

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 13th
day of November, 1992.

Application of Union Electric Company to sell)
transformer and related equipment to Lutheran) CASE NO. EM-93-6
Health Care Association.)

ORDER APPROVING SALE OF ASSETS

On July 6, 1992, Union Electric Company (UE) filed an application requesting that the Commission approve the sale of certain electric facilities to Lutheran Health Care Association (Lutheran), an existing customer which takes service under rates 1(M) Apartment and 3(M) Large General Service at a health care facility located at 723 South Laclede Station Road in St. Louis County, Missouri. The sale consists of one primary to secondary padmount transformer; poles and fixtures; overhead conductors and services; and underground conduit, conductors and services.

In support of its application, UE stated that after the sale of the electric facilities, Lutheran would receive service as a primary service customer under rate 4(M), instead of rates 1(M) and 3(M). UE indicated that the annual savings to Lutheran will be approximately \$35,000. UE also stated that Lutheran will maintain the electric facilities after Lutheran assumes ownership. UE further stated that after the sale is consummated, it will provide electric service to Lutheran at a primary voltage, at a mutually agreed upon delivery point, and that, in all other respects, electric service to Lutheran will continue as before.

UE indicated that the net book value of the electric facilities to be purchased by Lutheran is approximately \$45,000 and the proposed sale price is approximately \$58,000, which reflects the current market value of the facilities. UE stated that the electric facilities are treated as distributable property for

tax purposes and are allocated to and subject to taxation by all Missouri political subdivisions in which it has property.

In accordance with Section 393.190, RSMo 1986, UE submitted a statement showing that the impact from the proposed sale on the tax revenues of the political subdivisions in which it has any facilities will be de minimis. UE stated that this is due to the large number of taxing authorities to which the property is allocated and the relatively small dollar amount of the facilities being sold.

UE also stated that the sale will not be detrimental to the public interest and that neither UE nor its customers will be adversely affected as UE will be paid an amount exceeding the net book value of the electric facilities, the facilities will be retired, and the net book value of the facilities will be removed from the rate base in future rate proceedings. UE further stated that Lutheran will benefit from the lower rate to which it will be entitled under UE's rates.

On October 1, 1992, the Staff of the Commission (Staff) filed a memorandum recommending that the Commission approve the sale of the electric facilities subject to the following conditions: (1) that any resulting gain accruing to UE from this transaction be given above-the-line accounting treatment; (2) that specific ratemaking treatment related to this transaction be reserved for UE's next rate proceeding; (3) that UE provide a copy of the journal entries recording the finalized sale to the Accounting Department of the Commission; and (4) that the Commission's Order include language making it clear that approval does not constitute any determination of the ratemaking treatment to be accorded this transaction.

Upon review of UE's application and Staff's recommendation, the Commission finds that UE's proposed sale of electric facilities to Lutheran is not detrimental to the public interest inasmuch as neither UE nor its customers

will be harmed by the transaction while Lutheran will benefit from the sale. The Commission also finds that Staff's recommended conditions are reasonably designed to protect the public interest. Thus, the Commission determines that the sale should be approved subject to Staff's conditions.

IT IS THEREFORE ORDERED:

1. That the sale by Union Electric Company to Lutheran Health Care Association of the electric facilities described in this Order is hereby approved.

2. That the sale approved in Ordered Paragraph 1 shall be subject to the conditions specified in this Order.

3. That Union Electric Company may execute such instruments and may undertake such other acts as are necessary to consummate the sale of electric facilities as contemplated by this Order.

4. That nothing in this Order shall be considered as 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 property by Union Electric Company.

5. That the Commission reserves the right to consider the ratemaking treatment to be afforded these transactions in any later proceeding.

6. That this Order shall become effective on November 24, 1992.

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

(S E A L)

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