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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 10th
day of December, 1997.

In the Matter of Union Electric)
Company's Tariff Designed To)
Increase Rates for Gas Service)
in the Company's Missouri)
Service Area.)

Case No. GR-97-393

ORDER APPROVING STIPULATION AND AGREEMENTS

On March 21, 1997, Union Electric Company (UE or Company) filed proposed tariff sheets with the Missouri Public Service Commission bearing an effective date of April 20. The proposed tariff sheets were designed to produce an increase in annual revenues of approximately \$14,300,000, or 19.5 percent, excluding gross receipts taxes.

On April 15 the Commission suspended the proposed tariff sheets until February 18, 1998, and directed that notice of the application be provided. On May 30 the Commission established a procedural schedule and granted intervention to Midwest Gas Users Association (Midwest).

On May 12 the company filed direct testimony and accompanying schedules. On September 4 the Staff of the Missouri Public Service Commission (Staff) and the Office of the Public Counsel (Public Counsel) filed direct testimony and accompanying schedules regarding the Company's revenue requirement. On September 11 the Staff, Public Counsel, and Midwest filed direct testimony regarding rate design. During October the Staff and Public Counsel filed supplemental direct testimony regarding rate design. On October 20 the Company, Midwest, Staff, and Public Counsel

filed rebuttal testimony. On November 3 the Company, Midwest, Staff, and Public Counsel filed surrebuttal testimony.

On November 12 the Company, Midwest, Staff, and Public Counsel filed a unanimous stipulation and agreement regarding the appropriate revenue requirement for the Company. On November 13 the Staff filed an explanatory memorandum regarding that stipulation and agreement. On November 20 the Staff filed Attachment 4 to the November 12 Stipulation and Agreement. Attachment 4 had erroneously been omitted from that Stipulation and Agreement. Attachment 4 and the other attachments to the November 12 Stipulation and Agreement are incorporated by reference for purposes of this Report and Order.

On November 18 the Company, Midwest, Staff, and Public Counsel filed a unanimous stipulation and agreement as to class cost of service and rate design issues. On November 26 the Staff filed suggestions in support of the unanimous stipulation and agreement regarding rate design and class cost of service issues.

The Commission has reviewed the unanimous stipulation and agreement regarding the appropriate revenue requirement for the Company and determines that it is in the public interest and should be approved. The proposed unanimous stipulation and agreement regarding the appropriate revenue requirement for the Company is consistent with the Commission's obligation to ensure just and reasonable rates under Section 393.130.¹ The Commission may accept a unanimous stipulation and agreement as disposition of a case under Section 536.060 RSMo Supp. 1996. The Commission has reviewed the unanimous stipulation and agreement regarding the appropriate rate design and class cost of service for the Company and determines that

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

it is in the public interest and should be approved. The proposed unanimous stipulation and agreement regarding the appropriate rate design and class cost of service for the Company is consistent with the Commission's obligation to ensure just and reasonable rates under Section 393.130. The Commission may accept a unanimous stipulation and agreement as disposition of a case under Section 536.060 RSMo Supp. 1996.

IT IS THEREFORE ORDERED:

1. That the Unanimous Stipulation and Agreement filed on November 12, 1997 by Union Electric Company, Midwest Gas Users Association, the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel is approved (Attachment 1).

2. That the Unanimous Stipulation and Agreement filed on November 18, 1997 by Union Electric Company, Midwest Gas Users Association, the Staff of the Missouri Public Service Commission, and the Office of the Public Counsel is approved (Attachment 2).

3. That the proposed tariff sheets filed by Union Electric Company on March 21, 1997 are rejected.

4. That Union Electric Company may file revised tariff sheets containing rate schedules for natural gas service designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues of eleven million five hundred thousand (\$11,500,000) exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes, said tariff sheets to be in compliance with this Report and Order. The tariff sheets to be filed in compliance with this Report and Order shall be in substantially the same form as the sample tariff sheets provided with the Stipulation and Agreements.

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

BY THE COMMISSION

A handwritten signature in dark ink, appearing to read "Dale Hardy Roberts". The signature is written in a cursive, somewhat stylized script.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

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

Luckenbill, Deputy Chief Regulatory Law Judge

FILED

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MISSOURI
PUBLIC SERVICE COMMISSIONBEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Union Electric Company's)	
Tariff Designed to Increase Rates for Gas)	Case No. GR-97-393
Service in the Company's Missouri)	
Service Area.)	

UNANIMOUS STIPULATION AND AGREEMENT

On March 21, 1997, Union Electric Company ("UE" or "Company") submitted to the Missouri Public Service Commission ("Commission") proposed tariffs reflecting increased rates for gas service provided to customers in the Company's Missouri service area. The proposed tariffs contained a requested effective date of April 20, 1997, and were designed to produce an annual increase of approximately 19.5 percent (\$14.3 million) in the Company's revenues exclusive of applicable taxes. In addition, the proposed tariffs contained several rate design modifications, as well as changes to UE's Purchased Gas Adjustment ("PGA") clause to include an experimental gas supply incentive plan.

By Order dated April 15, 1997, the Commission suspended the proposed tariffs for a period of 120 days plus an additional six months beyond the proposed effective date until February 18, 1998. In addition, said Order established a procedural schedule for interventions, the prefiling of direct testimony and exhibits by UE and evidentiary hearings. By Order dated May 30, 1997, the Commission established additional procedural dates and granted the Application For Intervention filed by the Midwest Gas Users Association ("MGUA") which represents a group of the Company's natural gas transportation customers consisting of: Maytag Corporation, Fasco Industries Inc., TEVA Pharmaceuticals USA, Modine Manufacturing

Company, Chesebrough-Ponds USA, and ABB Transmission. The Hearing Memorandum filed in this case indicates the dates of the filing of testimony by the parties.

Pursuant to the procedural schedule established by the Commission, a prehearing conference was convened on September 29, 1997. UE, the Commission Staff ("Staff"), the Office of the Public Counsel ("Public Counsel") and the MGUA appeared and participated at the prehearing conference. As a result of the prehearing conference and subsequent negotiations, the undersigned parties ("Parties") have reached the following stipulations and agreements:

1. UE shall be authorized to file revised tariff sheets containing rate schedules for natural gas service designed to produce an increase in overall Missouri jurisdictional gross annual gas revenues of eleven million five hundred thousand dollars (\$ 11,500,000) exclusive of any applicable license, occupation, franchise, gross receipts taxes or other similar fees or taxes. This amount reflects a \$15,000 disallowance adjustment to reflect the allocation of administrative and general expense to UE's unregulated activities and includes \$150,000 for the funding of an experimental weatherization program. Subject to the provisions herein, the stipulated \$11,500,000 rate increase settles all revenue requirement issues in this case.

2. The following additional issues are also resolved as indicated:

- A. Tariff Issues. The tariff sheets set out in Attachment 1 hereto reflect agreements by the Parties, with the exception of the designations for the nonresidential customer rate classifications and the rate blocking structures appearing therein which, as indicated in the Hearing Memorandum, are unresolved rate design issues. Without limiting the generality of the foregoing, these agreements include:

- (1) Revisions to UE's Miscellaneous Charges (Tariff Sheet No. 19) as follows:

- (a) increase the reconnection charge from \$30 to \$40;

- (b) eliminate the disconnection trip charge of \$8;
- (c) increase the service pipe footage charge from \$2.00 to \$3.30 and increase the footage to which such charge is applicable from in excess of 40 feet to in excess of 60 feet;
- (d) increase the service pipe connection or tap charge from \$50 to \$100;
- (e) increase the meter testing charge from \$50 to \$65 for testing residential type meters (less than 500 cfh.) and from \$125 to \$150 for testing larger type meters (greater than 500 cfh.) when a customer requests a meter test be performed within 12 months of any previous testing of such meter if the meter is found to have an average meter error of 2 percent or less;
- (f) increase the service relocation charge from \$50 per connection plus \$2 per foot to \$150 per connection plus \$5 per foot; and
- (g) insert language to reflect the Company's \$10 returned check charge.

(2) Revisions to UE's Residential Service Rate (Tariff Sheet No. 5) to include a seasonal use provision which will enable UE to recover a reconnection charge and all monthly customer charges from seasonal use occupants that attempt to avoid customer charges by disconnecting during warmer periods and reconnecting during the winter.

(3) Revisions to UE's Interruptible Service Rate (Tariff Sheet Nos. 7 and 8) to: (a) provide such sales customers the option to contract with UE for specified daily quantities of firm sales gas to be available during periods of interruption, referred to as the "Assurance Gas Option"; and (b) include an Unauthorized Gas Delivery Charge for gas consumed during periods of curtailment in excess of the level of contracted Assurance Gas.

(4) Revisions to UE's Natural Gas Transportation Service Rate (Tariff Sheet

Nos. 10-16.6) as follows:

- (a) insert a provision prohibiting UE from providing transportation service to customers using gas primarily to heat living quarters unless the customer demonstrates that it has contracted for primary firm upstream transportation capacity or has adequate and usable alternative fuel facilities;
- (b) add a \$25 per month Electronic Gas Meter Billing Charge;
- (c) include a provision authorizing UE under limited circumstances to sell gas supply to requesting transportation customers during noncurtailment periods at a specified Authorized Gas Use Charge;
- (d) include an Unauthorized Gas Use Charge for gas consumed by a transportation customer without authorization from UE;
- (e) eliminate the provision which permitted UE to defer delivery of a transportation customer's gas during a system supply emergency;
- (f) change the shrinkage or line loss factor percentage applicable to transportation customers to 2%;
- (g) insert a provision: (i) requiring UE to use "Burner Tip Balancing" where such balancing is available and recognizing its availability in UE's service area delivered to by Panhandle Eastern Pipe Line Company; (ii) substituting daily balancing requirements for monthly balancing and daily scheduling requirements where "Burner Tip Balancing" is not available or does not apply; and (iii) for negative imbalances, establishing a Balancing Gas Use Charge equal to the firm sales PGA factor plus 10%; and
- (h) include in the tariffs the Company's form of natural gas transportation agreement.

(5) Revisions to each UE rate classification tariff (Tariff Sheet Nos. 5, 5.1, 6,

7, 9, 9.1, 12 and 16.1) to (a) add language that "service may not be resold"; (b) add language that "service will be rendered in accordance with the Company's Rules and Regulations for Gas

Service on file with the Missouri Public Service Commission”; and (c) clarify the deadline for customer payments and the application of late payment charges.

(6) Revisions to Alternative Fuels - Interruptible Service Rate (Tariff Sheet No. 17) and Alternative Fuels - Transportation Service Rate (Tariff Sheet No. 18) as follows:

- (a) make the tariffs consistent by increasing from 2 cents to 4 cents per Ccf the floor below which UE is prohibited from reducing its interruptible sales rate to compete with alternative fuels; and
- (b) extend the period the rate may be offered from 90 days to 6 monthly billing periods.

(7) Revisions to Special Contract Rates - Transportation Service (Tariff Sheet No. 18.1) to specify the conditions which must be satisfied in order for UE to enter into a special discount contract to prevent a customer from bypassing its distribution system. UE recognizes that the Commission promulgated a policy in Case No. GR-95-160 that sets forth guidelines for determining whether it has met the burden of proof for showing that flex rate discounts should be collected from non-flex rate customers. The current Commission policy, which UE has complied with in this proceeding, requires that UE show by substantial and competent evidence that a special contract (flex rate): (a) was necessary to avoid imminent bypass; (b) recovers variable costs plus a reasonable contribution to fixed costs; and (c) in instances involving affiliates, was at arms length and flexes rates no lower than necessary to meet relevant competition.

(8) Revisions to UE’s PGA Clause (Tariff Sheet Nos. 25-29) to: (a) eliminate references to “reserved supply service” which is a form of transportation service that is no longer offered; and (b) include appropriate references to the Interruptible (Assurance Gas) rate classification.

(9) Elimination of UE's Rider R - Residential Conservation Service Charge
(Tariff Sheet No. 33).

(10) Revisions to UE's Rules and Regulations as follows:

- (a) insert language clarifying the definition of "Residential Customer" including a statement that it applies to gas use for domestic purposes (Tariff Sheet No. 40);
- (b) modify the tariffs applicable to distribution main extensions to (i) allow UE to defer the deployment of its construction resources for the installation of extensions in residential subdivisions and commercial or industrial tracts until the length of the extension required is at least 500 feet or extends to the end of the street or plat being developed, and (ii) specify that the main extension and deposit provisions apply to those residential and/or commercial or industrial customers utilizing gas as their main source of space and/or process heating (Tariff Sheet Nos. 45-47);
- (c) add language stating that service pipe charges will be billed to the customer upon the Company's completion of the installation based upon actual installed service pipe footage (Tariff Sheet No. 50); and
- (d) replace UE's "Interruption of Service" tariffs with a "Curtailement of Service Schedule" (Tariff Sheet Nos. 69-69.3)

B. Experimental Gas Supply Incentive Plan. UE shall be authorized to file tariff sheets establishing a Gas Supply Incentive Plan, the form of which is contained on Tariff Sheet Nos. 29.5 through 29.9 set forth in Attachment 1 to this Unanimous Stipulation and Agreement. UE and Staff request that such tariff sheets be approved simultaneously with the other tariff sheets set forth therein. An explanation of the various features of the Gas Supply Incentive Plan is set forth in Attachment 2 hereto.

Public Counsel and MGUA take no position on the Gas Supply Incentive Plan but question the statutory authority of the Commission to implement the proposal. Public Counsel

and MGUA currently have pending before the Missouri Court of Appeals for the Western District appeals of the Commission's decision in Case No. GO-94-318 Phase I and Phase II in which that and other issues pertinent to the purchased gas adjustment mechanism have been raised. In the event of a final judicial order invalidating all or any part of the Commission's GO-94-318 Orders, the parties agree that neither Public Counsel nor MGUA has waived their respective right to challenge this experimental Gas Supply Incentive Plan.

C. Waiver of Line Extension Charges. UE agrees to credit Plant Investment and debit its earnings in the amount of \$2,934.08 to reflect the assumption by its shareholders of the costs associated with UE's waiver of line extension charges for one of its employees in noncompliance with Commission-approved tariffs.

D. Interest Rate on Customer Deposits. UE recognizes that the issue of the appropriate interest rate to be applied to customer deposits and the appropriate mechanism to derive that rate is currently pending before the Commission in Case No. GR-97-272. UE agrees to file revised gas and electric tariffs with the Commission to abide by the interest rate finally determined by the Commission in Case No. GR-97-272, including any subsequent review thereof by any court of competent jurisdiction. In the interim, UE will continue to pay a 9% interest rate on its gas and electric customer deposits.

E. Experimental Weatherization Program. UE agrees to implement and study the impact of a low-income weatherization grant pilot program ("Program"). UE shall be authorized to file tariff sheets establishing the Program, the form of which is contained on Tariff Sheet Nos. 75 through 77 set forth in Attachment 1 to this Unanimous Stipulation and Agreement. The Program (including the evaluation plan) will be designed in a collaborative effort by a group composed of representatives of the Company, the Staff, and the Public Counsel.

The collaborative will solicit input from social service agencies and other organizations that provide services to or represent the low income population in UE's gas service territory. In the event that issues arise where consensus cannot be reached, those issues will be brought before the Commission for resolution.

The collaborative will make reasonable efforts to design a program where at least one-half of the program funding goes to those portions of UE's gas service territory where it serves both gas and electric customers. For those participants that take both gas and electric service from UE, UE will utilize the billing and payment history data for both gas and electric service in evaluating the program. Weatherization services (including energy audits) will be performed by one or more qualified weatherization provider(s) pursuant to written contracts between the provider(s) and UE. UE will make all reasonable efforts to ensure that a program participant's bill (both gas and electric if applicable) will not be calculated using an estimated meter read.

The Program shall consist of weatherization grants expected to average approximately \$1,750 ("Grants") to about one hundred fifty (150) of UE's low-income customers ("Grantees"). The implementation of the Program shall begin within four (4) months after the effective date of the Commission's Report and Order approving this Unanimous Stipulation and Agreement and shall continue for a period of two (2) years thereafter ("Program Period"). The cost of the Grants and the actual costs incurred by UE in administering the Program, which administrative costs are to be reimbursed within limits (collectively the "Program Expenditures"), shall be funded from utility revenue received by UE in an annual funding amount of \$150,000 per each year for the Program Period ("Program Funds"). At the conclusion of the Program Period,

UE shall make the appropriate filing with the Commission to discontinue the collection of revenue which provides the Program Funds.

Within two (2) months after the conclusion of the Program Period, UE shall file a report with the Commission accounting for the Program Expenditures, which report will be subject to audit for accuracy and prudence by the Staff and the Public Counsel. At the conclusion of the Program Period, to the extent that the total Program Funds received exceed the total costs of Grants plus the lesser of: (a) actual administrative costs incurred by UE; or (b) ten percent (10%) of the Program Funds, the amount of such excess shall be refunded to UE's customers or otherwise utilized for weatherization purposes as directed by the Commission. UE will be reimbursed for its actual administrative costs in the amount of such costs or 10% of the Program Funds, whichever is less.

UE will submit annual and semi-annual reports to the Commission that document the progress and effectiveness of the Program. UE will also prepare a follow-up report that evaluates the Program's effectiveness. The information to be provided in the annual, semi-annual, and evaluation reports is set forth in detail in Attachment 3 hereto. MGUA takes no position on either the appropriateness or legality of the proposed weatherization plan.

F. Depreciation. UE agrees to adopt and utilize the depreciation rates by account as set out in Attachment 4, which shall be effective as of the effective date of the Report and Order in this case.

G. Non-tariff Recommendations. UE agrees to abide by and implement the following non-tariff recommendations proposed by Staff Witness Susan G. Meyer:

- (1) Investigate the feasibility of upgrading its DOJM system to provide for the ability to review average total costs for a line extension, main extension or service relocation once the project is completed; SL ?
- (2) Credit those customers who were identified as being overcharged for service line extensions because their bills were based on estimated footage and not actual footage installed;
- (3) Maintain consistent records at each gas district office to verify footage on the customer's property from the customer's property line to the meter;
- (4) Bill customers for service line extensions on a timely basis; and
- (5) Update or add to its operations procedure manual procedures for adequately training personnel in the areas of reconnects, service line extensions, and service relocations, including proper training for completing DOJM screens. Also adopt adequate supervisory review procedures.

3. All other issues contained in the Hearing Memorandum will be litigated at the hearing scheduled to commence on November 17, 1997. Since there will be a hearing on the remaining issues, including rate design, UE is not requesting and is not entitled to an early implementation of the revenue increase which has been agreed to herein. However, the Parties respectfully request that the Commission give prompt consideration to this Unanimous Stipulation and Agreement so that if it is not approved, there will be sufficient opportunity in the time remaining before the operation of law date of February 18, 1998, for the parties to address such matters.

4. None of the Parties to this Unanimous Stipulation and Agreement shall have been 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 Parties shall be prejudiced or bound in any manner by the terms of this Unanimous Stipulation and Agreement in this or any other proceeding, except as otherwise expressly specified herein.

5. This Unanimous Stipulation and Agreement has resulted from extensive negotiations among the Parties and the terms hereof are interdependent. In the event the Commission does not approve and adopt Paragraphs 1 and 2 of this Unanimous Stipulation and Agreement, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

6. To the extent the Commission approves and adopts the matters addressed in Paragraphs 1 and 2 of this Unanimous 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).

7. The Parties agree that the following prefiled testimony and schedules submitted by UE, Staff, Public Counsel and MGUA in this case shall be received into evidence without the necessity of their respective witnesses taking the stand.

Staff:

Wendell R. Hubbs, Direct (except portion regarding "Affiliated Transactions")
Susan G. Meyer, Direct (both filings)
Dennis Patterson, Direct
James A. Gray, Direct
Gregory A. Williams, Direct
Anne E. Ross, Direct filing designated "Large Customer Annualization"
James D. Schwieterman, Direct
James A. Busch, Direct
Anne M. Allee, Direct
Paul W. Adam, Direct
Janis E. Fischer, Direct
James M. Russo, Direct
Karl D. Abert, Direct
Randy Z. Wright, Direct
John M. Kiebel, II, Direct
Greg R. Meyer, Direct
Jennifer K. Sochinski, Direct
Staff Accounting Schedules Filed September 4, 1997

Public Counsel:

David C. Parcell, Direct
Kimberly K. Bolin, Direct
Ryan Kind, Direct

UE:

Richard J. Kovach, Direct (except portion regarding unresolved rate design issues)
Jerre E. Birdsong, Direct
Melvin J. Milne, Direct
Gary S. Weiss, Direct
Robert J. Kenney, Direct
James R. Pozzo, Direct (except portion regarding unresolved rate design issues)
Philip B. Difani Jr., Direct (portion regarding "Gas Supply Incentive Plan")
William M. Warwick, Direct (except portion regarding unresolved rate design issues)
Scott A. Glaeser, Direct

MGUA:

John Mallinckrodt, Direct (portion designated "Other Rate Design and Tariff Issues")

8. The Staff will file and serve each party with a memorandum that sets forth Staff's reasons for entering into Paragraphs 1 and 2 of this Unanimous Stipulation and Agreement. The other parties shall be allowed ten (10) days from the date of filing to respond to the Staff's

memorandum. A memorandum filed pursuant to this paragraph shall not bind the Staff in this proceeding if the Commission does not approve the Unanimous Stipulation and Agreement and shall not bind the Staff in any future proceeding.

The Staff may also submit to the Commission a confidential memorandum explaining its rationale for entering into Paragraphs 1 and 2 of this Unanimous Stipulation and Agreement. Each Party of Record shall be served with a copy of any such confidential 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 Unanimous 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 Unanimous Stipulation and Agreement, whether or not the Commission approves and adopts this Unanimous Stipulation and Agreement.

The Staff may provide, at any agenda meeting at which this Unanimous Stipulation and Agreement is noticed to be considered by the Commission, whatever verbal explanation of Paragraphs 1 and 2 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 for such explanation once such explanation is requested from Staff. Staff's verbal 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. Without regard to the presence of any other Party, Staff's verbal explanation, however, shall be limited to discussion of Paragraphs 1 and 2 and shall not discuss any matter that has been reserved for hearing before the Commission.

To assist the Commission in its review of this Unanimous Stipulation and Agreement, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the parties relating to the matters addressed in this Unanimous Stipulation and Agreement, including any procedures for furnishing such information to the Commission.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its order approving all of the specific terms and conditions of this Unanimous Stipulation and Agreement.

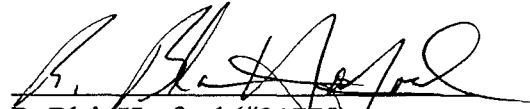
Respectfully Submitted this 12th day of November, 1997,

UNION ELECTRIC COMPANY



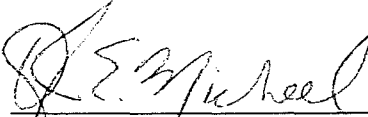
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**STAFF OF THE MISSOURI
PUBLIC SERVICE COMMISSION**



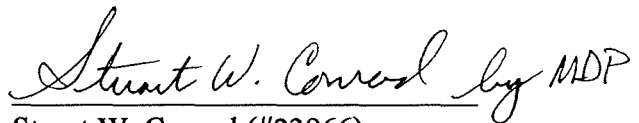
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CERTIFICATE OF SERVICE

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 12th day of November, 1997.



FILED

NOV 18 1997

MISSOURI
PUBLIC SERVICE COMMISSIONBEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Union Electric Company's)
 Tariff Designed to Increase Rates for Gas) Case No. GR-97-393
 Service in the Company's Missouri)
 Service Area.

**UNANIMOUS STIPULATION AND AGREEMENT
AS TO CLASS COST OF SERVICE AND RATE DESIGN ISSUES**

On November 12, 1997, Union Electric Company ("UE" or "Company"), the Staff of the Missouri Public Service Commission ("Staff"), the Office of the Public Counsel ("Public Counsel") and the Midwest Gas Users Association ("MGUA"), which comprise all of the parties ("Parties") to this proceeding, filed a Unanimous Stipulation and Agreement with the Missouri Public Service Commission ("Commission") settling all revenue issues and a number of other matters including tariff issues, the implementation of an experimental gas supply incentive plan and an experimental weatherization program, and several miscellaneous non-tariff items (the "Revenue S & A"). The only matters unresolved by said Revenue S & A were the issues relating to class cost of service, rate design and affiliated transaction standards. By the Commission's Order Regarding Procedural Motions dated November 10, 1997 which, among other things, granted UE's Motion to Strike Certain Testimony and by the Public Counsel's Motion to Withdraw Prefiled Direct, Rebuttal and Surrebuttal Testimony of Ted Robertson of the same date, the issues regarding affiliated transaction standards have been eliminated from this proceeding. Subsequent to the filing of the Revenue S & A, the Parties have continued to engage in settlement negotiations to resolve the remaining issues relating to class cost of service and rate design and have reached the following stipulations and agreements:

1. UE shall be authorized to file revised tariff sheets to be effective for services rendered on and after February 18, 1998 reflecting the increase in overall Missouri jurisdictional gross annual gas revenues agreed to by the parties in the Revenue S & A, and allocating said increase among the rate classes, in the form set forth in Attachment 1 hereto. A quantification of the impact of such allocations on an average residential customer is set forth in Attachment 2 hereto.

2. In addition to the agreements by the Parties reached in the Revenue S & A, the tariff sheets set out in Attachment 1 hereto reflect the Parties' agreements as to customer rate classifications, customer charges, and delivery (non-gas) and transportation charges, including rate block structures. Without limiting the generality of the foregoing, these agreements include:

A. Revisions to UE's Residential Service Rate (Tariff Sheet No. 5) as follows:

- (1) increase the monthly customer charge from \$6.10 to \$8.00; and
- (2) increase the delivery charge (formerly referred to as the commodity charge) from 10.98 cents per Ccf to 17.56 cents per Ccf.

B. Revisions to UE's Small General Service Rate and Large General Service Rate (Tariff Sheet No. 6) as follows:

- (1) combine these current rate classes into a single General Service Rate;
- (2) change the monthly customer charge to \$15.25; and
- (3) establish a rate block structure with a delivery charge of 17.46 cents per Ccf for the first 7,000 Ccf delivered each month and a delivery charge of 11.45 cents per Ccf for usage in excess of 7,000 Ccf per month.

follows:

C. Revisions to UE's Interruptible Service Rate (Tariff Sheet No. 7) as

- (1) change the monthly customer charge to \$100.00;
- (2) establish a rate block structure with a delivery charge of 16.94 cents per Ccf for the first 7,000 Ccf delivered each month and a delivery charge of 10.28 cents per Ccf for usage in excess of 7,000 Ccf per month; and
- (3) for customers contracting for the "Assurance Gas Option", establish an assurance gas surcharge of 0.52 cents per Ccf for the first 250 Ccf delivered each day and 0.72 cents per Ccf for daily usage in excess of 250 Ccf.

D. Revisions to UE's Natural Gas Transportation Service Rate (Tariff Sheet

Nos. 10 and 16) as follows:

- (1) substitute a Standard Transportation Rate (600,000 Ccf and below per year) and a Large Volume Transportation Rate (above 600,000 Ccf per year) for UE's current Small General Service, Large General Service and Interruptible Service Transportation rates;
- (2) for the Standard Transportation Rate, establish a rate block structure with a delivery charge of 16.16 cents per Ccf for the first 7,000 Ccf delivered each month and a delivery charge of 10.15 cents per Ccf for deliveries in excess of 7,000 Ccf per month and establish a monthly customer charge of \$19.75; and
- (3) for the Large Volume Transportation Rate, establish a rate block structure with a delivery charge of 16.16 cents per Ccf for the first 7,000 Ccf delivered each month and a delivery charge of 8.45 cents per Ccf for deliveries in excess of 7,000 Ccf per month and establish a monthly customer charge of \$750.00.

E. Insertion into the tariff sheets establishing the Experimental Weatherization

Program agreed to in the Revenue S & A (Tariff Sheet No. 76) and into each rate schedule (Tariff Sheet Nos. 5, 6, 7, 8, 10 and 12) of a 12 cents per month additional charge to collect the

necessary revenue to fund said program. MGUA takes no position on either the appropriateness or legality of the program.

3. Subject to the Commission's unconditional acceptance of the provisions of Paragraphs 1 and 2 hereof, the Parties agree that the following prefiled testimony and schedules submitted by UE, Staff, Public Counsel and MGUA in this case shall be received into evidence without the necessity of their respective witnesses taking the stand.

Staff:

Daniel I. Beck, Direct, Rebuttal, Surrebuttal

Henry E. Warren, Direct, Supplemental Direct, Surrebuttal

Anne E. Ross, Direct filing designated "Cost of Service & Rate Design",
Supplemental Direct, Rebuttal, Surrebuttal

Public Counsel:

Barry F. Hall, Direct, Rebuttal, Surrebuttal

Barbara A. Meisenheimer, Direct, Supplemental Direct, Rebuttal, Surrebuttal

Hong Hu, Direct, Supplemental Direct, Rebuttal, Surrebuttal

UE:

Richard J. Kovach, Direct, Rebuttal, Surrebuttal

James R. Pozzo, Direct

Philip B. Difani Jr., Direct, Supplemental Direct (as revised), Surrebuttal

William M. Warwick, Direct

MGUA:

John Mallinckrodt, Direct, Rebuttal, Surrebuttal

4. This Unanimous Stipulation and Agreement As to Class Cost of Service and Rate Design Issues ("COS/Rate Design S & A") is solely for the purposes of settlement of this case only and settles no other case before the Commission now or in the future. By signing this COS/Rate Design S & A, none of the Parties to this COS/Rate Design S & A shall have been 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 Parties

shall be prejudiced or bound in any manner by the terms of this COS/Rate Design S & A in this or any other proceeding, except as otherwise expressly specified herein.

5. This COS/Rate Design S & A has resulted from extensive negotiations among the Parties hereto and its terms are interdependent including the adjustment of the cost allocation and the specific rates and rate design agreed to herein. In the event that the Commission does not approve and adopt Paragraphs 1 and 2 in their entirety without change or modification, then the entirety of this COS/Rate Design S & A shall be null, void, of no force or effect and no signatory shall be bound by any of the agreements or provisions hereof.

6. Subject to the Commission's unconditional approval and adoption of the matters addressed in Paragraphs 1 and 2 of this COS/Rate Design S & A, the Parties waive with respect to the issues resolved in such paragraphs: their respective rights pursuant to Section 536.080.1 (RSMo. 1994) to a hearing, 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).

7. The Staff will file and serve each party with a memorandum that sets forth Staff's reasons for entering into Paragraphs 1 and 2 of this COS/Rate Design S & A. The other parties shall be allowed ten (10) days from the date of filing to respond to the Staff's memorandum. A memorandum filed pursuant to this paragraph shall not bind the Staff in this proceeding if the Commission does not approve the COS/Rate Design S & A and shall not bind the Staff in any future proceeding.

The Staff may also submit to the Commission a confidential memorandum explaining its rationale for entering into Paragraphs 1 and 2 of this COS/Rate Design S & A. Each Party of Record shall be served with a copy of any such confidential 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 COS/Rate Design S & A. 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 COS/Rate Design S & A, whether or not the Commission approves and adopts this COS/Rate Design S & A.

The Staff may provide, at any agenda meeting at which this COS/Rate Design S & A is noticed to be considered by the Commission, whatever verbal explanation of Paragraphs 1 and 2 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 for such explanation once such explanation is requested from Staff. Staff's verbal 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. Without regard to the presence of any other Party, Staff's verbal explanation, however, shall be limited to discussion of Paragraphs 1 and 2.

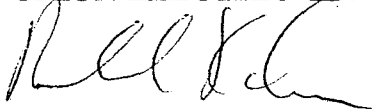
To assist the Commission in its review of this COS/Rate Design S & A, the Parties also request that the Commission advise them of any additional information that the Commission may desire from the parties relating to the matters addressed in this COS/Rate Design S & A, including any procedures for furnishing such information to the Commission.

8. The Parties respectfully request that the Commission give prompt consideration to this COS/Rate Design S & A so that if it is not approved, there will be sufficient opportunity in the time remaining before the operation of law date of February 18, 1998, to address such matters by hearing and brief.

WHEREFORE, for the foregoing reasons, the undersigned Parties respectfully request that the Commission issue its order unconditionally approving all of the specific terms and conditions of this COS/Rate Design S & A.

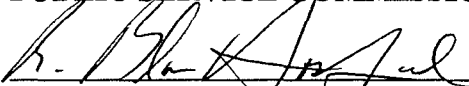
Respectfully Submitted this 18th day of November, 1997,

UNION ELECTRIC COMPANY



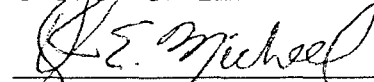
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PUBLIC SERVICE COMMISSION**



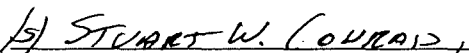
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