

September 14, 1998

**VIA FEDERAL EXPRESS**



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

**FILED**  
SEP 15 1998

Re: Preliminary Earnings and Sharing Report  
Case Nos. ER-95-411 and EO-96-14

Missouri Public  
Service Commission

Weather-Normalized Data for Rate Reduction  
Case No. EM-96-149

Dear Mr. Roberts:

This letter will document for the record that Union Electric Company has submitted a preliminary earnings report, along with a proposed sharing report, to the Staff of the Missouri Public Service Commission, the Office of Public Counsel and the attorney for certain industrial customers. These reports have been prepared pursuant to the provisions of the Stipulation and Agreement submitted in the above styled case - specifically Section 3.f.iv., and cover the Sharing Period ending June 30, 1998.

Also provided was the Company's calculation of "weather-normalized" data for determining the rate reduction called for in the Stipulation and Agreement in Case No. EM-96-149.

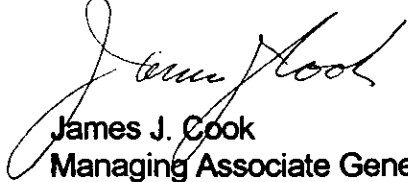
A copy of the referenced reports and calculations is attached hereto, but is not being submitted for filing.

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Copies of this cover letter will be sent to all other parties to this docket.

Very truly yours,

A handwritten signature in cursive script, appearing to read "James J. Cook".

James J. Cook  
Managing Associate General Counsel

JJC/bb

Enclosure(s)

cc: Steve Dottheim  
Parties on Service List

**UNION ELECTRIC COMPANY  
CAPITAL STRUCTURE AND  
EMBEDDED COST OF DEBT AND PREFERRED  
AT JUNE 30, 1997 AND 1998**

Schedule 1  
Page 1 of 5

**PRELIMINARY**

**BEGINNING OF SHARING PERIOD (JUNE 30, 1997)**

	(I) CAPITAL STRUCTURE DOLLARS	(II) %	(III) EMBEDDED COST	(IV) WGTD AVG COST
COMMON STOCK EQUITY*	\$2,364,384,244	54.360%	N/A	N/A
PREFERRED STOCK	155,197,000	3.568%	5.775%	0.206%
LONG-TERM DEBT	1,829,910,541	42.072%	7.013%	2.950%
TOTAL CAPITALIZATION	<u>\$4,349,491,785</u>	<u>100.000%</u>		

RETURN PORTION RELATED TO DEBT AND PREFERRED 3.157%

**END OF SHARING PERIOD (JUNE 30, 1998)**

	(V) CAPITAL STRUCTURE DOLLARS	(VI) %	(VII) EMBEDDED COST	(VIII) WGTD AVG COST
COMMON STOCK EQUITY*	\$2,415,630,944	55.334%	N/A	N/A
PREFERRED STOCK	155,197,000	3.555%	5.775%	0.205%
LONG-TERM DEBT	1,794,739,172	41.111%	6.978%	2.869%
TOTAL CAPITALIZATION	<u>\$4,365,567,116</u>	<u>100.000%</u>		

RETURN PORTION RELATED TO DEBT AND PREFERRED 3.073%

RETURN PORTION RELATED TO DEBT AND PREFERRED  
AVERAGE BEGINNING AND END OF SHARING PERIOD 3.115%

AVERAGE COMMON STOCK EQUITY\*  
BEGINNING AND END OF SHARING PERIOD (%) 54.847%

\*Since common dividends payable at the end of a quarter and preferred dividends payable during the subsequent quarter are removed from common equity in their entirety during the first month of every quarter, the balance for common stock equity for the end of the first or second month in each quarter (if used as the beginning or end of the sharing period) should be adjusted from actual book value. The balance for the end of the first month in the quarter should be adjusted by adding back two-thirds of the quarterly preferred and common dividend. The balance for the end of the second month in the quarter should be adjusted by adding back one-third of the quarterly preferred and common dividend.

**UNION ELECTRIC COMPANY**  
**12 MONTHS ENDED JUNE 30, 1998**  
**(IN THOUSANDS OF DOLLARS)**

Schedule 1  
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**PRELIMINARY**

	<b>TOTAL ELECTRIC</b>	<b>MISSOURI JURISDICTIONAL</b>
Plant in Service	\$ 8,244,140	\$ 7,382,901
Reserve for Depreciation	3,162,393	2,815,145
<b>Net Plant</b>	<b>5,081,747</b>	<b>4,567,756</b>
<b>Add:</b>		
Fuel and Materials & Supplies	206,109	177,963
Cash Working Capital	(27,466)	(24,000)
Prepayments	12,479	10,904
<b>Less:</b>		
Income Tax Offset (Staff Method)	63,180	58,201
Interest Expense Offset (Staff Method)	15,935	14,351
Customer Advances	8,113	8,065
Customer Deposits	10,435	10,435
<b>Accumulated Deferred Income Taxes:</b>		
Account 190	59,063	51,968
Account 282	(895,124)	(785,745)
<b>(A) Total Rate Base</b>	<b>\$ 4,339,145</b>	<b>\$ 3,907,794</b>
<b>(B) Net Operating Income</b>	<b>\$ 468,431</b>	<b>\$ 431,114</b>
<b>(C) Return on Rate Base ((B) / (A))</b>	<b>10.795%</b>	<b>11.032%</b>
<b>(D) Return Portion Related to Debt &amp; Preferred</b>	<b>3.115%</b>	<b>3.115%</b>
<b>(E) Return Portion Related to Common Equity ((C) - (D))</b>	<b>7.680%</b>	<b>7.917%</b>
<b>(F) Equity Percentage of Capital Structure</b>	<b>54.847%</b>	<b>54.847%</b>
<b>(G) Achieved Cost of Common Equity ((E) / (F))</b>	<b>14.003%</b>	<b>14.435%</b>

**UNION ELECTRIC COMPANY**  
**12 MONTHS ENDED JUNE 30, 1998**  
**(IN THOUSANDS OF DOLLARS)**

Schedule 1  
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**PRELIMINARY**

	<u>TOTAL ELECTRIC</u>	<u>MISSOURI JURISDICTIONAL</u>
Operating Revenues	\$ 2,131,069	\$ 1,914,181
Operating & Maintenance Expenses:		
Production:		
Fixed Allocation	90,281	78,662
Variable Allocation	548,556	468,303
Directly Assigned	(2,436)	(2,048)
Total Production Expenses	<u>636,401</u>	<u>544,917</u>
Transmission Expenses (Fixed)	14,593	12,715
Distribution Expenses (Distr. Plant)	84,419	78,927
Customer Accounting Expenses (Direct)	48,446	45,409
Customer Serv. & Info. Expenses (Direct)	7,144	6,650
Sales Expenses (Direct)	3,838	3,600
Administrative & General Expenses:		
Directly Assigned	4,191	3,822
Labor Allocation	209,734	185,363
Total Administrative & General Expenses	<u>213,925</u>	<u>189,185</u>
Total Operating & Maintenance Expenses	<u>1,008,766</u>	<u>881,403</u>
Depreciation & Amortization Expense:		
Fixed Allocation	66,965	58,346
Labor Allocation	9,724	8,594
Directly Assigned	171,412	156,257
Total Depreciation & Amortization Expense	<u>248,101</u>	<u>223,197</u>
Taxes Other than Income Taxes:		
Fixed Allocation	52,194	45,477
Variable Allocation	1,848	1,578
Labor Allocation	3,502	3,095
Directly Assigned	145,747	134,524
Total Taxes Other than Income Taxes	<u>203,291</u>	<u>184,674</u>
Income Taxes:		
Federal Income Taxes	166,765	162,741
Environmental Tax & Credit for Fuel Tax (Net Plant)	(445)	(400)
Missouri State Income Tax	32,391	31,452
Other States' Income Taxes	3,769	0
Total Income Taxes	<u>202,480</u>	<u>193,793</u>
Net Operating Income	<u>\$ 468,431</u>	<u>\$ 431,114</u>

**UNION ELECTRIC COMPANY**  
**MISSOURI ELECTRIC**  
**CALCULATION OF POSSIBLE SHARING REVENUES**  
**BASED ON TWELVE MONTHS ENDING JUNE 30, 1998**  
**(IN THOUSANDS OF DOLLARS)**

**Schedule 1**  
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**PRELIMINARY**

	<u>6/30/98</u>
MISSOURI RATE BASE	\$3,907,794
TOTAL RETURN ON RATE BASE	11.032%
EARNED RETURN ON COMMON EQUITY	14.435%
50% SHARING FOR EARNED RETURN > 12.61% = 14.00%	
[(14.000% - 12.61%) * 50% * \$3,907,794 (RB) * 0.54847 (C.E. %)]	\$14,896
TOTAL 50% SHARING INCLUDING INCOME TAXES (.6231)	\$24,178
100% SHARING FOR EARNED RETURN > 14.00%	
[(14.435% - 14.00%) * 100% * \$3,907,794 (RB) * 0.54847 (C.E. %)]	\$9,323
TOTAL 100% SHARING INCLUDING INCOME TAXES (.6231)	\$15,132
TOTAL SHARING INCLUDING TAXES (EXCLUDES GROSS RECEIPTS TAX)	\$39,310
ACTUAL 1997 CREDIT TO MISSOURI RETAIL CUSTOMERS LESS THAN ORDERED	\$0
ADJUSTED TOTAL SHARING	\$39,310

UNION ELECTRIC COMPANY  
12 MONTHS ENDED JUNE 30, 1998

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PRELIMINARY

ALLOCATION FACTORS

	<u>TOTAL ELECTRIC</u>	<u>MISSOURI JURISDICTIONAL</u>
Fixed	100.00%	87.13%
Variable	100.00%	85.37%
Nuclear	100.00%	86.99%
Distribution	100.00%	94.30%
Mo. Distribution Plant	100.00%	99.35%
Labor	100.00%	88.38%
Net Plant	100.00%	89.89%
Operating Revenues	100.00%	89.82%
Operating Expenses	100.00%	87.38%
Callaway Post Operational	100.00%	94.34%
EPRI	100.00%	91.60%

**UNION ELECTRIC COMPANY**  
**MISSOURI REVENUE SHARING**  
**ACTUAL AND WEATHER NORMALIZED**  
**TWELVE MONTHS ENDED 6/30/96, 6/30/97, AND 6/30/98**  
**(IN THOUSANDS OF DOLLARS)**

	<u>6/30/96</u>	<u>6/30/97</u>	<u>6/30/98 (2)</u>	<u>TOTAL</u>	<u>3 YEAR AVERAGE</u>	<u>RATE DECREASE</u>
ACTUAL CALCULATED MISSOURI REVENUE SHARING (1)	\$43,662	\$17,897	\$39,310	\$100,869	\$33,623	
WEATHER NORMALIZED (1)	11,133	21,358	17,318	49,809	16,603	<u>\$16,603</u>

(1) REVENUES EXCLUDE MISSOURI GROSS RECEIPTS TAXES.

(2) PRELIMINARY CALCULATION.



**UNION ELECTRIC COMPANY  
 CALCULATION OF CUSTOMER SHARING CREDITS  
 TWELVE MONTHS ENDED JUNE 30, 1996  
 (IN THOUSANDS OF DOLLARS)**

FINAL

ADJUSTED TO REFLECT NORMAL WEATHER

	6/30/96
MISSOURI RATE BASE	\$3,813,783
TOTAL RETURN ON RATE BASE	10.324%
EARNED RETURN ON COMMON EQUITY	13.285%
50% SHARING FOR EARNED RETURN > 12.61% = 14.00%	
[(13.285% - 12.61%) * 50% * \$3,813,783(RB) * .53344 (C.E. %)]	\$6,866
TOTAL 50% SHARING INCLUDING INCOME TAXES (.6231)	\$11,145
100% SHARING FOR EARNED RETURN > 14.00%	
[(14.629% - 14.000%) * 100% * \$3,809,833 (RB) * .53344 (C.E. %)]	\$0
TOTAL 100% SHARING INCLUDING INCOME TAXES (.6231)	\$0
TOTAL SHARING INCLUDING TAXES (EXCLUDES GROSS RECEIPTS TAX)	\$11,145
LESS ONE-TIME \$30 MILLION CREDIT OVER REFUND (1995)	(12)
NET SHARING CREDIT TO BE REFUNDED	\$11,133

**UNION ELECTRIC COMPANY**  
**MISSOURI ELECTRIC**  
**MISSOURI SHARING REVENUES**  
**BASED ON TWELVE MONTHS ENDING JUNE 30, 1997**  
**(IN THOUSANDS OF DOLLARS)**

FINAL

ADJUSTED TO REFLECT NORMAL WEATHER

	6/30/97
MISSOURI RATE BASE	\$3,896,083
TOTAL RETURN ON RATE BASE	10.662%
EARNED RETURN ON COMMON EQUITY	13.853%
50% SHARING FOR EARNED RETURN > 12.61% = 14.00%	
[(13.853% - 12.61%) * 50% * \$3,896,083(RB) * .54225 (C.E. %)]	\$13,130
TOTAL 50% SHARING INCLUDING INCOME TAXES (.6231)	\$21,312
100% SHARING FOR EARNED RETURN > 14.00%	
[(0% - 14.000%) * 100% * \$3,897,024(RB) * .54225 (C.E. %)]	\$0
TOTAL 100% SHARING INCLUDING INCOME TAXES (.6231)	\$0
TOTAL SHARING INCLUDING TAXES (EXCLUDES GROSS RECEIPTS TAX)	\$21,312
ACTUAL 1996 CREDIT TO MISSOURI RETAIL CUSTOMERS LESS THAN ORDERED	\$46
NET SHARING CREDIT TO BE REFUNDED	\$21,358

**UNION ELECTRIC COMPANY**  
**MISSOURI ELECTRIC**  
**CALCULATION OF POSSIBLE SHARING REVENUES**  
**BASED ON TWELVE MONTHS ENDING JUNE 30, 1998**  
**(IN THOUSANDS OF DOLLARS)**

**PRELIMINARY**

**ADJUSTED TO REFLECT NORMAL WEATHER**

	<b>6/30/98</b>
MISSOURI RATE BASE	\$3,910,256
TOTAL RETURN ON RATE BASE	10.577%
EARNED RETURN ON COMMON EQUITY	13.605%
50% SHARING FOR EARNED RETURN > 12.61% = 14.00%	
$[(13.605\% - 12.61\%) * 50\% * \$3,910,256(RB) * .54847 (C.E. \%)]$	\$10,670
TOTAL 50% SHARING INCLUDING INCOME TAXES (.6231)	\$17,318
100% SHARING FOR EARNED RETURN > 14.00%	
$[(14.000\% - 14.000\%) * 100\% * \$3,910,366(RB) * .54847 (C.E. \%)]$	\$0
TOTAL 100% SHARING INCLUDING INCOME TAXES (.6231)	\$0
TOTAL SHARING INCLUDING TAXES (EXCLUDES GROSS RECEIPTS TAX)	\$17,318