

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of the application of Union Electric)
Company for permanent discontinuance of direct current) CASE NO. ED-91-122
distribution at 120/240 volts.)

APPEARANCES: Paul A. Agathen, General Attorney and Eileen Bauman, Legal
Assistant, P. O. Box 149, St. Louis, Missouri 63166,
for Union Electric Company.

James F. Mauze, Attorney at Law, Moline, Ottsen, Mauze,
Legatt & Shostak, 11 South Meramec, Suite 1010,
St. Louis, Missouri 63105, for 1709 Associates,
Aljer Properties Partnership, Allen H. and Doris J. Oglander,
Barry N. and Patricia A. Corona, C. Brad and K. I. Hamilton,
Deutsch Enterprises, Harold I. Mosinger, Jefferson Arms
Associates, Joseph M. Decaro, Nadine G. Selkirk Donahue,
Twelve O Nine Partnership, and Washington Avenue Associates.

John A. Walsh, Jr., Attorney at Law, 705 Olive Street, Suite 815,
St. Louis, Missouri 63101, for Southern Real Estate & Fin. Co.

Jane E. Nelson, Attorney at Law, 1706 Washington Avenue, St. Louis,
Missouri 63103, for Consumer Programs, Incorporated.

Brian S. Witherspoon, Assistant City Counselor, 314 City Hall,
St. Louis, Missouri 63101, for the City of St. Louis, Missouri.

Jeremiah D. Finnegan, Attorney at Law, 1209 Penntower Building,
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Carleton B. Fox Co., Inc.

Lewis R. Mills, Jr., First Assistant Public Counsel, P. O. Box 7800,
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Counsel and the Public.

Robert J. Hack, Assistant General Counsel, P. O. Box 360,
Jefferson City, Missouri 65102, for the Staff of the
Missouri Public Service Commission.

HEARING
EXAMINER: Mark Grothoff

REPORT AND ORDER

On September 14, 1990, Union Electric Company (UE) filed an application
requesting authority to permanently discontinue direct current (DC) distribution at

120/240 volts. The Commission gave notice of this matter and set an intervention date.

By order issued February 5, 1991, the Commission granted intervention to 1709 Associates, Aljer Properties Partnership, Allen H. and Doris J. Oglander, Barry N. and Patricia A. Corona, C. Brad and K. I. Hamilton, Deutsch Enterprises, Harold I. Mosinger, Jefferson Arms Associates, Joseph M. Decaro, Nadine G. Selkirk Donahue, Twelve O Nine Partnership, and Washington Avenue Associates (intervening collectively as DC Users Group); Charles L. Hudson, Blustein's Brides House, Inc.; Daniel Gaffney, Consumer Programs, Inc.; Carlton B. Fox Company, Inc.; Southern Real Estate & Fin. Co.; the City of St. Louis, Missouri; Bruce T. and Harold T. Levin; and W. Richard and Joan M. Sylvanovich.

A Stipulation and Agreement was filed by the parties for Commission consideration on August 20, 1991. A hearing was held as scheduled on August 20, 1991, in which the Stipulation and Agreement and the prefiled testimony was placed on the record. All of the parties waived cross-examination and reading of the transcript by the Commission.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact:

UE is a regulated public utility in Missouri primarily engaged in providing electric service to customers in its Missouri service area. UE's electric service is supplied almost exclusively through an alternating current (AC) system. UE's DC service at 120/140 volts is available only in a small area of downtown St. Louis, Missouri. UE now provides DC service to approximately 135 customers.

The DC distribution system is old, with most of its cable having been in service for over 50 years. The other DC equipment is at least 30 years old and some

is as much as 80 years old. The age of the DC system results in higher maintenance costs than for UE's AC system. With the high maintenance cost of the system, and the few customers receiving DC service, UE is unable to cover the cost of providing DC service.

In addition, DC and AC cables share common ducts and manholes in downtown St. Louis. While the AC system will remove a failed cable from service, the DC system will not clear all cable failures. When such failures occur, the resulting fire poses a risk to adjacent AC circuits and can result in lengthy outages of AC service as well as DC service. Such fires also present a safety risk to those who must extinguish the fire.

UE has proposed to eliminate DC service by systematically converting the equipment of DC customers to AC. UE proposed a plan in which UE and its DC customers shared in the cost of such a conversion.

On August 20, 1991, the parties filed a Stipulation and Agreement (Attachment A to this Report and Order and incorporated herein by reference) which proposed to settle all issues in this case. The Stipulation and Agreement provides that UE will complete the conversion to AC within 36 months of the effective date of this Report and Order. The Stipulation and Agreement also provides that UE will initially pay 100 percent of the conversion cost. UE will absorb 65 percent of said cost "below the line", while each DC customer will reimburse UE for 10 percent of the conversion cost. In UE's next rate case, 25 percent of conversion cost within the test year, up to \$300,000, will be treated as normal O & M costs for ratemaking purposes.

The Commission has reviewed the Stipulation and Agreement and the evidence in this matter. The Stipulation and Agreement allows the continued provision of safe and adequate electric service to the affected customers. In addition, the

Stipulation and Agreement's cost-sharing provision is fair and equitable. The Commission finds that approval of the Stipulation and Agreement is just and reasonable.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law:

The Commission has jurisdiction over this matter pursuant to Sections 386 and 393, RSMo (1990). The standard for Commission approval of the Stipulation and Agreement is whether it is just and reasonable.

The Commission may approve a stipulation of the issues in this case if it finds that the stipulation is just and reasonable. The Commission has so found and therefore concludes that the Stipulation and Agreement should be approved. The Commission also considers the conditions of the Stipulation and Agreement to be beneficial for purposes of protecting the public interest in the future.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed in this case (Attachment A) be hereby approved and adopted.
2. That Union Electric Company be hereby authorized to discontinue direct current distribution of 120/240 volts in accordance with the Stipulation and Agreement approved in Ordered Paragraph 1.
3. That this Report and Order shall become effective on September 16, 1991.

(S E A L)

BY THE COMMISSION

Brent Stewart

Brent Stewart
Executive Secretary

Steinmeier, Chm., Mueller, Rauch,
McClure and Perkins, CC., Concur.

Dated at Jefferson City, Missouri,
on this 6th day of September, 1991.

BEFORE THE PUBLIC SERVICE COMMISSION
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STIPULATION AND AGREEMENT

On September 14, 1990, Union Electric Company (UE) filed its application requesting, among other things, authority from the Missouri Public Service Commission (Commission) to permanently discontinue direct current (DC) distribution at 120/240 volts by October 31, 1995. As a result of extensive negotiations, UE, the Staff of the Missouri Public Service Commission (Staff), the Office of the Public Counsel, the City of St. Louis, Missouri, Carleton B. Fox Co., Inc., Twelve o Nine Partnership, Liberty Candy & Tobacco Co., Mr. and Mrs. C. Brad Hamilton, Washington Avenue Associates, Harold I. Mozinger, Deutsch Enterprises, 1709 Associates, Jefferson Arms Associates, Nadine G. Selkirk Donahue, Barry N. & Patricia A. Corona, Consumer Programs, Inc., Southern Real Estate & Fin. Co., Allen H. and Doris J. Oglander, Joseph M. Decaro and Aljer Properties Partnership (hereinafter collectively referred to as the signatories) offer the following Stipulation and Agreement for the Commission's approval:

1. Subject to the terms and conditions set forth below, UE shall as expeditiously as possible work to convert all of its remaining DC customers to AC service. Absent circumstances beyond UE's control, the conversion shall be completed no later than 36

months following the effective date of the Commission order approving this Stipulation and Agreement. This conversion shall be performed on the basis of sound engineering practices and at the lowest cost practicable, in consultation with the customer, and in a manner that to the extent reasonably practicable preserves the uses and operational efficiencies of the customer's building. Conversions will also give due consideration to minimization of maintenance and operating costs of the converted system. The order of conversions shall be determined by UE, in a manner designed to minimize costs and avoid engineering and service-related problems. UE's DC customers shall cooperate in this conversion program, and if any DC customer refuses to cooperate in the conversion from DC to AC service, UE is authorized after reasonable notice to permanently discontinue DC service to that customer's premises.

2. Any DC customer which has used no DC service in the twelve months ending with the July, 1991 billing cycle (other than "meter creep") shall not be eligible for this conversion program, and UE shall be authorized to permanently discontinue DC service to that customer after Commission approval of the settlement.

3. Any DC customer may choose not to convert its facilities to AC, which decision shall be communicated to UE in writing. DC service shall continue to be supplied to any such customer until such time as it would otherwise be scheduled for conversion to AC, at which time the DC service shall be permanently discontinued.

4. UE shall initially pay for 100% of the cost of the DC conversion work on the customers' side of the meter, limited only to those buildings still connected to the DC system on the date of this Stipulation and Agreement, and to those costs hereafter contracted for, and costs actually incurred or contracted for in writing on or after the filing of UE's Application in this case. Such costs will then be divided as follows:

a) UE shall absorb 65% of such costs "below the line" for ratemaking purposes;

b) Each DC customer shall reimburse UE for 10% of the conversion cost at their premises. Except as hereafter provided, such payment shall be made to UE within 30 days after the bill for such conversion work is rendered to the customer by UE;

c) All parties hereto recommend that in UE's next general rate case (whether initiated by UE or by complaint), UE's Missouri cost of service shall include 25% of all test year costs (if any) of the conversion, without regard to whether such costs would normally be capitalized or expensed, and that said 25% shall be treated as normal O&M costs for ratemaking purposes; provided, however, that the amount so included in test year expenses shall be limited to \$300,000 (approximately 25% of \$1,250,000). The parties hereto further recommend that such costs (if any) be allocated to the Small General Service and Large General Service customer classes, based on their proportionate test year kwh usage;

d) Any DC customer with an acceptable credit history may choose to spread the payment to UE of their 10% share of the conversion cost over a period of up to five years, with an annual interest rate of 10%. If any such customer does so choose, it shall sign a promissory note including the terms and conditions agreed upon in this paragraph.

e) Non-payment of the DC customer's share of the conversion cost shall be grounds for disconnection of that customer's AC service under UE's applicable tariffs for disconnection of service.

5. If during this conversion program a customer actually converts its DC equipment to AC equipment in lieu of installing a rectifier, the "cost of the DC conversion work" referenced in paragraph 4 shall be equal to the lower of (1) the estimated cost of installing the rectifier and related equipment and work, as described in paragraph 1; or (2) the cost of converting the DC equipment to AC equipment. Notwithstanding the foregoing, where the revised engineering study filed in this case by Union Electric recommends replacement of DC fire pump equipment with AC fire pump equipment, based on fire protection system needs, the provisions of paragraph 4 pertaining to division of costs shall apply in full.

6. The customers shall own the product of the conversion work on the customers' side of the meter and shall be responsible for any subsequent maintenance that is necessary following completion of the conversion work and the successful testing thereof. As such, UE shall not be allowed rate base treatment for any portion of its expenses incurred for conversion work done on the customers' side of the meter.

7. UE shall make a reasonable effort to obtain a one year guarantee for the materials and labor related to the conversion work on the customers' side of the meter. All warranties and guarantees shall be agreed with the warrantor or guarantor to extend to the applicable UE customer.

8. Where required solely because of the additional DC conversion load, UE shall waive any line extension charges that

would normally accrue because of the customers' increased AC service usage.

9. Upon completion of the conversion work, UE shall be permanently relieved of any obligation to provide DC service in Downtown St. Louis, Missouri.

10. After completion of the conversion work, UE shall so notify the Commission and revise its tariff sheets to reflect the discontinuation of DC service.

11. This Stipulation and Agreement represents a negotiated settlement for the purposes of disposing of UE's application for authority to discontinue DC service in downtown St. Louis, Missouri (Case No. ED-91-122) and none of the signatories shall be prejudiced or bound by the terms hereof in any other proceeding, or in this proceeding, in the event the Commission does not approve this Stipulation and Agreement in its entirety.

12. Except to the extent specified in this Stipulation and Agreement, the signatories shall not be deemed to have approved of or acquiesced in any ratemaking principle, valuation method, cost of service method, or rate design proposals; any number used in this Stipulation and Agreement or in the rates and tariffs provided for by this Stipulation and Agreement shall not bind, prejudice or affect any signatory except to the extent necessary to effectuate the terms of this Stipulation and Agreement.

13. The terms and conditions in this Stipulation and Agreement have resulted from extensive negotiations among the signatories and are interdependent. In the event the Commission

does not approve and adopt this Stipulation and Agreement in its entirety, the signatories agree that this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof.

14. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to present oral argument and written briefs pursuant to Section 536.080(1), RSMo 1986, as amended; their rights pertaining to the reading of the transcript by the Commission pursuant to Section 536.080, RSMo 1986, as amended; and their right to judicial review pursuant to Section 386.510, RSMo 1986, as amended.

15. The Staff shall have the right to submit to the Commission by filing with the case papers in memorandum form an explanation of its rationale for entering into this Stipulation and Agreement, and to provide to the Commission whatever further explanation the Commission requests. The Staff's memorandum shall not bind or prejudice the Staff in any future proceeding. In the event the Commission does not approve this Stipulation and Agreement, the Staff's memorandum shall not bind or prejudice the Staff in this proceeding. Any rationales advanced by the Staff in such a memorandum are its own and are not acquiesced in or otherwise adopted by the other signatories.

Dated this 20th day of August, 1991.

Respectfully submitted,

The Staff of the Missouri
Public Service Commission

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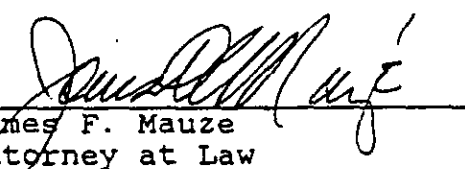
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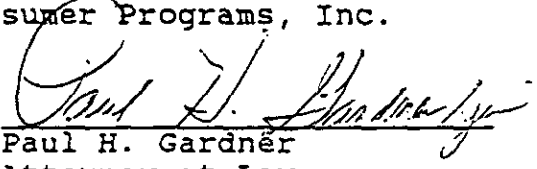
The DC Users Group: Twelve O
Nine Partnership, Liberty Candy
and Tobacco Co., Mr. and Mrs. C.
Brad Hamilton, Washington
Avenue Associates, Harold I.
Mozinger, Deutsch Enterprises,
1709 Associates, Jefferson Arms
Associates, Nadine G. Selkirk
Donahue, Barry N. & Patricia A. Corona,
Allen H. and Doris J. Oglander,
Joseph M. Decaro, and Aljer
Properties Partnership

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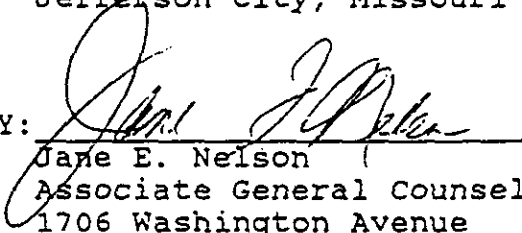

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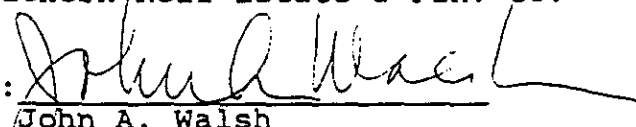

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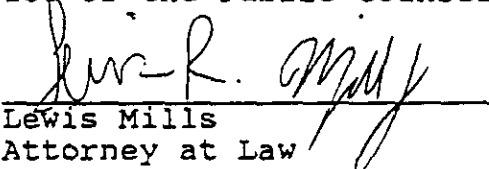
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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all parties of record this _____ day of August, 1991.
