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BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the matter of the application of )  
Union Electric Company for an order )  
authorizing (1) certain merger )  
transactions involving Union )  
Electric Company; (2) the transfer )  
of certain assets, real estate, )  
leased property, easements and )  
contractual agreements to Central )  
Illinois Public Service Company; )  
and (3) in connection therewith, )  
certain other related transactions. )

Case No. EM-96-149

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**STIPULATION AND AGREEMENT**

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Dated: July 12, 1996

and EO-96-14, the excess revenue credit will be made as expeditiously as possible.

UE shall file tariff sheets for Commission approval consistent with this Section.

**7. New Experimental Alternative Regulation Plan (New Plan)**

- a. The New Plan will be instituted July 1, 1998 at the end of the ARP created in Case No. ER-95-411. In its Report And Order approving this Stipulation And Agreement, the Commission shall create a new docket to facilitate the New Plan ("New Plan Docket"). All signatories to this Stipulation And Agreement shall be made parties to the New Plan Docket, as intervenors or as a matter of right, as will the parties to Case No. EO-96-14 who are not parties to Case No. EM-96-149, without the necessity of taking further action. (There are three such parties: (1) Asarco Inc. and the Doe Run Co.; (2) Cominco American; and (3) Missouri Retailers Association.)

- b. The following Sharing Grid is to be utilized as part of the New Plan:

Earnings Level (Missouri Retail Electric Operations)	Sharing Level	Sharing Level
	UE	Customer
1. Up to and including 12.61% Return on Equity (ROE)	100%	0%
2. That portion of earnings greater than 12.61% up to and including 14.00% ROE	50%	50%
3. That portion of earnings greater than 14.00% up to and including 16.00% ROE	10%	90%
4. That portion of earnings greater than 16.00% ROE	0%	100%

- c. The New Plan will be in effect for a full three year period. For purposes of this New Plan, there shall be three (3) "Sharing Periods." The first Sharing Period shall be from July 1, 1998 through June 30, 1999; the second, from July 1, 1999 through June 30, 2000; and the third, from July 1, 2000 through June 30, 2001. UE may not file an electric rate increase case, and Staff, OPC and other signatories may not file, encourage or assist others to file a rate reduction case through June 30, 2001, unless:

- i. UE's return on common equity falls below 10.00% for a twelve month Sharing Period (calculated as indicated in Attachment C appended hereto); or
- ii. An event occurs which would have a major effect on UE, such as, an act of God, a significant change in the federal or state tax laws, a significant change in federal or state utility law or regulation (but not including the retail wheeling pilot project described in Section 5), or an extended outage or shutdown of a major generating unit(s).

In the event UE files an electric rate increase case, any sharing credits due for the current or prior Sharing Period will remain the obligation of UE, and the New Plan shall terminate at the conclusion of the then current Sharing Period.

In the event any signatory files a rate reduction case, any sharing credits due for the current or prior Sharing Period will remain the obligation of UE, and the parties to that case will recommend to the Commission whether the New Plan should remain in effect as currently structured, be modified or terminated.

In the event that a significant change in federal or state utility law or regulation (but not including the retail wheeling pilot project described in Section 5) occurs, nothing herein shall prohibit any signatory from filing for Commission consideration a customer class cost of service and comprehensive rate design proposal, either as a part of or separate from a rate increase or rate reduction case; provided that any party may oppose such filing and shall not be deemed to have consented either to the establishment of a new docket to consider such request or to the proposals of the party making such request.

Upon any termination of the New Plan pursuant to the foregoing, the signatories will have no further obligation under this Section 7.

- d. Except as set out immediately above in Subsection c. and below in Subsection h. and Subsection i., UE's rates resulting from this Stipulation And Agreement will continue in effect throughout the three year New Plan period, and thereafter, until changed as a result of a rate increase case, a rate reduction case, or other

appropriate Commission action, for example, as contemplated by Subsection g. below.

- e. Monitoring of the New Plan will be based on UE supplying to Staff and OPC, on a timely basis, the reports and data identified below. These reports and data must be provided as part of the New Plan. Other signatories to this Stipulation And Agreement may also participate in the monitoring of the New Plan, and receive the reports and data, after executing appropriate documents assuring the confidential treatment of the information provided. Staff, OPC and the other signatories participating in the monitoring of the New Plan may follow up with data requests, meetings and interviews, as required, to which UE will respond on a timely basis. UE will not be required to develop any new reports, but information presently being recorded and maintained by UE may be requested. The reports and data that must be provided include the following:

- i. Annual operating and construction budgets and any updates/revisions with explanations/reasons for updates/revisions;

- ii. Monthly operating budgets and any updates/revisions with explanations/reasons for updates/revisions;
  - iii. Annually - explanation of significant variances between budgets and actual;
  - iv. Monthly Financial & Statistical (F&S) reports;
  - v. Directors reports;
  - vi. Current chart of accounts;
  - vii. Monthly surveillance reports;
  - viii. Quarterly reports/studies of rate of return on rate base including supporting workpapers;
  - ix. Annual summary of major accruals.
- f. The sharing of earnings in excess of 12.61%, as contemplated by the Sharing Grid set out above, is to be accomplished by the granting of a credit to UE's Missouri retail electric customers by applying credits to customers' bills in the same manner as applied in Case No. ER-95-411, and as set forth in Attachment B. A notice to customers explaining the Sharing Credits will accompany customers' bills on which the Sharing Credits will appear. UE will submit the proposed language for such notice to the Staff and the OPC for their review.

- i. The return on common equity for determination of "sharing" will be calculated by using the methodology set out in Attachment C, Reconciliation Procedure, appended hereto.
- ii. Staff, OPC and UE have conferred and determined what items, based on prior Commission Orders, should be excluded from the calculation of UE's return on equity. These items are identified in Attachment C.
- iii. The twelve month period used to determine credits will be the immediately preceding Sharing Period.
- iv. Within 90 days after the conclusion of a Sharing Period, a preliminary earnings report, along with a proposed "Sharing Report" will be submitted by UE. A final earnings report and proposed Sharing Report will be filed in the New Plan Docket within 105 days after the end of the Sharing Period. The final earnings report will provide the actual results of the Sharing Period to be examined.
- v. UE's earnings will be adjusted to normalize the effects of any sharing credits from the Sharing



Period which are reflected in the earnings for that period. Earnings will not be adjusted for the rate reduction described in "Section 6. Rate Reduction" of this Stipulation And Agreement.

- vi. If Staff, OPC or other signatories find evidence that operating results have been manipulated to reduce amounts to be shared with customers or to misrepresent actual earnings or expenses, Staff, OPC or other signatories may file a complaint with the Commission requesting that a full investigation and hearing be conducted regarding said complaint. UE shall have the right to respond to such request and present facts and argument as to why an investigation is unwarranted.
- vii. UE, Staff, OPC and other signatories reserve the right to bring issues which cannot be resolved by them, and which are related to the operation or implementation of the New Plan, to the Commission for resolution. Examples include disagreements as to the mechanics of calculating the monitoring report, alleged violations of the Stipulation And

Agreement, alleged manipulations of earnings results, or requests for information not previously maintained by UE. An allegation of manipulation could include significant variations in the level of expenses associated with any category of cost, where no reasonable explanation has been provided. The Commission will determine in the first instance whether a question of manipulation exists and whether that question should be heard by it.

- viii. Staff, OPC and other signatories have the right to present to the Commission concerns over any category of cost that has been included in UE's monitoring results and has not been included previously in any ratemaking proceeding.
- ix. Differences among UE, Staff, OPC and other signatories will be brought to the Commission's attention for guidance as early in the process as possible.
- x. A final report will be filed within 105 days after the Sharing Period (or the first business day thereafter). Signatory parties to this

Stipulation And Agreement will have thirty (30) days after a final report is filed to provide notice that there may be areas of disagreement not previously brought to the attention of the Commission that need to be resolved.

- g. In the final year of the New Plan, UE, Staff, OPC and other signatories to this Stipulation And Agreement shall meet to review the monitoring reports and additional information required to be provided. By February 1, 2001, UE, Staff and OPC will file, and other signatories may file their recommendations with the Commission as to whether the New Plan should be continued as is, continued with changes (including new rates, if recommended) or discontinued. Copies of the recommendations shall be served on all parties to UE's New Plan Docket. As previously noted herein, the rates resulting from this Stipulation And Agreement will continue in effect after the three year New Plan period until UE's rates are changed as a result of a rate increase case, a rate reduction case, or other appropriate Commission action.
- h. After July 1, 1998, any party may file with the Commission a request for consideration of changes in rate

design and/or other tariff provisions which it would be appropriate for the Commission to consider outside the context of a customer class cost of service and comprehensive rate design docket or a rate case; provided, however, that no change will result in any shift of revenues among classes before July 1, 2001; and provided further that if a request for consideration of changes in rate design and/or other tariff provisions is filed, any party may oppose such request and shall not be deemed to have consented to the establishment of a new docket to consider such request or to the proposals of the party making such request.

A change in rate design and/or other tariff provisions is not considered by the signatories to this Stipulation And Agreement as constituting a shift of revenues among customer classes if it will result in a customer or customers being charged lower rates but will not result in either (1) a major decrease in revenues to UE (respecting which UE is precluded by this section from recovering from other customers at any time while the New Plan is in effect) or (2) a significant reduction in the credits that would otherwise be available for

distribution. It may be argued by a signatory to this Stipulation And Agreement that the cumulative effect of multiple changes in rate design and/or other tariff provisions which results in either (1) a major decrease in revenues to UE (respecting which UE is precluded from recovering from other customers at any time while the New Plan is in effect), or (2) a significant reduction in credits that would otherwise be available for distribution, constitutes a shift of revenues among customer classes and, therefore, the proposed change(s) is precluded.

How revenues foregone by UE as a result of a change in rate design and/or other tariff provisions will be treated for purposes of the New Plan Reconciliation Procedure (Attachment C), which impacts the calculation of where UE falls on the Sharing Grid, will be determined on a case-by-case basis by agreement of the signatories to this Stipulation And Agreement, or by the Commission if agreement cannot be reached. Furthermore, such foregone revenues shall not be excluded from any calculation of UE's return on common equity for purposes of determining whether UE may file an electric rate

increase under the terms of this Stipulation And Agreement or increase its Missouri retail electric service rates to reflect a Commission Order authorizing an increase in UE's annual nuclear decommissioning expense/funding from its then current level.

This section is not intended to preclude presentation to the Commission and Commission resolution of disputes respecting the proper application of UE's tariffs; nor is this section intended to preclude presentation to the Commission and Commission resolution of a proposed major decrease in revenues to UE, and/or significant reduction in credits that would otherwise be available for distribution, requested as a result of a situation which will have a significant adverse impact on one or more of UE's customers and which, as a consequence, will also have a significant adverse impact on UE and its customers; provided that any party may oppose such request and shall not be deemed to have consented to the establishment of a new docket to consider such request or to the proposals of the party making such request.

- i. UE will file its cost of nuclear decommissioning study with the Commission as required by September 1, 1999. If the Commission Order in that proceeding results in a decrease in annual nuclear decommissioning expense/funding from its then current level, UE's Missouri retail electric service rates will not be changed to reflect the decrease in expense/funding. Instead, nuclear decommissioning expense/funding will be decreased (effective as of the date provided in the nuclear decommissioning cost Order) with the total difference, i.e., 100% of the pro-rated difference, between the lower expense/funding level and the then current level, being treated as a credit to each Sharing Period of the New Plan as provided for in Attachment C hereto. If no sharing occurs for a Sharing Period for which there is a decrease in the nuclear decommissioning expense/funding level, then the decrease in the nuclear decommissioning expense/funding for that Sharing Period will be carried over to the subsequent Sharing Period. Since the difference between the prospective lower expense/funding level and the then current level will be treated as a credit in each Sharing Period and the

difference will be carried over to the subsequent Sharing Period if no sharing occurs for the current Sharing Period, no decrease in the then current expense level will be reflected in the calculation of UE's ROE in determining sharing under the New Plan, pursuant to Attachment C.

If the Commission Order in the nuclear decommissioning proceeding results in an increase in expense/funding above its then current level, for purposes of determining the implementation of a rate increase only, the increased expense will be annualized in calculating UE's return on equity for the earliest possible Sharing Period for which a preliminary earnings/proposed sharing report has not yet been filed at the time of the issuance of the Commission Order in the nuclear decommissioning docket. If UE's return on common equity (ROE) on this basis is less than 10.00% (calculated as indicated in Attachment C appended hereto), then the increased expense will result in an increase in UE's Missouri retail electric service rates as allowed by Section 393.292 RSMo. 1994. If UE's ROE on the above basis exceeds 10.00%, then the increased



expense will not result in any increase in UE's Missouri retail electric service rates; however, the actual amount of increased expense (unannualized) will be reflected in the calculation of UE's ROE in determining sharing under the New Plan.

In any case, the Commission shall include language in its 1999 Callaway decommissioning case Report And Order substantially similar to that used in Case No. EO-94-81, specifically finding that the Callaway decommissioning costs are included in UE's then current cost of service and are reflected in its then current electric service rates for ratemaking purposes.

All signatories will be notified of UE's filing of its 1999 nuclear decommissioning cost case.

#### **8. State Jurisdictional Issues**

- a. Access to Books, Records and Personnel. UE and its prospective holding company, Ameren, agree to make available to the Commission, at reasonable times and places, all books and records and employees and officers of Ameren, UE and any affiliate or subsidiary of Ameren as provided under applicable law and Commission rules; provided, that Ameren, UE and any affiliate or subsidiary