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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 11th
day of September, 1997.

Application of Union Electric Company)
for Authority to Sell Assets to LMC)
Industries Inc.)
Case No. EM-98-13

ORDER APPROVING SALE OF ELECTRIC DISTRIBUTION EQUIPMENT

On July 11, 1997, Union Electric Company (Company or UE) filed an application requesting Commission approval of the sale of electric distribution equipment to LMC Industries Inc. (Customer or LMC). The equipment to be transferred consists of three pad-mounted transformers, three terminal poles and associated service equipment. In support of its application Company states that Customer has requested to purchase the distribution equipment in order to receive service as a primary service customer and receive service from UE under rate 4(M) instead of rate 3(M). UE states that the annual savings to LMC will be approximately \$27,500. UE states that if the sale is consummated it will provide electric service to LMC at a primary voltage at a mutually agreed upon delivery point and in all other respects electric service to LMC's facility will continue as before.

UE states that the net book value of the distribution equipment is approximately \$61,621.65 and the proposed sale price is \$71,979.45, which reflects the current reproduction cost of the equipment. UE states that the distribution equipment is treated as distributable property for tax purposes and is allocated to and subject to all Missouri political

subdivisions in which it has property. In compliance with Section 393.190 RSMo¹, UE states that, due to the large number of taxing authorities to which this property is allocated and the small dollar amount of the proposed sale in relation to the number of taxing authorities, the tax impacts will be *de minimis*. Attached to UE's Application are: (1) a letter to the City of Arnold, Missouri²; and (2) a letter to the County of Jefferson, Missouri³.

UE states that this 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 facilities and the net book value of the equipment will be removed from rate base in future rate proceedings. In addition, LMC will benefit from the lower rate to which it will be entitled under UE's rate structure.

On September 2, 1997, the Staff of the Missouri Public Service Commission (Staff) filed a memorandum recommending that the Commission approve the sale of the distribution equipment. Staff reviewed UE's method of calculating net book value of the equipment and determined that UE's method is reasonable. Staff determined that no UE customer other than LMC will be affected by the sale and that the sale will not be detrimental to the public or existing UE customers. Staff recommends that the Commission reserve for a future proceeding the right to consider the ratemaking treatment to be afforded foregone revenues associated with this sale, as specifically provided for in Case No. ER-95-411 which established the

¹All statutory references are to the Revised Statutes of Missouri, 1994, unless otherwise indicated.

² Appendix 2 of UE's application.

³ Appendix 3 of UE's application.

experimental alternative regulation plan now in effect. Staff also recommends that UE's accounting treatment for this sale be in conformance with the Uniform System of Accounts for electric utilities and that UE be required to file with the Commission and submit to the Accounting Department Staff, a copy of all journal entries made in connection with this sale no later than 90 days after completion of the sale.

The Commission has jurisdiction in this matter under Section 393.190 RSMo which prohibits sales by electrical corporations of any part of its system necessary or useful in the performance of its duties to the public unless the electrical corporation secures an order from the Commission authorizing the sale.

Upon review of the filings in this case, the Commission concludes that UE should be granted authorization to sell the distribution equipment described in this order because no showing of detriment to the public interest as a result of this sale has been demonstrated. The Commission further concludes that the Staff's recommendations are reasonable and will order that they be followed.

IT IS THEREFORE ORDERED:

1. That the sale by Union Electric Company to LMC Industries Inc. of the electric distribution equipment described in this order is approved.

2. That the ratemaking treatment to be afforded foregone revenues and any other ratemaking impacts associated with this sale be reserved for consideration in future rate proceedings.

3. That Union Electric Company's accounting treatment for this sale shall be in conformance with the Uniform System of Accounts for electric utilities.

4. That Union Electric Company shall file with the Commission and submit to Accounting Department Staff, a copy of all journal entries made in relation to this sale no later than 90 days after completion of the sale.

5. That this order shall become effective on September 23, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

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

ALJ: Luckenbill