



Missouri Public Service Commission

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February 2, 2000

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Director, Utility Operations
ROBERT SCHALLENBERG
Director, Utility Services
DONNA M. KOLILIS
Director, Administration
DALE HARDY ROBERTS
Secretary/Chief Regulatory Law Judge
DANA K. JOYCE
General Counsel

FILED

FEB 2 2000

Missouri Public
Service Commission

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

RE: Case No. EF-2000-385 & EF-94-25

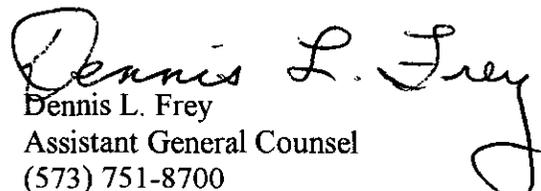
Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and fourteen (14) conformed copies of a **REVISED STAFF MEMORANDUM**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,


Dennis L. Frey
Assistant General Counsel
(573) 751-8700
(573) 751-9285 (Fax)

Enclosure
cc: Counsel of Record

FILED

FEB 2 2000

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

**Missouri Public
Service Commission**

In the Matter of the Application of Union)
Electric Company d/b/a AmerenUE for an)
Order Authorizing the Issue and Sale of)
up to \$750,000,000 Aggregate Principal)
Amount of Additional Long-Term Debt)

Case No. EF-2000-385

In the Matter of the Application of Union)
Electric Company for an Order)
Authorizing the Issue and Sale of up to)
\$310,000,000 Principal Amount of)
First Mortgage Bonds for the Purpose of)
Discharging Outstanding Long-Term)
Indebtedness)

Case No. EF-94-25

REVISED STAFF MEMORANDUM

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission"), and for its recommendation respectfully states:

1. On December 23, 1999, Union Electric Company d/b/a AmerenUE ("AmerenUE" or "Company") filed its Application requesting authority, under Sections 393.180 and 393.200, RSMo 1994 and 4 CSR 240-2.060, to issue and sell and sell up to \$750,000,000 aggregate principal amount of additional long-term indebtedness ("New Securities"). On that same day, the Company filed a motion requesting that the Commission issue its standard Protective Order and a motion requesting expedited consideration of its Application. In particular, the Company requested the Commission's decision on or before February 28, 2000. All three filings were in Case No. EF-2000-385.

2. On January 5, 2000, in addition to issuing its Order Granting Protective Order, the Commission issued an Order Directing Response, wherein the Commission directed the Staff to

file by January 12, 2000, a response to AmerenUE's Motion for Expedited Consideration, advising the Commission of the earliest date Staff could file a recommendation regarding the application.

3. On January 11, 2000, AmerenUE filed a Motion to Consolidate Proceedings, wherein the Company asked the Commission to consolidate Case No. EF-2000-385 with Case No. EF-94-25. In the latter case, the Commission authorized the Company to engage from time to time in transactions in connection with the issue and sale of up to \$310,000,000 principal amount of First Mortgage Bonds. AmerenUE further requested that, in the event the Commission grants the Company the authority it seeks in EF-2000-385, the Commission rule that such grant supersede, replace and terminate the remaining amount (\$210,000,000) of Mortgage Bond authorization under EF-94-25.

4. The Staff timely filed its response to the aforementioned Order Directing Response on January 12, 2000. In its response, Staff stated that it had no objection to either AmerenUE's Motion for Expedited Consideration or the Company's Motion to Consolidate Proceedings. Staff further stated that the earliest date on which it could file its recommendation regarding UE's Application in EF-2000-385 was January 21, 2000, and that it intended to file its recommendation on that date.

5. On January 21, 2000, Staff filed a Memorandum wherein the Staff recommended that the Commission issue an Order approving AmerenUE's Application in Case No. EF-2000-385, subject to four conditions set forth in the Memorandum.

6. Upon receiving a copy of the Staff Memorandum, AmerenUE contacted Staff to express concern about condition no. 4 contained therein. That condition stated as follows:

“That the Commission make its order effective for a period not to exceed 2 years from the date of issuance so that the Company may take advantage of changing market conditions over the life of the SEC’s shelf registration.”

The Staff appreciates that AmerenUE extended to Staff the courtesy of initiating informal contacts in an effort to resolve the Company’s concerns. In particular, the Company expressed its belief, based on prior experience, that the Commission would not agree to limit the effectiveness of a forthcoming Order to a definite time period. Furthermore, the Company indicated that, in any event, the two-year time frame recommended by Staff was not long enough to permit the Company to fully execute its plan for issuing the subject New Securities.

7. The Staff agrees that there is a need to clarify the language of condition no. 4 in its original Memorandum. Moreover, upon further discussion with the Company, Staff now believes it is appropriate to further modify the language of condition no. 4 to allow the company a longer time period (essentially three years instead of two) within which to complete its planned transactions involving New Securities. (Note: Staff is not recommending that EF-2000-385 be closed upon the expiration of said three-year time frame.) Finally, Staff suggests in its revised condition no. 4 that an ensuing Commission order specify the date by which the Company must file to seek any extensions to said time frame.

8. It is to be noted that all of the changes to Staff’s original Memorandum are reflected in condition no. 4, as set forth in the Revised Staff Memorandum. Moreover, AmerenUE supports Staff’s revised statement of condition no. 4.

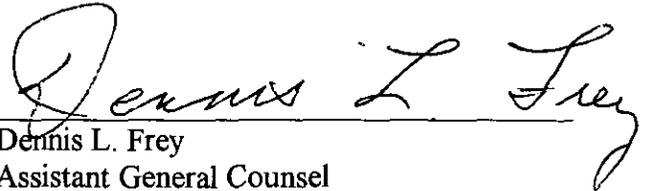
9. In its Revised Memorandum, attached hereto as Appendix A, the Staff recommends that the Commission issue an Order approving AmerenUE’s Application in Case No. EF-2000-385, subject to the conditions set forth in the Revised Memorandum. The Company’s Application meets the requirements of Sections 393.180 and 393.200 RSMo 1994 and 4 CSR

240-2.060(8). In particular, the proceeds of the financing are, as required by Section 393.200, "reasonably required" for the purpose of retiring AmerenUE's outstanding indebtedness.

WHEREFORE, the Staff hereby respectfully requests that the Commission issue its Order in accordance with the Revised Staff Memorandum attached hereto, rather than the original Staff Memorandum, filed on January 21, 2000.

Respectfully submitted,

DANA K. JOYCE
General Counsel

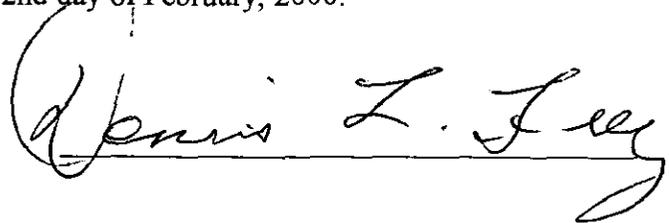


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 2nd day of February, 2000.



REVISED MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EF-2000-385

FROM: Ronald L. Bible *RLB*
Financial Analysis Department

R E Schellenberg 2-2-00
Director - Utility Services Division / Date

Steve Holt
General Counsel's Office / Date

A. L. J.
2-2-00

SUBJECT: Staff's Revised Recommendation for approval of the Application of Union Electric Company d/b/a AmerenUE for authority to issue and sell up to \$750,000,000 long-term indebtedness

DATE: February 2, 2000

Union Electric Company d/b/a AmerenUE

1. (a) **Type of Issue:** First Mortgage Bonds, promissory notes or other forms of unsecured indebtedness (Taxable New Securities) or indebtedness to support the issuance and sale of tax exempt bonds or notes by the State Environmental Improvement and Energy Resources Authority of the State of Missouri (Tax Exempt Related New Securities).
 - (b) **Amount:** Not to exceed \$750,000,000.
 - (c) **Rate:** Not to exceed 9%. The actual interest rate will be determined by market conditions. The rate will be determined at the time of issuance of the new securities.
 - (d) **Other Provisions:** The price to be paid to Applicant for the Taxable New Securities will not be less than 95% nor more than 105% thereof; the terms of maturity are expected to be between 5 and 40 years, but will in no event exceed 40 years. The price to be paid for Tax Exempt Related New Securities will be not less than 95% (including any Underwriter's discount, placement fee or commission) or more than 105% of the principal amount, exclusive, in each case of accrued interest. Evidence of Applicant's indebtedness with respect to the Tax Exempt Related New Securities will be in the form of a Loan Agreement(s) similar to that filed with the Commission in Case No. EF-99-5.
2. **Proposed Date of Transaction:** As soon as the Commission so authorizes.
 3. (a) **Statement of Purpose of the Issue:** To refund, discharge or retire its outstanding indebtedness (including redemption premiums and expenses).

(b) **From a financial perspective, does Staff deem this purpose reasonable? :**

Yes No

4. **Type of Transaction:** Public offering and/or private placement.

5. **Copies of executed instruments defining terms of the proposed securities:**

(a) If such instruments have been previously filed with the Commission, a reference to the Case Number in which the instruments were furnished.

(b) If such instruments have not been executed at the time of filing, a statement of the general terms and conditions to be contained in the instruments, which are proposed to be executed.

(c) If no such instruments are either executed or to be executed, a statement of how the securities are to be sold.

6. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the issuance of the securities reviewed:**

Yes No

7. **Pro-forma Balance Sheet and Income Statement reviewed:**

Yes No

8. **Capital expenditure schedule reviewed:**

Yes No

9. **Journal entries are required to be filed by the Company to allow for the Fee Schedule to be applied:**

Yes No

10. **Recommendation of the Financial Analysis Department:**

Grant by session order (see Comments)

Conditional Approval granted pending receipt of definite terms of issuance (see Comments)

Require additional and/or revised data before approval can be granted (see Comments)

Formal hearing required (see Comments)

Recommend dismissal (see Comments)

COMMENTS:

Union Electric Company d/b/a AmerenUE, (AmerenUE, Company) is a public utility engaged in providing services to customers in Missouri. The Company has filed an application requesting the Missouri Public Service Commission (Commission) to authorize it to issue and sell up to \$750,000,000 aggregate principal amount of additional long-term indebtedness (New Securities).

The Company's Application states that the Applicant proposes to issue and sell from time to time, in several transactions, up to \$750,000,000 aggregate principal amount of New Securities in one or a combination of the following forms: First Mortgage Bonds or debentures (including subordinated deferrable interest debentures), promissory notes or other forms of unsecured indebtedness (the "Taxable New Securities"); or indebtedness to support the issuance and sale of tax exempt bonds or notes by the State Environmental Improvement and Energy Resources Authority of the State of Missouri (the "Tax Exempt Related New Securities"). The Taxable New Securities will be issued under existing authority from the Securities and Exchange Commission or under new authority to be obtained in the form of a "shelf-registration" filed with that agency. The New Securities will be issued in either fixed or floating rate modes to provide flexibility when future economic conditions present a broadening and narrowing of the spread between short- and long-term interest rates.

Staff would point out to the Commission that the subordinated deferrable interest debentures are a hybrid security. The Commission is familiar with these securities in the form of Trust Originated Preferred Stock (TOPrS). These securities have been presented to the Commission in past cases as equity and then as debt.

Based on the pro forma financial statements filed by the Company with its application, AmerenUE's capital structure consists of 57.52 percent common equity, 3.5 percent preferred stock and 38.98 percent long-term debt. With the pro forma adjustments, the Company's capital structure consists of 57.54 percent common equity, 2.56 percent preferred stock and 39.90 percent long-term debt. These capitalization ratios are consistent with an "A" or better rating according to Standard and Poor's Utilities Rating Service, December 31, 1998 (see Attachment A). Staff's analysis of selected financial ratios indicates the Company's pre-tax interest coverage and funds from operations interest coverage improve on a pro forma basis, and all selected ratios are consistent with an "A" or better rating according to Standard and Poor's (see Attachment B).

Based on its review of the information submitted by the Company, the Staff recommends that the Commission approve the Application submitted by Union Electric Company in Case Number EF-2000-385 with the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding;

2. That the Company be required to provide the Commission with final terms and conditions of each series of New Securities as they are issued.
3. That the Company be required, upon issuing the various New Securities, to provide the Commission a net present value interest savings calculation indicating the amount of interest saved as a result of the refinancing.
4. That in its order, the Commission: a) establish March 1, 2003 as the deadline for completion by the Company of the New Securities issuance activity, for which Commission authorization is being sought in this docket; and b) direct that, in the event AmerenUE desires an extension of the March 1, 2003 deadline for completion of its New Securities issuance activity, the Company file an application for such extension on or before December 1, 2002.

The Staff respectfully requests that this matter be placed on the Commission's Agenda as soon as possible.

Attachments:

A: Pro Forma Capitalization

B: Ratio Analysis

Copies: Director - Utility Operations Division
Director - Policy and Planning Division
Manager - Financial Analysis Department
Office of the Public Counsel
Jere Birdsong, Union Electric Company d/b/a AmerenUE

Director - Utility Services Division
Manager - Electric Department
General Counsel
Ronald K. Evans Company Counsel

Pro Forma Capitalization as of September 30, 1999
for Union Electric Company
(thousands of dollars)

Capital Component	Percentage of Capital	Capital Dollars	Pro Forma Adjustments	*Pro Forma Capital Dollars	Pro Forma Percentage of Capital
Common Equity	57.52%	\$2,549,271	\$2,564	\$2,551,835	57.54%
Preferred Stock	3.50%	155,197	(\$41,438)	113,759	2.56%
Long-Term Debt	38.98%	1,727,385	\$42,000	1,769,385	39.90%
Short-Term Debt	0.00%	0	\$0	0	0.00%
Total	100.00%	\$4,431,853	\$3,126	\$4,434,979	100.00%

Financial Ratio Benchmarks
Total Debt / Total Capital

Standard & Poor's Corporation's
Utilities Rating Service,
Financial Statistics
Electric Utilities
December 31, 1998

	AA	A	BBB
Range(%)	38-51	41-55	44-62
Median(%)	45	49	52

**Selected Pro Forma Financial Ratios
for Union Electric Company**

<u>RATIO ANALYSIS</u>	<u>Ratios as of 12-31-98</u>	<u>Pro-Forma Ratios</u>	<u>S&P Guidelines "AA" Rating (1)</u>	<u>S&P Guidelines "A" Rating</u>	<u>S&P Guidelines "BBB" Rating</u>
Pre-Tax Interest Coverage:	3.65 x	3.72 x	3.73-4.44 x	2.88-4.02 x	2.08-3.04 x
Funds From Operations Interest Coverage:	5.53 x	5.65 x	4.79-5.89 x	3.51-4.82 x	2.72-3.72 x
Funds from Operations to Total Debt:	40.40%	39.41%	26.49-34.53 %	19.41-29.11 %	13.24-19.87 %
Total Debt to Total Capital:	38.98%	39.90%	38-51 %	41-55 %	44-62 %

Notes:

(1) Standard & Poor's Utilities Rating Service, Financial Statistics, December 31, 1998

**Service List for
Case No. EF-2000-385
February 2, 2000**

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Jefferson City, MO 65102

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Ameren Services Company
One Ameren Plaza, 1901 Chouteau Ave.
St. Louis, MO 63166-6149