

STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 11th
day of September, 1981.

CASE NO. EF-82-30

In the matter of the application of
UNION ELECTRIC COMPANY for an order
authorizing (1) the issuance of a
non-negotiable, unsecured promissory
note in the principal amount of
\$65,000,000 and (2) the execution
and performance of agreements
relative thereto.

ORDER

By a verified application filed August 5, 1981, as supplemented
September 1, 1981, Union Electric Company (Applicant) seeks authority, pursuant
to the provisions of Sections 393.180, 393.190 and 393.200, RSMo 1978, to
consummate a transaction pursuant to which it will finance the costs of
constructing, acquiring, equipping and financing certain pollution control and
solid waste disposal facilities within the State of Missouri. A general
description of a number of facilities proposed to be financed, the facilities
being collectively referred to as the "Project", was described in Applicant's
Exhibit 9 attached to the supplemental application.

Applicant is a corporation duly organized and existing under and
by virtue of the laws of the State of Missouri, with its executive office at
1901 Gratiot Street, St. Louis, Missouri 63103. Applicant is engaged in
providing electric service in eastern and central Missouri, and heating service
in a limited portion of downtown St. Louis, as a public utility under the
jurisdiction of this Commission. It is also engaged in providing electric
service in portions of Illinois and gas service in Alton, Illinois and vicinity,
as a public utility under the jurisdiction of the Illinois Commerce Commission,
as well as electric service in southeastern Iowa as a public utility under the
jurisdiction of the Iowa State Commerce Commission.

Pursuant to the provisions of the laws of the State of Missouri,
the State Environmental Improvement Authority of the State of Missouri (the
Authority) is authorized to provide for the conservation of air, land and water
resources of the State of Missouri by preventing or reducing the pollution

Kent
Tom
Steve
Holly
James
Mary A
Scott
Eric
Bird

thereof and for proper methods of disposal of solid waste, all in furtherance of applicable federal and state standards and regulations. To carry out its conservation programs, the Authority is authorized to acquire and construct pollution control and solid waste disposal facilities and to issue revenue bonds or notes to pay the costs thereof.

Applicant is proposing that the Authority undertake on its behalf as a pollution control and solid waste disposal project and finance, through the issuance of a new series of intermediate-term environmental improvement notes in the aggregate principal amount of \$65,000,000 (the Securities), a portion of the cost of acquiring, constructing and equipping the Project. The maturity of the Securities (expected to be five years), their interest rate and the redemption provisions applicable thereto will be established on the basis of market conditions just prior to their sale. The Securities will be sold at such price as the Authority, with the approval of Applicant, shall determine, based on prevailing market conditions, but at not less than ninety-five percent of the principal amount thereof and at a coupon interest rate not in excess of ten percent per annum. The interest on the Securities will be exempt from Missouri and Federal income taxes under existing law. Although the Authority will be the issuer of the Securities, as required to exempt the interest on said Securities from taxation, neither the credit of the Authority nor that of the State of Missouri will be pledged for the payment of the Securities.

Applicant proposes to enter into an Agreement of Sale with the Authority which will establish the Authority's obligation to acquire, construct and sell the Project to Applicant and Applicant's obligation to purchase the Project at a purchase price payable in installments in amounts sufficient to pay the interest on and to redeem or pay at maturity the Securities. A copy of the Agreement of Sale, in substantially final form, is attached to the supplemental application as Applicant's Exhibit 2A. Title to those portions of the Project which have been acquired by Applicant prior to the sale of the Securities will be transferred to the Authority before the Securities are sold. The remaining portions of the Project will be acquired, constructed and equipped in the name of the Authority by Applicant. As portions of the Project are completed and become separate conveyable units, title to said portions may be transferred to Applicant.

Applicant proposes to issue a non-negotiable, unsecured promissory note (the Note) to satisfy its obligations to the Authority under the Agreement of Sale to pay the principal, interest and redemption premium, if any, on the Securities. The Note, the form of which is attached to the application as Applicant's Exhibit 3, will be in a principal amount equal to the principal amount of the Securities (\$65,000,000), will provide for payment of interest equal to the amount of interest on the Securities (except to the extent provision may be made for the payment of accrued interest), will require payments of principal equal to the maturity payments on the Securities, will contain provisions in respect of the prepayment of principal and premium, if any, corresponding to the redemption provisions of the Securities, and will require all payments to be made by the due date for the corresponding payment to be made on the Securities.

The Authority's right, title and interest in the Agreement of Sale with respect to the Securities, including its right to receive the Note and payments thereunder, will be pledged and assigned to a trust company, acting as trustee (the Trustee). A copy of a Trust Indenture, in substantially final form, proposed to be entered into between the Authority and the Trustee is attached to the supplemental application as Applicant's Exhibit 1A.

Applicant further proposes to have the Securities secured by an irrevocable letter of credit issued by a triple "A" rated commercial bank. It is expected that substantial savings will be realized through the sale of tax-exempt environmental notes backed by a triple "A" rated commercial bank over the interest cost that would otherwise be incurred through a conventional financing transaction. A copy of the Letter of Credit, in substantially final form, which Applicant will cause to be delivered as security for the Securities is attached to the application as Applicant's Exhibit 4. The Letter of Credit will provide for payment of principal and of seven months' accrued interest on the Securities, to the extent that monies are not available therefor under the Trust Indenture. Applicant agrees to pay to the bank issuing the Letter of Credit all amounts that are drawn under the Letter of Credit and all other expenses of the bank incurred in enforcing its rights, together with interest on all such amounts. Applicant also will pay to the bank a commission of 5/8ths of one percent per annum on the amount of the Letter of Credit. A copy of a Reimbursement Agreement, in substantially final form, which sets forth

Applicant's obligations to the bank, is attached to the supplemental application as Applicant's Exhibit 5A.

The Trust Indenture requires the Trustee to pay principal and interest on the Securities from proceeds of the Securities issue and income from the investment thereof or from monies drawn under the Letter of Credit before using Note interest and principal payments, unless such monies from Applicant have been on deposit with the Trustee at least 91 days prior to their use for interest and principal payments on the Securities (to avoid a possible preference under the bankruptcy law) and there has been no petition in bankruptcy filed by or against Applicant during such 91 day period. To the extent that proceeds of the Securities issue or income from the investment thereof are not available because such monies have been or are being used for the payment of Project construction costs or monies from Applicant have not been on deposit for 91 days, the Trustee is required to draw directly on the Letter of Credit. Drawings under the Letter of Credit will be treated as a credit with respect to Applicant's obligations under the Note. Applicant is required under the terms of the Reimbursement Agreement to reimburse the Bank for any drawing under the Letter of Credit.

A security interest and lien and charge on monies in the construction fund held by the Trustee will be granted in favor of the holders of the Securities and the issuer of the Letter of Credit.

The Securities will be purchased from the Authority by an underwriting syndicate (the Underwriters) which will reoffer them to the public. A copy of an Underwriting Agreement, in substantially final form, which sets forth the respective obligations, responsibilities and duties of Applicant, the Authority and the Underwriters is attached to the application as Applicant's Exhibit 6. The compensation to be received by the Underwriters for selling the Securities to the public will be determined in light of financial market conditions at the time of the offering, but will not exceed 2-1/2 percent of the aggregate amount of the Securities issue.

When the Securities are issued, Applicant will be reimbursed for certain prior expenditures it has incurred with respect to the acquisition, construction and equipping of a certain portion of the Project. Applicant will be reimbursed for subsequent expenditures on a periodic basis in accordance with the provisions of the aforementioned Agreement of Sale. All

cash received will be added to Applicant's general funds. Such general funds will be used by Applicant to repay short-term bank loans and commercial paper notes.

The Commission is of the opinion that the instant record will not permit a finding of the applicability of the fees prescribed by Section 386.300(5), RSMo 1978. That determination will be announced by subsequent order.

Certified copy of resolutions of the Board of Directors of Applicant with respect to the financing of the Project is attached to the application as Applicant's Exhibit 8.

The financial statements of Applicant as of May 31, 1981, both actual and pro forma, are attached to the application as Applicant's Exhibit 7. In the event Applicant is authorized to incur a \$65,000,000 indebtedness through the issuance of the Note, and incorporating such indebtedness into Applicant's capital position as of May 31, 1981, the capital ratios on a corporate basis as of that date would be as follows: the long-term debt and unamortized premium and discount would be 52.26 percent of total capitalization; preferred stock and premium would be 13.14 percent and common equity 34.60 percent.

The Commission concludes that the execution and performance by Applicant of the Agreement of Sale, Reimbursement Agreement and Underwriting Agreement and the issuance of a non-negotiable, unsecured promissory note in the principal amount of \$65,000,000 are reasonably required for the purpose of obtaining funds, through the financing of the Project, to repay short-term indebtedness, which is not in whole or in part reasonably chargeable to operating expenses or to income, and is in the public interest. The application, as supplemented, should, therefore, be granted.

It is, therefore,

ORDERED: 1. That Union Electric Company be, and it is, hereby authorized to issue a non-negotiable, unsecured promissory note in the principal amount of \$65,000,000.

ORDERED: 2. That the interest rate and prepayment or redemption provisions shall be duplicative of similar provisions with respect to an issuance of intermediate-term environmental improvement notes to be issued by the State Environmental Improvement Authority of the State of Missouri to finance certain pollution control and solid waste disposal facilities on behalf of Union Electric Company.

ORDERED: 3. That Union Electric Company be, and is, hereby authorized to enter into, execute, deliver and perform (include making the necessary payments required thereunder) the Agreement of Sale, the Reimbursement Agreement and the Underwriting Agreement, in substantially the forms as submitted to this Commission as Applicant's Exhibits 2A, 5A and 6.

ORDERED: 4. That Union Electric Company be, and is, hereby authorized to convey the project to the Authority and to assign rights and permit or grant a security interest and lien and charge on monies in the construction fund held by the Trustee.

ORDERED: 5. That Union Electric Company be, and is, hereby directed prior to the issuance of the non-negotiable, unsecured promissory note, to report to the Commission the selling prices of this Authority's environmental improvement notes and to obtain from this Commission a Supplemental Order approving the interest rate and the prepayment provisions on, and the maturity of, said note, and the compensation to be received by the Underwriters.

ORDERED: 6. That Union Electric Company be, and is, hereby directed to use the monies in the construction fund held by the Trustee to repay short-term indebtedness that has been incurred in the construction, acquisition, equipping, and financing of the project.

ORDERED: 7. That Union Electric Company be, and is, hereby authorized to pay, out of the proceeds of the Project financing, its reasonable expenses in connection with said financing transaction.

ORDERED: 8. That Union Electric Company be, and is, hereby authorized to execute such other agreements and documents and to take any other actions reasonably necessary or appropriate to the furtherance of the subject financings.

ORDERED: 9. That Union Electric Company be, and is, hereby directed to submit to this Commission, within thirty (30) days of their execution, a certified and true copy of each of the final agreements it is authorized to enter into under this order, and any other agreements entered into in furtherance of the authority granted hereunder.

ORDERED: 10. That, without further order of this Commission, the non-negotiable, unsecured promissory note shall not be issued after March 31, 1982.

ORDERED: 11. That nothing in this order shall be considered a finding by the Commission of the value, for rate-making purposes, of the

properties herein involved, nor as an acquiescence in the value placed upon such properties by Union Electric Company.

ORDERED: 12. That this Order shall become effective on the 16th day of September, 1981.

BY THE COMMISSION

Harvey G. Hubbs
Harvey G. Hubbs
Secretary

(S E A L)

Fraas, Chm., McCartney, Dority,
Bryant and Shapleigh, CC., Concur.