

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 16th
day of October, 1992.

In the matter of the application of Union Electric)
Company to sell certain electric equipment to) Case No. EM-93-38
United Parcel Service.)

ORDER AUTHORIZING SALE OF CERTAIN ASSETS

On August 5, 1992, Union Electric Company (UE) filed an application with the Commission requesting authority from and approval of the Commission to sell certain electrical facilities to United Parcel Service, an existing customer, located at 13818 Rider Trail North, in unincorporated St. Louis County, Missouri. 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 by Section 386.020, RSMo Cum. Supp. 1991, engaged principally in the operation, transmission, distribution and sale of electrical energy.

United Parcel Service (UPS) is an existing customer of UE and presently takes service from UE at the Rider Trail North location under rate 3(M) of the Large General Service rate schedule. UPS is currently expanding its electrical usage at the above location and wishes to purchase certain distribution equipment now owned and used by UE in serving UPS at the above location. The distribution equipment to be sold consists of 200 feet of 4-inch-diameter conduit, 230 feet of 3-inch-diameter conduit and two transformer pads. Once ownership of this equipment is transferred, UPS intends to purchase and install its own transformers and thereby receive service under the 4(M) primary rate schedule at a rate savings over the 3(M) schedule currently used.

On August 13, 1992, the Staff of the Missouri Public Service Commission (Staff) made an inspection of the existing facilities. Staff found that current

service is being provided by UE to the UPS building through underground facilities. UPS wishes to consolidate service and take primary service from a new metering point on the edge of the property. UE has agreed to transfer ownership of the listed facilities and remove the existing transformers. UE will return these transformers to inventory for service as needed. UPS will then provide their own transformers on the existing transformer pads and will be responsible for future maintenance of their own electrical service equipment.

Both Engineering and Accounting Staff recommend the proposed sale be approved. Engineering Staff stated that, with the ownership of the equipment, UPS can qualify for a different rate schedule and can benefit from a lower rate. In addition, Engineering Staff stated that the transfer will not be detrimental to the service provided to other customers in the area and oversight by the local government authority is required by UE rules and regulations to ensure the safe operation of customer-owned equipment.

Accounting Staff estimates as a result of this sale the total increase in revenue requirement which will be borne by the ratepayers will be approximately \$46,000 annually due to UPS's reduced service rate. Staff states that, while relatively insignificant, UE estimates that, over the course of the next five years, approximately thirty such customers might ask to purchase facilities in similar fashion. In an effort to offset the impact of the lost revenue on the remaining large group of ratepayers, Staff recommends the gain generated by the proposed sale be treated as an addition to the depreciated reserve thereby reducing UE's rate base. In addition, the Accounting Staff notes that it has been the Commission's position in like cases in the past, including Nos. EM-92-164 and EM-92-284, to give any resulting gain from transactions of this nature above-the-line treatment. Staff recommends above-the-line accounting treatment for any resulting gain accruing to UE from this transaction and asks that ratemaking treatment related to this transaction be reserved for UE's next

rate proceeding. In addition, Staff requests the Commission's order include language making clear that approval of the sale does not constitute any determination of the ratemaking treatment to be accorded this transaction. Finally, Staff asks the Commission to order UE to provide Staff a copy of the accounting journal entries reflecting the finalized sale.

The Commission, having considered the application to sell assets and the Staff's recommendation filed herein, finds that a hearing in this matter is unnecessary and that the application should be approved. The Commission finds that, given the accounting treatment recommended by Staff, the sale would have no adverse impact on ratepayers and would not be detrimental to the public interest.

The Commission additionally finds that the transformers now used by UPS and owned by UE will, according to UE and Staff, be placed back in stock and reused by UE for their useful life. In addition, the conduit and transformer pads to be sold, which are still used and useful, will remain in service and be maintained by UPS.

The Commission also finds that Staff's recommendation in regard to the accounting treatment of the gain from this transaction is correct in light of the possibility of many such pending sales, and will be adopted.

IT IS THEREFORE ORDERED:

1. That Union Electric Company is hereby authorized to sell those assets as set out in this order to United Parcel Service and to enter into, execute and perform all acts and things reasonably necessary to accomplish this order.

2. That any and all gain from this sale accruing to Union Electric Company be given above-the-line accounting treatment and that specific ratemaking treatment related to this transaction be reserved for Union Electric Company's next rate proceeding.

3. That Union Electric Company submit to the Commission Accounting Staff copies of all journal entries made in connection with this sale at the time the transaction is completed.

4. That approval of this transaction does not constitute any determination of the ratemaking treatment to be accorded this transaction.

5. That this order shall become effective on the 27th day of October, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

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