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Chair

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M. DIANNE DRAINER  
Vice Chair

## Missouri Public Service Commission

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January 21, 2000

GORDON L. PERSINGER  
Acting Executive Director  
Director, Research and Public Affairs  
WESS A. HENDERSON  
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<sup>3</sup>

JAN 21 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**

**RE: Case No. EF-94-25**

Dear Mr. Roberts:

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

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)

DLF/lb  
Enclosure  
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

FILED<sup>3</sup>

JAN 21 2000

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

STAFF RECOMMENDATION

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. 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.

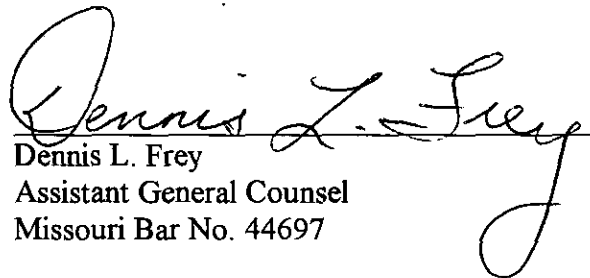
5. In the attached Memorandum (Appendix A) the Staff recommends that the Commission issue an Order approving AmerenUE's Application in Case No. EF-2000-385, subject to the conditions set forth in the Memorandum. The Company's Application meets the requirements of Sections 393.180 and 393.200 RSMo 1994 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 respectfully requests that the Commission issue its Order in accordance with the Staff's Memorandum attached hereto.

Respectfully submitted,

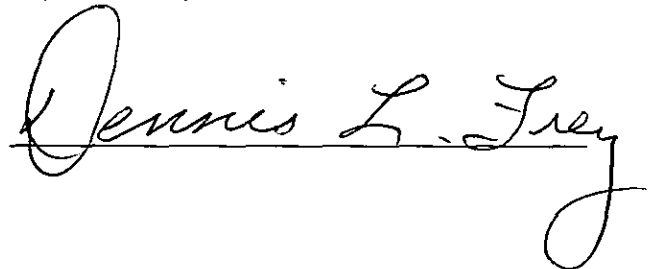
DANA K. JOYCE  
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Missouri Bar No. 44697

Attorney for the  
Missouri Public Service Commission  
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(573) 751-9285 (Fax)

### **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 21st day of January 2000.



**Service List for  
Case No. EF-2000-385  
January 21, 2000**

Office of the Public Counsel  
P.O. Box 7800  
Jefferson City, MO 65102

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

# MEMORANDUM

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

FROM: Ronald L. Bible  
Financial Analysis Department

R.E. Schallberg 1-21-00  
Director - Utility Services Division / Date

Steven G. G. 1/21/00  
General Counsel's Office / Date

SUBJECT: Staff's 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: January 21, 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 X 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.
- X (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 X No
7. **Pro-forma Balance Sheet and Income Statement reviewed:**  
Yes X No
8. **Capital expenditure schedule reviewed:**  
Yes    No X
9. **Journal entries are required to be filed by the Company to allow for the Fee Schedule to be applied:**  
Yes    No X
10. **Recommendation of the Financial Analysis Department:**
- X 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 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 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**

<b><u>RATIO ANALYSIS</u></b>	<b><u>Ratios as of 12-31-98</u></b>	<b><u>Pro-Forma Ratios</u></b>	<b><u>S&amp;P Guidelines "AA" Rating (1)</u></b>	<b><u>S&amp;P Guidelines "A" Rating</u></b>	<b><u>S&amp;P Guidelines "BBB" Rating</u></b>
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 %

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## Notes:

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