

PUBLIC SERVICE COMMISSION
PO BOX 360
JEFFERSON CITY MO 65102

JD 419-1183 (12-91)

Case No. EM-96-14

Cary Featherstone
Rebuttal Testimony

HC

Exhibit No. 3HC
Date 9-5-96 Case No. EM-96-14
Reporter X

Exhibit No.:
Issue: Merger Premium
Witness: Cary G. Featherstone
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: EM-96-149

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

CARY G. FEATHERSTONE

UNION ELECTRIC COMPANY

CASE NO. EM-96-149

**Jefferson City, Missouri
May 1996**

**** Denotes Highly Confidential Information ****

HC

Rebuttal Testimony of
Cary G. Featherstone

1 A. No. In an interview on March 27, 1996, Mr. Rainwater indicated that the
2 proposal which he is sponsoring in his direct testimony was not considered at the time of the
3 merger announcement on August 14, 1996. When asked about the presentation being made
4 to Union Electric's Board on the ****50 percent sharing**** of net merger savings of
5 \$570 million, Mr. Rainwater responded as follows to a question from the Office of Public
6 Counsel:

7 **Highly Confidential:**

8 MR. KIND: . . . some of your presentations to the board from
9 **Goldman Sachs they talked about expected changes in**
10 **earnings per share for both CIPS stock and UE stock after**
11 **the merger. Are you familiar with that analysis being in the**
12 **presentation?**

13
14 MR. RAINWATER: I recall it yes. I wouldn't say that I'm
15 familiar with it.

16
17 MR. KIND: . . . Some of those overhead slides that indicate
18 the change in earnings per share for UE and CIPS they have
19 a note at the bottom that states, **assumes five hundred and**
20 **seventy million over ten years, **50 percent to**
21 **shareholders.** My question is, is this talking about an**
22 **alternative way in which shareholders can be made whole**
23 **in that they would get their merger premium back by**
24 **receiving **50 percent** of the savings?**

25
26 MR. RAINWATER: I think that assumption is correct in
27 that that's what was presented to the board. The board
28 presentation was done on August 11th, and our proposal to
29 the commission was done in October. And over the period
30 from August 11th until we presented our proposal to the
31 commission, our conclusion was we really required
32 recovery of the premium as well as half of the net savings
33 in order to make stockholders fully whole. I'd say we
34 think we required somewhat more than what was
35 presented in the board presentation.
36