

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of Union     )  
Electric Company d/b/a AmerenUE for an     )  
Order Authorizing the Issue and Sale of up     )  
to \$449,000,000 Aggregate Principal     )  
Amount of Additional Long-Term     )  
Indebtedness.     )

Case No. EF-2006-0432

**REVISED STAFF RESPONSE**

Comes now the Staff of the Missouri Public Service Commission (Staff) and for its revised response to the Missouri Public Service Commission's (Commission) May 12, 2006 Order Directing The Staff To Indicate When It Can File A Recommendation, states:

1. On May 11, 2006, the Union Electric Company d/b/a AmerenUE filed an Application for an Order authorizing the issuance and sale by AmerenUE of up to \$449,000,000 aggregate principal amount of additional long-term indebtedness, pursuant to Section 393.180, 393.200, 4CSR 240-2.060 and 4 CSR 240-3.120.

2. On June 5, 2006 the Staff, in response to the Commission's Order Directing The Staff To Indicate When It Can File A Recommendation, filed the Staff's original recommendation.

3. After filing the original recommendation the Staff realized the recommendation (and cover pleading) contained an error and that one of the Staff's recommendations should be revised; therefore, the Staff prepared the revised recommendation which is attached hereto as Appendix A.

4. Rather than authority to issue and sell up to \$499,000,000 of new indebtedness as stated in the Staff's original recommendation and cover pleading, AmerenUE is requesting

authority to issue and sell up to \$449,000,000 of new indebtedness. The revised Staff's recommendation corrects this amount.

5. The Staff is also revising its recommendation to add the phrase, "as applicable" to the end of its third recommended condition.

6. With the exception of the changes noted above, the substance and wording of the Staff's revised recommendation is the same as its original recommendation filed June 5, 2006.

Wherefore, the Staff recommends that the Commission approve, pursuant to Section 393.180, Section 393.200, 4CSR 240-2.060 and 4 CSR 240-3.120, the Application of Union Electric Company d/b/a AmerenUE, subject to the conditions identified by the Staff in its Revised Recommendation, which is attached hereto as Appendix A.

Respectfully submitted,

**/s/Steven Dottheim**

Steven Dottheim  
Chief Deputy General Counsel  
Missouri Bar No. 29149

Attorney for the Staff of the  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102  
(573) 751-7489 (Telephone)  
(573) 751-9285 (Fax)  
e-mail: [steve.dottheim@psc.mo.gov](mailto:steve.dottheim@psc.mo.gov)

### **Certificate of Service**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 13<sup>th</sup> day of June 2006.

**/s/ Steven Dottheim**

## MEMORANDUM

Revised 06/06/06

TO: Missouri Public Service Commission Official Case File  
Case No. EF-2006-0432, Union Electric Company d/b/a AmerenUE

FROM: Ron Bible, Financial Analysis Department

/s/ Ron Bible      06/06/06  
Project Coordinator / Date

/s/ Steve Dottheim      06/06/06  
General Counsel's Office / Date

SUBJECT: Staff Recommendation to approve, subject to conditions, the Application of Union Electric Company d/b/a AmerenUE for the authority to issue and sell up to \$449,000,000 Aggregate Principal Amount of Additional Long-Term Indebtedness (New Indebtedness).

DATE: June 6, 2006

### Union Electric Company d/b/a AmerenUE

1. (a) **Type of Issue:** First mortgage bonds or other forms of secured indebtedness, and promissory notes or other forms of unsecured indebtedness (including subordinated deferrable interest debentures).
- (b) **Amount:** Up to \$449,000,000 principal amount.
- (c) **Rate:** The interest rate on the New Indebtedness will not exceed the greater of 9.00%, or a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers.
2. **Proposed Date of Transaction:** As soon as the Commission so authorizes.
3. (a) **Statement of Purpose of the Transaction:** The Applicant proposes to request the authority to issue New Indebtedness to refinance short-term debt and pay related expenses, including but not limited to commissions or discounts paid to the initial purchasers of the New Indebtedness.
- (b) **From a financial perspective, does Staff deem this purpose reasonable?**  
Yes   X   No
4. **Type of Transaction:** Applicant proposes to issue and sell from time-to-time, in one or more transactions, up to \$449,000,000 aggregate principal amount of New Indebtedness in one or a combination of the following forms, with such terms and provisions as hereinafter described in this Application: first mortgage bonds or other forms of secured indebtedness, and promissory notes or other forms of unsecured indebtedness (including subordinated deferrable interest debentures).
5. **Copies of executed instruments defining terms of the proposed transaction:**  
\_\_\_\_ (a) If such instruments have been previously filed with the Commission, a reference to the Case Number in which the instruments were furnished.

- ☒ (b) If such instruments have not been executed at the time of filing, a commitment to provide the terms and conditions of the instruments when they are available has been made.
- ☐ (c) If no such instruments are either executed or to be executed, a statement of how the securities are to be sold.
6. **Certified copy of resolution of the directors of applicant, or other legal documents authorizing the proposed transaction reviewed:**
- Yes ☒ No
7. **Capital expenditure schedule reviewed:**
- Yes No ☒
8. **Journal entries are required to be filed by the Company to allow for the Fee Schedule to be applied:**
- Yes No ☒
9. **Recommendation of the Staff:**
- ☐ Grant by session order (see Comments)
- ☒ Conditional Approval granted pending receipt of definite terms of transaction (see Comments)
- ☐ Require additional and/or revised data before approval can be granted (see Comments)
- ☐ Formal hearing required (see Comments)
- ☐ Recommend dismissal (see Comments)

**COMMENTS:**

Union Electric Company d/b/a AmerenUE is a corporation duly organized and existing under and by virtue of the laws of the State of Missouri, with its executive office at One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri 63103. AmerenUE is engaged in providing electric and gas utility services in portions of Missouri as a public utility under the jurisdiction of this Commission. AmerenUE is a subsidiary of Ameren Corporation. AmerenUE has previously filed with the Commission, in Case No. GO-98-486, a Fictitious Name Registration as filed with the Missouri Secretary of State's Office as well as a certified copy of Applicant's Certificate of Corporate Good Standing in Case No. EF-2003-0514.

AmerenUE has filed an Application requesting that the Commission authorize the Company to issue up to \$449,000,000 in aggregate principal amount of additional long-term indebtedness (New Indebtedness). AmerenUE will issue and sell from time-to-time, in one or more transactions, up to \$449,000,000 aggregate principal amount of New Indebtedness in one or a combination of the following forms, with such terms and provisions as hereinafter described in this Application: first mortgage bonds or other forms of secured indebtedness, and promissory notes or other forms of unsecured indebtedness (including subordinated deferrable interest debentures).

AmerenUE proposes to use the proceeds from the issuance and sale of the New Indebtedness to refinance short-term debt and pay related expenses, including but not limited to commissions or discounts paid to the initial purchasers of the New Indebtedness. The amount of AmerenUE's short-term debt outstanding as of March 31, 2006 is \$445,000,000. AmerenUE incurs short-term debt to fund its cash needs when and to the extent cash expenditures exceed cash receipts. The amount of short-term debt outstanding on March 31, 2006 represents an accumulation of such external short-term funding of AmerenUE's cash requirements. AmerenUE often incurs such short-term debt to fund capital expenditures including investment in assets and facilities used to support its electric and gas utility operations.

During March 2006, AmerenUE acquired 1,490 megawatts of combustion turbine generation facilities for a total price of approximately \$290,000,000, and during 2005, AmerenUE's capital expenditures totaled \$787 million including such projects as: \$221 million for steam generators, low pressure rotor replacements and other upgrades at the Callaway nuclear plant; \$237 million for the purchase of combustion turbines from Ameren Energy Generating Company, \$65 million for three combustion turbines at the Venice, Illinois facility; \$60 million for numerous projects at its generating plants; and \$45 million for various upgrades to its transmission and distribution systems. In comparison, the level of capital expenditures for 2004 and 2003 were \$524 million and \$480 million, respectively.

The general terms and conditions of the New Indebtedness are as follows:

- a. The New Indebtedness will be issued at prices and on terms to be determined at the time(s) of sale. The principal amount, rate and date of payment of interest, maturity, initial public offering price, redemption provisions, if any, and other specific terms of each series of the New Indebtedness will be determined based upon prevailing market conditions. The price to be paid to Applicant for the various series of the New Indebtedness will not be less than 95% nor more than 105% of the principal amount thereof; the terms of maturity for the various series of the New Indebtedness will not exceed 40 years; the interest rate when issued will not exceed the greater of (i) 9.00%, or (ii) a rate that is consistent with similar securities of comparable credit quality and maturities issued by other issuers; and one or more series of the New Indebtedness may include terms providing that the series will not be redeemable at all for a certain period of time.
- b. The New Indebtedness will be offered to the public or privately placed (or a combination of both) through commercial or investment banking firms or groups of firms selected through negotiation and/or competitive bidding. Sales of the New Indebtedness could be through underwriters or dealers, directly to a limited number of purchasers or to a single purchaser, or through agents designated by AmerenUE. Compensation to be paid for underwriting or privately placing the New Indebtedness will be determined based on prevailing financial market conditions.

c. The New Indebtedness, if senior secured debt securities, will be issued under an indenture dated August 15, 2002, between AmerenUE and The Bank of New York, as trustee, a copy of which was filed with the Commission in Case Nos. EF-2000-385 and EF-2003-0514 and is incorporated by reference herein. To date, AmerenUE has issued a total of \$1,920,000,000 principal amount of senior secured debt securities under this indenture pursuant to authorization from this Commission granted in Case Nos. EF-2000-385 and EF-2003-0514.

d. The New Indebtedness, if first mortgage bonds, will be issued under the Indenture of Mortgage and Deed of Trust dated June 15, 1937, as amended May 1, 1941, April 1, 1971, February 1, 1974, July 7, 1980, February 1, 2000 and August 15, 2002, between Applicant and The Bank of New York, as successor trustee, as supplemented by one or more supplemental indentures relating to the first mortgage bonds (collectively the "Mortgage"). A copy of Applicant's Indenture of Mortgage and Deed of Trust was filed with this Commission in Case No. 9,632; and Amendments were filed with this Commission in subsequent cases. AmerenUE may issue first mortgage bonds with a "fall-away" provision, which allows at some future date for the bonds to no longer be secured by the Mortgage and become unsecured obligations, a feature of the first mortgage bonds which have been issued pursuant to authorization from this Commission granted in Case Nos. EF-2000-385 and EF-2003-0514.

e. The New Indebtedness, if subordinated deferrable interest debentures ("Debentures"), will be issued under documents similar to those previously described in Commission Case No. EF-95-421. Interest payments on the Debentures will be fully tax deductible. In addition, AmerenUE anticipates, based on its prior experience with this form of security, that as long as the Debentures are subordinate to its senior indebtedness and interest payments are deferrable at least five (5) years, then the Debentures should receive some degree of equity treatment for purposes of assessing Applicant's creditworthiness by one or more of the credit rating agencies. Accordingly, the Debentures would provide AmerenUE with the benefit of tax deductions for its interest payments while enhancing AmerenUE's creditworthiness and supporting its ability to maintain solid credit ratings.

f. AmerenUE proposes to issue the New Indebtedness under its existing authority from the Securities and Exchange Commission or under new authority to be obtained in the form of a "shelf-registration" filed with that agency for such securities issued in public transactions.

AmerenUE believes that from time-to-time it is appropriate to increase or decrease indebtedness which carries floating rates of interest. Interest rates periodically experience broadening and narrowing of the spread between short- and long-term interest rates. AmerenUE responds to this market opportunity by increasing or decreasing its use of debt securities with variable (floating) short-term interest rates. Depending on future economic conditions, AmerenUE may need to replace existing securities with more or less floating rate securities. Therefore, AmerenUE requests that flexibility to issue the New Indebtedness in either fixed or floating rate modes or to provide such flexibility in the terms and conditions of each series.

In its Application AmerenUE provided balance sheet, income statement and selected credit ratios with pro forma adjustments. The expense calculations on these statements show current annual interest on the debt being refinanced is 4.95% and annual interest on the New Indebtedness is projected to be 6.35%.

The capitalization ratios of AmerenUE as of March 31, 2006, were: short-term debt, 7%; long-term debt and unamortized discount and premium, 43%; preferred stock, 2%; and common equity, 48%. Giving effect to

the proposed financial transactions described above and the assumptions used to develop the pro-forma accounting entries, the capitalization ratios as of March 31, 2006, would be: short-term debt, 0%; long-term debt and unamortized discount and premium, 50%; preferred stock, 2%; and common equity, 48%.

Funds From Operations (FFO) Interest Coverage decreases from 5.59X as of March 31, 2006 to 5.11X pro-forma. This is consistent with a Standard and Poor's credit rating of AA. FFO to Total Debt decreases from 24.57% to 24.41%, consistent with a Standard and Poor's credit rating of A. Total Debt to Total Capital increases from 50.57% to 50.72%, consistent with a Standard and Poor's credit rating of BBB+. All these ratios are consistent with AmerenUE's current Standard and Poor's credit rating of BBB+ and 5 business profile.

According to Standard and Poor's, AmerenUE's senior secured debt is rated BBB+ and its unsecured debt is rated BBB. This one notch rating difference is worth approximately 10 basis points according to the Mergent Bond Record. Therefore, the Staff estimates that AmerenUE would pay roughly .1% more interest if the New Indebtedness was issued unsecured.

To provide AmerenUE flexibility with respect to the issuance of the New Indebtedness given dynamic and rapidly changing market conditions, AmerenUE requests that the order or orders of this Commission in this proceeding remain effective for a three-year term with AmerenUE authorized to request an extension of such term by filing an application ninety (90) days prior to the expiration of the three-year term. The Commission authorized similar time periods in Case Nos. EF-2000-385 and EF-2003-0514.

#### **OTHER ISSUES:**

The Staff has verified that the Company has filed its annual report and is not delinquent on any assessment. The Budget and Fiscal Services Department has reviewed the circumstances in this finance case and does not believe that journal entries are required to apply the fee schedule per Section 386.300, RSMo. Staff is not aware of any other case that affects or is affected by this case.

#### **RECOMMENDED CONDITIONS:**

Staff recommends that this Application be approved with the following conditions:

1. That nothing in the Commission's order shall be considered a finding by the Commission of the value of this transaction for rate making purposes, and that the Commission reserves the right to consider the rate making treatment to be afforded these financing transactions and their results in cost of capital, in any later proceeding.
2. That AmerenUE file with the Commission all final terms and conditions of the proposed financing, including, but not limited to, the aggregate principal amount to be sold or borrowed, price information, estimated expenses, and loan or indenture agreement concerning each issuance.
3. That AmerenUE file with the Commission, upon refunding of any outstanding debt, the net present value calculations indicating the amount of interest cost savings, as applicable.

4. That the Commission's order in this proceeding shall remain effective for three (3) years from the date of the order, with AmerenUE authorized to request an extension of such term by filing an application at least ninety (90) days prior to the expiration of the three-year term. This condition shall only apply to the term of the authorization. If AmerenUE seeks a further increase in the amount of financing authorized in this case, then AmerenUE shall file a new Application.
5. That AmerenUE is authorized the flexibility to issue the New Indebtedness in either fixed or floating rate modes or to provide such flexibility in the terms and conditions of each series.



**BEFORE THE PUBLIC SERVICE COMMISSION**

**OF THE STATE OF MISSOURI**

In the Matter of the Application of )  
Union Electric Company d/b/a AmerenUE for )  
an Order Authorizing the Issue and Sale of up )  
to \$449,000,000 Aggregate Principal Amount )  
of Additional Long-Term Indebtedness. )

**Case No. EF-2006-0432**

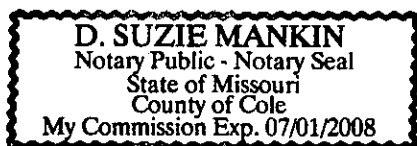
**AFFIDAVIT OF RON BIBLE**


STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

Ron Bible, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Written Memorandum, that the information given by him; that he has knowledge of the matters set forth; and that such matters are true and correct to the best of his knowledge and belief.

  
\_\_\_\_\_  
Ron Bible

Subscribed and sworn to before me this 6<sup>th</sup> day of June, 2006.



  
\_\_\_\_\_