

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held at its office
in Jefferson City on the 19th
day of November, 1991.

In the matter of the application of)
Union Electric Company for an order)
authorizing the issue and sale of up to)
\$300,000,000 principal amount of First)
Mortgage Bonds for the purpose of)
discharging outstanding obligations.)
Case No. EF-92-98

ORDER APPROVING ISSUANCE OF BONDS

By application filed November 8, 1991, and amended and supplemented
November 18, 1991, Union Electric Company (Company or Applicant) requests
authority under Sections 393.180 and 393.200, RSMo 1986 to issue and sell up to
\$300,000,000 principal amount of first mortgage bonds.

On November 19, 1991, the Staff of the Missouri Public Service
Commission (Staff) filed its memorandum recommending approval of the instant
application.

The Commission, upon consideration of the verified application, the
exhibits offered in support thereof, and the recommendations of its Staff is of
the opinion that a hearing is unnecessary to resolve the issues presented and
finds and concludes as follows:

Applicant, a Missouri corporation with its executive offices at 1901
Chouteau Avenue, St. Louis, Missouri 63103, is engaged in providing electric,
gas, steam heating and water utility service within the State of Missouri as a
public utility subject to the jurisdiction of this Commission.

By the instant application, Applicant seeks to issue maximum of
\$300,000,000 for the purpose of retiring and redeeming higher interest rate
long-term bonds. Applicant proposes to offer from time to time, in several

transactions, the new bonds in multiple series of prices and on terms to be determined at the time of sale. Applicant proposes the price to be paid for the various series of new bonds will not be less than 98% or more than 102% of the principle amount thereof. The maturity for the various series to be between 10 and 30 years at a maximum rate of interest of 9.5%.

The Applicant states that one or more series of the new bonds may include terms providing that they will not be redeemable at all for a certain period of time or that the series will not be redeemable for a certain period of time if monies for such redemptions are obtained by the Applicant, directly or indirectly, from or in anticipation of borrowings by or for the account of Applicant at an effective interest cost equal to or less than the effective interest cost to the Applicant of the proposed series.

The Board of Directors of Applicant has authorized the issuance and sale of up to \$200,000,000 principal amount of first mortgage bonds and Applicant anticipates filing a certified copy of the applicable Board of Directors' resolutions by mid-December, 1991, authorizing the sale of an additional \$100,000,000 of bonds.

The Applicant proposes that the various series of new bonds will be offered to the public or privately placed or a combination of both through commercial or investment banking firms or groups of firms selected to negotiations or competitive bidding or both. Compensation to be paid for underwriting or privately placing the new bonds will be determined in the light of financial market conditions at the time of issuance.

The new bonds are to be issued under the Indenture of Mortgage and Deed of Trust dated June 15, 1937, most recently amended July 7, 1980, with a copy of the amendment being on file in Commission Case No. EF-80-306.

After reviewing the Company's pro forma balance sheet and income statement, and additional documents, the Commission Staff states that the proposed issuance does not appear to be detrimental to the Company or its ratepayers since the anticipated savings of the bond refinancing, net of issuance and call provision expense, will be approximately \$1.42 million on an annual basis. In spite of this savings, it is the opinion of the Staff that the capital structure and pre-tax interest coverage of the Company will not materially change. Although the Staff's recommendation is for conditional approval pending the receipt of the final terms and conditions, the Commission is of the opinion that the application should be granted since the least favorable terms permitted by this authority should result in a substantial annual savings in interest costs.

The Commission is also of the opinion and finds that the purposes to which the issuance or proceeds are reasonable and proper. The Commission further finds that the money, property or labor to be procured or paid for by the issue of the new financing is reasonably required for the purposes specified in the application and the purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

The Commission finally finds that no fee will be required pursuant to Section 396.300(1)(5), RSMo 1986, because the new bonds herein authorized will be used to repay and discharge outstanding indebtedness.

IT IS THEREFORE ORDERED:

1. That Union Electric Company be authorized to issue and sell up to an initial \$200,000,000 principal amount of first mortgage bonds as hereinabove described at any time after the effective date of this order which mature between 10 and 30 years from issuance and bear interest at a rate not greater

than 9.5% in conformity with the provisions of the Underwriting Agreement to be submitted by the Company.

2. That the proceeds to be received by Union Electric Company from the sale of the bonds herein authorized shall be used only for the purposes recited herein, however, the Applicant is hereby authorized to pay out of the gross proceeds from the sale of the new bonds the reasonable expenses incurred in connection with the issue and sale thereof.

3. That Union Electric Company be authorized to execute and deliver a supplemental indenture or supplemental indentures creating such first mortgage bonds and setting forth the terms thereof in the form to be submitted in this proceeding, with such changes as are necessary to reflect the final provisions of the financing transactions.

4. That Union Electric Company is hereby authorized to enter into, execute, deliver and perform the necessary agreements relative to the financing herein described, and to do any and all of the things not contrary to law or the rules and regulations of the Commission, incidental, necessarily or appropriate to accomplish the transaction herein authorized.

5. That Union Electric Company be, and is, hereby directed to file with the Commission, no later than thirty (30) days after execution, a certified and true copy of each of the supplemental indentures, purchase agreements or other agreements finally executed and delivered.

6. That within thirty (30) days from the closing of the transaction herein authorized, Union Electric Company shall file a report indicating the principal amount of the new bonds issued and the terms and provisions of the new bonds, including the term of maturity, the redemption provision and the interest rate for the new bonds.

7. That nothing in this order shall be considered a finding of the Commission of the value for ratemaking purposes of the properties herein involve, nor as an acquiescence in the value placed upon such properties by Union Electric Company, and the Commission reserves the right to consider the ratemaking treatment to be afforded this financing transaction and its resulting cost of capital, in later proceedings.

8. That within thirty (30) days from the closing of the transactions herein authorized, Union Electric Company shall file a verified report with the Commission reflecting the journal entries recording the issuance of each series of new bonds, and all general entries relating to the use and application of the proceeds from the issuance, which report shall be verified by the appropriate Union Electric Company official.

9. That this order shall become effective on November 26, 1991.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

Mueller, Rauch, McClure and
Perkins, CC., Concur.
Steinmeier, Chm., Absent.

