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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 18th
day of December, 1997.

In the Matter of the Application of Union)
Electric Company for Approval of Successor)
Trustee for its Tax Qualified Nuclear)
Decommissioning Trust Fund, for Approval) **Case No. EO-98-144**
of Trustee Fee Schedule, for Approval of)
Change of Investment Manager and Investment)
Management Agreement and for Change to its)
Investment Guidelines.)

ORDER GRANTING APPLICATION

On October 6, 1997, Union Electric Company (UE or Applicant) filed an application for approval of: (1) a successor trustee for its tax qualified nuclear decommissioning trust fund; (2) modification of the trustee fee schedule; (3) change of investment manager and investment management agreement; and (4) modification of investment guidelines. UE states in its application that the changes of trustee and investment manager and other modifications are required because of acquisitions in the banking industry. UE requests that the Commission issue its order in this case no later than December 20, 1997, so that the transition of the trustee and investment manager responsibilities can be completed by January 1, 1998.

The Commission issued an Order and Notice on October 9, 1997, and directed that any applications to intervene should be filed no later than November 10, 1997. No applications to intervene were filed. Since no proper party filed an application to intervene and there are no outstanding requests for hearing, the Commission determines that an oral hearing is not necessary. The Commission may grant the relief requested

based on the verified application and verified statements submitted by Applicant. State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989).

UE filed with its application the verified direct testimony of Mr. Kevin L. Redhage which described the proposals set forth in the application. On October 27, UE filed a motion for leave to file supplemental direct testimony of Mr. Redhage. The supplemental direct testimony included a revised version of certain sections of the investment guidelines which were subdivided on a jurisdictional basis. On November 7, the Commission issued an order granting leave to file supplemental direct testimony.

UE requests in its application that the Commission approve Bankers Trust Company (BTCO) as successor trustee of the tax qualified nuclear decommissioning trust. The current trustee, Boatmen's Trust Company, is a subsidiary of Boatmen's Bancshares; however, Boatmen's Bancshares was acquired by NationsBank on January 7, 1997. On June 2, NationsBank sold to BTCO certain portions of the master trust and custody business that it acquired, including the trust and custody aspects of the tax qualified nuclear decommissioning trust fund. Boatmen's Trust Company will be dissolved after it transitions existing accounts to successor trustees.

Applicant states that the Commission should approve BTCO as successor trustee for the following reasons: (1) BTCO has the necessary expertise, resources and experience to assume financial responsibility for the trust fund; (2) BTCO is of sufficient size to satisfy the \$100 million net worth requirement recently imposed by the Federal Energy Regulatory Commission; (3) Naming BTCO as successor trustee will result in a minimal amount of administrative changes; and (4) BTCO has agreed to be bound by

the terms of the present trust agreement, and no changes will be made to the terms of the trust agreement.

UE seeks Commission approval of a change to the trustee's fee schedule. Copies of the current and proposed fee schedules are attached to the application as Appendix 1 and 2, respectively. UE states in its application that the current fee schedule primarily involves an annual "base fee" of 0.04 percent of each sub-account's market value plus a \$15.00 "per transaction" fee. The proposed fee schedule reduces the "base fee" to 0.01 percent of each sub-account's market value, plus a \$2,500.00 annual fixed charge for each sub-account. The proposed fee schedule also includes transaction charges which vary depending on the type of transaction; however, the majority of transactions would incur a \$15.00 fee which is the same as the current fee schedule. The fees for the overall trust, according to UE, will be somewhat higher under the proposed schedule, but will decrease as the market value of the trust grows larger.

Applicant seeks Commission approval to appoint TradeStreet Investment Associates, Inc. (TradeStreet) to manage the fixed income portion of the trust fund. Mississippi Valley Advisors will continue to serve as investment manager of the equity portion of the trust fund. As part of the acquisition of Boatmen's Bancshares by NationsBank, the investment management group of Boatmen's Trust Company was renamed "NationsBank Private Investments" which focuses on managing taxable funds for large net worth individual and small institutional clients. UE believes TradeStreet will provide better management of the decommissioning trust fund because TradeStreet (1) manages two decommissioning trust funds totaling over \$80 million in assets; (2) proposes a very reasonable fee schedule for an actively managed portfolio; (3) has an acceptable performance history; and (4) is a subsidiary of NationsBank. Applicant

requests that the Commission approve the Investment Management Agreement which is attached to the application as Appendix 3 and which contains the investment management fee schedule.

Finally, UE seeks approval of revised "Investment Guidelines" for the nuclear decommissioning trust fund. UE filed revised Investment Guidelines with its application on October 6 and filed an altered version on October 27 which contains subdivided sections pertaining to Missouri, Illinois, and Federal Energy Regulatory Commission jurisdictional sub-accounts. Applicant proposes that by subdividing the investment guidelines by jurisdiction in this manner, any future changes specific to a particular jurisdiction can be implemented or modified without affecting those applicable to the other jurisdiction. UE states that the revised Investment Guidelines also contain minor wording changes to enhance the clarity of the document without altering the purpose, intent or scope of the guidelines.

On December 15 the Staff of the Missouri Public Service Commission (Staff) filed a memorandum in official case file and recommended that the Commission approve UE's application. Staff states that it finds no reason to believe that the proposed changes will result in any detriment to the public interest or the ratepayers of UE. Staff states that none of the changes to the Investment Guidelines are material or significant. In addition, Staff indicates that the net effect of the change in the trustee's fee schedule will be that the initial total fees will be higher under the proposed fee schedule, but as the trust fund grows, the fees will be less than under the current fee schedule.

The Commission has reviewed the application filed by UE with verified statements and the recommendation of Staff. The Commission finds that the application is not detrimental to the public interest and should

be approved. Therefore, the Commission will grant approval of the application filed by UE and will approve the modifications requested by UE for its tax qualified nuclear decommissioning trust.

IT IS THEREFORE ORDERED:

1. That the Application for Approval of Successor Trustee for its Tax Qualified Nuclear Decommissioning Trust Fund, for Approval of Trustee Fee Schedule, for Approval of Change of Investment Manager and Investment Management Agreement and for Changes to Its Investment Guidelines, filed by Union Electric Company on October 6, 1997, as supplemented by the investment guidelines identified as Schedule 7 filed on October 27, 1997, is hereby approved.

2. That Bankers Trust Company is approved as successor trustee of Union Electric Company's tax qualified nuclear decommissioning trust.

3. That the trustee fee schedule submitted as Appendix 2 with the application filed by Union Electric Company on October 6, 1997, is hereby approved for Union Electric Company's tax qualified nuclear decommissioning trust.

4. That TradeStreet Investment Associated, Inc., is approved as the investment manager for the fixed income portion of Union Electric's tax qualified nuclear decommissioning trust fund.

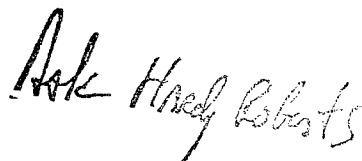
5. That the Investment Management Agreement filed by Union Electric Company on October 6, 1997, as Appendix 3 concerning TradeStreet Investment Associates, Inc., as investment manager for the fixed income portion of Union Electric's tax qualified nuclear decommissioning trust fund, is hereby approved.

6. That the "Investment Guidelines for the Callaway Plant Tax Qualified and Non-Tax qualified Nuclear Decommissioning Trust Funds" filed

on October 27, 1997, as Schedule 7 by Union Electric Company, are hereby approved.

7. That this order shall become effective on December 31, 1997.

BY THE COMMISSION

A handwritten signature in dark ink, appearing to read "Dale Hardy Roberts", written in a cursive style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Crumpton, Murray, and Drainer, CC., concur.
Lumpe, Ch., absent.

G. George, Regulatory Law Judge