose of disposing of certain remaining issues in this case only. The parties hereto shall not be prejudiced or bound by the terms of this Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; or (c) in this proceeding should the Commission decide not to approve this Stipulation and Agreement pursuant to its terms.

The parties hereto shall not be deemed to have approved or acquiesced in any ratemaking principle, value methodology, cost of service method, cost allocation methodology or rate design proposal underlying any of the rates and tariffs provided for in this Stipulation and Agreement. Any number used in this Stipulation and Agreement or in the rates and tariffs provided for herein shall not prejudice or bind any party hereto except to the extent necessary to give effect to the terms of this Stipulation and Agreement.

5. Laclede's Non-concurrance

Laclede Gas has indicated it will refuse to sign this Stipulation and Agreement, and that it intends to pursue its position as stated in the Hearing Memorandum with regard to the intra-class residential rate design. Pursuant to the Commission's Suspension Order of December 23, 1983, this Stipulation and Agreement is therefore to be considered as a joint recommendation of the parties hereto with respect

to the issue of rate design for the residential class. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties hereto waive their rights to cross-examine each other's witnesses with respect to the matters resolved herein, and the hearing on rate design would be limited solely to cross-examination by Laclede, and cross-examination of Laclede's witness or witnesses.

6. Scheduling. In the event the Commission accepts the terms of this Stipulation and Agreement, the parties hereto recommend that the schedule be revised as follows:

July 15: delivery by and to Laclede of all rebuttal testimony on rate design.
July 19: hearing on the issue of the Management Efficiency Report, starting at 1:00 p.m.
July 20-21: hearings on rate design for the residential class.

Hearings for the Callaway II cancellation issue would remain as presently scheduled.

7. Voidance of the Stipulation.

The provisions of this Stipulation and Agreement have resulted from extensive negotiations among the signatory parties and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, this Stipulation and Agreement shall be void and no party shall be bound by any of the agreements or provisions hereof; provided, however, that because the stipulation regarding residential rate design is to be considered as a joint recommendation of the signatory parties, approval of this Stipulation and Agreement by the Commission will not bind the Commission to approval of the residential rate design proposed by the parties hereto, and set forth in paragraph 3(a) above. The residential rate design was one important element of the negotiated settlement, however, and the parties hereto

submitt that their recommendation in that regard is reasonable, and respectfully request that it be approved on the basis of the evidence in this case, after the hearings for cross-examination by and of Laclede.

8. Waiver of Rights

In the event the Commission accepts the terms of this Stipulation and Agreement, the parties hereto waive their respective statutory rights to present oral argument or written briefs pursuant to Section 536.080 (1) RSMo 1978; their rights pertaining to the reading of the transcript pursuant to Section 536.080(2) RSMo 1978; and their rights to judicial review, pursuant to Section 386.510; provided, however, that the above waivers apply only to the issues resolved herein, and do not apply to any issue litigated in this case by Laclede Gas or to the other issues yet to be resolved.

Respectfully submitted,

UNION ELECTRIC COMPANY

By Paul A. Agathen

Paul A. Agathen
Attorney
Union Electric Company
P. O. Box 149
St. Louis, Missouri 63166

MISSOURI PUBLIC SERVICE COMMISSION STAFF

By Edward J. Cadieux

Edward Cadieux
Assistant General Counsel
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

CITY OF ST. LOUIS

By Robert C. McNicholas /by PAA

Robert C. McNicholas
Assoc. City Counselor
314 City Hall
St. Louis, Missouri 63103

OFFICE OF PUBLIC COUNSEL

By

Richard W. French
Assistant Public Counsel
1014 Northeast Drive
Jefferson City, Missouri 65101

INDUSTRIAL INTERVENORS

By _____
Robert C. Johnson
Attorney
720 Olive Street
24th Floor
St. Louis, Missouri 63101

ROCKWOOD SCHOOL DISTRICT

By _____
Robert W. Copeland
Attorney
130 S. Bemiston
Suite 600
Clayton, Missouri 63105

DUNDEE CEMENT COMPANY

By _____
Mike Madsen
Paul Murphy
Attorneys
211 E. Capitol Avenue
P. O. Box 235
Jefferson City, Missouri 65102

MISSOURI PUBLIC INTEREST RESEARCH GROUP

By _____
Thomas Ryan
Attorney
8 North Euclid
St. Louis, Missouri 63108

UNION ELECTRIC COMPANY ELECTRIC SERVICE

P.S.C. MO., ILL. C.C., IA. ST. C.C. SCHEDULE NO. _____ SHEET NO. _____

CANCELLING SCHEDULE NO. _____ SHEET NO. _____

APPLYING TO MISSOURI SERVICE AREA

SERVICE CLASSIFICATION NO.
INTERRUPTIBLE POWER RATE

1. General. Interruptible Power is available, subject to the conditions of this Service Classification, for the exclusive supply of loads whose individual power requirements exceed 10,000 kilowatts of interruptible power and have operating characteristics which permit, without delay, interruption of the supply of service for indefinite periods of time. Company shall have the right to limit the aggregate amount of Interruptible Power available to an amount appropriate to its operating requirements. This limitation is currently 100,000 kilowatts in Missouri.

   Where customer's operation requires an amount of power during periods of curtailment of Interruptible Power, customer may contract for an amount of power in kilowatts to be known as Assurance Power.

   Service will be furnished in the form of three phase, 60 Hz power, to be metered at a suitable point near the boundary of customer's property.

2. Supply Facilities. Customer shall pay the total installed cost of any transmission or distribution facilities initially utilized for the delivery of electric service to said customer and any subsequent replacements required thereof. Such costs shall include the entire circuit and related facilities from the metering point back to the point on Company's system where adequate capacity exists to provide for Customer's requirements. The total installed cost of such facilities shall include labor, materials, easements, rights-of-way and other expenditures incident to the installation of facilities for the delivery of electric service to customer's premises including any applicable overheads. Customer shall also pay each month an amount equal to 0.4% of the total installed cost of such lines for maintenance of such facilities. Ownership, including easements and rights-of-way, will be vested permanently in the Company. If these facilities utilized have capacity in excess of that necessary to supply customer's initial contract requirements, Company may utilize the excess capacity for other purposes and in such event the cost and charges specified above shall be prorated. Such costs will also be reduced in proportion to the amount of Assurance Power to the customer's total requirements.

   Customer will, at its own expense, install and maintain, on its own premises, all line, substation and utilization equipment for the proper use and control of the electric service supplied by the Company. If requested by Company, customer will also, at its own expense, provide suitable relays and signal system on its premises to operate the circuit breakers on the circuits supplying the Interruptible Power, such relays and signals to be arranged for automatic or remote control by Company's

SERVICE CLASSIFICATION NO.
INTERRUPTIBLE POWER RATE - (CONTINUED)

2. Supply Facilities - (Continued)

Load Dispatcher. Company will, at customer's expense, supply the control circuits to customer's premises to effect energizing of the relay system. Equipment installed for this purpose by customer shall be approved by Company's engineers and Company shall at all reasonable times be permitted free access to customer's premises for inspection of equipment and checking its operation.

3. Rate Based on Monthly Meter Readings.

Customer Charge	(Same as Service Class. 4(M))
Energy Charge	" " " " "
Demand Charge - Assurance Power -	" " " " "
- Interruptible Power -	(equal to 1/2 the Assurance Power Demand Charge)

(1) The kilowatts to be billed as Assurance Power in any month will be the higher of (a) the Assurance Power previously established by contract, or (b) the maximum demand in kilowatts during any period within the prior 12 months in which Company has notified customer to curtail load.

SERVICE CLASSIFICATION NO.
INTERRUPTIBLE POWER RATE - (CONTINUED)

3. Rate Based on Monthly Meter Readings - (Continued)

(2) The kilowatts to be billed as Interruptible Power in any month will be (a) the highest demand established during peak hours minus the Assurance Power Demand or (b) 50% of the difference between the highest demand established during off-peak hours and the Assurance Power Demand, whichever is greater.
The Interruptible Power demand charge will be calculated at the appropriate demand step after the initial billing of the kilowatts of Assurance Power.

Peak hours - - - 10:00 A.M. to 10:00 P.M., Monday through Friday.

Off-peak hours - 10:00 P.M. of Monday through Thursday to 10:00 A.M. of the following day, and from 10:00 P.M. Friday to 10:00 A.M. Monday

- The entire 24 hours of the following days:

New Year's Day	Thanksgiving Day
Good Friday	Thanksgiving Friday
Memorial Day	Christmas Eve Day
Independence Day	Christmas Day
Labor Day	

All times stated above apply to the local effective time.

Where Company supplies service at 34.5kv or higher, the appropriate adjustments under Rider B will apply to the energy and Assurance Power Demand.

SERVICE CLASSIFICATION NO.
INTERRUPTIBLE POWER RATE - (CONTINUED)

4. Minimum Monthly Charge. The minimum monthly charge hereunder will be sum of the Customer Charge, the applicable Energy Charge for all kilowatthours consumed, the Assurance Power Demand Charge, the Interruptible Power Demand Charge, and any supply facility charges referred to in Paragraph (2) above.

5. Curtailment of Service. Interruptible Power may be curtailed or interrupted when it is anticipated that the Company's annual system peak will be established or whenever in Company's judgment, such power is required to a) maintain a firm power supply to the Company's non-interruptible customers; b) meet contractual obligations for the delivery of firm power to other utilities; c) maintain water elevation levels at Company's hydro plants consistent with the preservation of desired system reliability levels and applicable regulatory operating requirements; or d) prevent jeopardizing the Company's interconnected generation and transmission system.

Company may curtail or interrupt service in either of two ways:

a) Where the need for curtailment of Interruptible Power may be anticipated in advance, Company will notify customers by telephone of the time such curtailment shall be effected. Company shall endeavor to give customer as much advance notice as is practical under the circumstances.

b) Where an emergency occurs in the operation of Company's system which requires immediate disconnection of Interruptible Power to meet its obligations to others, Company may effect such disconnection by telephone notice, or by initiating operation of automatic signals and relays referred to in paragraph 2 hereof.

Where in Company's judgment the period of curtailment of Interruptible Power may exceed one week Company will, upon request of customer, endeavor to obtain from other sources temporary power equivalent in capacity to the amount of Interruptible Power curtailed. Where curtailments are expected to last less than one week, Company will likewise seek temporary power to the extent that operating conditions permit. If such temporary power is obtainable, Company will advise customer of the cost and conditions under which it will be supplied. If such offer is acceptable to customer, Company will permit customer to continue or resume use of power under such costs and conditions in lieu of the rate for Interruptible Power provided in paragraph 3. Company will determine and notify customer when use of Interruptible Power at the rate provided in Paragraph 3 may be resumed.

Assurance Power shall be exempt from customer's requirement to curtail or completely interrupt operations.

SERVICE CLASSIFICATION NO. _____
INTERRUPTIBLE POWER RATE - (CONTINUED)

6. Resale of Service. Customer may not sell or otherwise dispose of any part of the electric service supplied.

7. Relief of Liability. Customer will assume responsibility for, and will save Company harmless from all actions, causes of action, suits, claims and demands whatsoever in law or equity, for injuries to persons (including employees of customer), damages to property, or losses, directly or indirectly caused or claimed to be caused by the acts of negligence of customer, its licensees, invitees, agents, servants, or others, or by the use, interruption or imperfection of electric service supplied by Company, or by the curtailment or disconnection of electric service or by any mistake in judgment or act or omission by Company, or from any other cause, occurring or sustained on property owned or controlled by customer.

8. Term. Initial term of 5 years, extending thereafter until terminated by 12 months advance notice given by either party.

9. General Rules and Regulations. Except as provided by the above specific rules and regulations, all of Company's General Rules and Regulations shall apply to service supplied under this rate.