

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 30th
day of October, 1992.

In the matter of the application of Union Electric)
Company for authority to issue and sell up to)
\$80,000,000 aggregate stated value of Preferred) Case No. EF-93-132
Stock, without par value.)

ORDER APPROVING FINANCING

On October 13, 1992, Union Electric Company (UE) filed an application with the Missouri Public Service Commission (Commission) for authority to issue and sell up to \$80,000,000 aggregate stated value of Preferred Stock, without par value. The proceeds of the Preferred Stock issuance are to be used to redeem one or more of UE's currently outstanding issues of Preferred Stock.

On October 29, 1992, the Staff of the Commission (Staff) filed a recommendation that the Commission approve this proposal with various conditions hereafter set out. The Commission, upon review and consideration of UE's application and attached exhibits, and based on Staff's recommendation, determines that a hearing is unnecessary and finds as follows.

UE is a Missouri corporation, in good standing, with its principal office located in St. Louis, Missouri and is an electrical corporation and public utility as defined in Section 386.020 and Chapter 393, RSMo 1986, as amended, engaged principally in the operation, transmission, distribution and sale of electric, gas and steam heat energy service in the State of Missouri.

UE's authorized Preferred Stock consists of 25,000,000 shares without par value and, as of July 31, 1992, 2,222,876 shares were outstanding in the hands of the public. All of such shares of Preferred Stock were heretofore issued by UE pursuant to authority granted by this Commission.

UE seeks Commission approval to issue and sell up to \$80,000,000 aggregate stated value of Preferred Stock, without par value, the proceeds of

which are to be used to redeem one or more of the currently outstanding issues of the UE Preferred Stock. As the New Preferred Stock is to be used to redeem currently outstanding issues of Preferred Stock of UE, there will be little impact on its capital structure ratios. UE states that the pro forma long-term debt ratio after issuance of the New Preferred Stock would be 45.8 percent, the Preferred Stock ratio would be 5.2 percent and the common equity ratio would be 49.0 percent. Staff believes these pro forma capital structure ratios are reasonable.

The specific number of shares of New Preferred Stock, the price to be paid to UE for the New Preferred Stock, the compensation to be paid the Underwriters for their commitments in selling the New Preferred Stock to the public, the dividend rate or rates (or method of calculation thereof) applicable to the New Preferred Stock, and any redemption and sinking fund terms for the New Preferred Stock, will be determined for each offering in the light of financial market conditions on the day preceding the date of the offering.

It is anticipated that the New Preferred Stock will be sold to the Underwriters at \$25 per share. Circumstances may develop which make it advantageous for UE to issue and sell the Preferred Stock, or a portion thereof, through a public offering or offerings and at different time or times through a private placement or other non-public offering. Circumstances may also develop which make it advantageous for these shares to have a stated value of other than \$25. The Staff of the Financial Analysis Department has reviewed the financing proposal submitted by UE and believes it to be reasonable. UE proposes to issue the New Preferred Stock under a "shelf registration", the duration of which will be approximately two years. UE has requested that the order of the Commission in this proceeding remain in effect for a term of two years from their issuance. This will allow UE the flexibility to take advantage of prevailing market

conditions over the next two years. Staff believes this is a reasonable strategy.

The dividend rate applicable to the Preferred Stock will be determined for each offering in the light of financial market conditions on the day preceding the date of the offering. Staff believes this to be a reasonable strategy as long as the all-in effective dividend rate of the Preferred Stock issue does not exceed the "break-even refinance rate" for each series of "Old Preferred Stock" that is redeemed by a series of New Preferred Stock. This rate is shown in Exhibit 2 of UE's application which is incorporated herein by reference and attached to this order as Attachment 1.

Staff states that it would not be reasonable to refinance a series of Preferred Stock with New Preferred Stock that is more expensive. The Staff, therefore, recommends that the Commission approve the application submitted by Union Electric Company with the following conditions:

- (1) that the Commission's order in this proceeding provide for the sale of up to \$80,000,000 aggregate stated value of Preferred Stock without par value for the purpose of redeeming currently outstanding issues;
- (2) that the all-in effective dividend rate of a series of New Preferred Stock, inclusive of issuance expenses, dividends, and redemption or sinking fund terms, be a value less than or equal to the break-even refinance rate for the issue that is being redeemed. This break-even refinance rate for each currently outstanding series of Preferred Stock has been provided by UE and is attached to its application as Exhibit 2;
- (3) that UE provide Staff with an analysis calculating the all-in effective dividend rate for each series of New Preferred Stock, and a calculation of the net present value savings resulting from the redemption of currently outstanding Preferred Stock with an issue or issues of New Preferred Stock; and
- (4) that the Commission's order in this proceeding remain effective for two years from its issuance.

After considering the application with attached exhibits and the Staff's recommendation, the Commission determines that the proposed issuance of Preferred Stock should be authorized since the net result will be to reduce the net interest costs to UE. The Commission is of the opinion that the proposed issuance of Preferred Stock is reasonably required for the purposes as set out herein and that such purposes are not, in whole or in part, chargeable to operating expenses or income. The Commission finds that the proposed issuance is not detrimental to the public interest and therefore authorizes and approves the proposed issuance of Preferred Stock under the terms and conditions as herein approved. The Commission further finds that no fee will be required pursuant to Section 386.300, RSMo 1986 because the proposed issuance of Preferred Stock will be used to redeem one or more series of its Preferred Stock currently outstanding and for any redemption premium and expenses of the new issues.

IT IS THEREFORE ORDERED:

1. That Union Electric Company be authorized hereby to issue up to \$80,000,000 aggregate stated value of Preferred Stock, without par value, in one or more new series, and to sell such Preferred Stock to investment banking firms for public offering or to sell such stock, or a portion thereof, through private placement or non-public offering as herein set out and subject to the conditions herein set out.

2. That Union Electric Company is authorized to use the proceeds received by it through this issuance to redeem one or more series of its currently outstanding Preferred Stock and for redemption premiums and expenses of the new issue and for no other purpose save paying the compensation to the investment banking firms for their commitments in effecting this transaction and save Union Electric Company's reasonable expenses incurred in connection with this transaction.

3. That all expenses incurred by Union Electric Company in connection with the transaction authorized herein shall be charged to capital stock expense.

4. That Union Electric Company be hereby authorized to do all things not contrary to law, or to the rules and regulations of the Commission, necessary to the performance of acts specifically authorized in this order, including the execution of such other agreements and documents as are reasonably necessary or appropriate in the furtherance hereto.

5. That the all-in effective dividend rate of a series of New Preferred Stock, inclusive of issuance expenses, dividends, and redemption or sinking fund terms, be a value less than or equal to the break-even refinance rate for the issue that is being redeemed as set out in Attachment 1 hereof.

6. That Union Electric Company provide Staff with an analysis calculating the all-in effective dividend rate for each series of New Preferred Stock, and a calculation of the net present value savings resulting from the redemption of currently outstanding Preferred Stock with an issue or issues of New Preferred Stock.

7. That the Commission's order in this proceeding remain effective for two years from its issuance.

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

9. That Union Electric Company shall file a verified report with the Commission reflecting the journal entries recording the issuance of the transaction herein authorized, all journal entries relating to the use and application of the proceeds from the issuance; stating the specific number of

shares of Preferred Stock to be issued; the price to be paid to Union Electric Company for such stock; the compensation to be paid the investment banking firms; the dividend rate or rates (or method of calculation thereof); and any redemption and sinking fund terms for the Preferred Stock. This report shall be verified by the appropriate Union Electric Company official and shall be filed within thirty (30) days of the closing date of the transaction to permit proper disposition by dismissal or assessment of fees as applicable.

10. That this order shall become effective on the 3rd day of November, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

McClure, Chm., Mueller, Rauch,
Perkins, and Kincheloe, CC., Concur.

UNION ELECTRIC COMPANY
PREFERRED STOCK
SEPTEMBER 30, 1992

	O U T S T A N D I N G # shares	Face Value	REDEMPTION PRICE	BREAKEVEN REFINANCE RATE
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STATED VALUE PER SHARE - \$100.00				
\$4.50 SERIES SOLD MAY 1941	213,595	\$21,359,500	\$110.00	4.09%
\$5.50 SERIES A SOLD OCT. 1941	14,000	1,400,000	110.00	5.00%
\$3.70 SERIES SOLD OCT. 1945	40,000	4,000,000	104.75	3.53%
\$3.50 SERIES SOLD MAY 1946	130,000	13,000,000	110.00	3.18%
\$4.30 SERIES SOLD JULY 1946	40,000	4,000,000	105.00	4.10%
\$4.75 SERIES SOLD OCT. 1949	20,000	2,000,000	102.176	4.65%
\$4.00 SERIES SOLD NOV. 1949	150,000	15,000,000	105.63	3.79%
\$5.50 SERIES B SOLD JUNE 1950	3,000	300,000	103.50	5.31%
\$4.56 SERIES SOLD NOV. 1963	200,000	20,000,000	102.47	4.45%
\$6.40 SERIES SOLD NOV. 1967	300,000	30,000,000	101.50	6.31%
\$7.44 SERIES SOLD DEC. 1972	330,001	33,000,100	101.00	7.37%
\$6.30 SERIES SOLD JUNE 1967	7,280	728,000 *	100.00	6.30%
STATED VALUE PER SHARE - \$97.50				
\$8.00 SERIES SOLD APR. 1971	425,000	41,437,500	98.50	8.12%
STATED VALUE PER SHARE - \$92.25				
\$8.00 SERIES SOLD NOV. 1969	350,000	32,287,500	93.25	8.58%
TOTAL		\$218,512,600		

* Subject to mandatory redemption; Company required to redeem 260 shares at \$100 per share on June 1 of each year, commencing in 1971.