Exhibit No.:	
Issues:	AmerenUE's Credit Rating
Witness:	Steven M. Fetter
Sponsoring Party:	Union Electric
Type of Exhibit:	Rebuttal Testimony
Case No.:	EC-2002-1
Date Testimony Prepared:	May 10, 2002

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO. EC-2002-1

REBUTTAL TESTIMONY

OF

STEVEN M. FETTER

ON

BEHALF OF

UNION ELECTRIC COMPANY
d/b/a AmerenUE

Exhibit No. 148
Date 7/10/02 Case No. EC-2002-1
Reporter KFM

St. Louis, Missouri
May, 2002

REBUTTAL TESTIMONY

OF

STEVEN M. FETTER

CASE NO. EC-2002-1

Q. Please state your name?

A. My name is Steven M. Fetter.

Q. By whom are you employed?

A. I am President of REGULATION UnFETTERED, an energy advisory firm I started in early April 2002. Prior to that I was employed by Fitch, Inc. ("Fitch") as Managing Director of the Global Power Group, and they have retained me as agent to provide this testimony with their assistance and on their behalf.

Q. What is your business address?

A. P.O. Box 475, Rumson, NJ 07760.

Q. Would you please describe Fitch's business?

A. Fitch, Inc. is the third largest full service credit rating agency in the United States and the largest European rating agency. It is one of six Nationally Recognized Statistical Rating Organizations recognized by the U.S. Securities and Exchange Commission and is also recognized by the U.S. Department of Labor, state bank and thrift regulators, and the National Association of Insurance Commissioners. Fitch performs credit ratings of corporate obligations, asset-backed transactions, and government and municipal debt. While fees are paid by bond issuer clients, Fitch views its true clients to be bond investors. Accordingly, bond ratings represent Fitch's independent judgment based upon financial data provided by the bond issuer as well as

additional quantitative and qualitative information gathered from third-party sources. During the past four years, Fitch has merged with IBCA, Ltd. of London, Duff & Phelps of Chicago, and Thomson Bankwatch of New York.

Q. What was your role during your employment with Fitch?

A. Until April 5, 2002, I was Managing Director of the Global Power Group within Fitch. In that role, I served as group manager of the combined 18-person New York and Chicago utility team and was also responsible for interpreting the impact of regulatory and legislative developments on utility credit ratings. In early April 2002, I left Fitch to start REGULATION UnFETTERED, an energy advisory firm. Since this testimony was in large part prepared during my tenure at Fitch, Fitch has retained me as agent to see this matter to completion.

Q. How long had you been employed by Fitch?

A. I was employed by Fitch from October 1993 until April 2002.

Q. Please describe your prior professional experience.

A. From October 1979 until March 1982, I was employed as an appellate litigation attorney for the National Labor Relations Board in Washington, D.C. From March 1982 through January 1983, I served as assistant legal counsel to Michigan Governor William Milliken. From January 1983 until August 1985, I began as legal counsel within the Michigan Senate and later was appointed Senate Majority General Counsel. From August 1985 until October 1987, I served as executive assistant to the Deputy Under Secretary at the U.S. Department of Labor in Washington, D.C. and later was Acting Associate Deputy Under Secretary of Labor. In October 1987, I was appointed to a seat on the Michigan Public Service Commission (PSC) by Democratic

Governor James Blanchard. In January 1991, newly-elected Governor John Engler promoted me to Chairman of the Michigan PSC; Governor Engler reappointed me in July 1993. In October 1993, I was hired by Fitch Investors Service (Fitch) in New York to be Senior Vice President and Director of Regulatory and Government Affairs. In February 2002, I was appointed to the Board of Directors of CH Energy Group, Inc., the parent company of Central Hudson Gas & Electric in Poughkeepsie, New York. As stated above, shortly thereafter I left Fitch to start my own energy advisory firm.

In addition, I have served as Chairman of the Board of the National Regulatory Research Institute at Ohio State University; as an adjunct professor of legislation at American University's Washington College of Law; and as a member of the National Association of Regulatory Utility Commissioners (NARUC) Executive, Natural Gas, and International Relations Committees, the Steering Committee of the U.S. Environmental Protection Agency/State of Michigan Relative Risk Analysis Project, the Federal Energy Regulatory Commission (FERC) Task Force on Natural Gas Deliverability, and the International Advisory Council of Eisenhower Fellowships. In 1991 I traveled to Japan as an Eisenhower Fellow to study the Japanese utility structure, and in 1992 I was a NARUC Fellow to the Kennedy School of Government.

Q. Have you testified before regulatory or legislative bodies previously?

A. Since 1990, I have on numerous occasions testified before the U.S. Senate, the U.S. House of Representatives, and various state legislative and regulatory bodies on the subjects of credit risk within the utility sector, electric utility restructuring, utility securitization bonds, and nuclear energy.

Q. What is your educational background?

A. I graduated with high honors from the University of Michigan in 1974 with an A.B. in Communications. I graduated from the University of Michigan Law School with a J.D. in 1979.

Q. What is the purpose of your testimony?

A. In my testimony, I offer Fitch's view as to what comprises fair and economically prudent regulation in today's evolving electric utility industry. As part of this analysis, I provide an overview of the electric utility crisis that is occurring in California and some parallels I see with the situation in Missouri. I then discuss the credit rating and capital market access of AmerenUE and how it could be affected if the Staff recommendations in this rate case were to be adopted. Other witnesses on behalf of the Company rebut specific policies and adjustments put forward by the Staff. My testimony is to show how harmful it would be on AmerenUE's financial condition for the Commission to accept the $245 million to $285 million rate reduction Staff has recommended. In addition, I have prepared an **Executive Summary**, which is attached to my testimony as Appendix A.

Q. What factors enter into Fitch's evaluation of whether a particular jurisdiction provides fair and economically prudent regulation in the electric utility industry?

A. Several factors enter into Fitch's evaluation of regulatory climate within a particular jurisdiction. Most important would be the consistent application of sound economic regulatory principles by a public utilities commission. Before major energy investors will be willing to put forward substantial sums of money, they will want to gain comfort that regulators understand the economic requirements of a rapidly evolving

industry and that their decision making will be fair with a significant degree of predictability.

Companies are able to employ shareholder and bondholder funds to construct generation, transmission and distribution assets in order to provide a high level of reliable service only if investors are willing to provide their funds at terms agreeable to both sides. Investors will do so only when they are confident that they will have an opportunity to earn a fair return. Encouraging companies to make investments relying on historical regulatory practice and then ordering unreasonable returns or a change in treatment within the ratemaking process will have a chilling effect on further investment.

Q. Is there any particular regulatory framework that you believe helps to provide utility service in the most efficient manner?

A. Yes. When I served as Chairman of the Michigan Public Service Commission (PSC), I was of the firm belief that broad-based incentive or performance-based ratemaking programs were the best means of providing economic incentives to companies and customers, more closely matching those provided by a competitive market. During my tenure at the Michigan PSC, we put into place incentive plans for all sectors under our jurisdiction: electric, natural gas, telecommunications, and even motor carrier. I continue to adhere to my positive view about such programs.

It is my understanding that AmerenUE's experimental alternative regulation plan (EARP) has provided substantial benefits to customers during its six years of existence and that it has positively affected rate levels compared to utility rate averages in neighboring regions. I encourage the Missouri Commission to continue some form of broad-based incentive program when it issues its final order in this proceeding.

Q. Can you share your thoughts on how California's treatment of generation helped to engender a financial crisis for the state's investor-owned utilities?

A. California's restructuring plan was based upon the now-discredited notion that in order to establish competitive markets, California policymakers had to encourage (virtually to the point of mandate) the state's three investor-owned electric utilities to divest most of their generation assets. This action, policymakers believed, would limit the utilities' ability to utilize market power to improperly skew the developing electricity market. Unfortunately, this divestiture came during a period when not a single new power plant had been developed within the state for over a decade. To compound the problem further, while the utilities were left with the burden of price risk in managing generation procurement, California regulators did not support utility efforts to hedge their exposure. Instead, they were required to purchase their supply needs on what became an incredibly volatile wholesale spot market, with much of the electricity provided by third-party owners of former utility generation assets. In 2001, California policymakers entered into long-term electricity supply contracts that are well above current market rates and probably will stay so for many years. California is now trying to renegotiate those agreements, but it would appear the state has limited leverage to do so. At the same time, California is expediting the construction of generation throughout the state.

Q. Could a similar thing happen in the Mid-West and Missouri in particular?

A. In light of significant infrastructure investment requirements in new generation, transmission, and distribution, I believe that a substantial rate reduction

ordered for AmerenUE by the Missouri PSC would create serious concerns in the minds of potential utility investors. This would especially be the case if the reduction were based upon unreasonable or overly oppressive disallowances and adjustments. Such a negative decision would also increase the risk for any other Missouri utilities needing to access the debt or equity markets. Moreover, I believe a California-type situation could occur in any jurisdiction where there is growing electricity usage coupled with constraints on the development of additional electric generation, transmission, and distribution infrastructure – from whatever the source. Indeed, such a situation could even occur where there is little or no growth but where aging utility infrastructure is not being properly maintained or replaced. Economic disincentives from regulation providing substandard returns could quickly lead to shortages as experienced in California. Further, any regulatory or legislative action that is unforeseen and inconsistent with historical regulatory norms within a state could create uncertainty among major utility investors, and, as it applies to generation investment, I refer to both utility-affiliated and third-party entities. The resulting reduction in investor willingness to fund generation construction could increase the potential for a capacity squeeze like we have seen in California. Missouri is not immune from this risk.

Q. Does Fitch rate any securities of AmerenUE?

A. Yes, Fitch rates the fixed-income securities of AmerenUE's senior secured debt 'AA', senior unsecured debt 'AA-', and preferred and preference stock 'A+'. The ratings outlook of AmerenUE and its parent Ameren Corp. were changed to Negative from Stable on December 7, 2001. The Negative outlook reflects the potential rate reduction at AmerenUE. Fitch's rating outlook signifies the likely direction of a

company's rating over the next two years. On April 29, 2002, Fitch placed the ratings of Ameren Corp. on Ratings Watch Negative, citing the agreement to acquire lower-rated CILCORP, Inc. and the potential rate reduction for AmerenUE.

Q. Why is return on equity of consequence to investors in debt securities?

A. The existence of equity in a utility capital structure provides the company with the capacity to tolerate the normal ups and downs that come with operational business risks, while also providing a cushion to a company's lenders and bondholders (fixed-income investors). Fixed-income investors look to the earnings of shareholders as an additional margin available for the payment of interest and principal under adverse business circumstances. An important ratio in analyses performed by fixed-income investors and credit rating agencies is the calculation of interest coverage (that is, income before or after income tax divided by total interest expense and fixed charges). Although fixed-income investors are only entitled to receive timely payments of interest and principal, the existence of income in excess of the bare minimum required to pay interest and principal is a hallmark of high quality investment grade debt. A second benefit of earning a fair rate of return is that the company has favorable access to the capital markets and can raise additional money at reasonable rates in both the debt and equity markets. This provides financial flexibility, which reduces risk for fixed-income investors.

Q. What rating categories do you mean when you refer to "high quality investment grade debt"?

A. I am referring to long-term credit ratings of 'A', 'AA', and 'AAA'. For example, the 'AA' rating category includes 'AA+', 'AA', and 'AA-'.

Q. Do customers benefit from utility debt of high investment grade quality?

A. Yes, the benefit to customers is that the utility can more easily raise debt capital to fund infrastructure requirements needed to meet growth in customer demand and can refinance maturing debt on favorable terms. Should the company need to expand its distribution system, invest to maintain system reliability, build new facilities, or upgrade existing facilities, debt funding is an advantageous source of capital.

Q. Has Fitch included the potential impact of the revenue reduction proposed by staff in your credit ratings of AmerenUE?

A. No. Since the commissioners are charged with the responsibility to weigh the merits in the case and to balance the interests of utility consumers and investors, it is not Fitch's policy to base credit ratings on recommendations by commission staff or hearing examiners. However, Fitch did change the rating outlook on AmerenUE's securities to Negative from Stable to alert investors to the potential for a change in the rating as a result of this proceeding.

Q. If the Missouri Public Service Commission were to adopt revenue reductions in the order of magnitude recommended by Commission Staff, what is the likely effect on Fitch's evaluation of AmerenUE's credit ratings?

A. In Fitch's opinion, AmerenUE's credit profile would be adversely affected by the adoption of revenue reductions of the magnitude and nature advocated by Staff and would result in a downgrade of the company's current ratings. The ongoing revenue reductions would adversely affect all of AmerenUE's significant credit ratios. Of particular concern is the decline in the ratio of cash flow to capital expenditures,

coincident with a period of rising capital outlays for new energy infrastructure investments to meet customer demand. Leverage would also go up during this period.

To determine the severity of the proposed adjustments, Fitch calculated in Schedule 1 to my testimony several important credit ratios for the years 2000 through 2006 based on a forecast that was provided by AmerenUE which incorporates the high end ($285 million) of Staff's recommendations. The forecasted credit ratios appear as Schedules 1A, 1B, and 1C on my Schedule 1 . The credit ratios on Schedule 1A illustrate the effect of the Staff's proposed adjustments on the ratio of earnings before interest and taxes (EBIT)/interest expense and the ratio of earnings before interest, taxes, depreciation and amortization (EBITDA)/interest expense. In both ratios the numerator excludes non-operating income. Schedule 1B illustrates the effect of the Staff's proposed rate adjustments on cash from operations (CFO), as defined by Fitch, and the ratios of CFO to interest expense and net CFO (after dividends) to capital expenditures. Schedule 1C demonstrates the effect the proposed adjustments would have on AmerenUE's balance sheet ratios and on the ratio of debt/EBITDA. These are analytical ratios that credit rating agencies and fixed-income analysts ordinarily apply to understand the significance of a rate order.

Q. Please describe the results of your analysis in Schedule 1A.

A. Schedule 1A presents AmerenUE's actual EBIT/interest coverage (that is, earnings before income tax and interest expense divided by total interest expense) and the ratio of EBITDA/interest expense for the years 2000 and 2001 and the forecasted ratios for 2002 through 2006 . The ratios exclude non-operating income. Operating EBIT interest coverage declines from 5.25 times (x) in 2000 to 2.24x in 2006. The ratio of

EBITDA/interest, which is more reflective of a company's cash position, ranges from 7.34x in 2000 to 3.29x in 2006. Coverage ratios at the 2006 level are indicative of ratings in the 'BBB' range'. The 'BBB' range ('BBB+', 'BBB', and 'BBB-') is the lowest investment grade ratings category. Any bonds rated below 'BBB-' are considered "high yield" or "junk bonds".

Q. Would you please explain the analysis in Schedule 1B?

A. Schedule 1B illustrates the impact of the Staff proposals on operating cash flow in 2002 through 2006. CFO is before changes in working capital and dividends. CFO declines from $630 million in 2000 to $517 million in 2006. The ratio of CFO (before interest expense) to interest expense falls from 5.87x in 2000 to 3.14x in 2006 and the ratio of net cash from operations (after dividends) to capital expenditures declines from 128% in 2000 to 44% in 2006. Ratios at the 2006 levels are indicative of 'BBB' rated companies.

Q. Please explain your analysis in Schedule 1C.

A. Schedule 1C shows the forecasted ratios of debt to total capital and debt to EBITDA as reported in the company's December 31, 2000 and December 31, 2001 balance sheet and income statement and the forecasted ratio for 2002 through 2006 based on the Staff recommendation. The debt to capital ratio increases from 39.2% in 2000 to 55% in 2006. The ratio of debt/EBITDA increases to 4.39x in 2006 from 1.85x in 2000. The debt ratio of 55% is consistent with utilities rated in the 'BBB' category and the 4.39x debt/EBITDA ratio with utilities rated in the 'BBB' category and below.

Q. Would you please summarize the credit implications of your analysis in Schedule 1 regarding the financial implications of the Staff's proposed adjustments?

A. AmerenUE's leverage, interest protection and cash flow measures decline steadily throughout the forecast period and by 2005 are reflective of utility companies with ratings in the 'BBB' category. Given revenue reductions in the order of magnitude recommended by Staff, AmerenUE's cost of capital would increase and financial flexibility would be weakened severely.

Q. Did Fitch consider the financial impact of any other rate case scenarios?

A. Yes, Fitch calculated the financial impact of a $245 million rate reduction, the lower end of the Staff's recommendation. To determine the impact, Fitch prepared the forecasted credit ratios that appear in Schedules 2A, 2B and 2C of Schedule 2 of my testimony. In these Schedules, Fitch calculated the same financial ratios that are described in Schedules 1A, 1B, and 1C of my Exhibit 1.

Q. Would you please summarize the results of your analysis in Schedule 2?

A. The credit ratios in Schedule 2 are moderately better than those in Schedule 1, but are still weaker than the historical measures recorded in 2000 and 2001 and not consistent with the current ratings. The decline in credit measures begins in 2003 and become particularly severe by 2004 and through 2006. As measured by the ratio of debt/EBITDA of 4.02x in 2006 , AmerenUE could be considered highly leveraged. Similarly, the ratio of net cash from operations to capital expenditures of 51% in 2006 is

inconsistent with highly-rated companies and would also likely reflect the 'BBB' category of ratings.

Q. In general, would Fitch act on the Company's resulting downgrade immediately upon issuance of the regulatory order causing the subsequent deterioration, or does it wait until the deterioration is evident in its financial statements?

A. Fitch's credit ratings are based on prospective financials and as such, the foreseen deterioration would result in an immediate downgrade. This is in line with the view recently stated by Fitch that "[c]redit markets have become more volatile, as have the ratings of corporate bonds at all levels of the credit spectrum." (See Schedule 3, "Fitch Ratings: Comment on Market Volatility and Credit Ratings," dated March 6, 2002.) As part of a "market evolution," Fitch believes that the length of the rating cycle [traditionally the setting of ratings "that will endure a normal economic cycle"] may vary drastically from industry to industry, and even company to company. The utility sector – both on the regulated and unregulated sides – has come under even tighter credit rating oversight during the recent past in the wake of the California and Enron catastrophes. Within this roiled environment, any key issue or concern – such as substantially lower rates as a result of a regulatory order – would be closely scrutinized and, if appropriate, a ratings action would follow at the conclusion of that analysis.

Q. Aside from the effects on AmerenUE's financial condition and credit ratios, do you foresee any other potential adverse credit implications of a Commission order consistent with the recommendations made by Staff.

A. One of the elements of Fitch's credit evaluation of electric utilities is an assessment of Regulation. Currently, based on the history of regulation by the Missouri Public Service Commission, Missouri is viewed as an average regulatory environment for investor interests, recently tending toward the lower end of that category. For this reason, regulation currently is factored in as a relatively neutral element in Fitch's determination of AmerenUE's credit rating. However, Fitch believes that a final order by the Commission implementing a substantial rate reduction and forgoing the benefits that can be achieved through incentive-based ratemaking would seem to indicate further movement away from fair and consistent regulation. Fitch's global power credit committee would review and reevaluate Missouri regulation to incorporate any new information about regulatory direction in Missouri provided by the final order. This could have unfavorable credit rating implications not only for AmerenUE, but for all utilities subject to the rate authority of the Commission.

Q. Does this conclude your testimony?

A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

The Staff of the Missouri Public Service Commission, Complainant,	)	
vs.	)	Case No. EC-2002-1
Union Electric Company, d/b/a AmerenUE, Respondent.	)	

AFFIDAVIT OF STEVEN M. FETTER

STATE OF NEW JERSEY)
) ss
BORO OF FAIR HAVEN)

Steven M. Fetter, being first duly sworn on his oath, states:

1. My name is Steven M. Fetter. I work in Fair Haven, New Jersey and have been retained as an agent by Fitch, Inc. of New York, NY.

2. Attached hereto and made a part hereof for all purposes is my Rebuttal Testimony on behalf of Union Electric Company d/b/a AmerenUE consisting of 14 pages, Appendix A and Schedules 1 through 2, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Steven M. Fetter

Subscribed and sworn to before me this 7th day of May, 2002.

SUSAN RAPOZA
Notary Public, State of New Jersey
No. 2266746
Qualified in Monmouth County
Commission Expires June 7, 2006

EXECUTIVE SUMMARY

Steven M. Fetter

President of REGULATION UnFETTERED and previously was Managing Director of the Global Power Group of Fitch Inc. and Chairman of the Michigan Public Service Commission.

* * * * * * * * *

I am testifying on behalf of Fitch Inc. and offer Fitch's view as to what comprises fair and economically prudent regulation in today's evolving electric utility industry.

I further testify that implementation of staff's rate proposal would result in an immediate significant downgrade to AmerneUE's credit ratings by Fitch Inc. to the lowest investment grade category. This immediate downgrade would occur because of foreseen deterioration of AmerenUE's earnings, cash flow, and equity base. All three elements are important to support debt and equity in a utility's capital structure. The foreseen decline in earnings, cash flow, and equity base would negatively impact all of the primary credit ratios analyzed by Fitch, namely,

- earnings before interest and taxes (EBIT) / interest expense
- earnings before interest, taxes, depreciation, and amortization (EBITDA) / interest
- cash from operations (CFO) to interest expense
- net CFO (after dividends) to capital expenditures
- debt divided by total capital
- debt divided by EBITDA.

The impact to AmerenUE would be higher interest costs, less financing flexibility, and an increase in risk which would cause potential utility investors and creditors to be unwilling to provide funds on agreeable terms, not only from AmerenUE, but also from all Missouri utilities. The construction of needed generation, transmission, and distribution infrastructure would be more expensive, at best, and unable to be financed, at worst.

I provide an overview of the electric utility crisis that is occurring in California and some parallels I see with the situation in Missouri. I then discuss credit ratings and the capital market access of AmerenUE and how it could be affected if the Staff recommendations in this case were to be adopted. I show how harmful it would be on AmerenUE's financial condition for the Commission to accept the rate reduction Staff has recommended.

I testify that the most important factor in determining whether a particular jurisdiction provides fair and economically prudent regulation is the consistent application of sound economic regulatory principles. Companies employ shareholder and bondholder funds to construct generation, transmission, and distribution assets in order to provide a high level of reliable service only if investors are willing to provide their funds at terms agreeable to both sides. Investors will do this only when they are confident that they will have an opportunity to earn a fair return. Broad-based incentive or performance-based ratemaking programs are the best means of providing economic incentives to companies and customers, which result in the efficiencies most closely matching those provided by a competitive market.

California's divestiture of electric generation occurred at a time when not a single new power plant had been developed within the state for over a decade. A similar situation of electricity shortages could occur in Missouri if there are economic disincentives from regulation such as providing substandard returns on utility investment. The resulting reduction in investor willingness to fund generation construction could increase the potential for a capacity squeeze like we have seen in California.

Assumes $285 Million Rate Reduction Effective
($'s in thousands)

Schedule 1A

EBIT/interest coverage	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Operating Income	679,037	680,922	590,740	580,330	551,138	516,801	541,172
Interest expense	129,282	116,067	131,420	162,795	188,485	219,813	241,690
EBIT/interest coverage (line 7/line9)	5.25	5.87	4.50	3.56	2.92	2.35	2.24
EBITDA/Interest coverage							
Operating Income	679,037	680,922	590,740	580,330	551,138	516,801	541,172
Depreciation and amortization	270,376	279,738	236,928	227,294	231,971	235,604	253,171
EBITDA	949,413	960,660	827,668	807,624	783,109	752,405	794,343
Interest Expense	129,282	116,067	131,420	162,795	188,485	219,813	241,690
EBITDA/Interest coverage (line 14/line15)	7.34	8.28	6.30	4.96	4.15	3.42	3.29

Schedule 1B

Cash from operations/interest coverage							
Cash from operations (1)	630,088	665,547	585,086	557,773	524,252	498,799	517,417
Interest expense	129,282	116,067	131,420	162,795	188,485	219,813	241,690
Cash from operations before interest	759,370	781,614	716,506	720,568	712,737	718,612	759,107
Cash from operation/interest	5.87	6.73	5.45	4.43	3.78	3.27	3.14

1) Cash from operations is before changes in working capital and dividends

Net cash from operations/capital expenditures							
Cash from operations	630,088	665,547	585,086	557,773	524,252	498,799	517,417
Dividends	216,041	291,817	299,274	299,273	299,273	307,957	316,101
Net cash from operations	414,047	373,730	285,812	258,500	224,979	190,842	201,316
Capital expenditures	323,813	590,473	534,852	506,052	633,211	818,640	458,121
Net cash from operations/capital exp.	127.9%	63.3%	53.4%	51.1%	35.5%	23.3%	43.9%

Schedule 1C

Total debt/Total Capital							
Total debt	1,760,439	1,876,564	2,255,266	2,537,529	2,924,481	3,324,903	3,484,436
Preferred stock	155,197	155,197	155,197	155,197	155,197	155,197	155,197
Common equity	2,570,062	2,654,059	2,613,993	2,618,711	2,600,548	2,764,441	2,692,692
Total capital	4,485,698	4,685,820	5,024,456	5,311,437	5,680,226	6,244,541	6,332,325
Total debt	39.2%	40.0%	44.9%	47.8%	51.5%	53.2%	55.0%
Preferred stock	3.5%	3.3%	3.1%	2.9%	2.7%	2.5%	2.5%
Common equity	57.3%	56.6%	52.0%	49.3%	45.8%	44.3%	42.5%
Total capital							
Debt/EBITDA	1.85	1.95	2.72	3.14	3.73	4.42	4.39

Assumes $245 Million Rate Reduction Effective _____
($'s in thousands)

Schedule 2A

EBIT/interest coverage	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Operating Income	679,037	680,922	621,374	618,316	589,955	556,364	582,392
Interest expense	129,282	116,067	131,196	162,086	183,497	212,639	229,709
EBIT/interest coverage (line 7/line9)	5.25	5.87	4.74	3.81	3.22	2.62	2.54
EBITDA/interest coverage							
Operating Income	679,037	680,922	621,374	618,316	589,955	556,364	582,392
Depreciation and amortization	270,376	279,738	236,928	227,294	231,971	235,604	253,171
EBITDA	949,413	960,660	858,302	845,610	821,926	791,968	835,563
Interest Expense	129,282	116,067	131,196	162,086	183,497	212,639	229,709
EBITDA/Interest coverage (line 14/line15)	7.34	8.28	6.54	5.22	4.48	3.72	3.64

Schedule 2B

Cash from operations/interest coverage							
Cash from operations (1)	630,088	665,547	604,097	581,305	550,910	527,320	550,573
Interest expense	129,282	116,067	131,196	162,086	183,497	212,639	229,709
Cash from operations before interest	759,370	781,614	735,293	743,391	734,407	739,959	780,282
Cash from operation/interest	5.87	6.73	5.60	4.59	4.00	3.48	3.40

1) Cash from operations is before changes in working capital and dividends

Net cash from operations/capital expenditures							
Cash from operations	630,088	665,547	604,097	581,305	550,910	527,320	550,573
Dividends	216,041	291,817	299,274	299,273	299,273	307,957	316,641
Net cash from operations	414,047	373,730	304,823	282,032	251,637	219,363	233,932
Net capital expenditures	323,813	590,473	534,652	506,052	633,211	818,640	458,421
Net cash from operations/net capital exp.	127.9%	63.3%	57.0%	55.7%	39.7%	26.8%	51.0%

Schedule 2C

Total debt/Total Capital							
Total debt	1,760,439	1,876,564	2,238,503	2,496,265	2,856,894	3,228,902	3,356,378
Preferred stock	155,197	155,197	155,197	155,197	155,197	155,197	155,197
Common equity	2,570,652	2,654,059	2,633,004	2,661,965	2,670,460	2,862,877	2,823,283
Total capital	4,486,288	4,685,820	5,026,704	5,313,427	5,682,551	6,246,976	6,334,858
Total debt	39.2%	40.0%	44.5%	47.0%	50.3%	51.7%	53.0%
Preferred stock	3.5%	3.3%	3.1%	2.9%	2.7%	2.5%	2.4%
Common equity	57.3%	56.6%	52.4%	50.1%	47.0%	45.8%	44.6%
Total capital							
Debt/EBITDA	1.85	1.95	2.61	2.95	3.48	4.08	4.02