

Ameren Services

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FILED

SEP 28 1999

September 27, 1999

VIA FEDERAL EXPRESS

Missouri Public  
Service Commission



Mr. Dale Hardy Roberts  
Secretary/Chief Regulatory Law Judge  
P.O. Box 360  
Jefferson City, MO 65102

Re: Preliminary Earnings and Sharing Report  
Case No. EM-96-149

Dear Mr. Roberts:

This letter will document for the record that Union Electric Company d/b/a AmerenUE, has submitted a preliminary earnings report, along with a proposed sharing report, to the Staff of the Missouri Public Service Commission, the Office of Public Counsel and the attorneys for certain industrial customers. These reports have been prepared pursuant to the provisions of the Stipulation and Agreement submitted in the above styled case – specifically Section 7.f.iv., and cover the Sharing Period ending June 30, 1999.

As the Commission is aware, various issues remain unresolved from the previous Sharing Period. In addition, the final amount of the rate reduction, which is to be based on an adjusted average of the first three Sharing Period credits, has also not been determined. Accordingly, this Preliminary Earnings Report uses the Company's position on the contested issues and the Company's final position on the rate decrease as applied to the current sharing period's sales.

A copy of the referenced reports and calculations is attached hereto, but is not being submitted for filing.

11026

Mr. Dale Hardy Roberts  
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Copies of this cover letter will be sent to all other parties to this docket.

Very truly yours,

Handwritten signature of James J. Cook in cursive script.

James J. Cook  
Managing Associate General Counsel

JJC/pag

Enclosure(s)

cc w/encl.: Mr. Steve Dottheim  
Mr. John Coffman  
Mr. Robert Johnson  
Ms. Diana Schmidt

cc w/o encl.: All Other Parties on Service List

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via first class U.S. mail, postage prepaid, on this 27th day of September, 1999, on the following parties of record:

Mr. Richard W. French  
French & Stewart  
1001 E. Cherry Street  
Suite 302  
Columbia, MO 65201

Mr. Steve Dottheim  
General Counsel  
Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, MO 65102

Mr. Michael C. Pendergast  
Laclede Gas Company  
720 Olive Street  
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Mr. John B. Coffman  
Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102

Mr. Robert C. Johnson  
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Mr. James C. Swearengen  
Brydon, Swearengen & England  
312 E. Capitol  
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Jefferson City, MO 65102

Ms. Diana Schmidt  
Bryan, Cave  
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Ms. Marilyn S. Teitelbaum  
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1221 Locust Street  
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St. Louis, MO 63103


Mr. Jeremiah W. Nixon/Mr. Daryl R.  
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Jefferson City, MO 65101

  
James J. Cook

**UNION ELECTRIC COMPANY  
CAPITAL STRUCTURE AND  
EMBEDDED COST OF DEBT AND PREFERRED  
AT JUNE 30, 1998 AND 1999  
PRELIMINARY**

**Schedule 1  
Page 1 of 5**

**BEGINNING OF SHARING PERIOD (JUNE 30, 1998)**

	(I) CAPITAL STRUCTURE DOLLARS	(II) %	(III) EMBEDDED COST	(IV) WGTD AVG COST
COMMON STOCK EQUITY*	\$2,415,630,944	55.334%	N/A	N/A
PREFERRED STOCK	155,197,000	3.555%	5.775%	0.205%
LONG-TERM DEBT	1,794,739,172	41.111%	6.978%	2.869%
TOTAL CAPITALIZATION	<u>\$4,365,567,116</u>	<u>100.000%</u>		
RETURN PORTION RELATED TO DEBT AND PREFERRED				<u>3.074%</u>

**END OF SHARING PERIOD (JUNE 30, 1999)**

	(V) CAPITAL STRUCTURE DOLLARS	(VI) %	(VII) EMBEDDED COST	(VIII) WGTD AVG COST
COMMON STOCK EQUITY*	\$2,497,618,986	58.019%	N/A	N/A
PREFERRED STOCK	155,197,000	3.605%	5.775%	0.208%
LONG-TERM DEBT	1,652,029,074	38.376%	6.953%	2.668%
TOTAL CAPITALIZATION	<u>\$4,304,845,060</u>	<u>100.000%</u>		
RETURN PORTION RELATED TO DEBT AND PREFERRED				<u>2.876%</u>

RETURN PORTION RELATED TO DEBT AND PREFERRED  
AVERAGE BEGINNING AND END OF SHARING PERIOD

2.975%

AVERAGE COMMON STOCK EQUITY\*  
BEGINNING AND END OF SHARING PERIOD (%)

56.676%

\*Since common dividends payable at the end of a quarter and preferred dividends payable during the subsequent quarter are removed from common equity in their entirety during the first month of every quarter, the balance for common stock equity for the end of the first or second month in each quarter (if used as the beginning or end of the sharing period) should be adjusted from actual book value. The balance for the end of the first month in the quarter should be adjusted by adding back two-thirds of the quarterly preferred and common dividend. The balance for the end of the second month in the quarter should be adjusted by adding back one-third of the quarterly preferred and common dividend.

**UNION ELECTRIC COMPANY**  
**12 MONTHS ENDED JUNE 30, 1999**  
**(IN THOUSANDS OF DOLLARS)**

**Schedule 1**  
**Page 2 of 5**

**PRELIMINARY**

	<b>TOTAL ELECTRIC</b>	<b>MISSOURI JURISDICTIONAL</b>
Plant in Service	\$ 8,360,024	\$ 7,518,671
Reserve for Depreciation	<u>3,362,667</u>	<u>3,006,005</u>
Net Plant	4,997,357	4,512,666
Add:		
Fuel and Materials & Supplies	201,368	172,940
Cash Working Capital	(27,454)	(24,000)
Prepayments	13,491	11,794
Less:		
Income Tax Offset (Staff Method)	61,041	55,760
Interest Expense Offset (Staff Method)	15,169	13,707
Customer Advances	8,168	8,117
Customer Deposits	11,011	11,011
Accumulated Deferred Income Taxes:		
Account 190	80,491	71,148
Account 282	<u>(889,957)</u>	<u>(788,504)</u>
(A) Total Rate Base	<u>\$ 4,279,907</u>	<u>\$ 3,867,449</u>
(B) Net Operating Income	\$ 435,560	\$ 401,560
(C) Return on Rate Base ((B) / (A))	<u>10.177%</u>	<u>10.383%</u>
(D) Return Portion Related to Debt & Preferred	2.975%	2.975%
(E) Return Portion Related to Common Equity ((C) - (D))	7.202%	7.408%
(F) Equity Percentage of Capital Structure	<u>56.676%</u>	<u>56.676%</u>
(G) Achieved Cost of Common Equity ((E) / (F))	<u>12.707%</u>	<u>13.071%</u>

**UNION ELECTRIC COMPANY**  
**12 MONTHS ENDED JUNE 30, 1999**  
**(IN THOUSANDS OF DOLLARS)**

Schedule 1  
Page 3 of 5

**PRELIMINARY**

	<b>TOTAL ELECTRIC</b>	<b>MISSOURI JURISDICTIONAL</b>
Operating Revenues	\$ 2,117,032	\$ 1,899,198
Operating & Maintenance Expenses:		
Production:		
Fixed Allocation	97,723	85,566
Variable Allocation	512,012	434,954
Directly Assigned	(2,496)	(2,082)
Total Production Expenses	607,239	518,438
Transmission Expenses (Fixed)	16,066	14,068
Distribution Expenses (Distr. Plant)	93,076	87,059
Customer Accounting Expenses (Direct)	57,256	53,808
Customer Serv. & Info. Expenses (Direct)	5,665	5,209
Sales Expenses (Direct)	3,045	2,797
Administrative & General Expenses:		
Directly Assigned	2,517	2,279
Labor Allocation	216,914	192,099
Total Administrative & General Expenses	219,431	194,378
Total Operating & Maintenance Expenses	1,001,778	875,757
Depreciation & Amortization Expense:		
Fixed Allocation	68,322	59,823
Labor Allocation	9,578	8,482
Directly Assigned	177,045	162,286
Total Depreciation & Amortization Expense	254,945	230,591
Taxes Other than Income Taxes:		
Fixed Allocation	52,356	45,843
Variable Allocation	1,394	1,184
Labor Allocation	4,308	3,816
Directly Assigned	142,054	133,425
Total Taxes Other than Income Taxes	200,112	184,268
Income Taxes:		
Federal Income Taxes	192,468	176,889
Missouri State Income Tax	31,126	30,133
Other States' Income Taxes	1,043	0
Total Income Taxes	224,637	207,022
Net Operating Income	\$ 435,560	\$ 401,560

**UNION ELECTRIC COMPANY**  
**MISSOURI ELECTRIC**  
**CALCULATION OF POSSIBLE SHARING REVENUES**  
**BASED ON TWELVE MONTHS ENDING JUNE 30, 1999**  
**(IN THOUSANDS OF DOLLARS)**

**Schedule 1**  
**Page 4 of 5**

**PRELIMINARY**

	<b>6/30/99</b>
MISSOURI RATE BASE	\$ 3,867,449
TOTAL RETURN ON RATE BASE	10.383%
EARNED RETURN ON COMMON EQUITY	13.071%
<b>50% SHARING FOR EARNED RETURN &gt; 12.61% = 14.00%</b>	
$[(13.071\% - 12.61\%) * 50\% * \$3,867,449 \text{ (RB)} * 0.56676 \text{ (C.E. \%)}]$	\$ 5,052
TOTAL 50% SHARING INCLUDING INCOME TAXES (.6231)	\$ 8,200
<b>90% SHARING FOR EARNED RETURN &gt; 14.00% = 16.00%</b>	
$[(14.000\% - 14.00\%) * 90\% * \$3,867,449 \text{ (RB)} * 0.56676 \text{ (C.E. \%)}]$	\$ -
TOTAL 90% SHARING INCLUDING INCOME TAXES (.6231)	\$ -
<b>100% SHARING FOR EARNED RETURN &gt; 16.00%</b>	
$[(16.000\% - 16.00\%) * 100\% * \$3,867,449 \text{ (RB)} * 0.56676 \text{ (C.E. \%)}]$	\$ -
TOTAL 100% SHARING INCLUDING INCOME TAXES (.6231)	\$ -
<b>TOTAL SHARING INCLUDING TAXES (EXCLUDES GROSS RECEIPTS TAX)</b>	<b>\$ 8,200</b>

PRELIMINARY

ALLOCATION FACTORS

	<u>TOTAL ELECTRIC</u>	<u>MISSOURI JURISDICTIONAL</u>
Fixed	100.00%	87.56%
Variable	100.00%	84.95%
Nuclear	100.00%	87.49%
Distribution	100.00%	94.44%
Mo. Distribution Plant	100.00%	99.49%
Labor	100.00%	88.56%
Net Plant	100.00%	90.30%
Operating Revenues	100.00%	89.71%
Operating Expenses	100.00%	87.42%
Callaway Post Operational	100.00%	94.37%
EPRI	100.00%	91.49%