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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 July, 1997.

In the Matter of the Operation of Union Electric Company's Purchased Gas Adjustment Clause.	)))	**Case No. GO-97-405**

ORDER APPROVING STIPULATION AND AGREEMENT

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Union Electric Company (UE) filed a Joint Motion To Open Docket and Joint Motion To Establish Procedural Schedule. On April 10 the Commission issued an order establishing this docket and adopting a procedural schedule as suggested by Staff and UE. On May 5 the Staff filed a Notice And Motion which stated that an agreement in principle had been reached in this case.

On July 1 Staff and UE filed a Stipulation And Agreement in this case. Staff and UE are the signatories to the Stipulation And Agreement. The Certificate Of Service shows that a copy of the Stipulation And Agreement was mailed or hand-delivered to the Office of the Public Counsel on July 1, 1997. The Commission's rules provide that nonsignatory parties have five days after receipt of the notice that a Stipulation And Agreement has been filed to request a hearing regarding the Stipulation And Agreement and, if no such request is made, the Commission should treat the Stipulation And Agreement as a Unanimous Stipulation And Agreement. (4 CSR 240-2.115(3)). The Commission may approve the Stipulation And Agreement without having an on-the-record presentation in this case because the due process requirements as set out in State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Comm'n, 776 S.W.2d 494, 496 (Mo. App. 1989) have been met. Nonsignatory parties had an opportunity to request a hearing and have waived their rights by not requesting a hearing.

The agreement reached by Staff and UE in this case each involve the function of UE's Purchased Gas Adjustment (PGA) clause. The PGA clause is designed to allow natural gas local distribution companies to recover the cost of natural gas that they pay to wholesale suppliers of the commodity.

This Joint Motion, as well as nine other similar motions, were filed by Staff and Missouri's ten natural gas local distribution companies (LDCs) in early April 1997 to open proceedings that were designed to address certain issues associated with the dramatic and unprecedented increases in the unregulated price of natural gas during the winter of 1996-97. The Commission was concerned that frequent PGA filings were causing financial hardships among large numbers of ratepayers, and that the failure of LDCs to prorate the price of the gas to reflect the most recent price changes was eroding consumer confidence in the companies, as well as the regulatory process.

I. Frequency of PGA Filings

Under its current tariff UE may make a PGA filing whenever the annual increase or decrease in purchased gas costs causes a Regular Purchased Gas Adjustment factor in the affected service area to round to a change of at least $0.01 per ccf. If the Stipulation And Agreement is approved and UE is authorized to implement tariff changes UE would be permitted to make no more than three PGA changes per year. Two of these

PGA changes are scheduled changes and they consist of a "winter filing" between October 5 and October 25 of 1997 and each succeeding year, and a "summer filing" between March 5 and March 25 of 1998 and each succeeding year. UE could make an unscheduled winter PGA filing in between the scheduled winter filing and scheduled summer filing if at the time such unscheduled filing is made there is a projected underrecovery of 15 percent or more of UE's annual gas costs or a projected overrecovery of 10 percent or more of UE's annual gas costs.

II. Use of Financial Instruments to Hedge Gas Cost Volatility

The agreement allows UE to use financial instruments in its efforts to reduce the volatility of UE's cost of natural gas. To assure recovery by UE of the direct costs incurred in connection with procurement of these financial instruments, UE is authorized under the agreement to implement a Price Stabilization Charge. The agreement provides that the Price Stabilization Charge would take effect August 1, 1997. The revenues generated from the Price Stabilization Charge and gains from the use of financial instruments shall be accounted for separately and credited to a Price Stabilization Fund on a monthly basis.

III. Proration of PGA changes

Currently, UE does not prorate any of its PGA factors. Under the agreement increases and decreases in PGA factors, including Actual Cost Adjustment (ACA) and refund factors, shall be applied *pro rata* to customers' bills for service rendered on and after the effective date of the change.

IV. Preservation of UE's Gas Supply Incentive Plan

The agreement provides that all of the PGA modifications shall be implemented in a manner that preserves the structure, financial characteristics, and operation of UE's Gas Supply Incentive Plan.

V. Conclusion

The Commission finds that the proposed Stipulation And Agreement is in the public interest and should be approved. The proposed Stipulation And Agreement is consistent with the Commission's obligation to ensure just and reasonable rates. See Section 393.130.[1]

The Commission finds that the changes implemented in the Stipulation And Agreement have a significant impact on the company's ratepayers. These changes should ensure that ratepayers' gas bills reflect more accurately the price of the natural gas which they are consuming, and bring more stability to the PGA process of passing these unregulated costs on to ratepayers by limiting the number of occasions on which the PGA factor may be changed. The impact is significant enough that the Commission shall approve the Stipulation And Agreement only if UE complies with the conditions specified in Ordered Paragraphs 2 and 3 of this order. These conditions are designed to ensure that customers are apprised of these significant changes.

IT IS THEREFORE ORDERED:

1. That the Stipulation And Agreement filed by the Staff of the Missouri Public Service Commission and Union Electric Company on July 1, 1997 is hereby approved (Attachment 1).

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[1] All statutory references are to Revised Statutes of Missouri 1994.

2. That Union Electric Company shall develop a bill insert to explain to its customers the changes to the operation of the Purchased Gas Adjustment clause that have been ordered herein. The bill insert shall include the effective date of the change as it affects customer bills.

3. That Union Electric Company shall amend its bills to reflect the volumes used and the prices charged under the Purchased Gas Adjustment.

4. That Union Electric Company shall filed tariff sheets in compliance with this order no later than July 23, 1997, in substantially the same form and with the same effective dates as those attached to the Stipulation And Agreement. Union Electric Company shall also file the form of the bill insert and the customer bills that it proposes to use in compliance with Ordered Paragraphs 2 and 3 of this order.

5. That the Staff of the Missouri Public Service Commission shall file a memorandum in this docket no later than July 25, 1997, indicating whether the tariff sheets filed pursuant to Ordered Paragraph 4 are in compliance with this order.

6. That this order shall become effective on August 1, 1997.

BY THE COMMISSION

Cecil I. Wright

Cecil I. Wright
Executive Secretary

(S E A L)

Zobrist, Chm., Crumpton,
Drainer, Murray and Lumpe,
CC., concur.

ALJ: Luckenbill

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the operation of Union Electric Company's Purchased Gas Adjustment Clause.)	Case No. GO-97-405

Stipulation and Agreement

I. Procedural History

On April 1, 1997, the Staff of the Missouri Public Service Commission (Staff) and Union Electric Company ("UE or Company") filed a Joint Motion to Open Docket and a Joint Motion to Establish Procedural Schedule. In the Joint Motion, Staff stated that events during the last heating season had raised general questions regarding the frequency of Purchased Gas Adjustment ("PGA") filings and the extent to which changes in various PGA factors should be prorated for billing purposes. Staff and UE accordingly requested that the Commission open this docket for the purpose of examining these two issues, and these two issues alone, in advance of the next winter heating season.

On April 10, 1997, the Commission issued an Order in Case No. GO-97-405 in which it opened this docket, established the procedural schedule recommended by Staff and UE, and directed that notice of this proceeding be provided. The Commission also issued

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Orders opening similar dockets applicable to the other local distribution companies which operate in Missouri.

Subsequent to the issuance of these Orders, representatives of the Staff, UE and other gas utilities met in an effort to discuss the issues raised in each docket and determine whether agreements resolving the issues could be reached. As a result of those discussions, Staff and UE have reached the following stipulations and agreements:

II. **<u>Frequency of PGA Filings</u>**

For purposes of resolving the issue relating to the frequency of PGA filings, UE and Staff have agreed to certain significant revisions to UE's PGA tariff which, if approved by the Commission, would substantially reduce the number of PGA filings made by UE each year. These proposed PGA tariff revisions are set forth in Attachment A to this Stipulation and Agreement (the "Proposed PGA Tariff") and include the following modifications:

A. <u>Number and Timing of PGA Filings</u> -- Under its existing tariffs, UE may make a PGA filing whenever the annual increase or decrease in purchased gas costs causes a Regular Purchased Gas Adjustment (RPGA) factor in the affected service area to round to a change of at least ± 1.00¢ per Ccf. Under the Proposed PGA Tariff, UE shall be permitted to make no more than two scheduled

PGA filings each calendar year and one unscheduled PGA filing each winter period pursuant to the following terms:

1. Scheduled PGA Filings -- The first scheduled PGA filing (hereinafter the "Winter PGA Filing") shall be filed between October 5 and October 25, 1997 and between October 5 and October 25 of each succeeding calendar year thereafter. The second scheduled PGA filing (hereinafter the "Summer PGA Filing") shall be filed between March 5 and March 25, 1998 and between March 5 and March 25 of each succeeding calendar year thereafter.

2. Unscheduled Winter PGA Filing -- In addition to these two scheduled PGA filings, UE shall also be permitted to make one unscheduled winter PGA filing on an annual basis (hereinafter the "Unscheduled Winter PGA Filing") in the period between the effective date of the Winter PGA Filing and the next Summer PGA Filing, provided that at the time of such Unscheduled Winter PGA Filing, there is: (a) a projected under-recovery in UE's Deferred Carrying Cost Balance ("DCCB"), as defined in paragraph II. E.1 herein, equal to or greater than fifteen percent of UE's Annual Gas Cost Level or (b) a projected over-recovery equal to or greater than ten percent of UE's Annual Gas Cost Level. The projected under- or over-recovery shall be determined by adding: (1) the actual net over- or under-recovery amount in the DCCB at the time

the Unscheduled Winter PGA Filing is made, and (2) the estimated DCCB-related over- or under-recovery amount which, based on UE's actual gas commodity costs at the time of the Unscheduled Winter PGA Filing, would otherwise occur in the ensuing monthly period absent the filing.

3. Notice Period -- Each PGA filing shall be filed with the Commission no less than ten business days prior to the proposed effective date.

B. Contents of PGA Filings

1. The scheduled Winter and Summer PGA Filings shall contain rates reflecting: (a) refunds relating to or arising during the prior period, and (b) DCCB-related adjustments, and (c) UE's estimate of annualized gas cost revenue requirements applicable to the period between the effective date of such filing and the next scheduled PGA Filing.

2. In addition:

(a) In the Winter PGA Filing, UE shall file ACA factors relating to the immediately preceding twelve months ending March (prior ACA period).

(b) In any Unscheduled Winter PGA Filing, UE may file a rate change not to exceed five cents ($.05) per Ccf, (hereinafter the "Unscheduled Winter PGA Filing Adjustment Factor").

which is designed to return to, or receive from, ratepayers any DCCB-related over- or under-recoveries of gas costs that have been deferred by UE since its Winter PGA Filing. The Unscheduled Winter PGA Filing Adjustment Factor shall remain in effect only until the next scheduled PGA Filing. Additionally UE shall file a current estimate of annualized gas costs revenue requirements applicable to the period between the effective date of such filing and the next scheduled PGA Filing.

C. Estimate of Annualized Gas Costs -- The level of annualized gas costs to be reflected in each PGA filing shall be subject to the following conditions:

1. Fixed Gas Costs -- The gas cost revenue requirement relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other FERC authorized fixed charges, shall be determined in the same manner as under UE's now existing PGA procedures.

2. Commodity Gas Cost Cap --The level of gas costs relating to gas supply commodity costs, variable transportation charges, and other FERC-authorized variable charges shall be determined by UE for purposes of estimating this component in each PGA filing, provided that:

(a) for any scheduled PGA filing, such estimate shall not exceed a per Ccf cost equal to the higher of:

(1) UE's actual commodity gas cost per Ccf for currently purchased gas supplies and services in the month in which the PGA filing is made; or

(2) The average of (i) the highest weighted average commodity gas cost per Ccf in a single season ACA period and (ii) the overall weighted average commodity gas cost per Ccf actually incurred by UE, for currently purchased gas supplies and services in the applicable winter or summer period during the then three most recent ACA periods.

(b) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per Ccf cost equal to UE's actual per Ccf commodity cost of gas, for currently purchased gas supplies and services in the month in which such Unscheduled Winter PGA Filing is made.

(c) UE accepts responsibility that its gas costs will conform with the provisions of its PGA tariff and this Stipulation and Agreement. Additionally, UE will provide any information necessary to show how the factor was developed.

D. Experimental Price Stabilization Fund

1. For purposes of reducing the impact of natural gas price volatility on UE's customers during the 1997/1998 winter season, and the potential deferral of gas costs to subsequent periods, UE shall be authorized to procure Financial Instruments, in the form of **____

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2. To assure recovery of the direct costs associated with the procurement of these Financial Instruments, UE shall be authorized to implement in its next PGA Filing a Price Stabilization Charge which shall increase the commodity gas cost component of UE's RPGA over a twelve month period beginning August 1, 1997 by an amount equal to **____________** per Ccf.

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Revenues generated as a result of such adjustment and all realized gains from the use of such Financial Instruments shall be accounted for separately and credited to a Price Stabilization Fund on a monthly basis. This is not intended to be an additional PGA Filing. Specimen Tariff sheets implementing the Price Stabilization fund mechanism are set forth in Attachment A to this Stipulation and Agreement.

3. No prudence adjustment or other disallowance of costs debited to the Price Stabilization Fund and incurred by UE shall be proposed or made in any proceeding in connection with the use or potential use of natural gas financial instruments by UE, provided that the Financial Instruments are purchased: (a) within the authorized price range specified herein; and (b) at prices generally prevailing in the NYMEX natural gas market at the time the purchase is made.

4. UE shall cooperate with the Staff, Office of the Public Counsel, and other interested parties in identifying the impact of the Price Stabilization Fund on UE's gas costs during the first year in which the Price Stabilization Fund is in effect. In connection therewith, UE shall provide quarterly reports to the Staff and the Office of the Public Counsel describing such impacts, commencing October 1, 1997, and shall prepare and submit a final

report to the Commission regarding such impacts by September 1, 1998. Unless otherwise requested by UE, the Price Stabilization Fund shall be terminated, effective July 31, 1998. Any balance in the Price Stabilization Fund, net of amounts expended or committed by UE (including carrying costs described in paragraph II. D.6 below), shall thereafter be returned or charged to customers as part of the ACA adjustment reflected in the next Winter PGA Filing.

5. UE shall take appropriate steps to insure that proper internal controls and safeguards are in place relating to the use of natural gas financial instruments. It is understood by the parties that a primary goal of the financial instrument program described above is to procure price protection by use of Financial Instruments on a volume of gas equal to **________________________

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________** It is also understood by the parties, however, that the actual percentage of gas supply protection achieved by UE may very well vary from this goal depending on changes in the market price for Financial Instruments, deviations from normal weather, and other factors.

6. Notwithstanding any other provision of this Stipulation and Agreement, carrying costs equal to simple interest

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at the rate (described in paragraph II. E.2 below), shall be applied each month to any negative or positive balance in the Price Stabilization Fund beginning August 1, 1997.

E. <u>Carrying Costs</u> -- Carrying costs shall be applied to certain deferred gas cost balances in the following manner:

1. No carrying costs shall be applied until such time as the net DCCB exceeds an amount equal to five percent of UE's average annual level of gas costs for the then three most recent ACA periods (herein "Annual Gas Cost Level"), which shall initially (until the 1998 winter PGA filing) be based on the three ACA periods immediately preceding the 1997/98 winter period. The DCCB shall include the cumulative under- or over-recoveries of gas costs at the end of each month for each annual ACA period. The under- and over-recoveries of gas costs to be included in the DCCB shall be defined as the product of: (a) the difference between UE's actual annualized unit cost of gas (blended with storage) and the estimated annualized unit cost of gas factor included in UE's then most recent PGA filing, times (b) the total volumes of gas sold during such month.

2. In the event the DCCB (whether over- or under-recovered) exceeds five percent of UE's Annual Gas Cost Level, a carrying cost equal to simple interest at the prime rate

as noted in the Wall Street Journal on the first business day of the following month, minus one percentage point shall be applied to the portion of the balance amounts which exceed five percent for the month of such excess balance.

3. Notwithstanding any other provision of this Stipulation and Agreement, a carrying cost equal to simple interest at the prime rate minus one percentage point shall be applied each month to any negative or positive balance in the Price Stabilization Fund beginning August 1, 1997 and shall be flowed through to customers as part of the ACA adjustment in the Winter PGA Filing.

III. Proration

Currently, UE does not prorate any of its PGA factors. To resolve this issue, the undersigned parties agree that any increase or decrease in any PGA factor, including ACA and refund factors, shall be applied prorata to customers bills for service rendered on and after the effective date of the change. The parties further agree that bills which contain multiple PGA rate changes during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

IV. Ancillary Matters

A. Treatment of Transportation Customers -- In order that transportation customers (in comparison to sales customers) are not unfairly advantaged by the longer PGA rate periods provided for in this Stipulation and Agreement, UE's natural gas transportation service tariff includes a provision permitting UE to charge a separate, higher PGA rate applicable to any gas sales made to transportation customers.

B. Variance from PGA Provisions -- Nothing in this Stipulation and Agreement shall expand or limit whatever authority UE may have to seek a variance or waiver from any UE tariff provisions or Commission rules. This Stipulation and Agreement shall not be construed as affecting in any way UE's right to seek emergency or permanent rate relief or to propose any changes in the manner in which it bills its customers.

C. Reevaluation of PGA Clause -- The parties agree that the PGA Clause revisions proposed herein address the immediate concerns raised in Case No. GO-97-405 as such concerns relate to UE. UE agrees to cooperate with the Staff, Office of Public Counsel and other interested parties in examining the desirability and feasibility of implementing further changes to its tariffs in advance of the 1998/99 winter heating season, based on a review of how well the PGA Clause, as modified herein, will have operated during the 1997/98 winter heating season. The parties also acknowledge that the PGA structure provided for herein would need to be significantly altered in the event any further, significant unbundling of UE's services were to be implemented by the Commission.

D. Gas Supply Incentive Plan -- The parties agree that all of the PGA modifications provided for in this Stipulation and Agreement shall be implemented in a manner that preserves the structure, financial characteristics, and operation of any gas supply incentive plan of UE approved by the Commission. UE is currently seeking Commission approval of such a plan in Case No. GR-97-393.

E. Data Requests -- Data request No. 3501 previously submitted by Staff to UE in this docket shall be withdrawn. UE previously supplied its response to Staff's Data Request No. 5001.

V. General Matters

A. None of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any ratemaking or procedural principle, any method of cost determination or cost allocation, or any service or payment standard; and none of the signatories shall be prejudiced or bound in any manner by the terms of this Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

B. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not approve and adopt this Stipulation and Agreement in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

C. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the Parties waive, with respect to the issues resolved herein: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to present testimony, to cross-examine witnesses, and to present oral argument and written briefs; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2 (RSMo. 1994); and their respective rights to judicial review pursuant to Section 386.510 (RSMo. 1994).

D. If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each Party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission, within five (5) days of receipt of Staff's memorandum, a responsive memorandum which shall also be served on all Parties. All memoranda submitted by the Parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules; shall be maintained on a confidential basis by all Parties; and shall not become a part of the record of this proceeding or bind or prejudice the Party submitting such memorandum in any future proceeding or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any Party are its own and are not acquiesced in or otherwise adopted by the other signatories to this Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests; provided that the Staff shall, to the extent reasonably practicable, promptly provide other Parties with advance notice of when the Staff shall respond to the Commission's request from Staff, (and afford all such parties, to the maximum extent practicable, the right to be present at such oral explanation). Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

E. In order for UE to have adequate time to implement all aspects of this Stipulation and Agreement prior to the Winter PGA Filing, the parties urge the Commission to issue an Order Adopting the Stipulation and Agreement with an effective date of no later than August 1, 1997.

WHEREFORE, the undersigned Parties respectfully request that the Commission issue its Order approving all of the specific terms and conditions of this Stipulation and Agreement to be effective August 1, 1997.

Respectfully Submitted,

Penny G. Baker

Penny G. Baker, #34662
Deputy General Counsel

Thomas R. Schwarz, #29645
Deputy General Counsel

P. O. Box 360
Jefferson City, MO 65102
573-751-6651
573-751-9285 (fax)

ATTORNEYS FOR THE STAFF OF THE MISSOURI PUBLIC SERVICE COMMISSION

Ronald K Evans by pgb

Ronald K. Evans, #22597
Associate General Counsel

P. O. Box 149
St. Louis, MO 63166
314-554-2156
314-554-4014 (Fax)

ATTORNEY FOR UNION ELECTRIC COMPANY

ATTORNEY FOR THE OFFICE OF THE PUBLIC COUNSEL

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 1st day of July, 1997.

Penny G. Baker

1901 Chouteau Ave...
Post Office Box 149
St. Louis, Missouri 63166
314-554-2098

UNION ELECTRIC

July 1, 1997

William E. Jaudes
Vice President
and
General Counsel

VIA FACSIMILE

Mr. Cecil Wright
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Dear Mr. Wright:

By letter dated June 27, 1997, Union Electric transmitted to you for filing revisions of Schedule No. 2, Schedule of Rates for Gas Service. These tariff sheets were issued June 30, 1997 to become effective on and after August 1, 1997. With this letter Union Electric is requesting the effective date of those tariffs (with the exception of Original Sheet No. 29.4) be extended to October 5, 1997. The filed tariff sheets affected are:

3rd Revised Sheet No. 22
3rd Revised Sheet No. 23
2nd Revised Sheet No. 24
2nd Revised Sheet No. 25
2nd Revised Sheet No. 26
2nd Revised Sheet No. 27
4th Revised Sheet No. 28
5th Revised Sheet No. 29
1st Revised Sheet No. 29.1
Original Sheet No. 29.2
Original Sheet No. 29.3

The effective date for Original Sheet No. 29.4 will remain August 1, 1997.

This request is being made to allow Union Electric to operate under the current provisions of its Purchased Gas Adjustment (PGA) Clause until the proposed operational date of the revised PGA Clause.

Also, please substitute the accompanying 3rd Revised Sheet No. 22 and 3rd Revised Sheet No. 23 for those previously filed. Upon discussions with the Commission Staff, it was decided the proposed changes to these two sheets will more effectively track the language of the Stipulation and Agreement between the parities in Case No. GO-97-405.

Yours truly,

William E Jaudes

Enclosures

cc: Office of Public Counsel

Attachment A

314-554-2156
314-554-4014 FAX

FILED
JUN 30 1997
MISSOURI
PUBLIC SERVICE COMMISSION

UNION ELECTRIC

June 27, 1997

Mr. Cecil Wright
Executive Secretary
Missouri Public Service Commission
P. O. Box 360
Jefferson City, Missouri 65102

Dear Mr. Wright:

The accompanying tariff sheets issued by Union Electric Company are transmitted to you for filing as revisions of Schedule No. 2, Schedule of Rates for Gas Service:

Filed	Canceling
3rd Revised Sheet No. 22	2nd Revised Sheet No. 22
3rd Revised Sheet No. 23	2nd Revised Sheet No. 23
2nd Revised Sheet No. 24	1st Revised Sheet No. 24
2nd Revised Sheet No. 25	1st Revised Sheet No. 25
2nd Revised Sheet No. 26	1st Revised Sheet No. 26
2nd Revised Sheet No. 27	1st Revised Sheet No. 27
4th Revised Sheet No. 28	3rd Revised Sheet No. 28
5th Revised Sheet No. 29	4th Revised Sheet No. 29
1st Revised Sheet No. 29.1	Original Sheet No. 29.1
Original Sheet No. 29.2	
Original Sheet No. 29.3	
Original Sheet No. 29.4	

These sheets are issued June 30, 1997 to become effective on and after August 1, 1997.

These sheets are being filed pursuant to the Stipulation and Agreement of the parties in Missouri Public Service Commission Case No. GO-97-405.

Enclosed are three (3) copies of this transmittal letter and tariff sheets, one of which I request be stamped and returned to me to confirm that all of the revised sheets have been placed on file.

Sincerely,

Ronald K. Evans
Associate General Counsel

Enclosures

cc: Office of Public Counsel

Attachment

9700878

P.S.C. Mo. No. 2 3rd Revised SHEET No. 22

Cancelling P.S.C. Mo. No. 2 2nd Revised SHEET No. 2

UNION ELECTRIC COMPANY
GAS SERVICE

Applying to MISSOURI SERVICE AREA

RIDER A *

PURCHASED GAS ADJUSTMENT CLAUSE

APPLICABILITY

The Purchased Gas Adjustment (PGA) Clause applies to all sales and transportation services provided under all natural gas rate schedules and contracts, including sales to transportation customers. The PGA Clause will be implemented separately for each portion of the Company's service area to which natural gas is transported exclusively by a different interstate pipeline company (hereinafter identified from time to time by reference to "Panhandle Eastern", "Texas Eastern", and "Natural Gas Pipeline"). For purposes of this clause, the term "cost of gas" shall be as defined under Section I.B.

Any increase or decrease in any PGA factor, including Actual C[illegible] Adjustment (ACA) and Refund Adjustment (RA) factors, resulting from [illegible] application of this Rider A, shall be applied prorata to customers' bills for service rendered on and after the effective date of the change. Bills which contain multiple PGA rate changes, including the ACA and refund components of such rate changes, during a customer's billing cycle shall be prorated between the old and new rates in proportion to the number of days in the customer's billing cycle that such rates were in effect.

I. PURCHASED GAS COST ADJUSTMENT

A. Filing of the PGA

The Company shall make no more than two (2) scheduled PGA filings each calendar year (hereinafter referred to as the "Winter PGA Filing" and the "Summer PGA Filing") and one unscheduled PGA filing each winter period (hereinafter referred to as the "Unscheduled Winter PGA Filing") pursuant to the following terms:

1. Scheduled PGA Filings -- The Winter PGA Filing shall be filed between October 5 and October 25 each year. The Summer PGA Filing shall be filed between March 5 and March 25 each year. The scheduled Winter and Summer PGA Filings shall be made at least ten (10) business days prior to the proposed effective dates.

* Indicates Change

Issued pursuant to the Stipulation and Agreement of the parties in MoPSC Case No. GO-97-405.

DATE OF ISSUE June 30, 1997 DATE EFFECTIVE August 1, 1997

ISSUED BY C. W. Mueller [illegible]

Attachment A

P.S.C. Mo. No. 2 3rd Revised SHEET No.

Cancelling P.S.C. Mo. No. 2 2nd Revised SHEET No.

UNION ELECTRIC COMPANY
GAS SERVICE

Applying to MISSOURI SERVICE AREA

RIDER A *

PURCHASED GAS ADJUSTMENT CLAUSE

2. Unscheduled Winter PGA Filing -- In addition to these two scheduled PGA filings, the Company may also make one Unscheduled Winter PGA Filing in the period between the effective date of the Winter PGA Filing and the next Summer PGA Filing, provided that at the time of such Unscheduled Winter PGA Filing, there is: (a) a projected under-recovery in the Company's Deferred Carrying Cost Balance (DCCB), as defined in Section III.B. of this Rider A, equal to or greater than fifteen percent (15%) of the Company's average annual level of gas costs for the then three (3) most recent ACA periods (hereinafter referred to as the "Annual Gas Cost Level") or (b) a projected over-recovery equal to or greater than ten percent (10%) of the Company's Annual Gas Cost Level. The projected under- or over-recovery shall be determined by adding: (1) the actual net over- or under-recovery amount in the DCCB at the time the Unscheduled Winter PGA Filing is made, and (2) the estimated DCCB related over- or under-recovery amount which, based on the Company's actual gas commodity costs at the time of the Unscheduled Winter PGA Filing, would otherwise occur in the ensuing monthly period absent the filing. The Unscheduled Winter PGA Filing shall be made at least ten (10) business days prior to the proposed effective date.

B. Contents of PGA Filings

The Company shall file with the Commission for approval PGA tariff sheets for the Winter and Summer PGA Filing and the optional Unscheduled Winter PGA Filing which shall consist of:

The Regular Purchased Gas Adjustment (RPGA) Factor - A ¢/Ccf factor to reflect the current estimate of the annualized cost of various natural gas services purchased by the Company, including but not limited to firm and interruptible gas supply, gathering services, firm and interruptible transportation service, storage services and any service which bundles or aggregates these various services. Such factor shall also reflect the Price Stabilization Charge as defined in Section V. of this Rider A.

* Indicates Change

Issued pursuant to the Stipulation and Agreement of the parties in MoPSC Case No. GO-97-405.

DATE OF ISSUE June 30, 1997 DATE EFFECTIVE August 1, 1997

ISSUED BY C. W. Mueller President & CEO

Attachment A

P.S.C. Mo. No. 2 2nd Revised SHEET No. __

Cancelling P.S.C. Mo. No. 2 1st Revised SHEET No. __

UNION ELECTRIC COMPANY
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Applying to MISSOURI SERVICE AREA

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The Actual Cost Adjustment (ACA) Factor - A ¢/Ccf factor to reflect the annual reconciliation of actual purchased gas and pipeline service costs with the actual recovery of such costs through the application of this Rider A, including any DCCB adjustments. Revised ACA factors shall be filed with the Winter PGA Filing.

The Refund Adjustment (RA) Factor - A ¢/Ccf factor to reflect refunds received by the Company in connection with purchased gas and/or pipeline services.

In addition, in any Unscheduled Winter PGA Filing, the Company may file a rate change (hereinafter referred to as the "Unscheduled Winter PGA Filing Adjustment Factor") not to exceed five cents (5.0¢) per C which is designed to refund to, or recover from, customers any DCCB related over- or under-recoveries of gas costs that have been deferred by the Company since its Winter PGA Filing. The Unscheduled Winter PGA Filing Adjustment Factor shall remain in effect until the next scheduled Summer PGA Filing.

For the purpose of the computations herein, the cost of gas recoverable through the RPGA and ACA shall include:

a) The cost of any liquid or gaseous hydrocarbons purchased for injection into the gas stream;

b) Gathering, transportation and storage costs related to such liquid or gaseous hydrocarbons; and

c) All other costs associated with the purchase, transportation and/or storage of natural gas under a rate, tariff or contract subject to regulation by the Federal Energy Regulatory Commission (FERC) or successor agency including, but not limited to, costs billed as take-or-pay and transition charges.

As used in this Rider, the following definitions shall apply:

* Indicates Change

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ISSUED BY C. W. Mueller President & CEO St. Louis, Missouri

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"filing month" - the month in which a RPGA, RA or ACA is determined by the Company and filed with the Commission;

"base period" - the first twelve (12) of the thirteen (13) months immediately preceding the filing month;

"firm sales" - the sales associated with the Company's Residential, Small General Service and Large General Service rate classifications;

"reserved supply service" - transportation service where customer has elected to reserve sales supply through the Company. The Company will maintain supply, transportation, and storage contract capacity levels for gas supply to the customer upon the customer's return to one of the Company's sales service schedules. All customers receiving such reserve service will be charged the appropriate service area's reserve related charges as calculated hereunder.

II. DETERMINATION OF REGULAR PURCHASED GAS ADJUSTMENT (RPGA)

The RPGA will be determined in accordance with the following for each portion of the Company's service area to which natural gas is transported exclusively by a different interstate pipeline company:

A. Commodity-Related Charges

For the purpose of the computations herein "commodity-related" shall mean gas costs relating to gas supply commodity charges, variable transportation charges, and other FERC-authorized variable charges. It shall also include the Price Stabilization Charge defined in Section V. of this Rider A.

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The Commodity-Related Charge cost component per Ccf shall be determined by the Company using any method it deems reasonable provided that: (1) for any scheduled PGA filing such estimate shall not exceed a per Ccf cost equal to the higher of: (a) the Company's actual commodity-related gas cost per Ccf for currently purchased gas supplies and services in the month in which the PGA filing is made; or (b) the average of (i) the highest weighted average commodity-related gas cost per Ccf in a single season ACA period and (ii) the overall weighted average commodity-related gas cost per Ccf actually incurred by the Company for currently purchased gas supplies and services, in the applicable winter or summer period during the then three (3) most recent ACA periods. (2) for any Unscheduled Winter PGA Filing, such estimate shall not exceed a per Ccf cost equal to the Company's actual commodity-related gas cost per Ccf for currently purchased gas supplies and services in the month in which such Unscheduled Winter PGA Filing is made.

B. Demand-Related (Capacity, Reservation, Space, Deliverablity) Charges

For the purpose of the computations herein "demand-related" shall mean gas costs relating to fixed pipeline transportation and storage charges, fixed gas supply charges, and other FERC-authorized fixed charges.

1. Purchased Gas

For each natural gas supply purchased during the base period multiply the number of units of demand purchased during the base period by their respective charge(s) in effect on the first day of the filing month and divide by firm sales and reserved supply service volumes during the base period.

2. Supplemental Gas

For each supplemental (temporary and emergency) gas supply purchased during the base period multiply the number of units purchased each month of the base period by the charge(s) in effect on the first day of the filing month and divide by firm sales and reserved supply service volumes during the base period; in the case of a supply initially accounted for as

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inventory item, multiply the number of units taken from inventory each month of the base period by the most current inventory unit price for such supply and divide by firm sales and reserved supply service volumes during the base period.

3. Purchased Seasonal/Peaking Storage

For each seasonal/peaking type storage service purchased during the base period multiply the units of demand purchased during the base period by their respective charge(s) in effect on the first day of the filing month and divide by firm sales and reserved supply service volumes during the base period; if there is no purchase of a specific storage service for the filing month, the last charge(s) paid for such storage service purchased in the base period shall be used.

4. Purchased Balancing Storage

For each balancing type storage service purchased during the base period multiply the units of demand purchased during the base period by their respective charge(s) in effect on the first day of the filing month and divide by total sales and reserved supply service volumes during the base period; if there is no purchase of a specific storage service for the filing month, the last charge(s) paid for such storage service purchased in the base period shall be used.

5. Transportation Service

For each separate related transportation service purchased during the base period multiply the number of units of demand purchased during the base period by their respective charge(s) in effect on the first day of the filing month, less 1.25¢ per Ccf times the units of interruptible sales, and divide the resulting balance of demand costs by firm sales and reserved supply service volumes during the base period; if there is no purchase of a specific transportation service for the filing month, the last charge(s) paid for such transportation service purchased during the base period shall be used.

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C. Other Costs of Gas

The total amounts of any costs, different from those referred to above, associated with the supply, transportation and/or storage service of natural gas during the base period under a rate, tariff or contract subject to regulation by the FERC or successor agency, divided by total sales and/or transported volumes, as applicable, during the base period. These costs include, but are not limited to, costs billed as take-or-pay and transition charges.

D. Determination of Class RPGA Factors

The RPGA factor for the firm sales rate classifications of natural gas service shall be calculated by summing the factors determined Sections II.A. through II.C. above.

The RPGA factor for the interruptible sales rate classification of natural gas service shall be calculated by summing the factors determined in Sections II.A., II.B.4., and II.C. above plus 1.25¢ per Ccf.

The RPGA factor for the transportation rate classification without reserved supply service shall be as calculated in Section II.C. above.

The RPGA factor for the transportation rate classification with reserved supply service shall be calculated by summing the factors determined in Section II.B. and II.C. above.

III. ACTUAL COST ADJUSTMENT (ACA) ACCOUNT:

A. An ACA account shall be maintained for each portion of the Company's service area to which natural gas is transported exclusively by a different interstate pipeline company. Said accounts shall be credited by the amount of any gas costs recovered through the action of this Rider in excess of actual gas costs incurred by the Company, and debited by the amount of any such recovered gas costs which is less than actual gas costs incurred by the Company. Such reconciliation of gas costs

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Name of Officer

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incurred and recovered shall be for the twelve (12) month period ending with March of each year, as defined herein.

1. For each ACA account, such excess or deficiency in total gas cost recovery for each sales rate classification and transportation rate classification shall be determined by a monthly comparison of the actual cost of gas for each month, including the prior period's ACA balance, but excluding refunds, to the gas cost revenues recovered for the subsequent revenue month.

   a. Demand-related costs applicable to "Purchased Gas" supply service, "Purchased Seasonal/Peaking Storage" service, "Supplemental Gas" service and "Transportation" of peaking storage service shall be allocated to firm sales and transportation with reserved supply service rate classifications based upon the ratio of each such classes' respective actual sales and transported volumes to the sum of firm sales and transported volumes for the related revenue month.

   b. Demand-related costs applicable to pipeline "Transportation" service and "Purchased Balancing Storage" service shall be allocated to firm sales, interruptible sales and transportation customers with reserved supply service rate classifications. The interruptible sales customers will be allocated a portion of such "Transportation" demand costs. The balance of demand costs will then be allocated to firm sales and transportation customers with reserved supply service rate classifications based upon such classes' respective actual sales and transported volumes to the sum of firm sales and transported volumes for the related revenue month.

   c. Commodity-related costs applicable to "Purchased Gas" supply service, "Purchased Seasonal/Peaking Storage" service, "Purchased Balancing Storage" service and "Transportation" service shall be allocated to each sales rate classification based on the ratio of each such classes' respective actual

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sales to the sum of total sales for the related revenue month.

d. "Other Cost of Gas" incurred shall be allocated as applicable to each sales rate classification and transportation rate classification based on the ratio of each such classes' respective actual sales and transported volumes to the sum of such sales and transported volumes for the related revenue month.

e. Costs associated with the Pilot Project entitled "Use of Financial Markets to Manage Gas Costs" will be considered purchased gas costs for the term of the Pilot Project and subject to the provisions of this Section III. The amounts to be passed through the ACA are those set forth in t applicable tariff contained in Section XV. Pilot Programs. These costs will be allocated to each sales classification based on the ratio of each such class' respective actual sales to the sum of such sales for all sales classifications during the related revenue month.

2. The total gas cost recovered each month shall be the product of the billed sales and transportation volumes of each such rate classification and the RPGA factor for that interstate pipeline area including the prior period's ACA factor, but exclusive of the RA factor.

3. For the twelve-month period ending with March of each year, the aggregate excess or deficiency in gas cost recovery as described above shall be accumulated to produce a cumulative balance of excess or deficiency of gas cost recovery by sales and transportation rate classifications. ACA factors shall be computed by dividing these cumulative balances by the estimated sales and transportation volumes during the subsequent twelve-month billing period of November - October, for each of the sales and transportation rate classifications. All actual ACA revenue recovered shall be debited or credited to the appropriate balance of the ACA account and any remaining balance shall be reflected in the subsequent ACA computations.

4. These ACA factors shall be rounded to the nearest 0.01¢/Ccf and applied to billings of each applicable sales and transportat

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rate classification, commencing with the first billing cycle of the November revenue month of each year.

These ACA factors shall remain in effect until superseded by subsequent ACA factors calculated according to this provision.

B. Deferred Carrying Cost Balance (DCCB)

Carrying costs shall be applied to certain deferred gas cost balances in Company's ACA Accounts through operation of the DCCB. The DCCB is the cumulative under- or over-recoveries of gas costs at the end of each month for each annual ACA period. For each such month, the under- and over-recoveries of gas costs to be included in the DCCB shall be the product of: (a) the difference between the actual annualized unit cost of gas (blended with storage) and the estimated annualized unit cost of gas factor included in the Company's then most recent PGA filing, times (b) the volumes of gas sold during such month.

Each month, carrying costs, at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first business day of the following month), minus one (1) percentage point, shall be credited to customers for any over-recoveries of gas costs or credited to the Company for any under-recovery of gas costs only when and to the portion of the balance amounts which exceeds five percent (5%) of the Company's Annual Gas Cost Level.

Any DCCB amount existing at the end of the Company's ACA period, including interest, shall be included in the determination of the new ACA factor to be effective in the Winter PGA Filing. The DCCB may be charged to or collected from customers through implementation of the Unscheduled PGA Filing Adjustment Factor as described in Section I.A.2. of this Rider A.

IV. REFUND ADJUSTMENTS (RA)

Unless otherwise ordered by the Missouri Public Service Commission, any refunds which the Company receives in connection with natural gas services purchased by it together with any interest included in such

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refunds will be refunded to the Company's applicable customers. Such distribution will commence with either the Winter or Summer PGA Filing when said refunds which by themselves, or in combination with prior undistributed refunds, exceed an amount which causes a RA factor in the affected area to round to at least 0.01¢/Ccf.

Said refunds received shall be distributed to Company's applicable customers as follows:

A. The refund amount will be allocated to each firm sales, interruptible sales and transportation rate classification based upon the same allocation of such costs as calculated during the base period in Section II. herein.

B. The amount of refund will be divided by the amount of Ccfs estimated to be sold and/or transported in the succeeding twelve (12) months to the applicable classes of customers. The resulting per Ccf adjustment, to the nearest 0.01¢, will be applied as a credit to bills to such customers over the succeeding twelve (12) months by multiplying such unit refund credit by the total Ccfs billed to each customer in each billing period.

C. The length of the refund period shall be twelve (12) months.

D. Any amount by which the refund distribution is less or more than the amount initially determined to be refunded, will be added or subtracted from the next succeeding refund distribution without additional interest.

E. The Company will add interest to the refunds received applicable to (1) the principal amount of the refund from the date of its receipt by Company to the beginning date of the refund adjustment period and, (2) the average amount of the total natural gas refund adjustment principal estimated to be outstanding over the refund adjustment period. The interest shall be computed at the most recent annual prime bank lending rate, as published in The Wall Street Journal issued on the first business day of the month the refund was received by the Company, less two (2) percentage points. For each refund distribution period, the interest to

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so added by the Company shall be included in determining the per Ccf credits to be applied to bills pursuant to Section IV.B above.

F. The Missouri Public Service Commission staff will review the RA account simultaneously with the annual ACA audit.

V. EXPERIMENTAL PRICE STABILIZATION FUND

For purposes of reducing the impact of natural gas price volatility on the Company's customers during the 1997/1998 heating season, the Company shall maintain an Experimental Price Stabilization Fund for purposes of procuring certain natural gas financial instruments in accordance with parameters which have been designated "Highly Confidential" and are only available to the Missouri Public Service Commission or to any party that executes a non-disclosure statement.

The Company shall recover all costs and expenses associated with such procurement through the inclusion of a Price Stabilization Charge in the Commodity-Related unit gas cost component set forth in Section II.A. of this Rider A.

All costs and expenses directly attributable to the procurement of such instruments shall be charged to the fund. All revenues collected through the Price Stabilization Charge and any financial gains derived therefrom shall be credited to the fund. At the end of each month carrying costs shall be applied to any balance (negative or positive) in the fund at a simple rate of interest equal to the prime bank lending rate (as published in The Wall Street Journal on the first business day of the following month) minus one (1) percentage point.

Unless otherwise requested by the Company and approved by the Commission, the fund shall be terminated effective July 31, 1998. Any debit or credit balance in the fund, including interest, shall be charged or returned to the Company's sales customers through the ACA factor established in the next Winter PGA Filing.

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