

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED

MAY - 8 1996

MISSOURI
PUBLIC SERVICE COMMISSION

THIS DOCUMENT CONTAINS
INFORMATION WHICH THE
COMPANY CONSIDERS TO
BE HIGHLY CONFIDENTIAL

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

THIS DOCUMENT CONTAINS
INFORMATION WHICH THE
COMPANY CONSIDERS TO
BE HIGHLY CONFIDENTIAL

MOTION TO DECLASSIFY RESPONSES TO DATA REQUESTS

COMES NOW the Office of the Public Counsel (Public Counsel), and for its Motion to
Declassify Certain Material, states as follows:

1. On December 13, 1995, the Public Service Commission (Commission) issued its
Order Granting Motion for Protective Order. This Order put in place the Commission's standard
protective order.
2. Union Electric Company (UE) has designated many of the responses to data
requests as either highly confidential or proprietary, or both.
3. By letter dated April 18, 1996, Public Counsel sought to have UE voluntarily
remove the highly confidential and/or proprietary designation from four separate documents, or
parts of those documents. UE, by its responsive letter received by Public Counsel on April 29,
1996, agreed to declassify one of those documents. (Copies of these letters are attached hereto as
Attachments 1 and 2, respectively). Since UE did not voluntarily declassify the other documents,
Public Counsel now files this motion.

Zolurist

The first document that is the subject of this motion was received by Public Counsel as part of UE's response to Public Counsel DR No. 512. This document is a single sheet headed with the title "Ten-Year Period of Analysis." (A copy of this document, together with UE's justification for its designation, is being provided to the Administrative Law Judge and the Commissioners as Attachment 3).

The second document that is the subject of this motion is a series of overheads that Goldman Sachs used in two presentations to UE's Board of Directors (on August 8 and 11, 1995). (A copy of this document, together with UE's justification for its designation, is being provided to the Administrative Law Judge and the Commissioners as Attachment 4). This document was received by Public Counsel as part of UE's response to Staff DR No. 5.

The third document that is the subject of this motion (and which was not referenced in Public Counsel's April 18, 1996 letter to UE) is a document that Public Counsel received on April 22, 1996 as part of UE's update to Staff DR No. 72(c). (A copy of this document, together with UE's justification for its designation, is being provided to the Administrative Law Judge and the Commissioners as Attachment 5).

The fourth document that is the subject of this motion (and which was not referenced in Public Counsel's April 18, 1996 letter to UE) is a document that Public Counsel received on May 1, 1996 in response to Staff DR No. 119. (A copy of this document, together with UE's justification for its designation, is being provided to the Administrative Law Judge and the Commissioners as Attachment 6).

4. In most instances, UE has "explained" why it classified certain material as highly confidential or proprietary by simply checking boxes on a form. (See, e.g., Attachments 3, 4, and 5). The list of options for checking on these checkoff sheets are lifted directly from paragraph A

of the Protective Order. UE has generally provided no information other than this checkoff. UE has never explained how the release of this information could damage it, and as a result, Public Counsel cannot in this pleading counter any arguments about potential harm since UE has not made those arguments yet.

5. Most of the discovery in this case, from Public Counsel as well as from Staff and the Missouri Industrial Electric Consumers (the three most active parties), has revolved around UE's novel merger savings sharing proposal. As its justification for this proposal, UE has claimed that its shareholders need to skim off a portion of the estimated merger savings before sharing the remainder with ratepayers. The information that Public Counsel seeks to declassify in this motion concerns two aspects of this proposal: 1) the shareholder's "need" to take a cut of the savings before sharing the remainder, and 2) the accuracy and reliability of UE's estimates of merger savings.

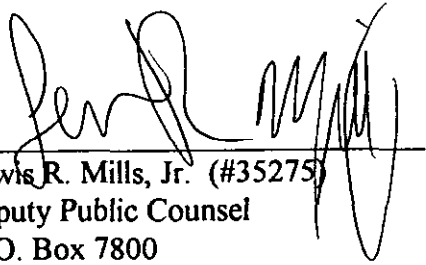
6. It is patently unfair for UE to publicly disclose information that supports its position, but then to designate as highly confidential or proprietary similar information that undercuts this position. The information that Public Counsel seeks to declassify in this motion is exactly the same type of information that UE used to develop its "sharing" proposal. By allowing If UE can simply check a box on a cover sheet, and thereby designate an entire 40-page (or longer) document as highly confidential, the burden of proof effectively shifts to the-challenging party to argue why a document is not highly confidential since UE has not provided any detailed information as to why it is highly confidential. This shift is not consistent with the Commission's Protective Order.

WHEREFORE, Public Counsel respectfully requests that the Commission issue its Order removing the designation of highly confidential and/or proprietary from the documents attached hereto as Attachments 3, 4, 5, and 6.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By



Lewis R. Mills, Jr. (#35275)
Deputy Public Counsel
P. O. Box 7800
Jefferson City, MO 65102
(573) 751-4857

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to the following on this 3rd day of May, 1996:

Steve Dottheim
Deputy General Counsel
Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

Richard W. French
French & Stewart
1001 Cherry St., Suite 302
Columbia, MO 65201

Gary W. Duffy
Brydon, Swearingen & England
P. O. Box 456
Jefferson City, MO 65102

Robert C. Johnson
Diana M. Schmidt
Peper, Martin, Jensen, et al.
720 Olive St., 24th Floor
St. Louis, MO 63101-2396

Jeremiah W. Nixon
Daryl R. Hylton
Office of the Attorney General
P. O. Box 899
Jefferson City, MO 65102

Daniel R. Devereaux
Attorney at Law
1215 Pine Street
St. Louis, MO 63101

James Fischer
Attorney at Law
102 E. High, Suite 200
Jefferson City, MO 65101

James J. Cook
Joseph H. Raybuck
Union Electric Company
P. O. Box 149 (M/C 1310)
St. Louis, MO 63166

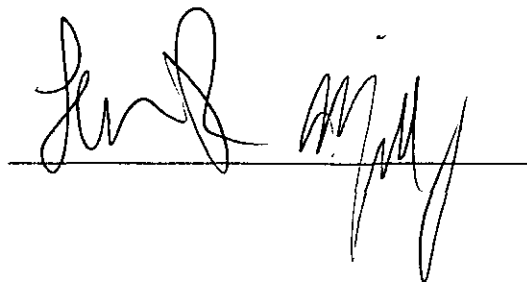
James C. Swearingen
Brydon, Swearingen & England
P. O. Box 456
Jefferson City, MO 65102

Michael C. Pendergast
Laclede Gas Company
720 Olive St., Room 1520
St. Louis, MO 63101

Susan B. Cunningham
Staff Attorney
Kansas City Power & Light Co.
P. O. Box 418679
Kansas City, MO 64141-9679

Paul S. DeFord
Lathrop & Norquist
2345 Grand Blvd., Suite 2500
Kansas City, MO 64108

Marilyn S. Teitelbaum
Schuchat, Cook & Werner
1221 Locust St., 2nd Floor
St. Louis, MO 63101





Martha S. Hogerty
Public Counsel

State of Missouri

McI Carnahan
Governor

Office of the Public Counsel
Harry S Truman Building - Ste. 250
P.O. Box 7800
Jefferson City, Missouri 65102

Telephone: 314-751-4857
Facsimile: 314-751-5562
Relay Missouri
1-800-735-2966 TDD
1-800-735-2466 Voice

April 18, 1996

Mr. Jim Cook
Union Electric Company
P.O. Box 149 (M/C 1310)
St. Louis, MO 63166

RE: Case No. EM-96-149

Dear Mr. Cook:

This letter concerns certain documents that UE has alleged to be highly confidential or proprietary. Public Counsel is always sensitive to the legitimate needs for utilities to protect truly confidential information. However, we have a long-standing policy to see as much material open to public view as possible, consistent with these needs.

I expect this to be the first in a series of letters asking UE to consider declassifying certain information. As we get closer to our filing and have a more exact picture of the information that we wish to include in testimony, we will bring to your attention documents that we want to refer to that we believe do not deserve highly confidential or proprietary treatment.

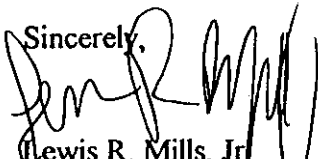
In this installment, I will be referring to responses to our DR number 512, and Staff DR numbers 5 and 142.

Part of your response to our DR 512 is a sheet headed "10-Year Period of Analysis" (attached hereto). This sheet has been marked as proprietary, and I can see no reason for it to be so marked. Please let me know if UE considers the entire page proprietary (and if not, which portions are not), the basis for this classification, or if UE is willing to declassify it voluntarily.

Part of the response to Staff DR 5 is a series of overheads that Goldman, Sachs used in two presentations to UE's Board of Directors. These overheads have been marked as both highly confidential and proprietary. We plan to refer to pages 5, 7, 8, 9, 10, 11, 20, 27, and 30 from the August 8 presentation and pages 4 and 5 from the August 11 presentation. Please let me know whether UE considers these specific pages highly confidential or proprietary, if UE considers the entire page classified (and if not, which portions are highly confidential, proprietary, and open), the basis for this classification, or if UE is willing to declassify it voluntarily.

We received from the Staff a copy of a document that the Staff requested during its visit to Springfield. It appears to be, in part, a UE document. (We have submitted DR 660 to confirm whose document it is.) The entire document has been marked as highly confidential. I have attached the first part of this document which appears to be UE's portion. To my mind, these sample questions and answers are almost by definition public information. Please let me know whether UE considers these specific pages highly confidential, if UE considers the entire page classified (and if not, which portions are highly confidential), the basis for this classification, or if UE is willing to declassify it voluntarily.

Sincerely,



Lewis R. Mills, Jr.
Deputy Public Counsel

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

ATTACHMENT 2



William E. Jaudes
Vice President
and
General Counsel

April 26, 1996

Mr. Lewis R. Mills, Jr.
Deputy Public Counsel
Office of the Public Counsel
Harry S. Truman Building - Suite 250
P.O. Box 7800
Jefferson City, MO 65102

Dear Mr. Mills:

This is in reply to your letter of April 18 requesting that we declassify certain material we had furnished to you. The material was classified as Proprietary, Highly Confidential or Proprietary and Highly Confidential.

The first document (classified as Proprietary) is a sheet headed "10-Year Period of Analysis." We are not willing to declassify this material. It relates to confidential methods of analysis of some proposed projects. Release of this information could result in significant damage to the company and its customers if competitors or suppliers had it.

The second set of documents were the overheads used by Goldman, Sachs for presentations to the Board of Directors. We believe these documents in their entirety are both Highly Confidential and Proprietary. They involve financial forecasts and market and business predictions and information which are not appropriate to be in the public domain. I also believe that selective release of individual pages would be inappropriate and could be claimed to be a declassification of the entire documents. For these reasons we are unwilling to declassify these documents.

APR 29 1996

Mr. Lewis R. Mills, Jr.
Page 2
April 26, 1996

The third document involves 8 pages on both sides of the paper entitled 10th draft, August 13, 1995 1:55 a.m. numbered in the upper right hand of each page p.2-p.17. This document consists of a number of Qs and As. This document is no longer Confidential and we are willing to declassify it.

Yours truly,

William E Jaudes

No. 512

UNION ELECTRIC COMPANY
CASE NO. EM-96-149

PUBLIC COUNSEL DATA REQUEST

REQUESTED FROM: Jim Cook

DATE REQUESTED: January 19, 1996

INFORMATION REQUESTED: Please provide copies of all documents (including but not limited to E-mail, memos, reports, and presentation overheads) created in the last two years by UE or its agents for the purpose of instructing UE employees about the proper method for utilizing the EVALUATE model.

REQUESTED BY: Ryan Kind *JK*

INFORMATION PROVIDED: See attached.

The information provided to the Office of the Public Counsel in response to the above information request is accurate and complete, and contains no material misrepresentations or omissions based upon present facts known to the undersigned. The undersigned agrees to immediately inform the Office of the Public Counsel if any matters are discovered which would materially affect the accuracy or completeness of the information provided in response to the above information.

DATE RECEIVED: _____

SIGNED BY: *Jerre E. Birdsong*
TITLE Jerre E. Birdsong
Treasurer

DATA RESPONSE CONFIDENTIALITY CLAIM

512 The attached response, or parts thereof, to Data Request has been marked as Highly Confidential, Proprietary, or both. Union Electric is providing the information requested pursuant to the terms of the Protective Order issued by the Missouri Public Service Commission, in Docket No. EM-96-149. The grounds for this designation are indicated below:

HIGHLY CONFIDENTIAL

The attached response is Highly Confidential because it contains information concerning:

1. material or documents that contain information relating directly to specific customers;
2. employee-sensitive information;
3. marketing analyses or other market-specific information relating to services offered in competition with others;
4. reports, work papers or other documentation related to work produced by internal or external auditors or consultants;
5. strategies employed, to be employed, or under consideration in contract negotiations.

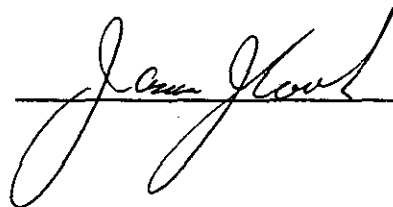
PROPRIETARY

The attached response is Proprietary because it contains information concerning:

1. trade secrets;
- ✓ 2. confidential or private technical, financial and business information.

3/4/96

Date



10-Year Period of Analysis

- "JUSTIFY" allowed for a full 30-Year period of analysis
 - Allowed long-term benefits to be considered
- "EVALUATE" allows only a 10-Year period of analysis
 - Assumes that benefits beyond ten years are too uncertain to use as a basis for investing in a project

DATA INFORMATION REQUEST
Union Electric
CASE NO. EM-96-149

Requested From: Steven R Sullivan
Date Requested: 11/22/95

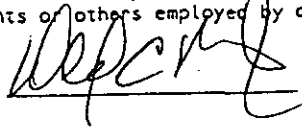
Information Requested:
Please provide a copy of all documentation used by UE to analyze and ultimately decide to merge with CIPSCO. Provide a copy of all related supporting documentation used by UE to determine a reasonable price for CIPSCO.

Requested By: Mark Oligschlaeger

Information Provided: See attachments.

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EM-96-149 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Union Electric office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to Union Electric and its employees, contractors, agents or others employed by or acting on its behalf.

Signed By: 

Date Response Received: _____

Prepared By: Donald E. Brandt

DATA RESPONSE CONFIDENTIALITY CLAIM

The attached response, or parts thereof, to Data Request has been marked as Highly Confidential, Proprietary, or both. Union Electric is providing the information requested pursuant to the terms of the Protective Order issued by the Missouri Public Service Commission, in Docket No. EM-96-149. The grounds for this designation are indicated below:

HIGHLY CONFIDENTIAL

The attached response is Highly Confidential because it contains information concerning:

 1. material or documents that contain information relating directly to specific customers;

 2. employee-sensitive information;

 3. marketing analyses or other market-specific information relating to services offered in competition with others;

4. reports, work papers or other documentation related to work produced by internal or external auditors or consultants;

 5. strategies employed, to be employed, or under consideration in contract negotiations.

PROPRIETARY

The attached response is Proprietary because it contains information concerning:

 1. trade secrets;

2. confidential or private technical, financial and business information.

12-29-95

Date

Greg H Raybuck

HIGHLY CONFIDENTIAL

PROPRIETARY

COPY

Arch Company

**Presentation to the
Board of Directors**

**Goldman, Sachs & Co.
August 8, 1995**

HIGHLY CONFIDENTIAL PROPRIETARY

Rationale for Accelerating M&A Activity

Consolidation activity is on the rise in the electric utility industry

Platform for Restructuring Initiatives

- Cost reductions (O&M, fuel, capacity)
- Regulatory initiatives
- Disaggregation initiatives

Improve Competitive Position

- Lower rates
- Protect customer base
- Attract new customers
- Access to desirable assets/attributes

Enhance Financial Strength and Size

- Proactive positioning for future industry consolidation
- Larger balance sheet benefits
 - Withstand competitive battles
 - Allows for multiple new investment strategies

Enhance Equity Security Characteristics

- Diversification of attributes
 - Service territory
 - Regulation
 - Fuel
- Access higher growth unregulated activities
- Improve earnings profile

HIGHLY CONFIDENTIAL PROPRIETARY

Rationale for Combination with Bear

The proposed combination provides both near and long-term benefits to Arch's customers and shareholders

Earnings Driven

- Potential synergy retention enhances earnings growth
- Diversity of earnings driven factors
 - regulation
 - fuel
 - customers

Long-Term Strategic Driven

- Proactive response to accelerating industry competition, deregulation and consolidation
- Opportune approach to high quality neighbor with succession issues
- Costs reduction potential will enhance competitive position in the region
 - customers in superior position
- Tap low cost coal generating portfolio
- Utilization of Bear's excess capacity
 - reduced future capital budget
- Obtain access to strategically located transmission interconnects
- Larger and stronger combined balance sheet will help to better withstand future competitive battles
- Positions Arch as a premier entity in the midwest region

HIGHLY CONFIDENTIAL PROPRIETARY
BEAR - A View From Wall Street

*Bear continues to
be viewed among
the highest quality
U.S. utilities*

"Exceptional financial condition, favorable generating resources, competitive wholesale and retail rates, and supportive Illinois regulation."

- Fitch Investors

"Bear's transmission system, generating capacity and strategic location help it to compete effectively for 'interchange' sales among utilities buying and selling economy or emergency power."

- Goldman Sachs & Co.

"Low-cost energy is Bear's competitive advantage to attract and retain industrial customers."

- NatWest Securities

HIGHLY CONFIDENTIAL PROPRIETARY

Overview of Bear - Utility Operations

Bear is a public utility holding company with two subsidiaries:

- 1) Bear Public Service Company
- 2) Bear Investment Company

■ Bear supplies both electricity and natural gas to portions of central and southern Illinois:

	Electric	Gas
■ 1994 Operating Revenues	83%	17%
■ 1994 Customers	317,000	166,000

■ Bear's electrical revenues are balanced:

	% of 1994 Revenues
■ Residential	31%
■ Commercial	26
■ Industrial	17
■ Power Supply Agreements	11
■ Interchange Sales	10
■ Co-ops, munis and others	5
	<u>100%</u>

■ Bear has attractive generating assets:

- No nuclear exposure (99% coal generated power)
- 300-mw of excess generating capacity to market to wholesale sector
- \$209/Kwh embedded cost of baseload generating capacity vs. \$406/Kwh for Arch and \$352/Kwh industry median

■ Bear is strategically located with 14 interconnections to other utility systems:

- Bear has an agreement with Arch to sell 150-mw of capacity from June 1998 through May 2005

HIGHLY CONFIDENTIAL PROPRIETARY

Overview of Bear - Non-regulated Subsidiary

Non-utility investments are modest and conservative, however, they have produced sub-par returns

- Bear Investment Company is a wholly-owned subsidiary whose main lines of business at the end of 1994 included:
 - Marketable securities
 - \$44 million invested in a hedged portfolio of investment grade preferred and common stock
 - Leveraged lease investments
 - \$34 million invested in one commercial jet aircraft with Delta, one natural gas processing facility with Enron, natural gas processing equipment with Amoco and fifteen retail department store properties with Wal-Mart
 - Energy investments
 - \$16 million equity invested in leveraged leases of nine combustion turbine generating units
 - Other liquid short-term investments
 - \$4 million
- \$98 million of total assets at year-end 1994. Total equity of \$69 million and \$75 million in 1994 and estimated for 1995, respectively
- Earnings were \$4.7 million in 1993 and \$5.5 million in 1994, with earnings of \$5.5 million expected at year-end 1995 indicating ROE's of 8.4%, 6.9% and 7.3%, respectively

HIGHLY CONFIDENTIAL

PROPRIETARY

Strengths and Issues

Bear

The magnitude of Bear's positive attributes generally outweigh issues being uncovered in the due diligence process

Strengths	Issues
<ul style="list-style-type: none">■ Excellent financial condition■ Strong cash flow from operations■ Strong balance sheet; highest credit ratings in the industry■ Limited capital needs■ Nuclear-free operations; no stranded investment risk■ Well-positioned geographically to transmit to third parties - interconnected to 14 others■ Excess capacity; low cost■ Fuel costs coming down■ Has not reengineered the business; high potential for O&M cost reductions	<ul style="list-style-type: none">■ Moderate demand growth■ Exposed to weak mining sector customer base■ Growth limited as co-ops in the area have exclusive service rights■ Past union problems, however professional and clerical staff are non-union (50% of total)■ Coal contract renegotiations■ Meaningful earnings growth projected from marketing initiatives■ Environmental risk at manufactured gas sites - remediation and litigation exposure■ Sub-par returns in investment portfolio■ Clean Air Act compliance expenditures possible post 2000 as allowances run off

HIGHLY CONFIDENTIAL PROPRIETARY

Financial Comparison

Arch possesses slightly higher valuation measures than Bear. A strong currency facilitates a non-dilutive combination to Arch

Valuation Statistics	Arch			Bear		
	1995E	1996E	% Change	1995E	1996E	% Change
IBES Estimated EPS	\$2.91	\$3.00	3.1%	\$2.45	\$2.53	3.3%
Company Plan Estimated EPS	\$2.83(a)	\$2.85	1.0%	\$2.48(b)	\$2.58	4.0%
Estimated P/E Multiple (IBES)	12.4x	12.0x		12.1x	11.6x	
IBES 5 Year Projected EPS Growth	3.0%			2.8%		
Current Dividend Yield	6.8			6.9		
Dividend Payout - 1995E (IBES)	83.9			83.3		
Market to Book	1.63			1.58		
Credit Ratings	A1/AA-			Sub: Aa1/AA+		
1/1/94 - Present Total Return	1.1%			7.7%		
Market Capitalization (in millions)	\$3,664			\$1,014		

(a) Before 18c one-time impact of rate refund.
 (b) YTD Bear running 24c behind plan due to weather and VSP.

NOTE: Market Data as of 8/4/95: Arch Stock Price of \$35 7/8, Bear Stock Price of \$29 3/4.

HIGHLY CONFIDENTIAL PROPRIETARY

Bear Income Statement

*Bear projects a
5-year earnings
growth rate of 2.7%,
somewhat above
industry averages*

	1993	1994	1995	1996	1997	1998	1999	5 Yr CAGR
(\$ in millions)								
Revenues								
Electric	\$688.8	\$697.4	\$685.4	\$703.5	\$722.5	\$781.4	\$755.2	1.6%
Gas	145.7	138.4	144.4	149.7	155.9	161.5	168.9	4.1
Total Operating Revenues	\$834.5	\$835.8	\$829.7	\$853.2	\$878.5	\$902.9	\$924.0	2.0
Investment Company Revenues	9.5	8.0	10.3	13.4	14.2	15.5	16.0	14.9
Expenses								
Interest	35.0	32.8	34.8	36.3	37.2	37.2	38.3	38.3
G&A and Operating(a)	596.0	598.2	575.4	598.5	614.0	633.1	651.2	1.7
Depreciation	78.1	81.1	93.8	88.2	91.1	95.6	98.1	98.1
Income Tax	51.9	49.1	47.1	49.3	51.4	52.1	51.8	51.8
Other Income and Deductions(b)	2.5	1.4	(4.3)	(6.3)	(6.4)	(6.2)	(4.8)	(4.8)
Earnings on Common Stock	\$ 85.5	\$ 84.0	\$ 84.6	\$ 88.0	\$ 92.6	\$ 94.2	\$ 95.8	\$ 95.8
Average Shares Outstanding	34.1	34.1	34.1	34.1	34.1	34.1	34.1	34.1
EPS	\$ 2.51	\$ 2.46	\$ 2.48(c)	\$ 2.58	\$ 2.72	\$ 2.76	\$ 2.81	2.7

(a) Includes taxes other than income taxes.
 (b) Includes preferred dividends.
 (c) YTD Bear running 24¢ behind plan due to weather and VSP.

HIGHLY CONFIDENTIAL

PROPRIETARY

Bear Balance Sheet

Bear maintains a conservative 53% equity ratio which grows to 56% over 5 years as cash flow from operations exceeds capital expenditures by \$80-120mm per annum

	1994	1995	1996	1997	1998	1999
(\$ in millions)						
Assets						
Net Utility Plant	\$1,439.6	\$1,440.8	\$1,462.1	\$1,472.6	\$1,464.3	\$1,431.2
Non-Utility Investments	97.7	121.4	134.4	144.9	159.2	146.0
Other Deferred Debts	40.0	50.2	48.7	45.7	39.5	34.3
Cash and Cash Equivalents(a)	7.9	15.7	8.3	10.3	24.8	81.1
Other Current Assets	<u>192.3</u>	<u>194.6</u>	<u>191.7</u>	<u>203.0</u>	<u>213.3</u>	<u>272.3</u>
Total	<u>\$1,777.4</u>	<u>\$1,807.0</u>	<u>\$1,836.9</u>	<u>\$1,866.2</u>	<u>\$1,876.3</u>	<u>\$1,883.9</u>
Liabilities and Equity						
Common Equity	\$ 647.6	\$ 663.0	\$ 680.4	\$ 701.1	\$ 721.9	\$ 743.0
Preferred Stock	80.0	80.0	80.0	80.0	80.0	80.0
Total Debt	489.6	510.4	454.5	519.1	462.4	513.0
Current Liabilities	117.4	126.3	85.0	126.5	175.5	123.0
Deferred Income Taxes(b)	387.1	375.1	388.1	394.0	394.5	386.1
Investment Tax Credits	<u>55.6</u>	<u>52.2</u>	<u>48.9</u>	<u>45.5</u>	<u>42.1</u>	<u>38.7</u>
Total	<u>\$1,777.4</u>	<u>\$1,807.0</u>	<u>\$1,836.9</u>	<u>\$1,866.2</u>	<u>\$1,876.3</u>	<u>\$1,883.9</u>

(a) Includes temporary cash investments, other special investments and working fund.

(b) Includes regulatory liabilities

HIGHLY CONFIDENTIAL PROPRIETARY

Operational Comparison

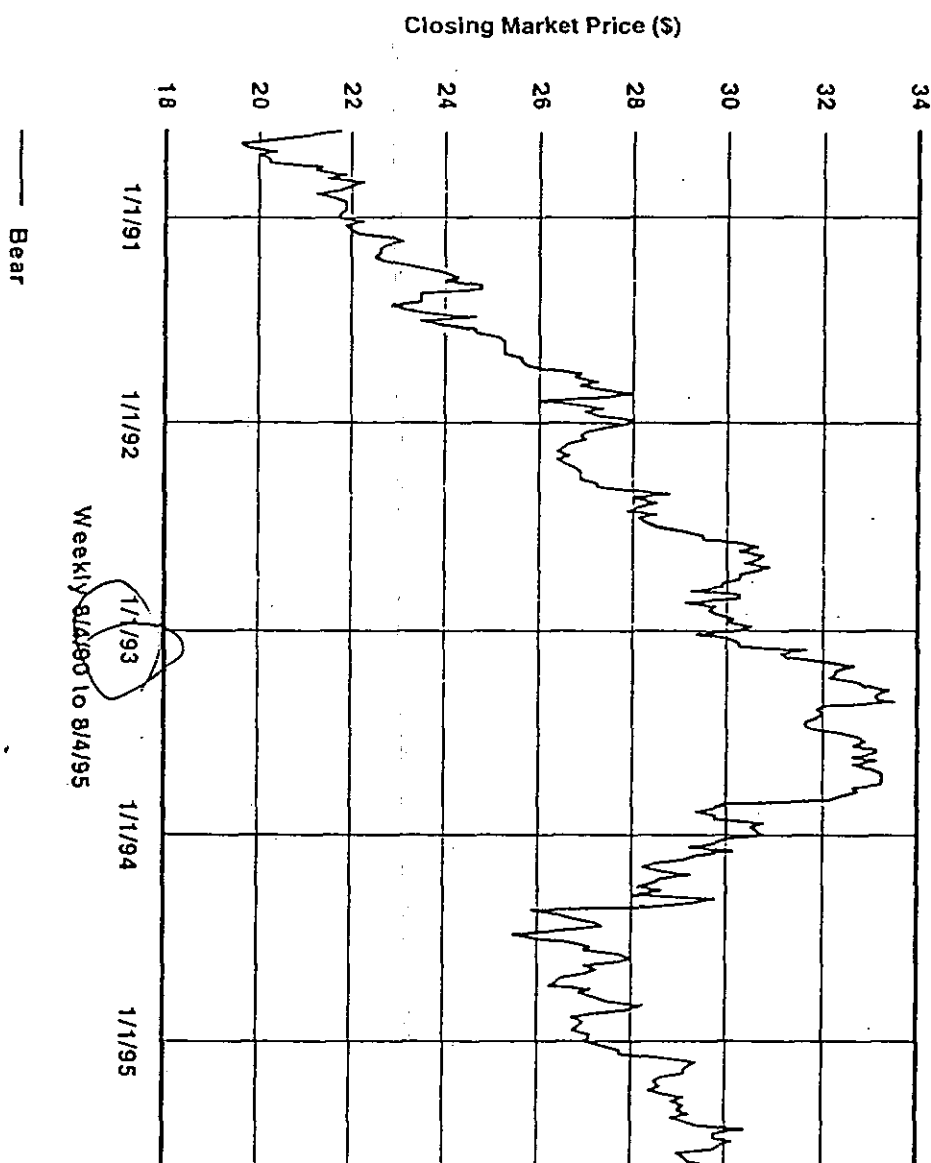
Both companies exhibit a balanced and high quality operational profile

	Arch	Bear
Electric Customers - 1994		
Residential	985,609	273,148
Commercial	128,505	42,567
Industrial	6,228	522
Other	1,645	805
Total	<u>1,121,987</u>	<u>317,042</u>
Busbar Costs (mills per kwh) - 1994		
Fuel	10.1	17.5
O&M	9.9	8.5
Capital	16.0	10.2
Total	<u>36.0</u>	<u>36.2</u>
Average Residential Revenues per kwh	80.1	75.3
Average Industrial Revenues per kwh	47.1	44.9
Summer Peak - MW - 1994	7,108	2,194
Reserve Margin - 1994	14.5%	29.6%
Generation Mix - 1994		
Coal		64%
Nuclear	29	29
Hydro	5	5
Oil	-	-
Purchased	2	2

Source: Company Annals and Goldman Sachs Research

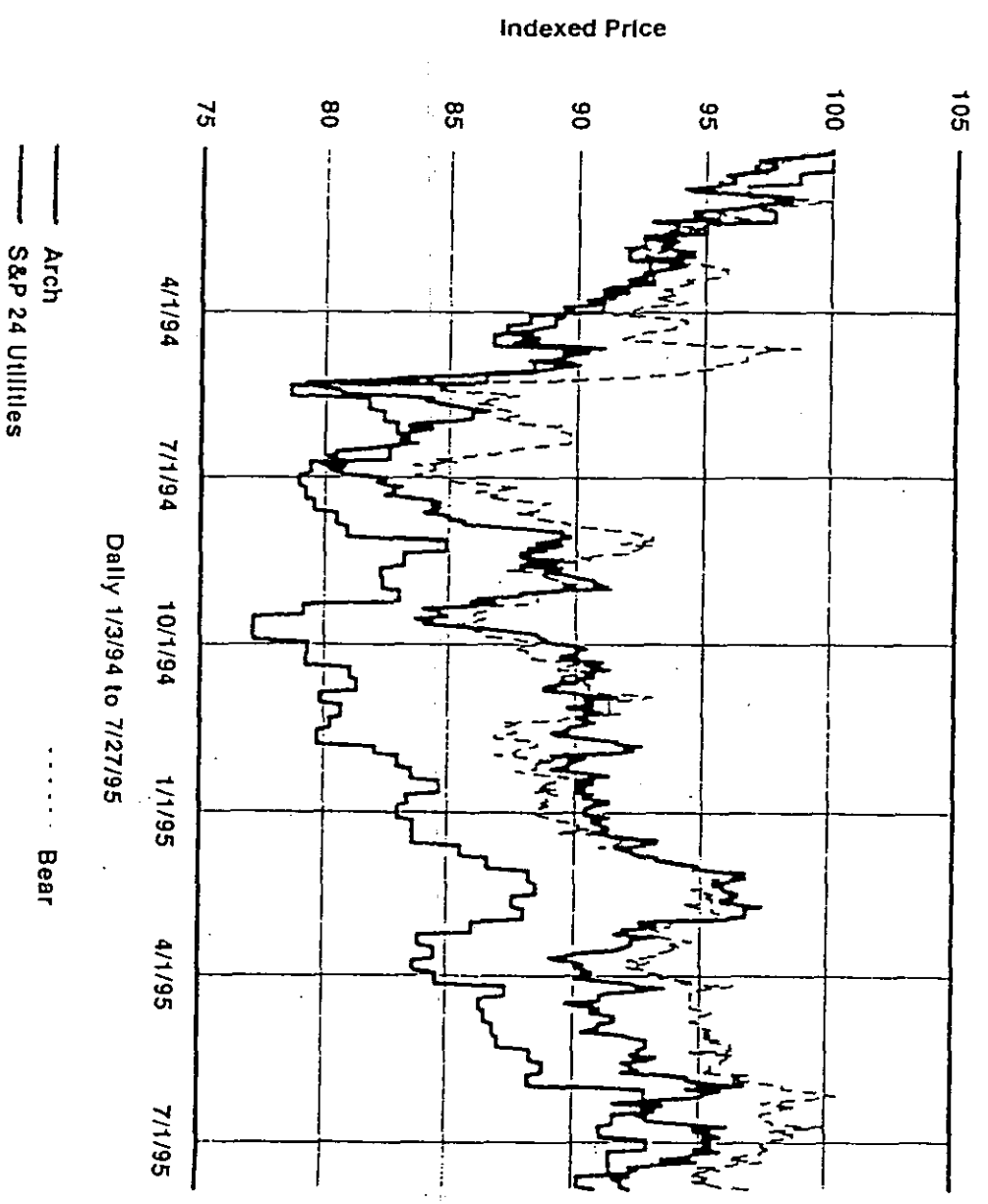
HIGHLY CONFIDENTIAL **PROPRIETARY**
Weekly Common Stock Price History

Bear's all-time high stock price was approximately \$34, 13% above current levels



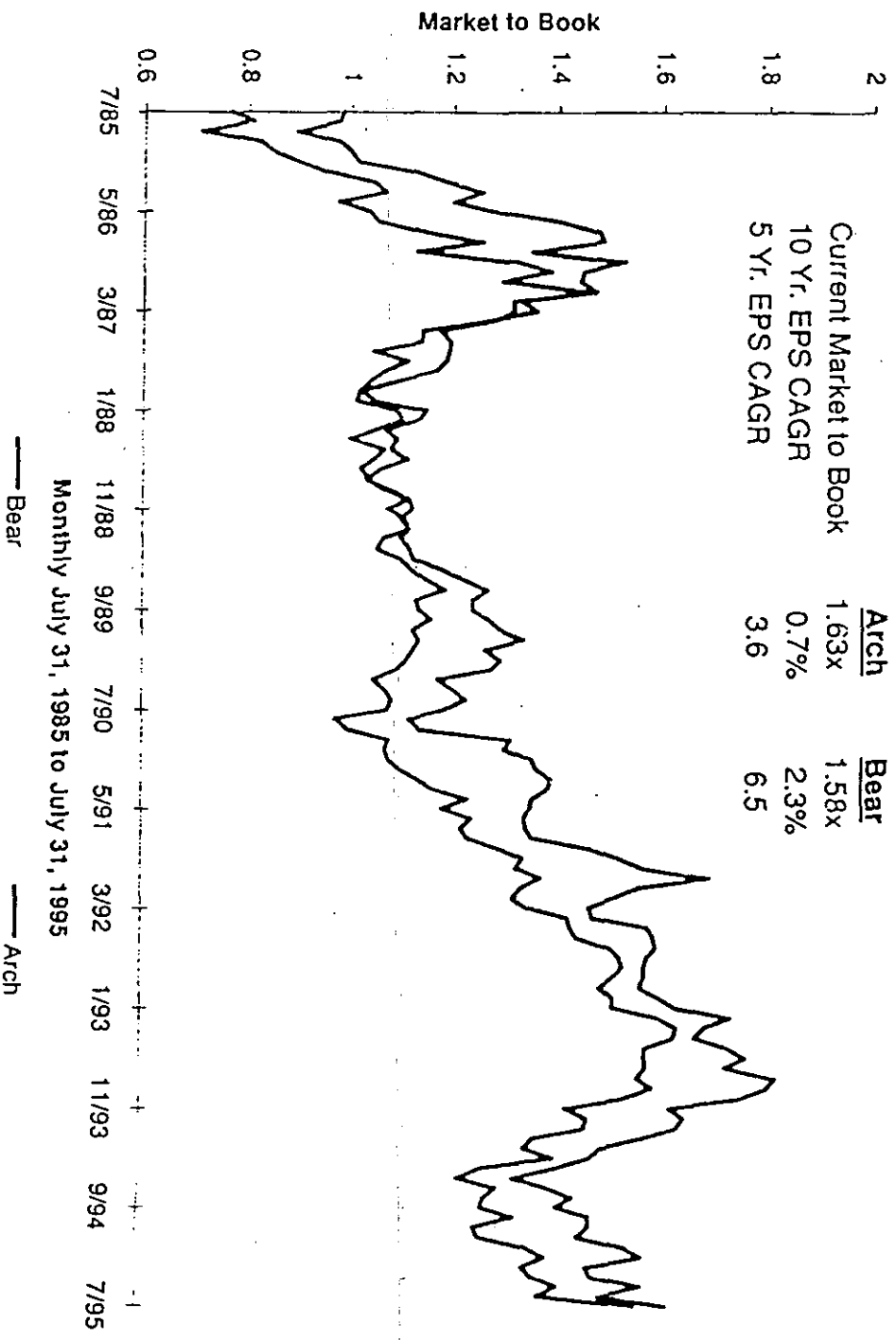
HIGHLY CONFIDENTIAL PROPRIETARY
Daily Indexed Common Stock Price History

Bear has been a somewhat consistent outperformer of the utility index



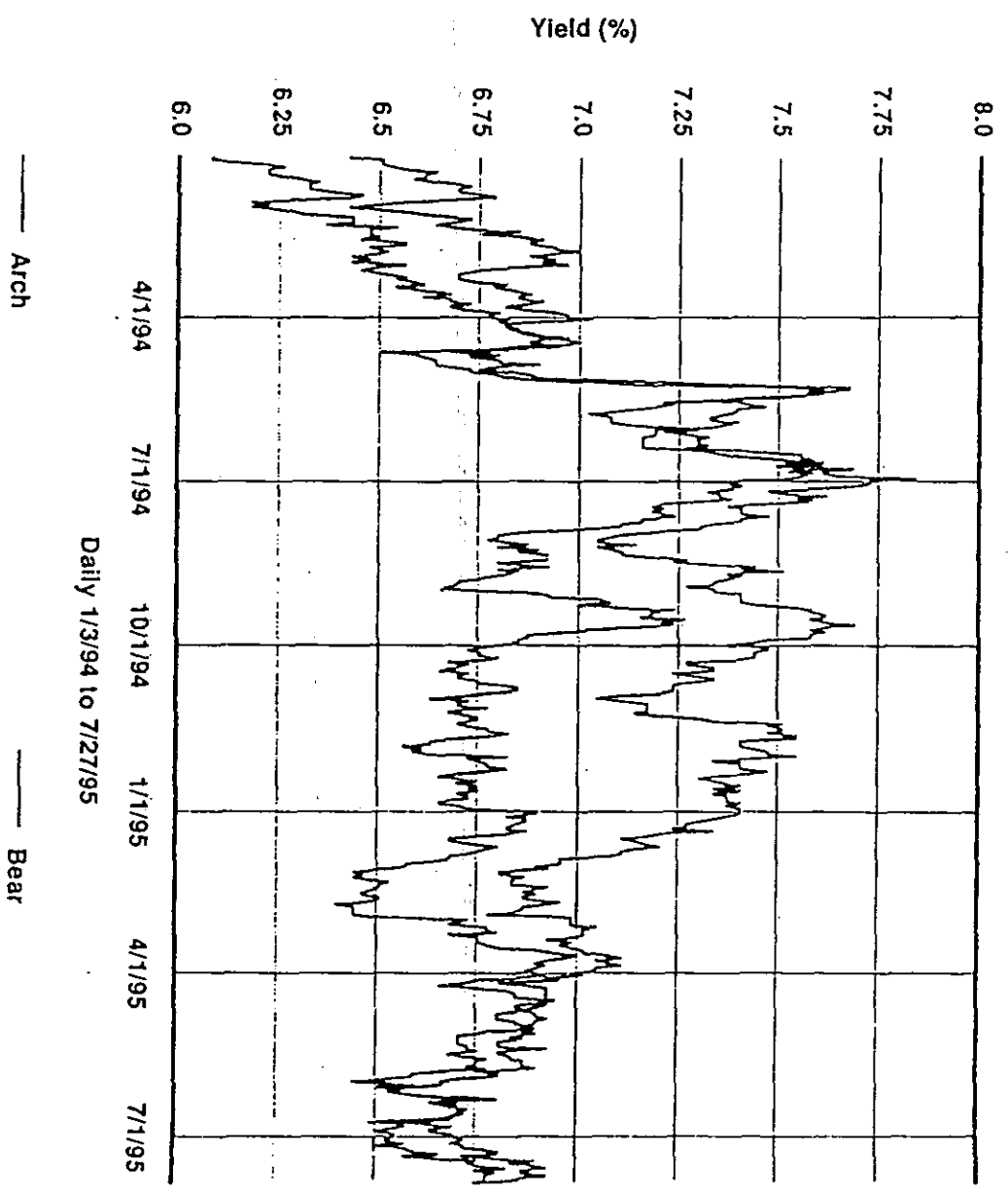
HIGHLY CONFIDENTIAL PROPRIETARY
Monthly Market to Book Ratio

Over a longer term, Bear and Arch have traded in a similar manner at premium levels to the industry averages
 Bear, however, has produced superior earnings growth rates



HIGHLY CONFIDENTIAL
PROPRIETARY
Dividend Yield History

Arch and Bear have similar payout ratios, similar yields and therefore similar implied future dividend growth rates

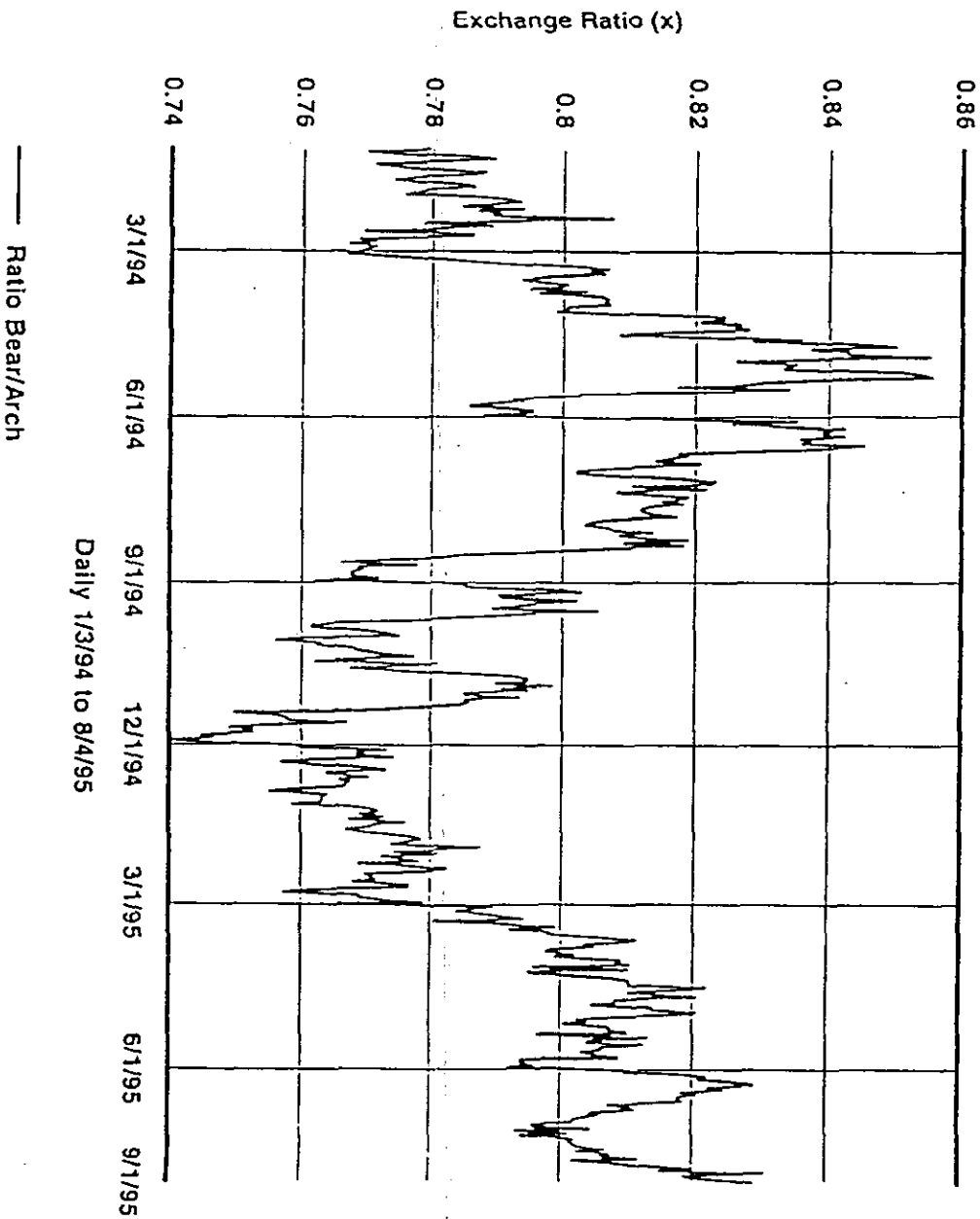


HIGHLY CONFIDENTIAL PROPRIETARY
 Daily Exchange Ratio History

Both Stocks are trading at or near their average relative historic performance

A lower exchange ratio implies a greater Arch market performance

Average: 0.80

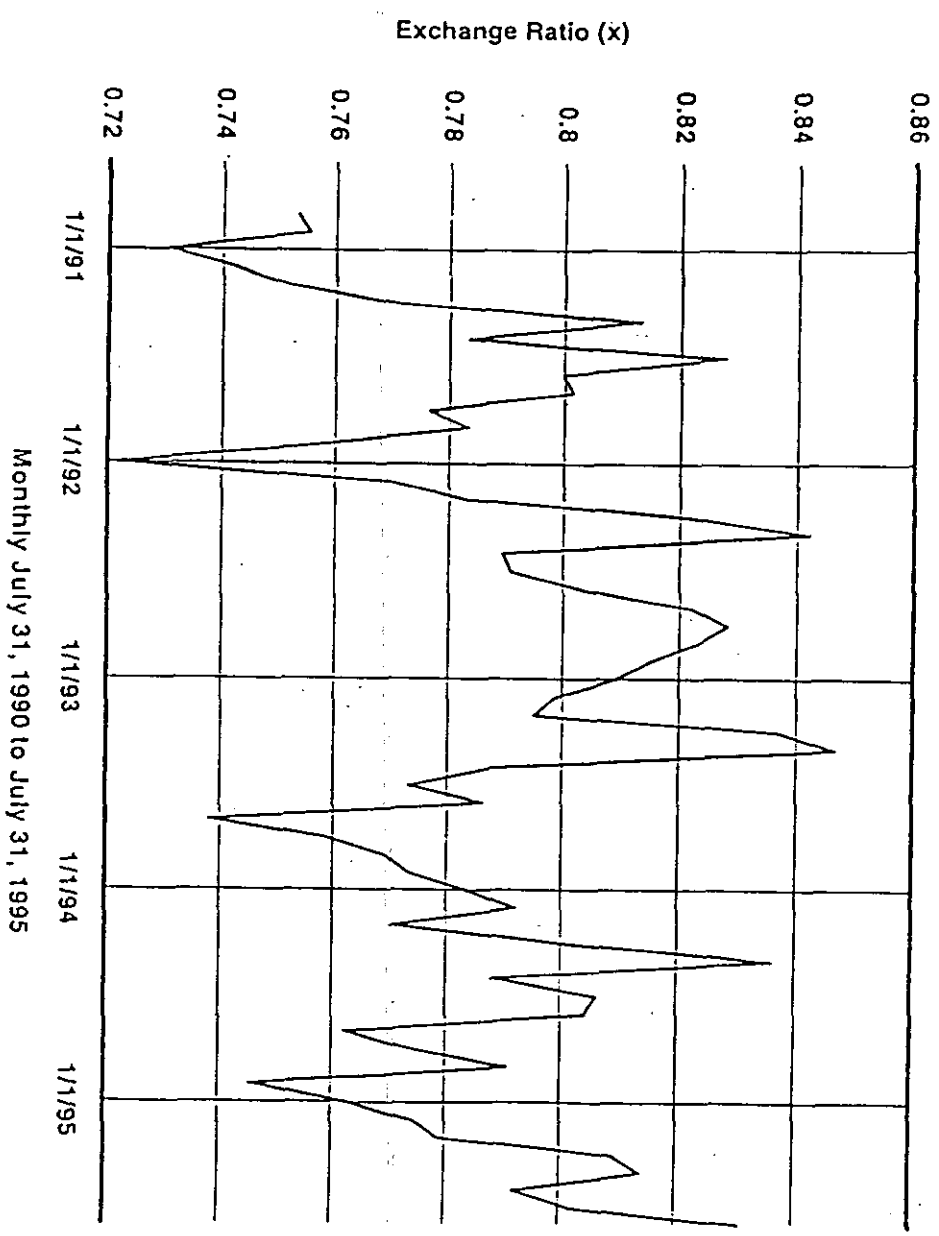


HIGHLY CONFIDENTIAL PROPRIETARY
 Monthly Exchange Ratio History

A five year
 exchange ratio
 history points to a
 similar pattern

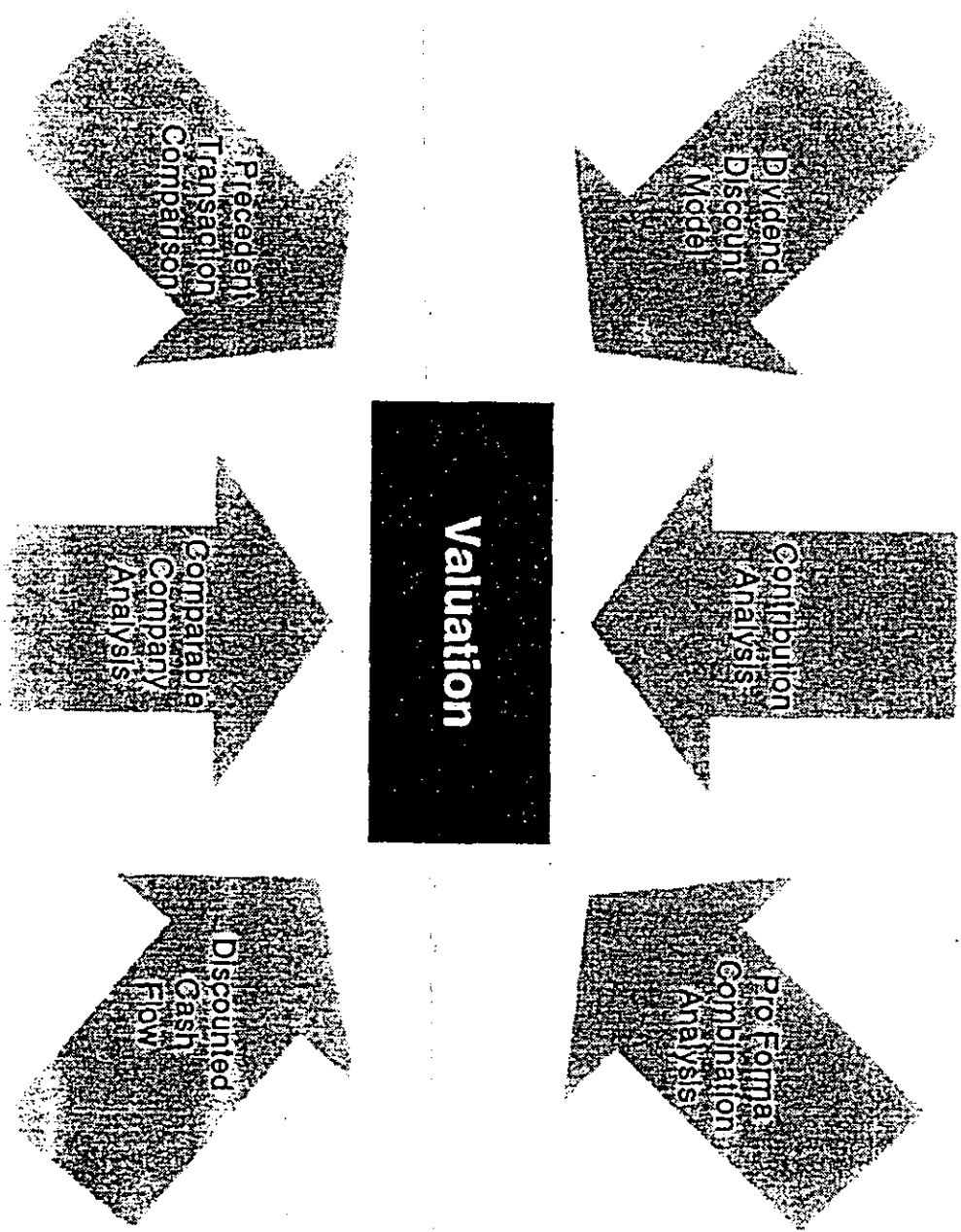
Today's relative
 stock prices seem
 to represent a fair
 portrayal of average
 past performance

Average: 0.79



HIGHLY CONFIDENTIAL PROPRIETARY
Various Valuation Methodologies

Several valuation methodologies are considered in arriving at appropriate valuation for a combination with Bear



HIGHLY CONFIDENTIAL PROPRIETARY
Parameters of Setting the Exchange Ratio

There are a number of factors that need to be considered when deciding on an appropriate exchange ratio

Primary Factors

■ **Financial**

- ▣ Relative market capitalizations - current and historical
- ▣ Contribution analysis
- ▣ Degree of dilution
- ▣ Degree of dividend pick-up
- ▣ Degree of available synergies
- ▣ Comparable company analysis
- ▣ Precedent transaction valuation
- ▣ Discounted cash flow
- ▣ Dividend discount model

Secondary Factors

■ **Social**

- ▣ Degree of board control
- ▣ Initial and long term control of CEO position
- ▣ Initial control of key management positions
- ▣ Location of headquarters
- ▣ Name of NewCo
- ▣ Perceived autonomy of operating company

HIGHLY CONFIDENTIAL
PROPRIETARY
Earnings Estimates - Sensitivity Analysis
 Defining the Range of Dilution/Accretion

One's view of the future earnings potential of both Arch and Bear is required to assess the attractiveness of any transaction

	1995E	1996E	1997E	1998E	1999E	CAGR
Arch						
Arch Plan	\$2.83(a)	\$2.85	\$3.05	\$2.96	\$3.10	2.3%
Bear						
Bear Plan	\$2.48	\$2.58	\$2.72	\$2.76	\$2.81	3.2%
Breakdown						
- Base Utility	2.31	2.26	2.27	2.23	2.25	(0.7)
- Marketing Initiatives	0.02	0.15	0.26	0.32	0.33	201.5
- Non-Utility	0.16	0.18	0.20	0.22	0.24	10.7
- Holding Co. Adjustment	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	—
Total	<u>\$2.48(b)</u>	<u>\$2.58</u>	<u>\$2.72</u>	<u>\$2.76</u>	<u>\$2.81</u>	<u>3.2%</u>

(a) Before 18¢ one-time impact of rate refund.
 (b) YTD Bear running 24¢ behind plan due to weather and VSP.

HIGHLY CONFIDENTIAL PROPRIETARY

Comparison of Selected Companies

Both Arch and Bear appear to be fairly valued at a slight premium to comparable companies

Premium historic ROE levels have afforded both companies premium P/E and M/B ratios

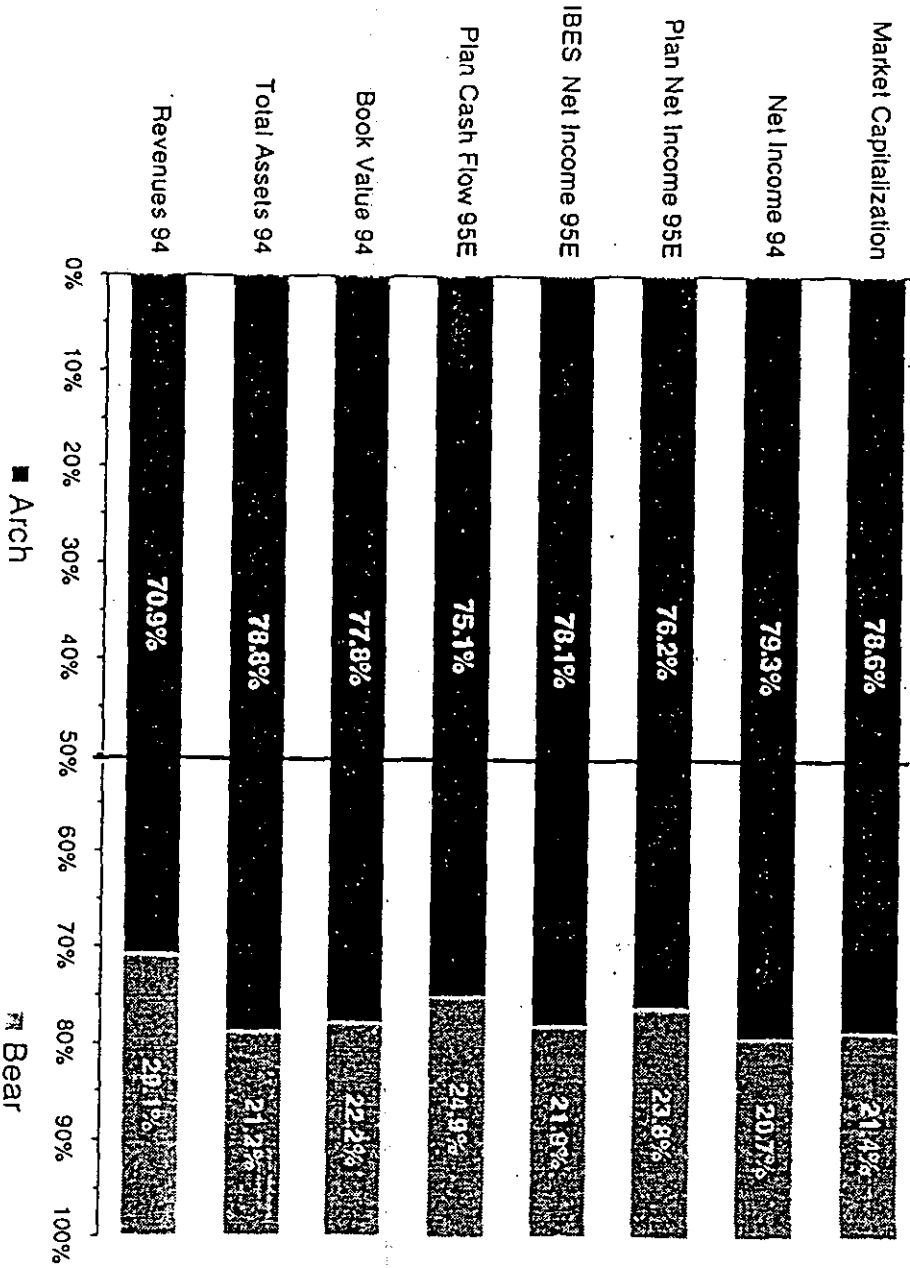
Company	Market Cap	P/E Ratio (a) 1996E	LTM ROE	Dividend Yield	1995E Payout	Market to Book	Market to Cash Flow
Bear	\$1,009	11.9x	13.0%	6.9%	83.3%	1.57x	5.5x
Arch	3,689	12.0	13.7	6.8	82.7	1.65	6.0
CILCORP	459	10.8	10.9	7.0	76.9	1.31	4.5
CINergy	4,054	11.8	10.8	6.6	81.9	1.64	7.1
Illinova	1,863	10.7	10.2	4.1	45.5	1.25	8.1
IPALCO	1,253	12.0	11.5	6.5	81.5	1.55	5.9
KU Energy	997	12.0	11.9	6.4	86.2	1.61	8.0
Kansas City Power & Light	1,362	10.7	13.2	7.1	86.7	1.56	5.2
NIPSCO	2,092	12.4	14.0	4.8	61.2	1.84	6.0
UtiliCorp	1,214	12.0	10.1	6.4	80.0	1.31	4.8
WPL Holdings	877	12.1	11.5	6.8	84.3	1.46	4.7
Western Resources	1,891	11.8	10.4	6.6	77.7	1.27	8.9
Average		11.6x	11.5%	6.2%	76.2%	1.48x	6.3x

(a) Goldman Sachs Research estimates.

HIGHLY CONFIDENTIAL PROPRIETARY

Contribution Analysis

Arch contributes approximately 75-80% of attributes to a combination



HIGHLY CONFIDENTIAL

PROPRIETARY

Discounted Cash Flow Analysis

Bear

A DCF analysis
points to a midpoint
exchange ratio of
1.12x

	1995	1996	1997	1998	1999
Cash Flow from Operations	\$181.4	\$189.2	\$188.9	\$189.1	\$ 184.8
Capital Expenditures	<u>(97.5)</u>	<u>(103.0)</u>	<u>(97.0)</u>	<u>(82.4)</u>	<u>(62.3)</u>
Free Operating Cash Flow	\$ <u>83.9</u>	\$ <u>86.2</u>	\$ <u>91.9</u>	\$ <u>106.7</u>	\$ <u>122.5</u>
Net Income					\$ 95.8
Terminal Value at 12x					\$1,149.6

Discount Rate	Value Per Share	Premium to Market	Exchange Ratio Range
11%	\$40.79	37%	1.14x
12	40.25	35	1.12
13	39.72	34	1.11

HIGHLY CONFIDENTIAL PROPRIETARY
 Dividend Discount Analysis

Bear

A dividend discount analysis points to a midpoint exchange ratio of 1.07x

Potential Annual DPS Growth		
2.0%	\$34.00	\$25.50
3.0%	\$40.80	\$29.14
4.0%	\$51.00	\$34.00

Current DPS - \$2.04		
Discount Rate		
8.0%	\$34.00	\$25.50
9.0%	\$40.80	\$29.14
10.0%	\$51.00	\$34.00

Implied Exchange Ratio Range	.71 - 1.42x
Midpoint of Range	1.07x

HIGHLY CONFIDENTIAL PROPRIETARY

Precedent Transaction Comparison

	Southern Company/ Savannah Electric	Energy/ Gulf States	IE Industries/ Iowa Southern	Cincinnati/ PSI	West Water/ Serra Pacific	KP&L/ KG&E	PacificCorp /UtahP&L	Midwest Resources/ Iowa/Illinois	Wisconsin Energy/ Northern States	Midwest Energy/ Iowa Resources	Range
Board Members	19 to 2	14 to 4	10 to 6	10 to 9	9 to 8	14 to 5	17 to 3	11 to 8	6 to 6	9 to 9	..
% Ownership	98/2	71/29	63/37	60/40	60/40	57/43(a)	57/43	56/44	50/50	47/53	..
EPS Multiple - LTM	12.1x	29.2x	12.8x	16.0x	13.3x	20.6x	14.7x	11.6x	13.0x	12.4x	11.6 - 29.2x
Gross Cash Flow	6.3	5.8	7.6	7.1	5.6	7.5	6.3	4.4	6.1	6.3	4.4 - 7.6
Dividend Pick-Up	124.0%	NA	21.0%	52.0%	59.4%	40.0%	(1.0)%	2.0%	0.0%	10.0%	(1.0) - 124.0%
Book Value Multiple	2.0x	1.2x	1.7x	2.5x	1.3x	1.7x	1.8x	1.2x	1.6x	1.4x	1.2 - 2.5x
Premium to Market	50.0%	65.0%	30.0%	56.0%	17.4%	62.0%	34.0%	0.0%	2.0%	19.0%	0.0 - 65.0%

(a) Does not include cash portion received by KG&E shareholders. Percentage ownership based on 0.8512 exchange ratio.

HIGHLY CONFIDENTIAL PROPRIETARY

Precedent Transaction Comparison

Ownership Greater than 60%

	Southern Company/ Savannah Electric	Energy/ Gulf States	IE Industries/ Iowa Southern	Cincinnati/ PSI	Wash. Water/ Sierra Pacific	Mean	Implied Exchange Ratio
% Ownership	98/2	71/29	63/37	60/40	60/40		
EPS Multiple/ LTM	12.1x	29.2x	12.8x	16.0x	13.3x	16.7x	1.04x
Gross Cash Flow	6.3	5.8	7.6	7.1	5.6	6.5	0.91
Book Value Multiple	2.0x	1.2x	1.7x	2.5x	1.3x	1.7x	0.91
Premium to Market	50.0%	65.0%	30.0%	58.0%	17.4%	44.1%	1.19

Implied Exchange Ratio Range 0.91 - 1.19x

Midpoint of Range 1.05x

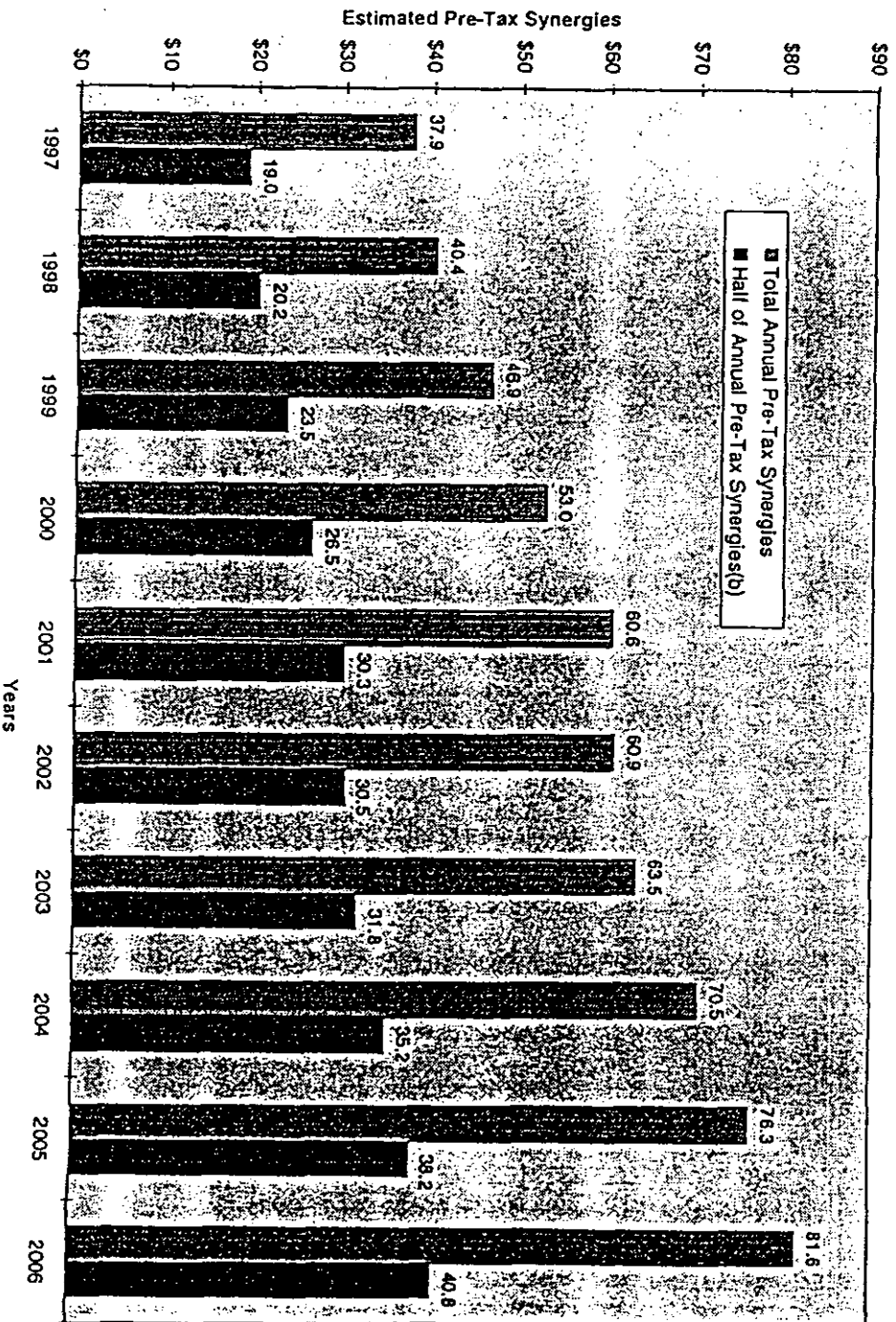
HIGHLY CONFIDENTIAL PROPRIETARY

Estimated Annual Pre-Tax Synergies(a)

The pro forma analyses contain Deloitte and Touche's synergy estimates assuming \$570 million of synergies over a 10 year period

Our analysis shows 50% of this amount flows to shareholders

A higher retention rate could justify a higher exchange ratio



(a) Source: Deloitte & Touche.
 (b) Does not include costs to achieve of \$15.0 and \$6.3 million in 1997 and 1998, respectively.

HIGHLY CONFIDENTIAL PROPRIETARY
Areas of Synergies

Unlike several recent utility combinations, labor savings will not be the dominant category

This combination can be justified based on several operational areas of synergies

(\$ in millions)	
Category	Amount
Corporate & Administrative Programs	\$202.6
Labor	198.3
Electric Production	84.1
Purchasing Economies (Nonfuel)	68.8
Gas Production	37.1
Facilities	<u>0.7</u>
Total Savings	591.6
Costs to Achieve	<u>21.3</u>
Total	<u>\$570.3</u>

(a) Costs to Achieve of \$15.0 and \$6.3 million in 1997 and 1998, respectively.

HIGHLY CONFIDENTIAL PROPRIETARY

Summary Pro Forma Merger Plans Pooling Transaction

Morgan

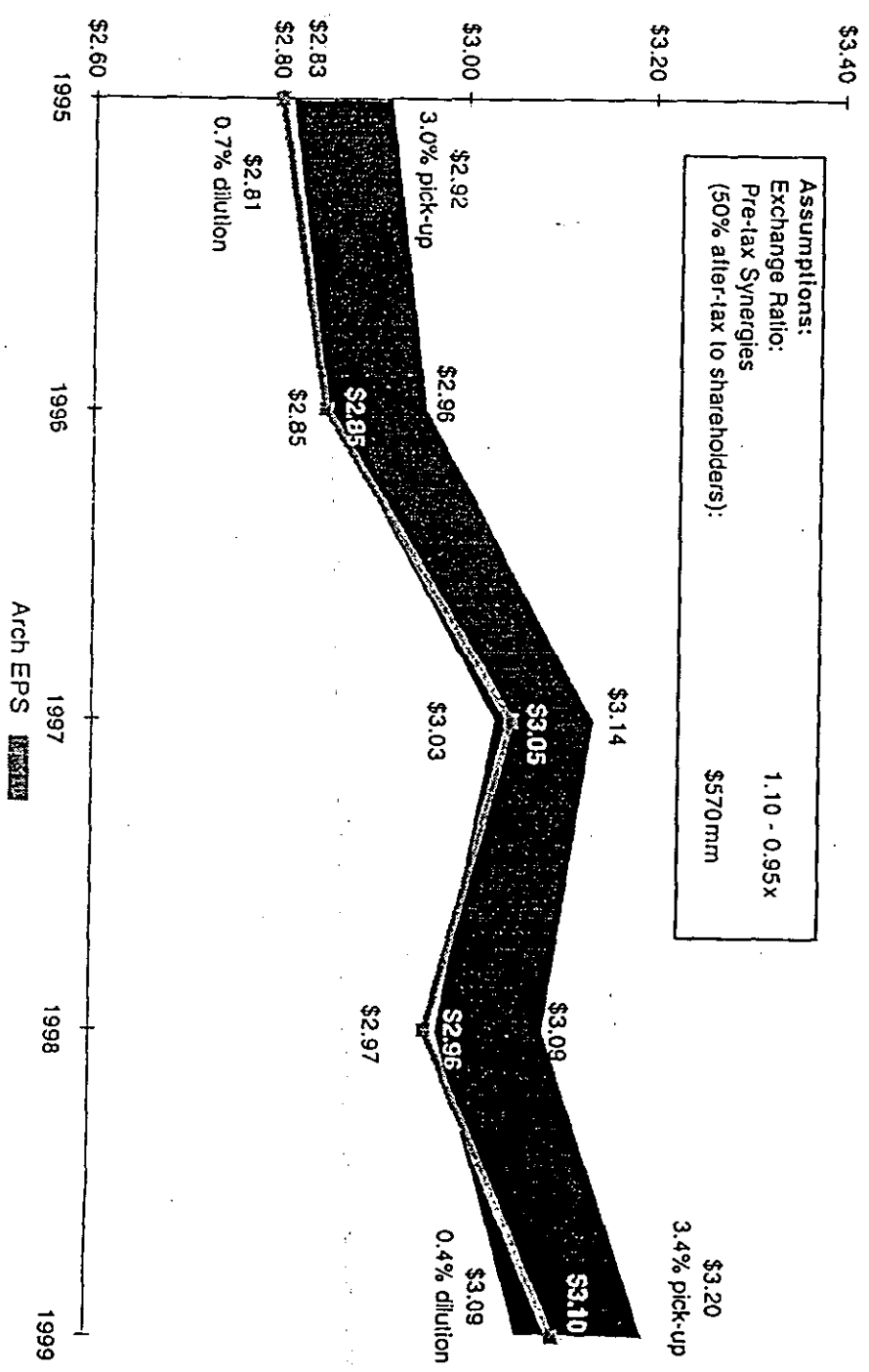
65
302

	Exchange Ratio				
	Current	0.95x	1.00x	1.05x	1.10x
Aggregate Consideration(\$MM)	\$1,014	\$1,161	\$1,222	\$1,283	\$1,344
Premium to Market		15%	21%	27%	33%
1995 Implied P/E	12.0x	13.7x	14.5x	15.2x	15.9%
1995 Implied Market to Book	1.53	1.75	1.84	1.94	2.03
EPS Pickup/Dilution to Arch					
1997	\$ 3.05	3.0%	1.7%	0.5%	(0.7)%
1998	2.96	4.2	2.9	1.7	0.4
1999	3.10	3.4	2.1	0.8	(0.4)
EPS Pickup/Dilution to Bear					
1997	\$ 2.72	9.9%	14.3%	18.5%	24.5
1998	2.76	6.2	10.3	14.4	21.4
1999	2.81	8.4	12.6	16.8	22.6
DPS Pickup/Dilution to Bear					
1995	\$ 2.04	13.6%	19.6%	25.6%	31.6%
1997 Payout Ratio to Arch	83.9%	82.0%	83.1%	84.2%	85.0%
Bear Ownership of Combined Entity		24.1%	25.0%	25.9%	26.8%

Note: Assumes \$570 million of synergies over 10 years; 50% to shareholders.

HIGHLY CONFIDENTIAL
Potential Earnings Accretion
Proprietary
 Arch Perspective

At the contemplated range of exchange ratios, Arch would realize a modest positive earnings impact while positioning itself to capture several key strategic benefits



HIGHLY CONFIDENTIAL
1998 Earnings Sensitivity
PROPRIETARY

Bear EPS required for non-dilutive combination

Bear's 1998 EPS projection of \$2.76 compares favorably to the following sensitivity size

1998 EPS

Annual
Pre-Tax
Synergy
Achievement

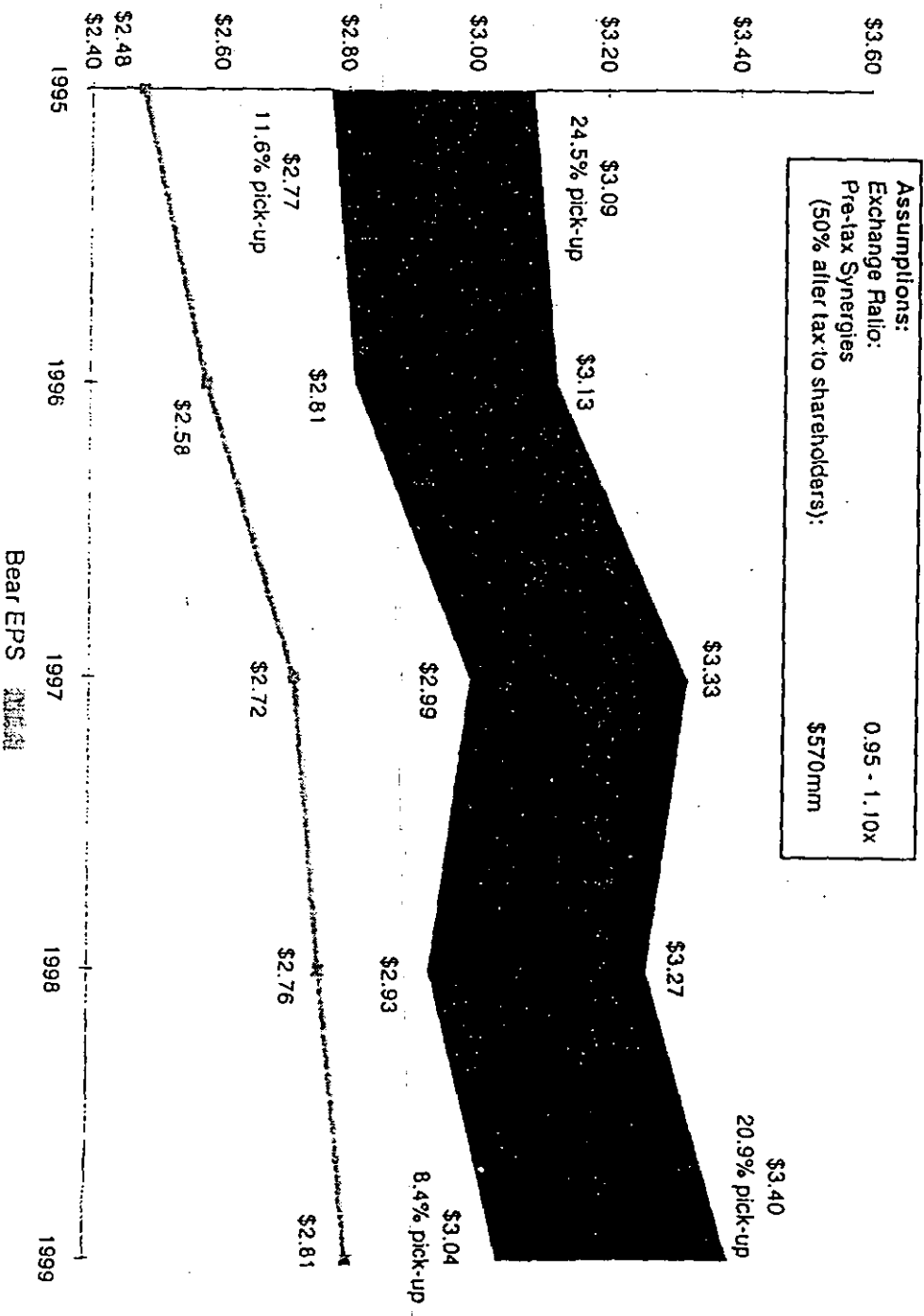
	Exchange Ratio			
	0.95x	1.0x	1.05x	1.10x
(in millions)				
\$35	\$2.47	\$2.61	\$2.76	\$2.90
\$45	2.37	2.52	2.67	2.81
\$55	2.28	2.42	2.57	2.72
\$65	2.18	2.33	2.47	2.62
\$75	2.08	2.23	2.38	2.53

HIGHLY CONFIDENTIAL PROPRIETARY

Potential Earnings Accretion

Bear Perspective

Bear would see a major earnings enhancement as a result of a combination



HIGHLY CONFIDENTIAL PROPRIETARY
Summary Exchange Ratio Ranges

Summary of
selected valuation
methodologies

Exchange Ratio Range

EPS Pro Forma pick-up after synergies (1997-1998)	
0-2% pick-up(a)	0.99 - 1.12
Discounted Cash Flow	1.11 - 1.14
Dividend Discount	0.71 - 1.42
Comparable Transactions	0.91 - 1.19

(a) Assumes \$570 million of pre-tax synergies over 10 years; 50% to shareholders.

HIGHLY CONFIDENTIAL PROPRIETARY
Negotiation Items

Several remaining items will be negotiated this week

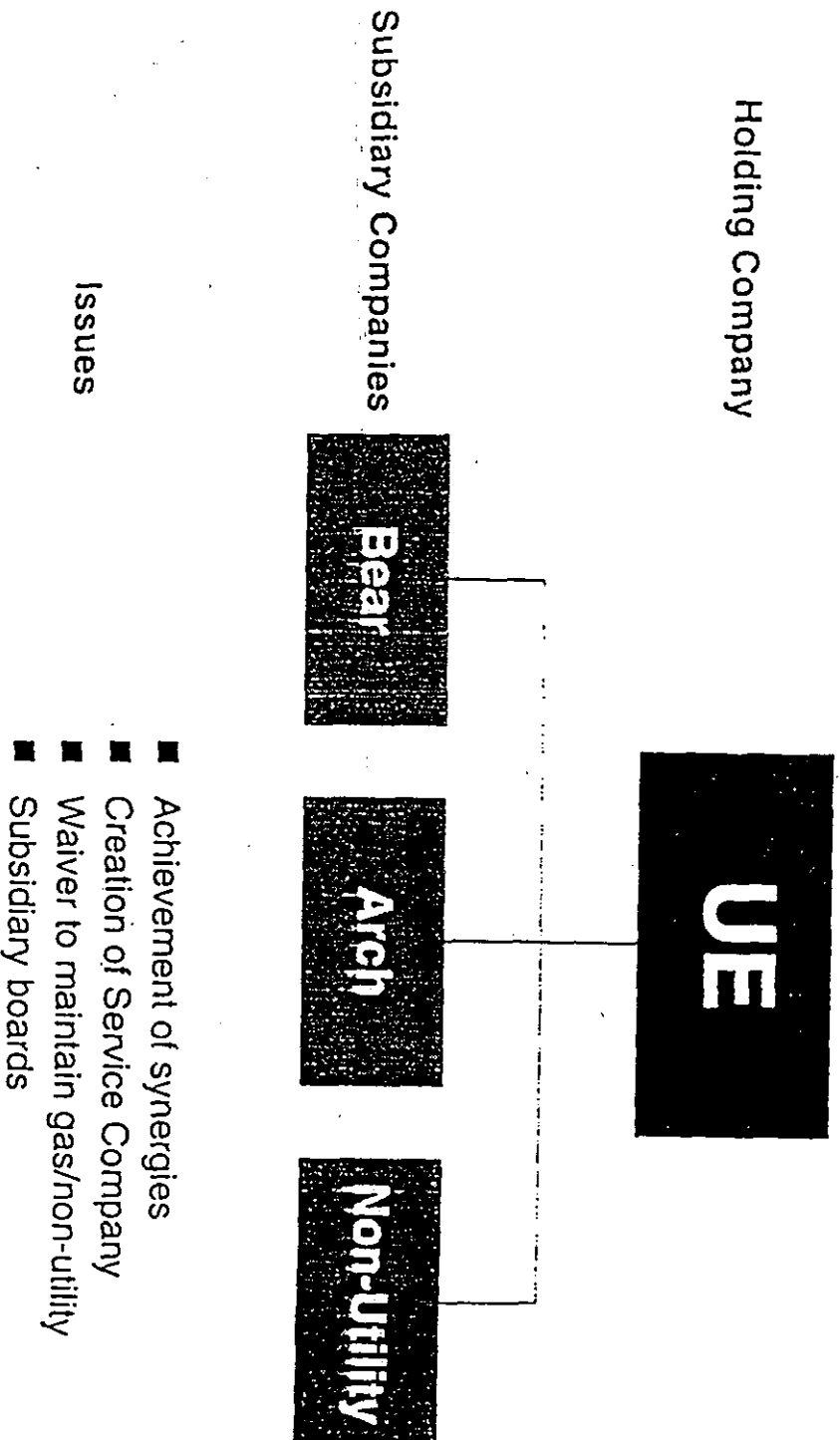
Item	Issue
Exchange Ratio	Morgan Stanley ask of 30% premium
Greenwall Position	Vice Chairman or Chairman until retirement at 12/31/97
Bear Operating Subsidiary Board	Number of Arch seats 3
Break-up/Termination Fees	Amount for each party
Cross Stock Options	Amount granted to each party

HIGHLY CONFIDENTIAL PROPRIETARY

Potential Organizational Structure

Multi-state utilities
are usually
structured as
registered holding
companies

The perceived
autonomy of an
operating subsidiary
may help to reduce
the control premium
paid



HIGHLY CONFIDENTIAL PROPRIETARY
Factors Affecting Arch's Vulnerability

The announcement of a transaction with Bear does not, in and of itself, lead to a significant increase in Arch's vulnerability

Factors Enhancing Vulnerability

Factors Reducing Vulnerability

- | | |
|---|--|
| <ul style="list-style-type: none"> ■ Spotlight from announcement of transaction with Bear ■ Current Arch articles and by-laws ■ Industry environment/trends Consolidation/M&A activity Onset of competition Overall M&A environment | <ul style="list-style-type: none"> ■ Market capitalization/size ■ Strong valuation ■ Few likely potential interlopers <ul style="list-style-type: none"> ▫ Entergy ▫ Southern Company ▫ Central & Southwest ▫ Unicom ▫ CINergy ■ Interlopers ability to pay acceptable premium ▫ Pooling of interest treatment imperative ▫ Significant synergies required to offset EPS dilution ■ "Built in" repellents <ul style="list-style-type: none"> ▫ Missouri Commission/statutes ▫ Callaway/NRC ▫ Unions ■ Historical lack of unfriendly success in utility industry ■ No additional fiduciary responsibilities from Bear announcement |
|---|--|

HIGHLY CONFIDENTIAL PROPRIETARY
Potential Interlopers
 Arch

A hostile offer for Arch could be an expensive proposition

Company	Market Capitalization	1995E Pick-up/ Dilution(a)	Dividend Impact to Arch	Contiguous
Southern Company	\$14,474	1.0%	8.5%	No
UniCom	5,899	(8.9)	10.2	No
Entergy	5,665	(6.6)	38.3	Yes
Central & Southwest	4,780	(8.0)	30.9	No
CINergy	4,054	(7.3)	27.1	No
Western Resources	1,891	(14.2)	25.6	No

(a) 30% premium, assumes synergies of 6% non-fuel O&M; 50% to shareholders. Assumes pooling available.

HIGHLY CONFIDENTIAL PROPRIETARY

Potential Interlopers

Bear

Several utilities in the region will examine closely their ability to top the terms of an Arch combination

Company	Market Capitalization	Pick-up/ Dilution(a)	Dividend Impact to Bear	Contiguous
UniCom	\$5,899	3.3%	13.5%	Yes
CINergy	4,054	1.1	30.9	Yes
NIPSCO	2,092	(1.3)	(6.2)	Yes
Western Resources	1,891	(4.0)	29.3	No
Illinova	1,863	(6.6)	(20.5)	Yes
LG&E	1,277	(3.3)	10.3	No
IPALCO	1,253	(6.2)	28.9	No
UtiliCorp	1,214	(2.7)	23.7	No
KU Energy	997	(2.9)	26.6	Yes
CILCORP	459	(15.8)	38.4	Yes

(a) 35% premium, assumes synergies of 6% non-fuel O&M; 50% to shareholders. Assumes pooling available.

HIGHLY CONFIDENTIAL PROPRIETARY
 Potential Lock-ups and Severance

Key objectives include protecting the transaction from interlopers and keeping management focused on the tasks of merger approval and successful transition to combined operations

Issue	Expected Outcome
Break-up Fee	To be paid by party terminating merger agreement under certain circumstances
Cross Stock Options	Option at market to purchase each others' stock
Severance to Officers	Severance package to any officer terminated or forced to relocate in $2\frac{1}{3}$ years following merger

HIGHLY CONFIDENTIAL

COPY

PROPRIETARY

Arch Company

**Presentation to the
Board of Directors**

**Goldman, Sachs & Co.
August 11, 1995**

HIGHLY CONFIDENTIAL PROPRIETARY

Rationale for Combination with Bear

The proposed combination provides both near and long-term benefits to Arch's customers and shareholders

Earnings Driven

- Potential synergy retention enhances earnings growth
- Diversity of earnings driven factors
 - regulation
 - fuel
 - customers

Long-Term Strategic Driven

- Proactive response to accelerating industry competition, deregulation and consolidation
- Opportune approach to high quality neighbor with succession issues
- Costs reduction potential will enhance competitive position in the region
 - customers in superior position
- Tap low cost coal generating portfolio
- Utilization of Bear's excess capacity
 - reduced future capital budget
- Obtain access to strategically located transmission interconnects
- Larger and stronger combined balance sheet will help to better withstand future competitive battles
- Positions Arch as a premier entity in the midwest region

HIGHLY CONFIDENTIAL

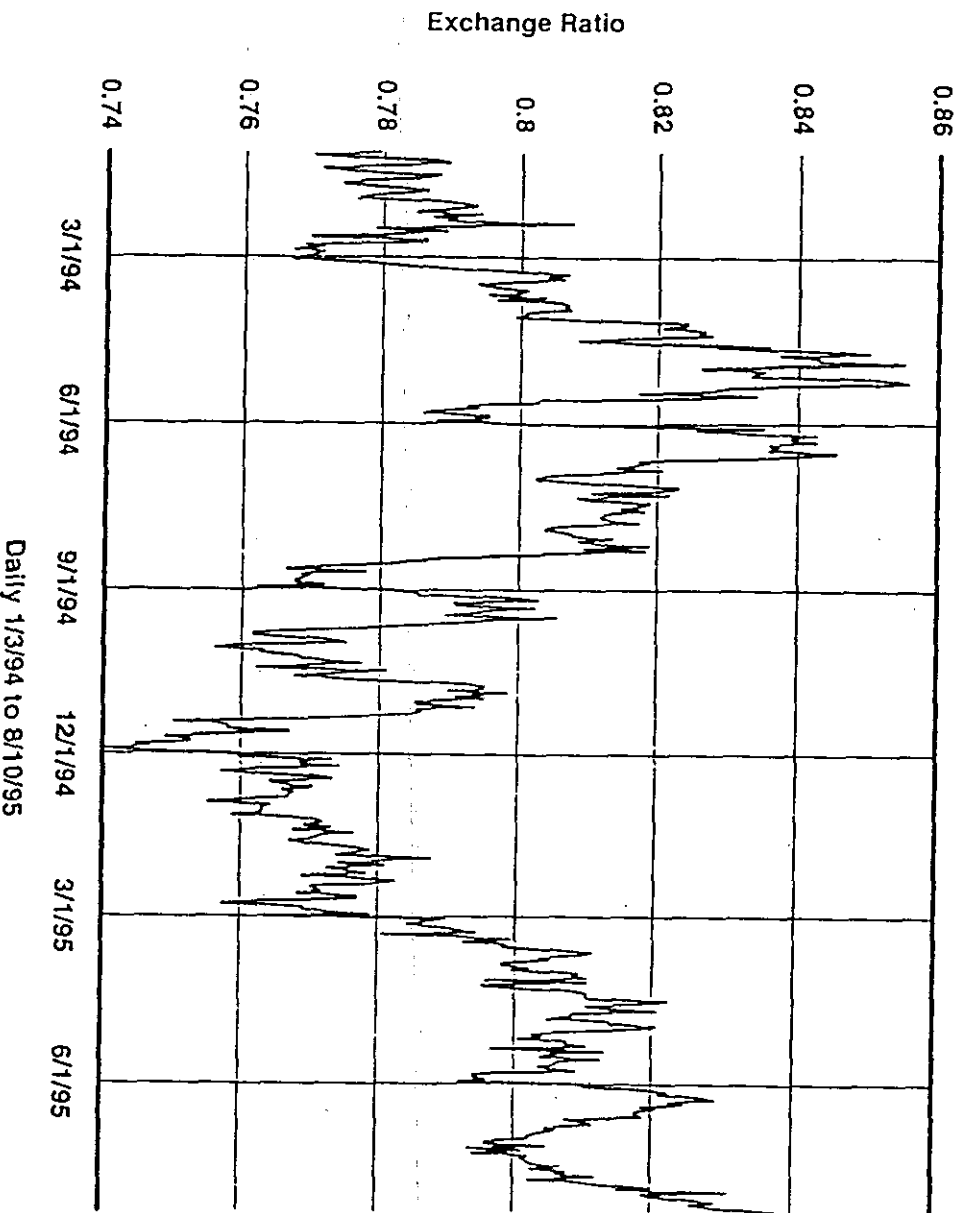
PROPRIETARY

Daily Exchange Ratio History

Both Stocks are trading at or near their average relative historic performance

A lower exchange ratio implies a greater Arch market performance

Average: 0.80



HIGHLY CONFIDENTIAL PREPROPRIETARY

Precedent Transaction Comparison

Ownership Greater than 60%

	Southern Company/ Savannah Electric	Entergy/ Gulf States	IE Industries/ Iowa Southern	Cincinnati/ PSI	Wash. Water/ Sierra Pacific	Mean	Implied Exchange Ratio
% Ownership	98/2	71/29	63/37	60/40	60/40	-	-
EPS Multiple/ LTM	12.1x	29.2x	12.8x	16.0x	13.3x	16.7x	1:06x
Gross Cash Flow	6.3	5.8	7.6	7.1	5.6	6.5	0.92
Book Value Multiple	2.0x	1.2x	1.7x	2.5x	1.3x	1.7x	0.93
Premium to Market	50.0%	65.0%	30.0%	58.0%	17.4%	44.1%	1.21
Smaller Company Receives CEO or Chairman Spot	No	No (VC)	Yes	Yes	Yes	-	-

Implied Exchange Ratio Range 0.92 - 1.21x

Midpoint of Range 1.07x

HIGHLY CONFIDENTIAL PROPRIETARY

Summary Pro Forma Merger Plans Pooling Transaction

	Current	1.03x
Aggregate Consideration(\$MM)	\$1,009	1,237
Premium to Market		23%
1995 Implied P/E	11.9x	14.6
1995 Implied Market to Book	1.52	1.87
EPS Pickup/Dilution to Arch		
1997	\$ 3.05	1.0%
1998	2.96	2.2
1999	3.10	1.3
EPS Pickup/Dilution to Bear		
1997	\$ 2.72	16.8%
1998	2.76	12.8
1999	2.81	15.1
DPS Pickup/Dilution to Bear		
1995	\$ 2.04	23.2%
1997 Payout Ratio to Arch	83.9%	83.6%
Bear Ownership of Combined Entity		25.6%

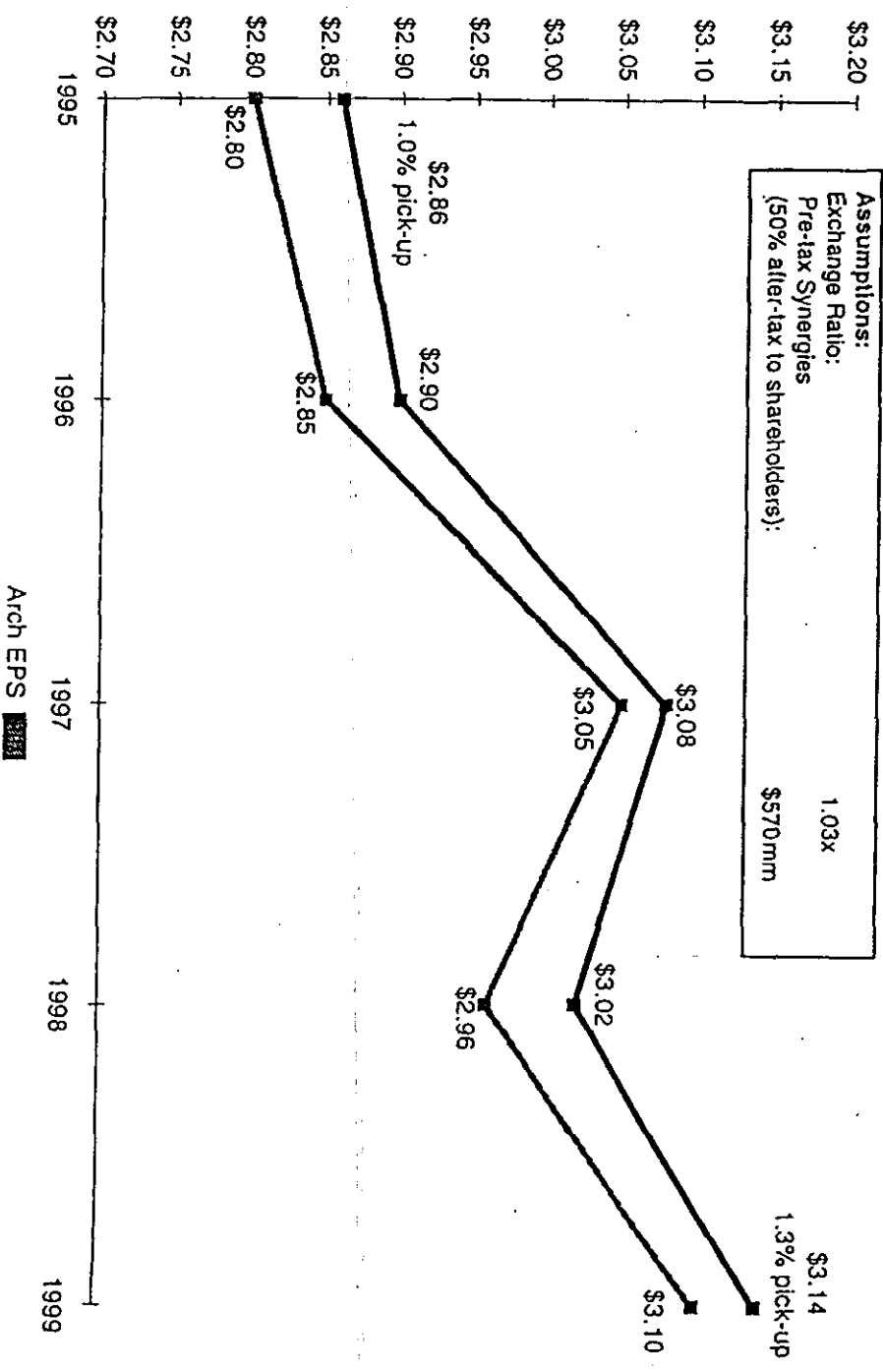
Note: Assumes \$570 million of synergies over 10 years; 50% to shareholders.

HIGHLY CONFIDENTIAL PROPRIETARY

Potential Earnings Accretion

Arch Perspective

At the contemplated range of exchange ratios, Arch would realize a modest positive earnings impact while positioning itself to capture several key strategic benefits



HIGHLY CONFIDENTIAL PROPRIETARY

1998 Earnings Sensitivity

Bear EPS required for non-dilutive combination

Bear's 1998 EPS projection of \$2.76 compares favorably to the following sensitivity size

	Exchange Ratio
Annual	1.03X
Prestax	
Synergy	
Achievement	

(in millions)

\$35	\$2.71
\$45	2.62
\$55	2.52
\$65	2.43
\$75	2.33

HIGHLY CONFIDENTIAL

PROPRIETARY

Summary Exchange Ratio Ranges

Summary of
selected valuation
methodologies

Exchange Ratio Range

EPS Pro Forma pick-up after synergies (1997-1998)	
0-2% pick-up(a)	0.99 - 1.12
Discounted Cash Flow	1.13 - 1.16
Dividend Discount	0.72 - 1.45
Comparable Transactions	0.92 - 1.21

(a) Assumes \$570 million of pre-tax synergies over 10 years; 50% to shareholders.

HIGHLY CONFIDENTIAL
Arch Ownership

PROPRIETARY

Institutional Investors	Shares Held	% of Total
Wells Fargo Inst. Tr Na	1,943,715	1.90%
Bankers Trust Company	1,600,048	1.57
Duff & Phelps Inv't Mgmt	1,420,900	1.39
Banc One Corporation	1,316,807	1.29
Pioneering Management Corporation	1,105,000	1.08
Dean Witter Discover & Co.	1,028,500	1.01
Merrill Lynch & Co. Inc.	982,133	0.96
College Retirement Equities Fund	960,800	0.94
State Street Boston Corporation	909,912	0.89
Putnam Management Company Incorporated	780,172	0.76
Mellon Bank Corporation	613,229	0.60
Equitable Life Assurance	574,325	0.56
New York State Common Emp Ret System	531,000	0.52
Nicholas-Applegate Cap.	<u>500,052</u>	<u>0.49</u>
Total	14,266,593	13.97%
Total Institutional Shareholders (198 institutions)	26,768,808	26.91%

Source: Spectrum Institutional Ownership report, data as of March 31, 1995.

HIGHLY CONFIDENTIAL
PROPRIETARY
 Bear Ownership

Institutional Investors	Shares Held	% of Total
Franklin Resources Incorporated	2,139,400	6.28%
Duff & Phelps Inv't Management	705,000	2.07
Reliance Financial Services	558,200	1.64
Usaa Investment Management	541,000	1.59
Wilshire Associates, Incorporated	539,800	1.58
Wells Fargo Inst. Tr Na	480,776	1.41
College Retirement Equities Fund	435,909	1.28
Bankers Trust Company	394,207	1.16
Mellon Bank Corporation	347,165	1.02
Jefferson Pilot Corporation	244,850	0.72
Florida State Board of Administration	220,000	0.65
Dean Witter Discover & Company	200,000	0.59
Texas Teachers Retirement System	<u>200,000</u>	<u>0.59</u>
Total	7,006,307	20.56%
Total Institutional Shareholders (92 institutions)	9,361,381	27.48%

Source: Spectrum Institutional Ownership report, data as of March 31, 1995.

DATA INFORMATION REQUEST
Union Electric
CASE NO. EM-96-149

Requested From: Jim Cook
Date Requested: 02/22/96
Information Requested: See Attached

Requested By: Mark Oligschlaeger

Information Provided: See attached.

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EM-96-149 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Union Electric office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to Union Electric and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By: Daniel F. Cole

Date Response Received: _____

Prepared By: Daniel F. Cole

DATA INFORMATION REQUEST
Union Electric
CASE NO. EM-96-149

No. 72
Attachment

Requested From: Jim Cook

Date Requested: 02/22/96

Information Requested:

RE: Follow-up to DR #34;

Please provide the following documents relating to the transition management task force process:

- 1) the "As Is" reports prepared by each transition team;
- 2) the "Should Be" reports prepared by each team;
- 3) on an ongoing basis any documentation issued by the transition teams, the steering committee and Project Administration Group in relation to the Integrated Transition Strategy (scheduled for completion mid-Feb.) and the implementation Plan (scheduled to be complete March 29), at the time such reports are available.

Supplemental Request No. 72:

Please provide the preliminary Should Be Reports.

DATA RESPONSE CONFIDENTIALITY CLAIM

The attached response, or parts thereof, to Data Request MPSC 72 has been marked as Highly Confidential, Proprietary, or both. Union Electric is providing the information requested pursuant to the terms of the Protective Order issued by the Missouri Public Service Commission, in Docket No. EM-96-149. The grounds for this designation are indicated below:

HIGHLY CONFIDENTIAL

The attached response is Highly Confidential because it contains information concerning:

 1. material or documents that contain information relating directly to specific customers;

 ✓ 2. employee-sensitive information;

 3. marketing analyses or other market-specific information relating to services offered in competition with others;

 4. reports, work papers or other documentation related to work produced by internal or external auditors or consultants;

 ✓ 5. strategies employed, to be employed, or under consideration in contract negotiations.

PROPRIETARY

The attached response is Proprietary because it contains information concerning:

 1. trade secrets;

 ✓ 2. confidential or private technical, financial and business information.

3/7/94
Date

J. Flood

Supplemental Request No. 72

**Data Information Request
Union Electric
Case No. EM-96-149**

Information Requested:

Please provide the preliminary "Should Be" reports.

Information Provided:

Union Electric Company (UE) objects to this request on the basis that it calls for "HIGHLY CONFIDENTIAL" information as those terms are defined in the Protective Order issued December 13, 1995, in this proceeding. In particular, this information is "HIGHLY CONFIDENTIAL" in that it contains employee-sensitive information.

Without waiving its objection, UE provides the following response.

The preliminary "Should Be" reports are voluminous and are available for review at Union Electric Company's offices at a mutually convenient date and time.

10 Year Merger Savings Summary

Highly Confidential

	Total Labor Savings	Total Non-Labor Savings	Total Merger Savings	Total Transition Costs	Net Merger Savings Less Transition Costs
Team Savings Summaries	\$267.6	\$491.6	\$759.2	(\$73.1)	\$686.1
Less Enabled Savings	(12.8)	(29.6)	(42.5)	-	(42.5)
Net Merger Savings	\$254.8	\$461.9	\$716.7	(\$73.1)	\$643.6

Notes:

1. All savings in millions of dollars.
2. Transition costs include pre-merger and post-merger transition costs.

SUMMARY OF TEN YEAR MERGER SAVINGS
(All costs stated in \$000)

Highly Confidential

FUNCTION	LABOR SAVINGS			NON-LABOR SAVINGS			Total Merger Savings	TRANSITION COSTS			Savings Net of Transition Costs
	Expensed	Revenue Requirements	Total Labor	O&M	Revenue Requirements	Total Non-Labor		Expensed	Revenue Requirements	Total	
AMEREN SERVICES											
FINANCIAL & CORPORATE SERVICES											
Controller's	20,586	1,982	22,568	11,677	-	11,677	34,245	148	-	148	34,097
Internal Audit	6,598	-	6,598	-	-	-	6,598	5	-	5	6,593
Tax	4,185	-	4,185	41,128	-	41,128	45,312	-	-	-	45,312
Treasury	3,663	-	3,663	8,539	-	8,539	12,202	1,481	383	1,864	10,338
Engineering & Construction	6,478	8,913	15,391	1,947	2,344	4,291	19,682	229	-	229	19,454
General Counsel and Secretary's	1,992	-	1,992	44,726	-	44,726	46,718	20	-	20	46,698
Total Fin & Corp Services	43,502	10,894	54,396	108,017	2,344	110,361	164,757	1,883	383	2,265	162,492
MERGER COORDINATION	(25,951)	-	(25,951)	-	-	-	(25,951)	21,834	-	21,834	(47,785)
CORPORATE PLANNING	13,195	-	13,195	1,091	-	1,091	14,286	188	-	188	14,098
ENERGY SUPPLY SERVICES											
Supply Services	27,019	1,278	28,297	70,435	18,626	89,061	117,358	1,881	845	2,726	114,633
Energy Supply	31,504	972	32,477	89,944	2,420	92,364	124,841	1,996	-	1,996	122,845
Fuel Purchasing	3,128	-	3,128	17,411	-	17,411	20,539	10	-	10	20,529
Environmental Services	6,330	-	6,330	-	-	-	6,330	285	-	285	6,045
Gas Supply and Operations Support	2,983	1,473	4,457	40,753	-	40,753	45,210	376	859	1,235	43,975
Total Energy Supply Services	70,965	3,723	74,689	218,543	21,046	239,589	314,278	4,448	1,704	6,152	308,126
HUMAN RESOURCES	8,486	3,536	12,022	4,218	-	4,218	16,240	7,223	104	7,327	8,913
INDUSTRIAL RELATIONS	-	-	-	-	-	-	-	6	-	6	(6)
CUSTOMER SERVICES											
Corporate Communications	7,899	-	7,899	3,918	-	3,918	11,817	918	-	918	10,899
Cust. Services - Div Support (T&D)	9,133	2,502	11,635	263	-	263	11,898	561	-	561	11,337
Cust. Services - Div Support (Cus Sv)	20,540	-	20,540	(23)	1,879	1,854	22,394	25	39	64	22,330
Call Centers	22,207	-	22,207	-	-	-	22,207	-	-	-	22,207
Information Services	54,102	5,259	59,361	45,454	48,917	94,371	153,733	24,656	6,657	31,313	122,420
Marketing	-	-	-	1,181	-	1,181	1,181	42	-	42	1,181
Economic Development	-	-	-	-	-	-	-	-	-	-	(42)
Total Customer Services	113,881	7,761	121,642	50,792	50,796	101,588	223,230	26,202	6,656	32,897	190,333
TOTAL AMEREN SERVICES	224,079	25,915	249,994	382,661	74,186	456,846	706,840	61,783	8,887	70,670	636,171

SUMMARY OF TEN YEAR MERGER SAVINGS
(All costs stated in \$000)

Highly Confidential

FUNCTION	LABOR SAVINGS			NON-LABOR SAVINGS			Total Merger Savings	TRANSITION COSTS			Savings Net Transition Costs
	Expensed	Revenue Requirements	Total Labor	O&M Revenue Requirements	Total Non-Labor	Total		Expensed	Revenue Requirements	Total	
UNION ELECTRIC											
POWER OPERATIONS	-	-	-	1,177	-	1,177	1,177	118	-	118	1
CUSTOMER SERVICES	-	-	-	-	-	-	-	-	-	-	-
NUCLEAR OPERATIONS	-	-	-	-	-	-	-	-	-	-	-
TOTAL UNION ELECTRIC	-	-	-	1,177	-	1,177	1,177	118	-	118	1
CENTRAL ILLINOIS PUBLIC SERVICE											
POWER OPERATIONS	4,457	138	4,595	13,961	-	13,961	18,555	146	156	302	18
REGION OPERATIONS	-	-	-	6,545	13,052	19,597	19,597	50	301	351	19
FINANCE & ADMINISTRATION	2,294	-	2,294	-	-	-	2,294	20	-	20	2
CIPS OTHER	10,687	-	10,687	-	-	-	10,687	1,600	-	1,600	9
TOTAL CIPS	17,438	138	17,575	20,506	13,052	33,558	51,133	1,816	458	2,274	48
AMEREN (OTHER)	-	-	-	-	-	-	-	-	-	-	-
TOTAL AMEREN CORP.	241,517	26,053	267,569	404,344	87,237	491,581	759,150	63,717	9,344	73,061	686

SUMMARY OF TEN YEAR MERGER SAVINGS
(All costs stated in \$000)

Highly Confidential

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
LABOR SAVINGS												
Expected Labor Savings	-	5,571	14,875	24,423	25,278	26,163	27,078	28,026	29,007	30,022	31,073	241
Revenue Requirements Savings	-	426	866	1,322	1,794	2,283	2,788	3,312	3,853	4,414	4,994	26
Total Labor Savings	-	5,996	15,741	25,745	27,072	28,446	29,867	31,338	32,860	34,436	36,067	267
NON-LABOR SAVINGS												
O&M Non-Labor Savings	1,535	26,443	36,114	35,640	39,239	36,940	36,497	41,405	47,525	48,636	54,369	404
Revenue Requirements Savings	2,367	3,424	4,663	5,682	6,654	7,885	9,114	10,177	11,288	12,431	13,553	87
Total Non-Labor Savings	3,902	29,868	40,778	41,322	45,893	44,825	45,610	51,583	58,812	61,067	67,921	491
TOTAL MERGER SAVINGS	3,902	35,864	56,519	67,067	72,965	73,270	75,477	82,921	91,673	95,503	103,988	759
TRANSITION COSTS												
O&M Costs	42,825	19,188	1,559	115	30	-	-	-	-	-	-	63
Revenue Requirements	762	858	858	858	858	858	858	858	858	858	858	9
	43,586	20,047	2,417	973	888	858	858	858	858	858	858	73
MERGER SAVINGS NET OF TRANSITION COSTS	(39,684)	15,817	\$4,102	66,094	72,077	72,413	74,619	82,062	90,815	94,645	103,130	686

DATA INFORMATION REQUEST
Union Electric
CASE NO. EM-96-149

Requested From: Jim Cook
Date Requested: 03/06/96

Information Requested:

Please provide copies/access of all internal and external reports, studies, analyses, presentations etc. from Goldman, Sachs & Co. and/or any other financial advisors regarding potential merger and acquisition options for the period of last three years. This would include but not be limited to due diligence, confidential presentations to the Board of Directors, negotiations and/or preparations for negotiations for mergers and acquisitions, documents for any Union Electric officers etc.

To the extent these documents have been previously provided indicate which data request number(s) this information was supplied to Staff.

Requested By: Cary Featherstone

Information Provided: See attached.

The attached information provided to the Missouri Public Service Commission Staff in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to immediately inform the Missouri Public Service Commission Staff if, during the pendency of Case No. EM-96-149 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

If these data are voluminous, please (1) identify the relevant documents and their location (2) make arrangements with requestor to have documents available for inspection in the Union Electric office, or other location mutually agreeable. Where identification of a document is requested, briefly describe the document (e.g. book, letter, memorandum, report) and state the following information as applicable for the particular document: name, title, number, author, date of publication and publisher, addresses, date written, and the name and address of the person(s) having possession of the document. As used in this data request the term "document(s)" includes publication of any format, workpapers, letters, memoranda, notes, reports, analyses, computer analyses, test results, studies of data, recordings, transcriptions and printed, typed or written materials of every kind in your possession, custody or control within your knowledge. The pronoun "you" or "your" refers to Union Electric and its employees, contractors, agents or others employed by or acting in its behalf.

Signed By: *[Signature]*

Date Response Received: _____

Prepared By: Gary L. Rainwater

**Data Information Request
Union Electric
Case No. EM-96-149**

Information Requested:

Please provide copies/access of all internal and external reports, studies, analyses, presentations etc. from Goldman, Sachs & Co. and/or any other financial advisors regarding potential merger and acquisition options for the period of the last three years. This would include but not be limited to due diligence, confidential presentations to the Board of Directors, negotiations and/or preparations for negotiations for mergers and acquisitions, documents for any Union Electric officers, etc.

To the extent these documents have been previously provided, indicate which data request number(s) this information was supplied to Staff.

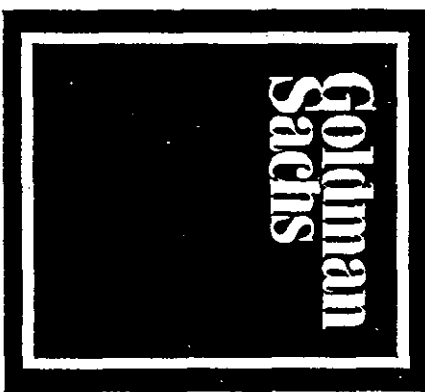
Information Provided:

Copies of the Goldman, Sachs due diligence documentation and presentations to UE's Board of Directors were provided to the Staff in response to MPSC Data Information Request No. 5. Other documentation responsive to this data request has been marked "HIGHLY CONFIDENTIAL" and "PROPRIETARY" pursuant to the terms of the Protective Order in place in this proceeding. In particular, this documentation is very sensitive in nature and consists of reports, workpapers and other documentation related to work produced by internal or external auditors or consultants and confidential or private technical, financial and business information. As such, this information will be made available for inspection at Union Electric's offices at a mutually convenient date and time.

HIGHLY CONFIDENTIAL

PROPRIETARY

Confidential



Presentation to Union Electric Company

Discussion Materials

June 15, 1995

MAY - 1 1995

Table of Exhibits

HIGHLY CONFIDENTIAL

PROPRIETARY

- Executive Summary
- Overview of Confederate
- Historical Share Price Performance
- Summary of Analyst Comments
- Officers and Directors
- Major Shareholders
- Preliminary Valuation Analysis
- Pro Forma Merger Results
- Potential Earnings Accretion
- Potential Transaction Structure
- Contribution Analysis
- Comparison of Selected Companies
- Comparison of Recent Utility Mergers and Acquisitions
- Review of Potential Interlopers
- Linking Valuation and Social Issues
- Next Steps

1	Executive Summary
2	Overview of Confederate
3	Historical Share Price Performance
4	Summary of Analyst Comments
5	Officers and Directors
6	Major Shareholders

HIGHLY CONFIDENTIAL

Executive Summary

PROPRIETARY

A combination with Confederate has the potential to provide many key long-term strategic benefits to Union.

Balanced social issues will be an important factor in moderating any premium

- The combination of Union and Confederate would create a high quality, low cost Midwest utility poised to grow and to exploit opportunities afforded by industry competition and deregulation
- By combining with Confederate, Union can add to its strong regional position, tap a low cost generating portfolio, while decreasing its overall nuclear exposure
 - Confederate has no nuclear generation
 - Confederate has significant excess generating capacity
 - Confederate has strategically located transmission assets
- We believe substantial synergies can result from the combination that can benefit shareholders and customers
 - G&A
 - Fuel costs
 - Dispatch and power sales efficiencies
 - Customers in a much stronger position
- Given the age of Confederate's CEO and other senior management team, social issues, particularly as they relate to CEO transition and succession, can, in our view, be worked out
 - The resolution of such social issues will impact the premium paid by Union
- We believe that several of Union's neighbors will have a keen interest in Confederate; thus, should Union be interested in a merger, we would recommend proceeding rapidly to gain first-mover advantage
- We believe the key first step will be a friendly CEO to CEO approach supported by a detailed view of the benefits and structure of a successful transaction structure
- A consistent CEO vision would lead to several areas of analysis over a 10 week period
 - Joint analysis of synergy potential
 - Develop merger agreement
 - Negotiation of terms - social and financial

Comparison of Union and Confederate

HIGHLY CONFIDENTIAL

PROPRIETARY

Union, being three times the size of Confederate, would be expected to pay a control premium in order to complete a combination.

However, Union's strong current market valuation and high potential for synergy achievement should combine to moderate the impact of a premium payment

	Union	Confederate
Public Market Information (1)		
Market Capitalization	\$3,664	\$1,014
1995E P/E	12.4x	12.1x
Market/Book	1.61	1.56
Market/Cash Flow (2)	6.9	5.7
Dividend Yield	6.8	6.9
1995E Dividend Payout	84.1	83.3
Operating Information		
Electric Customers (000's)	1,122	317(3)
Busbar Cost (Mills/Kwh)	37.0	30.9
Short-Run Incremental Cost (Mills/Kwh)	13.9	23.3
Asset Mix:		
Generating	60.9%	46.2%
Transmission	4.7	15.0
Distribution	25.2	20.7
Other	9.1	18.2
Fuel Mix:		
Coal	67%	99%
Nuclear	29	-
Oil	-	1
Hydro	4	-
Purchased Power	1	-

(1) Share price of \$35.88 for Union and \$29.75 for Confederate as of 6/9/95.

(2) Cash flow information from Goldman Sachs Research.

(3) Does not include 165,500 gas customers.

HIGHLY CONFIDENTIAL

Overview of Confederate

PROPRIETARY

Confederate
possesses several
quality attributes

- Company Overview**
- Focused primarily on utility operations (% of 1994 Revenues: 82.6% electric; 16.4% gas)
 - Coal-fired generation (99%)
 - Strategically located with interconnections to 12 utility systems
 - Strategy to grow electric sales by 3.5% per year and gas sales by 2.0% per year
 - Focus on marketing to wholesale sector (300-mw of generating capacity available to market)
 - Low embedded cost of generating capacity (\$209/Kwh) *KW*
 - Limited diversified activities (securities, leveraged leases)
 - Recent history of poor labor relations (lockout in 1993)

Operating Comparison

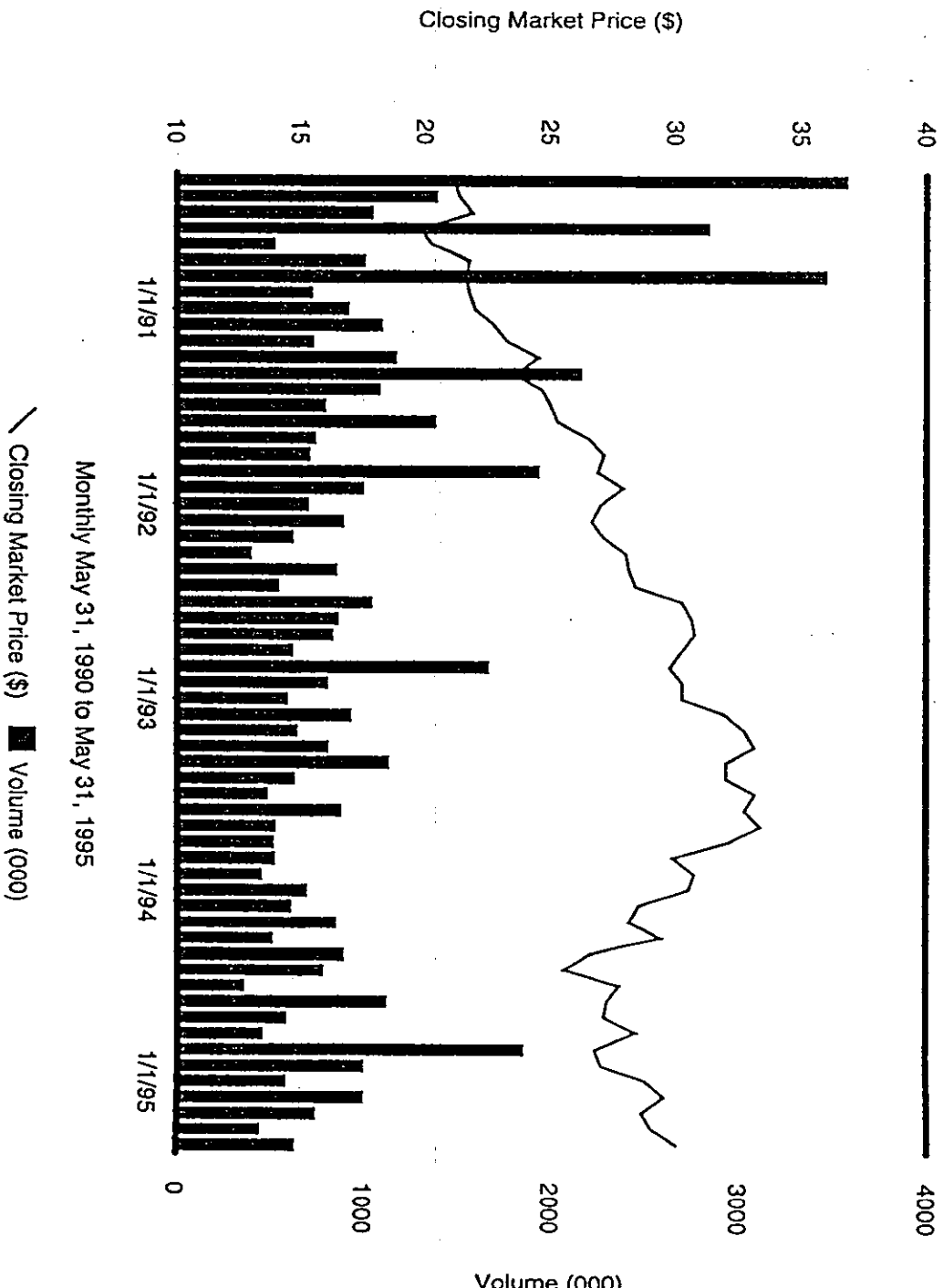
Company	SRIC	Busbar Costs	Industrial as % of Kwh Sales	Industrial Rate
<i>Confederate</i>	\$0.23	\$0.31	16.7%	\$0.47
Union	0.14	0.37	20.5	0.47
CILCORP	0.19	0.32	40.5	0.38
CINergy	0.15	0.31	30.8	0.39
Illnova	0.16	0.43	36.5	0.44
KU Energy	0.13	0.22	27.5	0.34
NIPSCO	0.18	0.41	58.4	0.47
UniCom	0.16	0.50	26.1	0.63
UtiliCorp	0.18	0.30	19.7	0.44
Western Resources	0.14	0.35	26.5	0.49
Average	\$0.16	\$0.36	31.9%	\$0.45

HIGHLY CONFIDENTIAL

Confederate

PROPRIETARY

Monthly Common Stock Price and Volume History

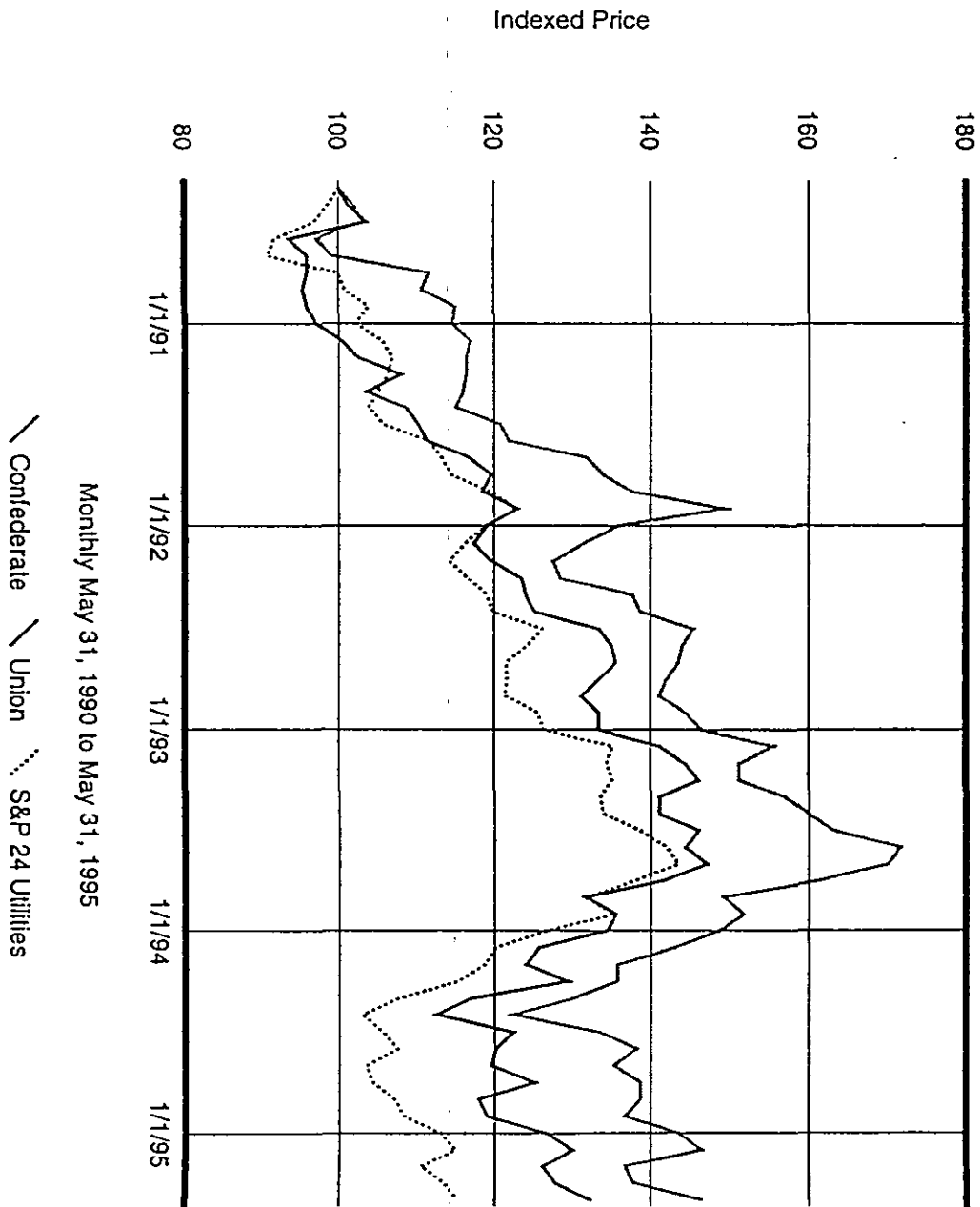


HIGHLY CONFIDENTIAL

Monthly Indexed Common Stock Price History

PROPRIETARY

Confederate and Union have both been above market performers over the past 5 years



Monthly May 31, 1990 to May 31, 1995

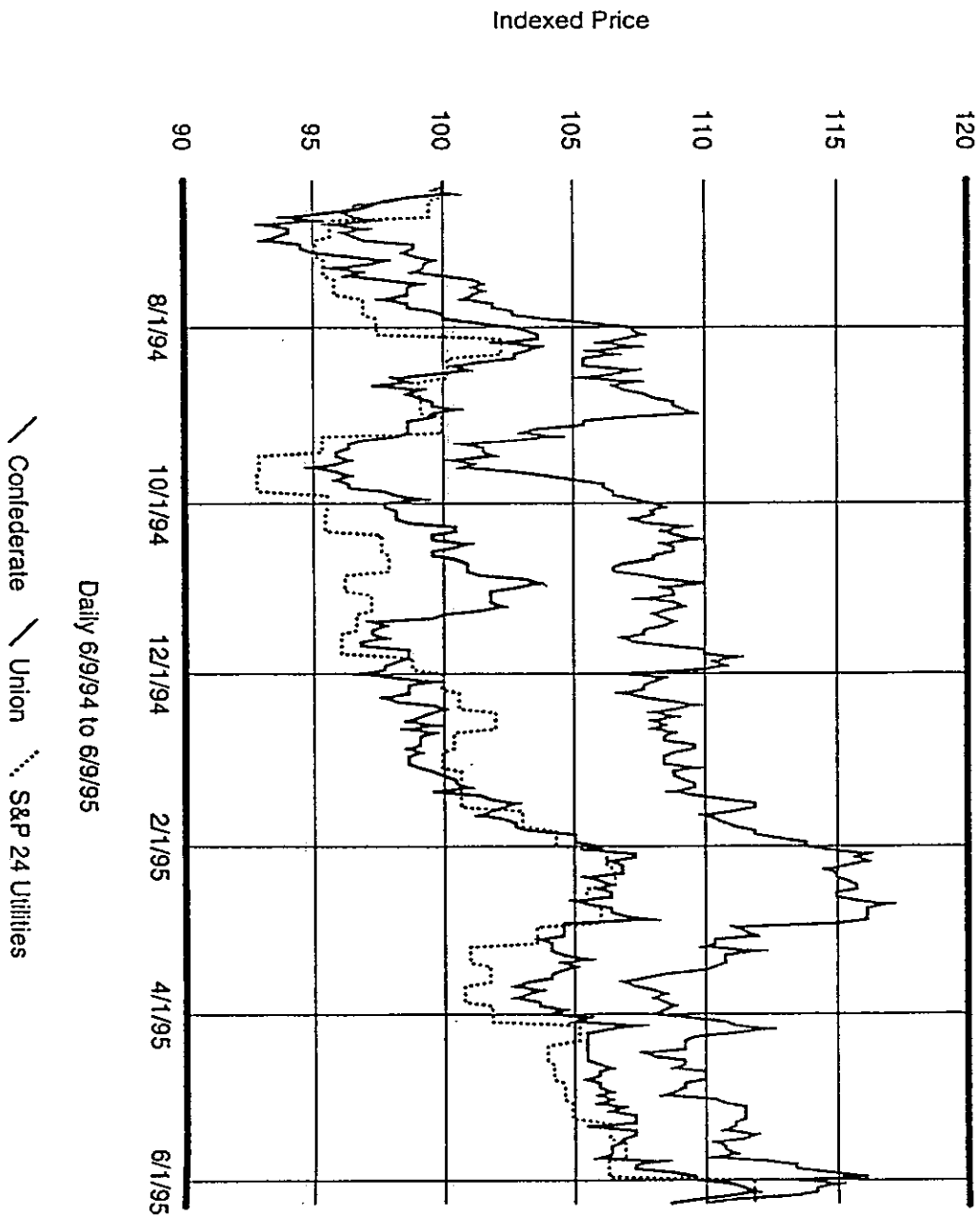
— Confederate - - - Union ····· S&P 24 Utilities

HIGHLY CONFIDENTIAL

Daily Indexed Common Stock Price History

PROPRIETARY

Recent price performance has been more in-line with industry averages



Daily 6/9/94 to 6/9/95

— Confederate - - - Union ··· S&P 24 Utilities

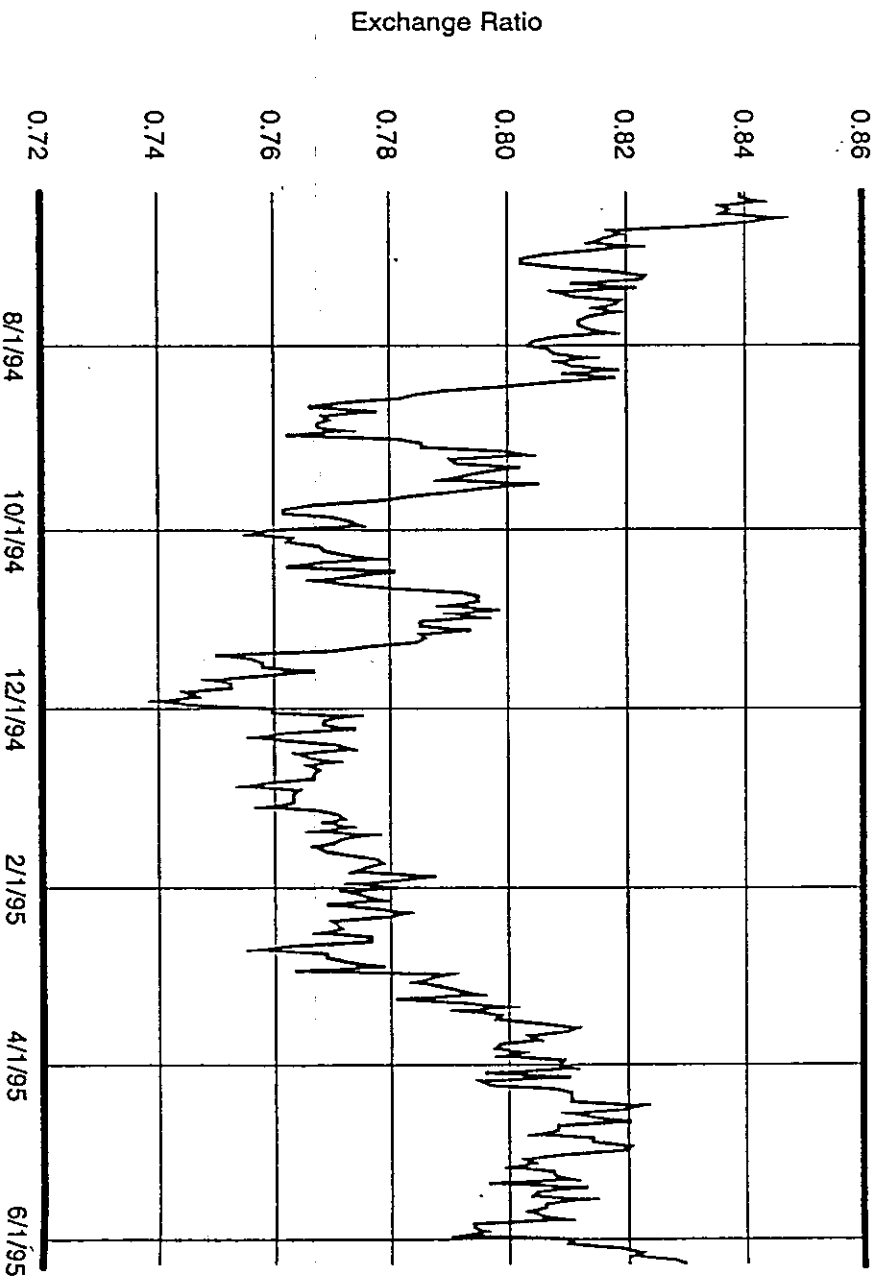
HIGHLY CONFIDENTIAL

Daily Common Stock Exchange Ratio History

PROPRIETARY

Stock combinations are expressed as an exchange ratio of Confederate's stock price divided by Union's stock price.

The ratio has averaged about .79 over the past year and is currently at .82



Daily 6/9/94 to 6/9/95

Confederate/Union

HIGHLY CONFIDENTIAL

Selected Research Views

PROPRIETARY

The street has a positive view of Confederate

Company	Date	Comments
Fitch	12/19/94	<p>Credit Trend: Stable</p> <p>"exceptional financial condition, favorable generating resources, competitive wholesale and retail rates, and supportive Illinois regulation."</p> <p>"Interest coverage of 4.94x is well above average"</p> <p>"not burdened with nuclear investment, regulatory assets, material off balance sheet liabilities, or purchased power obligations"</p> <p>Strengths -</p> <ul style="list-style-type: none">Excellent financial conditionStrong cash flow from operationsCompetitive rates; limited regulatory risksConservative management teamNuclear-free operationsLow-cost generating capacity available for wholesale transactionsGeographically positioned to transmit third party energyElectric business balanced by small gas distribution segment <p>Weaknesses -</p> <ul style="list-style-type: none">Moderate retail demand growthSeasonality; earnings volatility based on summer loadFrayed labor-management relations



HIGHLY CONFIDENTIAL

Selected Research Views

PROPRIETARY

Company	Date	Comments
Goldman, Sachs & Co. (Ernie Liu)	9/29/94	<p>"Confederate believes that its competitive advantages will help it to be successful in a deregulated market. Such advantages include low embedded costs versus its neighbors, competitive average production and variable costs, and a strong transmission system"</p> <p>"Confederate has embarked on a mission of cost-saving measures and business process re-engineering"</p> <p>"Confederate's transmission system, generating capacity and strategic location help it to compete effectively for 'interchange' sales among utilities buying and selling economy or emergency power"</p> <p>"On the natural gas side... current challenges include implementing mandated employee training programs, furthering integration of technology and reducing costs."</p> <p>Hold for moderate dividend growth</p> <p>Very strong balance sheet and a moderate construction program likely to be completely funded internally</p> <p>"Confederate's financial position is strong"</p> <p>"Confederate has strong cash flows, and is in a very competitive position"</p> <p>"Low-cost energy is Confederate's competitive advantage to attract and retain industrial customers"</p>
NatWest Securities (Edward Tirello, Jr.)	7/11/94	

HIGHLY CONFIDENTIAL

Confederate Officers and Directors

PROPRIETARY

Confederate's management team may be facing critical succession and retirement issues

Officers

<u>Name</u>	<u>Title</u>	<u>Age</u>
Clifford L. Greenwalt	President and CEO	61
William A. Koertner	Senior Vice President, Secretary and CFO	45
John C. Fiaush	Controller, Chief Accounting Officer and Asst. Treasurer	64
Craig D. Nelson	Treasurer, Asst. Secretary and Asst. Controller	41
Lowell A. Dodd	Senior Vice President, Operations - Utility Subsidiary	56

Directors

<u>Name</u>	<u>Position</u>
William J. Alley	Retired Chairman & CEO, American Brands, Inc.
Clifford L. Greenwalt	President & CEO of the Company
John L. Heath	Retired Chairman & President, L.S. Heath & Sons, Inc.
Robert W. Jackson	Retired Senior VP, Secretary & CFO of the Company
Gordon R. Lohman	President & CEO, AMSTED Industries, Inc.
Hanne M. Merriman	Principal, Hanne Merriman Associates
Donald G. Raymer	Retired President & CEO of Company's principal subsidiary
Thomas L. Shade	Retired Chairman & CEO, Moorman Manufacturing Co.
James W. Wogsland	Vice Chairman, Caterpillar, Inc.

HIGHLY CONFIDENTIAL

Ten Largest Shareholders of Confederate

PROPRIETARY

Confederate's institutional ownership, although low, is comprised of several high quality institutions

Institution	Market Value(a)	Shares Held of Confederate	% of Total	Shares Held of Union
Franklin Resources Inc.	\$64,182,000	2,139,400	6.3%	0
Duff & Phelps Investment Mgmt	21,150,000	705,000	2.1	1,420,900
Reliance Financial Services	16,650,000	555,000	1.6	350,000
USAA Investment Mgmt	15,900,000	530,000	1.6	0
Wells Fargo	14,456,820	481,894	1.4	1,882,651
College Retirement Equities Fund	13,077,270	435,909	1.3	950,900
Bankers Trust Company	11,836,710	394,557	1.2	1,621,848
Wilshire Associates, Inc.	11,202,000	373,400	1.1	293,800
Jefferson Pilot Corp.	8,326,500	277,550	0.8	0
Florida State Board of Administration	6,600,000	220,000	0.7	72,500

(a) Market Value of Confederate shares as of 6/8/95

Source: Spectrum Institutional Ownership, March 31, 1995

HIGHLY CONFIDENTIAL

Pro Forma Merger Plan

PROPRIETARY

Union acquires Confederate
Pooling method

Union's strong
share valuation will
allow for a premium
offer that can yield
earnings accretion -
a somewhat unique
and positive
outcome

% Premium to Market		
15%	25%	35%

Aggregate Consideration	\$1,175	\$1,278	\$1,380
Confederate Price per Share	\$34.50	\$37.50	\$40.50
Price/Earnings Multiples (a)			
1995E	12.2x	14.1x	15.3x
1996E	11.7	13.4	14.6
Exchange Ratio	0.95	1.03	1.12
% Owned by Confederate	24%	26%	27%

Union Shareholder Perspective:

% Pick-Up (Dilution) to EPS, without synergies	(2.7)%	(4.7)%	(6.6)%
1995E(a)	\$2.90	(4.7)	(6.6)
1996E(a)	3.05		

% Pick-Up (Dilution) to EPS, with \$20mm AT synergies(b)

1995E(a)	\$2.90	2.5%	0.4%	(1.6)%
1996E(a)	3.05	2.3	0.2	(1.8)

Confederate Shareholder Perspective:

Pick-Up (Dilution) to Dividends Per Share Indicated	\$2.04	13.8%	23.7%	33.6%
---	--------	-------	-------	-------

% Pick-Up (Dilution) to EPS

1995E(a)	\$2.45	15.5%	23.0%	30.1%
1996E(a)	2.57	15.0	22.7	29.8

Additional Pretax Synergies Needed to Break Even (\$ in millions)

1995E	32.4	57.7	82.8
1996E	34.2	60.5	87.0

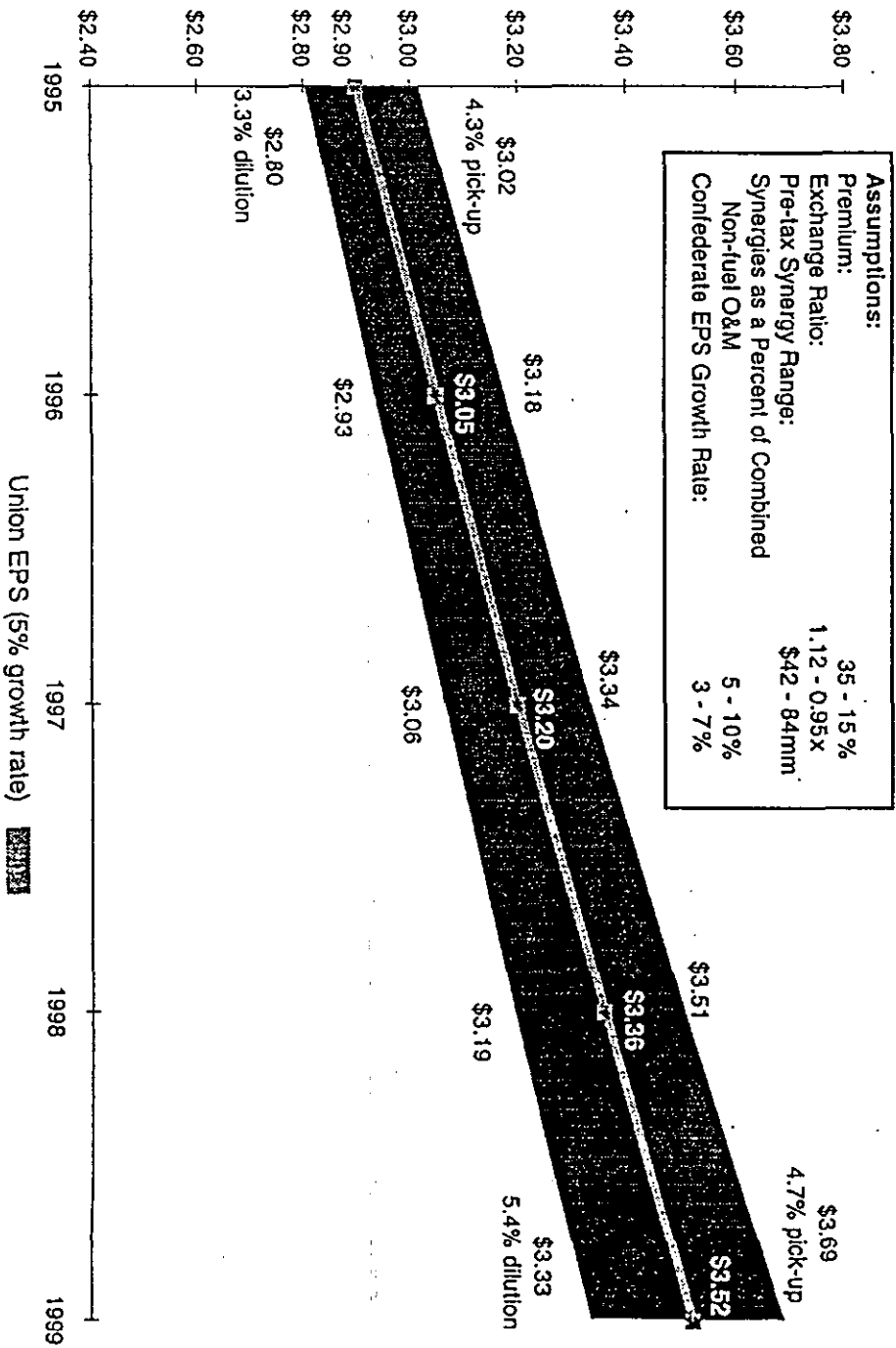
(a) EPS growing 5% from 1995E First Call Estimate.
 (b) \$63mm pre-tax synergies (7.5% of combined non-fuel O&M); 50% to shareholders
 Note: Union share price of \$36.25, Confederate share price of \$30.00 as of 6/30/95 and 35% tax rate

HIGHLY CONFIDENTIAL

PROPRIETARY

Potential Earnings Accretion Union Perspective

The range of potential transaction outcomes produces several that could be very attractive to Union shareholders



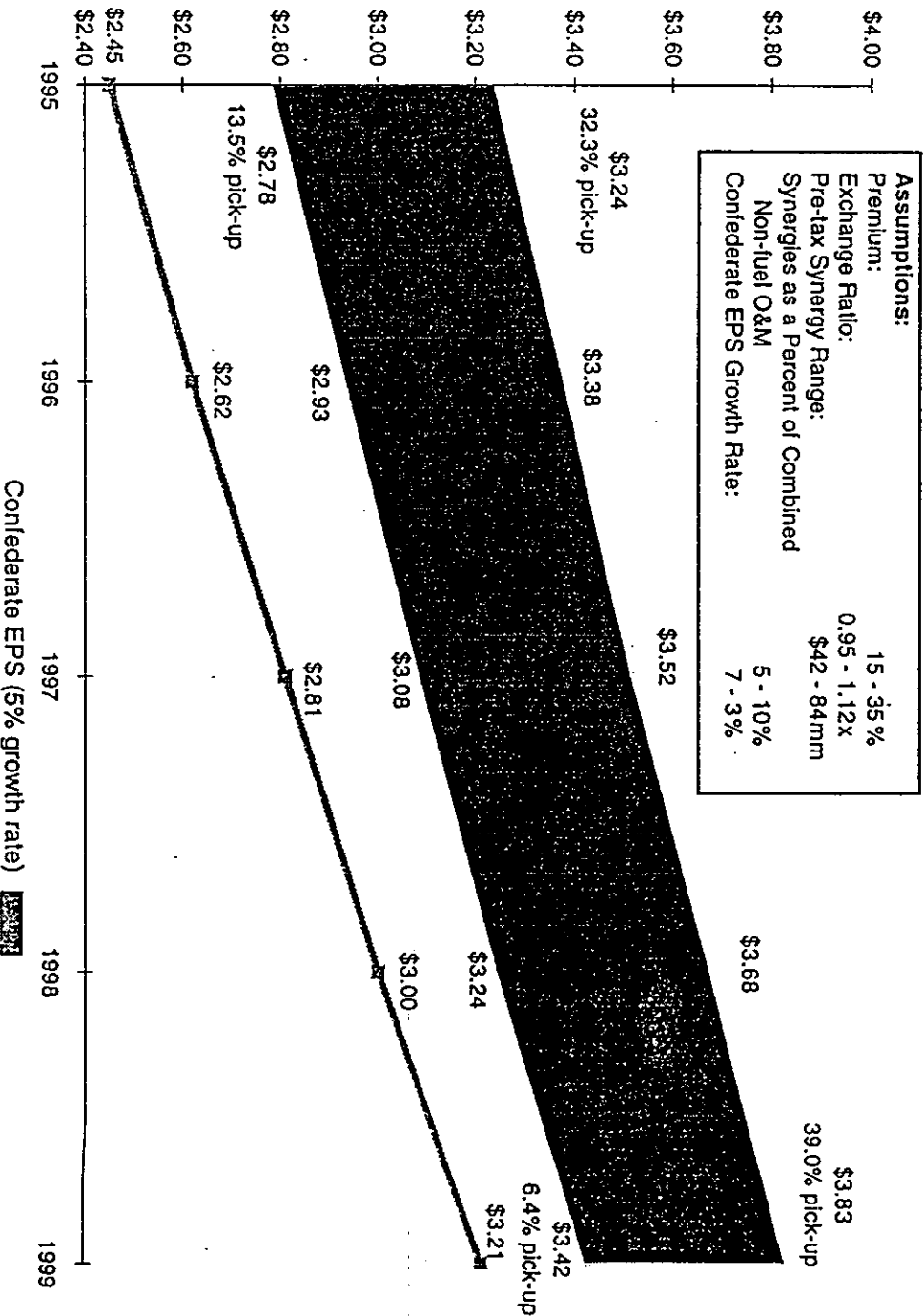
HIGHLY CONFIDENTIAL

PROPRIETARY

Potential Earnings Accretion

Confederate Perspective

Confederate would likely see a major earnings enhancement as a result of a combination



Confederate EPS (5% growth rate)

HIGHLY CONFIDENTIAL

Potential Transaction Structure

PROPRIETARY

One possible
balanced
transaction
structure might be
along the lines of
the following

Exchange Ratio: 1:0 — 1:0 (20% premium)

DPS Pick-up to CIP: \$2.44 / 40¢ / 20%

Headquarters: St. Louis
Operating identity remains in Springfield

Name: Union Electric — Parent
Central Illinois Public Service — Subsidiary (Division)

Board Split: 8 to UEP, 4 to Confederate

Chairman: Closing to 1/1/98 — Greenwalt; Mueller thereafter

CEO: Closing and thereafter — Mueller

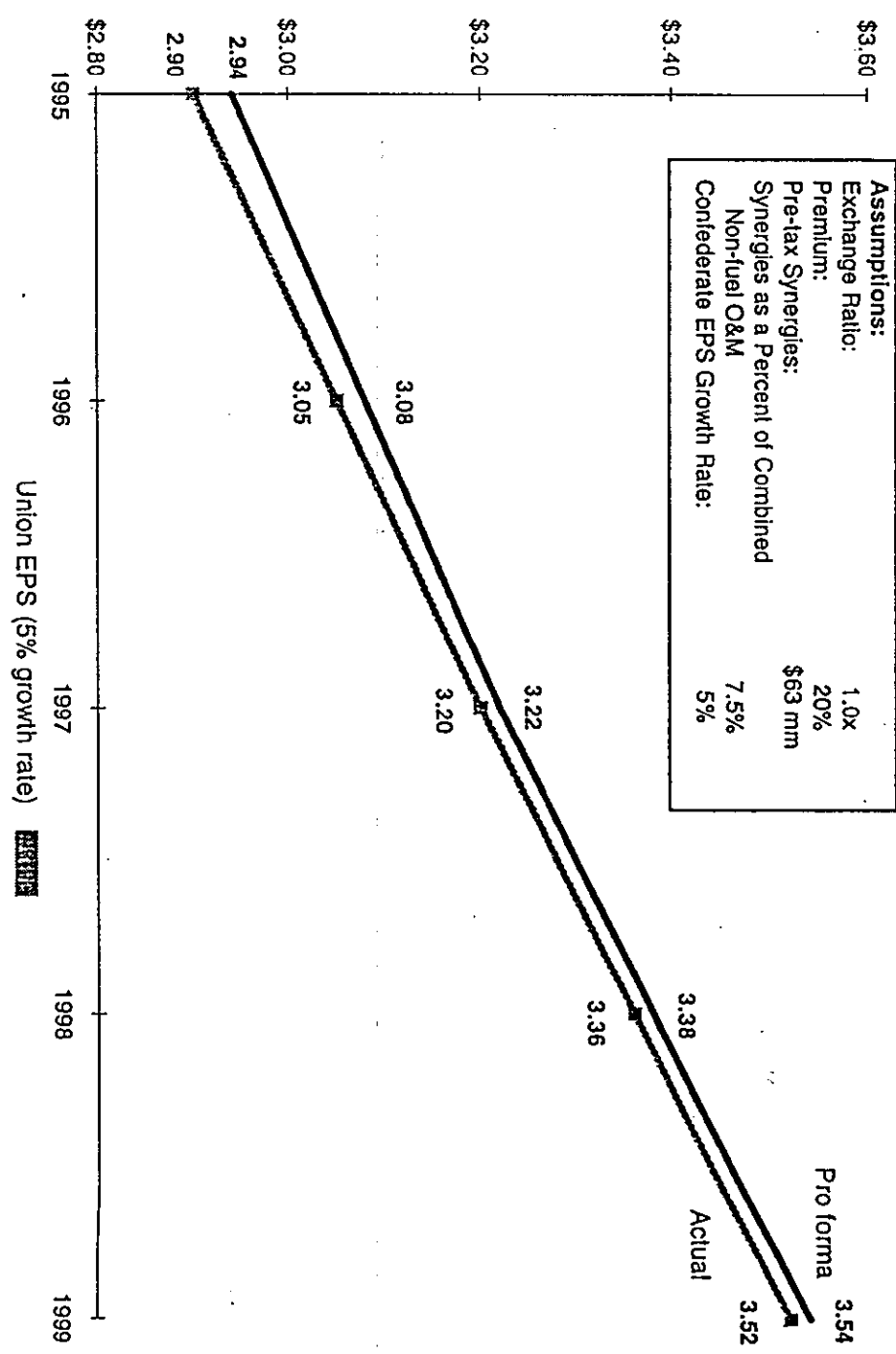
Management Positions: Senior officers remain in current positions or take optional severance

HIGHLY CONFIDENTIAL

Potential Earnings Accretion

Potential Transaction Structure -- Union Perspective

PROPRIETARY



HIGHLY CONFIDENTIAL

Contribution Analysis

PROPRIETARY

Effects of a
changing exchange
ratio on Union
percent ownership
0.95X=76%
1.00X=75%
1.05X=74%
1.10X=73%
1.15X=72%



(a) Includes electric and gas customers for Confederate.
(b) Based on scenario of a 25% premium.

HIGHLY CONFIDENTIAL

Comparison of Selected Companies

PROPRIETARY

Confederate does not appear to be materially over or under valued in the marketplace

Company	Price (6/9/95)	Market Cap	P/E Ratio (a)		Indicated Dividend	Dividend Yield	1995E Payout	Market to Book	Market to Cash Flow
			1995E	1996E					
CILCORP	\$36.50	\$ 476	11.4x	11.2x	\$2.46	6.7%	76.9%	1.38x	4.5x
CINergy	25.75	3,996	12.3	11.7	1.72	6.7	81.9	1.65	8.9
Illinova	24.88	1,882	11.3	10.4	1.00	4.0	45.5	1.28	7.0
IPALCO	32.13	1,213	12.6	12.2	2.16	6.7	84.7	1.51	10.0
KU Energy Corp.	27.00	1,021	12.3	12.3	1.68	6.2	76.4	1.66	7.4
Kansas City Power & Light	22.75	1,408	12.0	11.4	1.52	6.7	80.0	1.61	5.2
NIPSCO	33.88	2,165	13.0	12.5	1.56	4.6	60.0	1.95	6.7
UtiliCorp	28.25	1,266	13.0	12.4	1.72	6.1	79.3	1.40	6.2
WPL Holdings	28.50	877	12.4	12.0	1.94	6.8	84.3	1.47	5.1
Western Resources	30.75	1,895	11.6	11.4	2.02	6.6	76.2	1.28	4.1
Average			12.2	11.7		6.1	74.5	1.52	6.5
Confederate	29.75	1,014	12.1	11.7	2.04	6.9	83.3	1.56	5.7
Union	35.88	3,664	12.4	12.0	2.44	6.8	84.1	1.61	6.9

(a) First Call Estimates, except CILCORP, CINergy and KU Energy which are Goldman Sachs Research estimates.

HIGHLY CONFIDENTIAL

Precedent Transaction Comparison

Merger of Equals

PROPRIETARY

	Wisconsin Energy/ Northern States	Midwest Resources/ Iowa/Illinois	Wash. Water/ Sierra Pacific	Cincinnati/ PSI	Midwest Energy/ Iowa Resources	Range	Mean
Board Members	6 to 6	11 to 8	9 to 8	10 to 9	9 to 9	--	--
% Ownership	50/50	56/44	60/40	63/37	49/51	--	--
EPS Multiple - LTM	13.0x	11.6x	13.3x	16.0x	12.4x	11.6 - 16.0x	13.3x
Gross Cash Flow	6.1	4.4	5.6	7.1	6.3	4.4 - 7.1	5.9
Dividend Pick-Up	0.0%	2.0%	59.4%	52.0%	10.0%	0.0% - 59.4%	24.7%
Book Value Multiple	1.6x	1.2x	1.3x	2.5x	1.4x	1.2 - 2.5	1.6
Premium to Market	2.0%	0.0%	17.4%	56.0%	19.0%	0.0% - 56.0%	18.9%

HIGHLY CONFIDENTIAL PROPRIETARY

Comparison of Recent Selected Utility Mergers and Acquisitions

Date	Buyer/Target	Equity Consideration (in millions)	Currency	Buyer's Market/Book Ratio	Multiple of Latest Twelve Months ^(e)			Premium Over Market Value	Divid. Pkck To Targ	
					EBITDA	EPS	Gross Cash Flow ^(b)			
*Announced 5/95	Wisconsin Energy/Northern States Power	\$3,016	Stock	1.7x	4.2x	13.0x	6.1x	1.6x	2.0%	0.0
*Announced 7/94	Midwest Resources/ Iowa-Illinois Gas & Electric	638	Stock	1.2	7.5	11.6x	4.4x	1.2x	0.0	2.0
*Announced 6/94	Washington Water Power/Sierra Pacific	623	Stock	1.2	6.4	13.3	5.6	1.3	17.4	59.4
*10/94	Cincinnati/PSI(d)	1,549	Stock	1.4	6.9	16.0	7.1	2.5	56.0	52.0
***1/94	Energy/Gulf States Utilities(c)	2,300	Cash/ Stock	1.1	0.6	29.2	5.8	1.2	65.0	N.A.
**3/92	Kansas Power & Light/ Kansas Gas & Electric(f)	992	Cash/ Stock	1.1	N.A.	20.6	7.5	1.7	62.0	40.0
***7/91	IE Industries/ Iowa Southern	258	Stock	1.5	N.A.	12.8	7.6	1.7	30.0	21.0
*11/90	Midwest Energy/Iowa Resources Inc.	516	Stock	1.6	N.A.	12.4	6.3	1.4	19.0	10.0
***1/89	PacificCorp/Utah Power & Light	1,914	Stock	1.0	6.9	14.7	6.3	1.8	34.0	(1.0)
	Mean			1.3x	6.0x	16.0x	6.3x	1.6x	31.7%	22.9'

(a) EBITDA multiple based on enterprise value; equity consideration plus assumed debt less cash. Earnings and Cash Flow multiples based on equity consideration.

(b) Gross Cash Flow is the sum of net income, depreciation, depletion and amortization, net of deferred income taxes and net of investment tax credits, less allowance for funds during construction.

(c) Dividend policy of Northern States Power will be adopted providing Wisconsin Energy with a 15% pick-up to its current dividend.

(d) Initially agreed to friendly merger. IPALCO launched unsuccessful hostile raid to block merger for strategic reasons. Resulted in higher premium paid.

(e) Competitively bid by Central & South West and Energy.

(f) Kansas City Power and Light launched hostile offer. Kansas Power & Light became White Knight.

* Merger of Equals
** Contested Transaction
*** Acquisitions

HIGHLY CONFIDENTIAL

Potential Interlopers PROPRIETARY

*Competition for
Confederate could
be stiff*

*Lock-up provisions
in a friendly
combination will be
important*

Company	Market Cap (millions)(1)	P/E Ratio		Market Book	Dividend Yield	1995E Dividend Payout	CEO/COO & Age
		1995E	1996E				
CINergy	\$3,996	12.3x	11.7x	1.65x	6.7%	81.9%	Jackson W. Randolph 64 Jim Rogers 47
Illinova	1,882	11.3	10.4	1.28	4.0	45.5	Larry D. Haab 57
KU Energy	1,021	12.3	12.3	1.66	6.2	76.4	John T. Newton 64 Michael R. Whitley 52
NIPSCO	2,165	13.0	12.5	1.95	4.6	60.0	Gary L. Neale 55
UniCom	5,680	9.7	9.1	1.04	6.0	60.4	James J. O'Connor 58
UtiliCorp	1,266	13.0	12.4	1.40	6.1	79.3	Richard C. Green 40
Western Resources	1,895	11.6	11.4	1.28	6.6	76.2	John E. Hayes, Jr. 57

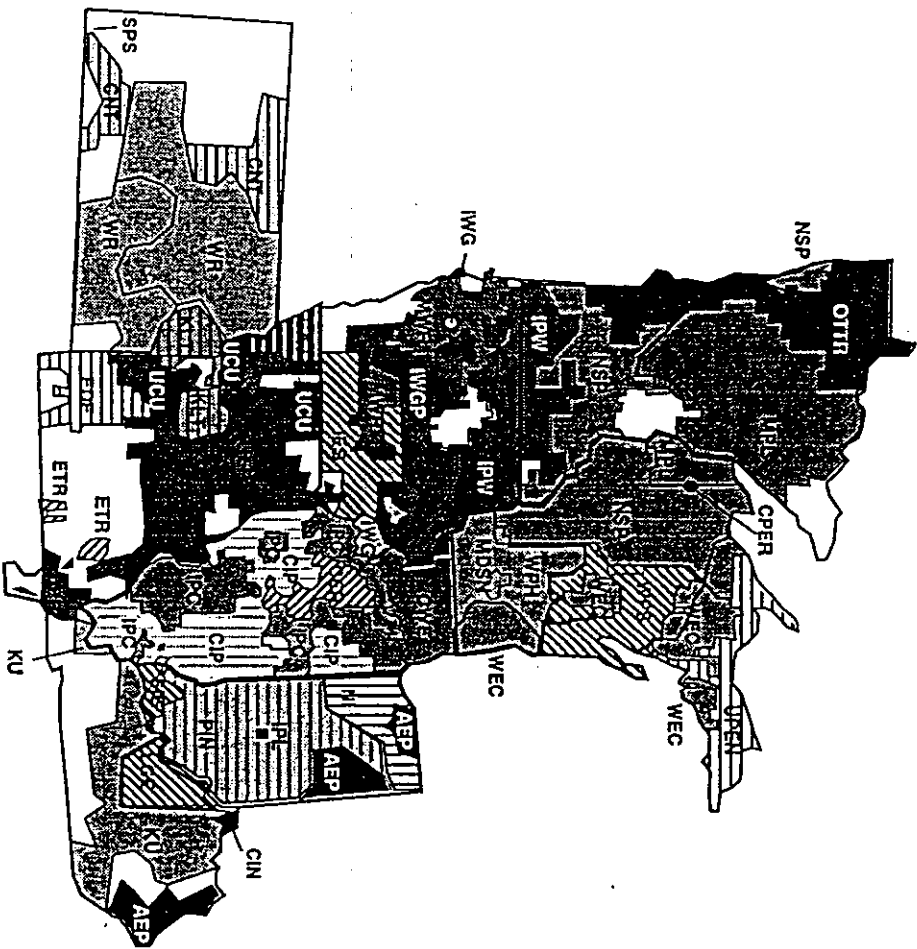
(1) As of 6/9/95.
(2) First Call estimates, except CINergy and KU Energy which are Goldman Sachs Research estimates.

HIGHLY CONFIDENTIAL

Selected Midwest Investor-Owned Utilities

PROPRIETARY

Confederate seems to be an obvious strategic partner in the region



- | | |
|------|------|
| OTTR | CNT |
| NSP | WR |
| MPL | SIG |
| IPW | CPER |
| UPEN | CIN |
| WEC | AEP |
| WPS | SAJ |
| WPH | CIP |
| MDSN | |
| MWR | |
| IWG | |
| WGP | |
| UCU | |
| ETR | |
| KU | |
| AEP | |
| CIN | |
| PIN | |
| LGE | |
| KU | |
| UEP | |
| EDE | |
| KLT | |
| UCU | |

HIGHLY CONFIDENTIAL

Linking Valuation and Social Issues

PROPRIETARY

Resolution of social issues is critical, particularly in mergers of equals and stock-for-stock transactions.

The negotiation of price and social issues are usually interlinked

Issue	Preferred Outcome	Rationale
Company Name	Keep Union or choose new neutral name; operating entities keep existing names	Maintain identity of both existing companies; minimize control premium issues
Headquarters	Keep Union location as corporate HQ; keep operating HQ at Confederate site.	Maintain identity of both existing companies; minimize control premium issues
Board of Directors	Approximately divided proportional to ownership. Insider Directors should be equal or favor Union	Generally proportional allocation based on market value. Union, as a premium payer, probably deserves a majority

Linking Valuation and Social Issues

HIGHLY CONFIDENTIAL

PROPRIETARY

Issue	Preferred Outcome	Rationale
CEO	Balanced transition with Union CEO retaining CEO position and long-term control, and Confederate CEO initially holding chairman position	Balanced approach minimizes premium to be paid. Confederate CEO may want CEO position for 1-2 years. One side generally retains long-term oversight over operations
Management	Senior officer positions proportionately allocated based on size and personal attributes	Combination success will be driven in large part by synergy achievement and proactive management of assets in an evolving industry environment. The highest quality officers need to play a prominent role in these endeavors, irrespective of their origin company

HIGHLY CONFIDENTIAL

Next Steps

PROPRIETARY

- Develop proper approach to Confederate CEO
- Form point of view on social and other issues, specifically:
 - transition of CEO's
 - senior management team post-merger
 - Company name
 - location of headquarters
 - Board composition
 - regulatory reaction
- Determine appropriate transaction structure and further develop rationale
 - exchange ratio
 - potential synergies
 - strategy of combined entity
- Set up CEO-to-CEO meeting
- Appoint core working group and begin due diligence/synergy process

HIGHLY CONFIDENTIAL

PROPRIETARY

Potential Time Schedule

	Week
Select internal team	1
Develop Mueller talk sheet	2
Finalize potential proposed transaction structure	2
CEO to CEO discussion	3
Board posting	4
Create joint synergy teams	4
Hire legal advisor	4
Joint company studies	4 - 8
- Operational	
- Synergy	
- Financial	
- Due diligence	
Drafting of merger agreement	6 - 10
Fine tune social issues	8 - 9
Detailed Board presentation	8
Negotiate Exchange Ratio and other terms	8 - 9
Develop communication and regulatory plan	8 - 9
Final Board approval	9
Public announcement	10
Deliver Proxy to Shareholders	14
Shareholder Approval	26
Closing	12 - 18 months