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July 9, 2002

VIA HAND DELIVERY

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
200 Madison Street, Suite 100
Jefferson City, MO 65101

Ameren

Re: MPSC Case No. EC-2002-1

Dear Mr. Roberts:

Enclosed for filing on behalf of Union Electric Company, d/b/a AmerenUE, in the above matter, please find an original and eight (8) copies of its Request to Late-File Additional Evidence.

Kindly acknowledge receipt of this filing by stamping a copy of the enclosed letter and returning it to me in the enclosed self-addressed envelope.

Very truly yours,

Thomas M. Byrne

Thomas M. Byrne
Associate General Counsel

TMB/bb
Enclosures

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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

UNION ELECTRIC COMPANY'S REQUEST
TO LATE-FILE ADDITIONAL EVIDENCE

COMES NOW Union Electric Company ("UE" or "Company"), and in support of the above-referenced request, states as follows:

1. The quintessential issue in this proceeding involves a policy matter of proper focus for this Commission. Staff's focus is on the short-term, intended to drive rates to their lowest possible point for today without regard to the long-term financial strength or viability of the Company. The Company's focus is medium to long-term and is intended to ensure a financially viable Company, able to commit to significant infrastructure investments for the future, at a time when its current rates are already low and customer satisfaction is high.

2. No two issues encompass this difference in focus more succinctly than the parties' respective positions on the appropriate return on equity and depreciation methodology.

3. With respect to allowed return on equity, Staff has recommended a return of 8.91% to 9.91% with a midpoint of 9.41%. This midpoint is between 1 and 3 percentage points lower than the rates of return on equity allowed by other state commissions in the last several

the Rebuttal Testimony of Kathleen C. McShane, a copy of which is attached hereto to as Exhibit 1.)

4. With respect to depreciation methodology, Staff has proposed a far-reaching change in the long-standing methodology that has been consistently approved previously by this Commission for UE. Notwithstanding the fact that the current depreciation methodology permits recovery that is significantly below the median depreciation rates allowed by other state commissions (approximately at the 25th percentile), Staff now seeks to slash the Company's depreciation expense by an approximate $80-$100 million per year. Staff's proposal would place UE's average depreciation rate in the bottom 5th percentile of investor-owned utilities across the country. The end result of Staff's proposal would be to defer these costs to burden future customers while depriving the Company of much needed cash flows precisely at the time that these monies could be used to fund the Company's significantly increased infrastructure requirements. (See, Rebuttal Testimony of Warner L. Baxter, pp. 49-53 and accompanying Appendices A-13 and A-14 attached hereto as Exhibits 2 and 3.)

5. There can be no doubt of the financial impact of Staff's proposed rate reductions on UE. All three of the major credit reporting agencies (Fitch, Standard & Poor's and Moody's) have placed the Company on credit watch or negative outlook as a result of Staff's rate reduction proposal. (See, Rebuttal Testimony of Warner L. Baxter, at pp. 32-34 and accompanying credit agency quotations attached hereto as Exhibit 4.) Credit downgrades would, without question, result in significantly higher borrowing costs and could put the Company in default under the terms of its commercial paper program. In addition, reduced cash flows mean that the money necessary to finance the majority of UE's current infrastructure needs would have to be raised through the issuance of new debt. As indicated by Moody's, Staff's rate reduction would also

impair the Company's ability to cover both its interest and dividend payments at their current levels. (Id. at 34-35.)

6. Despite the foregoing, Staff continues to ignore the implications of its proposal. Staff's return on equity witness Bible refuses to even recognize the above-referenced credit reports of Fitch and Moody's but, instead, merely notes that Standard & Poor's ("S&P") cites additional factors beyond this complaint case as reasons for this negative outlook. (See, Surrebuttal Testimony of Ronald L. Bible, at pp. 36-41.) Despite the express statements of the credit rating agencies to the contrary (See, Exhibit 4), Mr. Bible claims that Staff's complaint is not the cause of the agencies' actions. (Id. at p. 38.)

7. As of July 2, 2002, there can be no doubt of the implications of Staff's proposals. On that date, S&P reduced Empire District Electric Company's credit rating a full two notches from "A-" to "BBB", citing the Missouri regulatory environment which has led to low allowed returns on equity and low plant depreciation allowances. [1] The credit report is attached hereto as Exhibit 5. It provides:

> The rating action on energy provider EDE reflects a downward trend in the company's financial profile that was not adequately stemmed in recent regulatory actions. Roughly 80% of EDE's revenues are derived in Missouri, where the regulatory environment is marked by relatively low allowed ROEs, low plant depreciation allowances, and the lack of a permanent fuel adjustment clause to help shield the company from its markedly increased dependence on natural gas. (emphasis added)

S&P goes on to explain that Empire District will attempt to remedy its current situation through continued reductions in capital spending.

[1] It should be noted that Empire District, unlike UE, was recently permitted a rate increase of approximately $17.1 million in its Missouri regulatory proceedings. (See, Report and Order issued September 20, 2001 in Case No. ER-2001-299.) Empire has since filed a rate proceeding seeking another rate increase of approximately $19.8 million.

8. Although Staff and other intervenors may seek to interject other reasons for Empire District's credit downgrade, clearly such speculation is irrelevant. It is S&P alone that performed the credit analysis which has resulted in the Empire District downgrade. Accordingly, only those reasons proffered by S&P are relevant to its analysis and resulting downgrade. (See, Exhibit 5.)

9. For the foregoing reasons, the S&P Credit Report, attached hereto as Exhibit 5, is relevant to the Commission's consideration of this case. Since the Credit Report was only first issued on July 2, 2002, long after the filing of UE's written testimony in this proceeding, it would have been impossible for the Company to file it with its Rebuttal or Surrebuttal Testimony. Accordingly, the Commission should now allow the Credit Report to be admitted into evidence in this proceeding. [2]

WHEREFORE, Union Electric Company respectfully requests that this Commission admit into evidence the S&P Credit Report on Empire District, or any portion thereof, which is attached hereto as Exhibit 5.

[2] Company witness Warner L. Baxter will sponsor Exhibit 5 and be available for cross-examination concerning the exhibit.

Respectfully submitted,

UNION ELECTRIC COMPANY
d/b/a AmerenUE

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DATED: July 8, 2002

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was served via electronic mail and first class U.S. mail, postage prepaid, on this 9th day of July, 2002, on the following parties of record:

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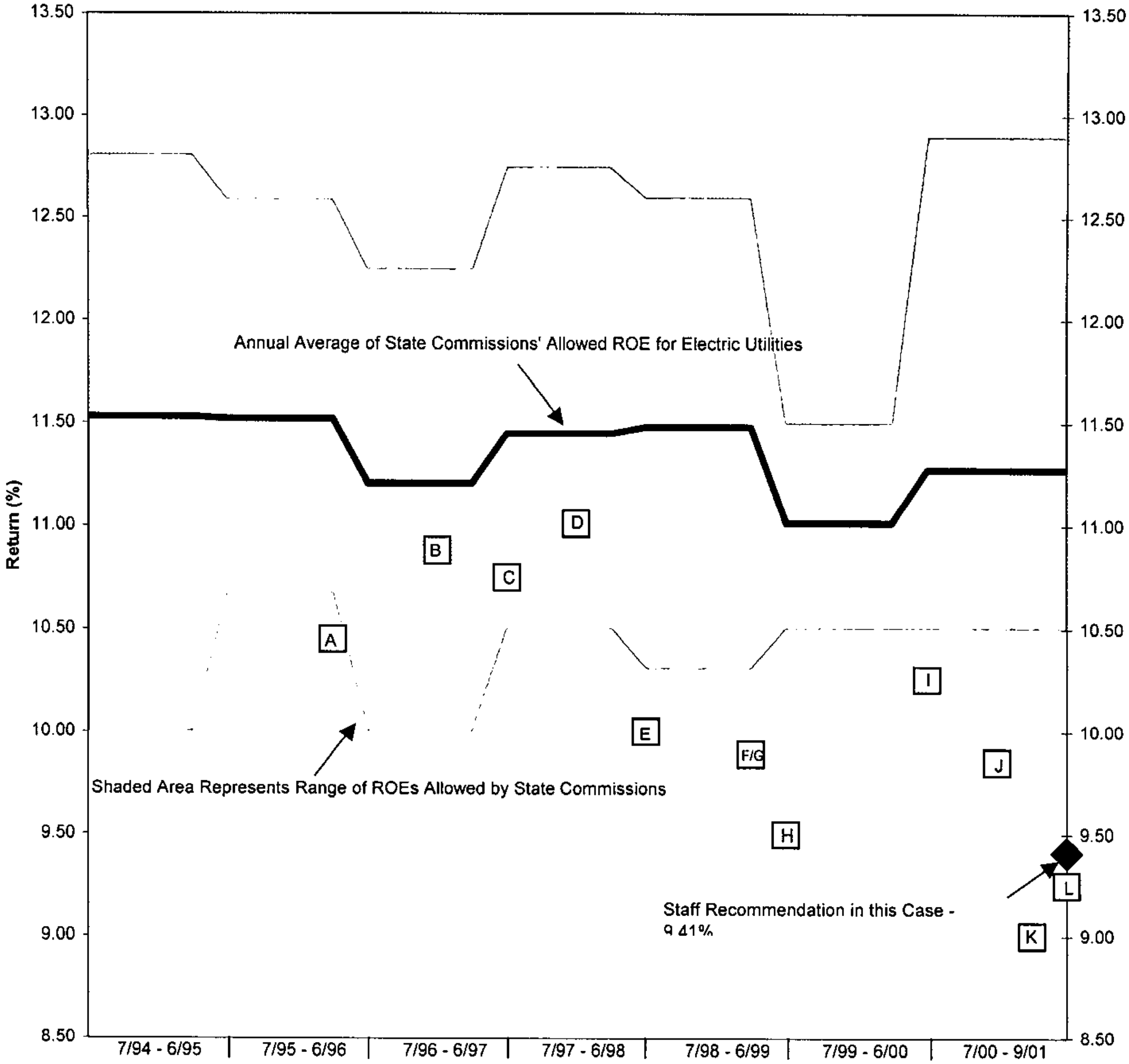
Comparison of Allowed Returns on Equity
(MPSC Staff Recommendations Compared to State Commissions' Orders)



Staff ROE Recommendations

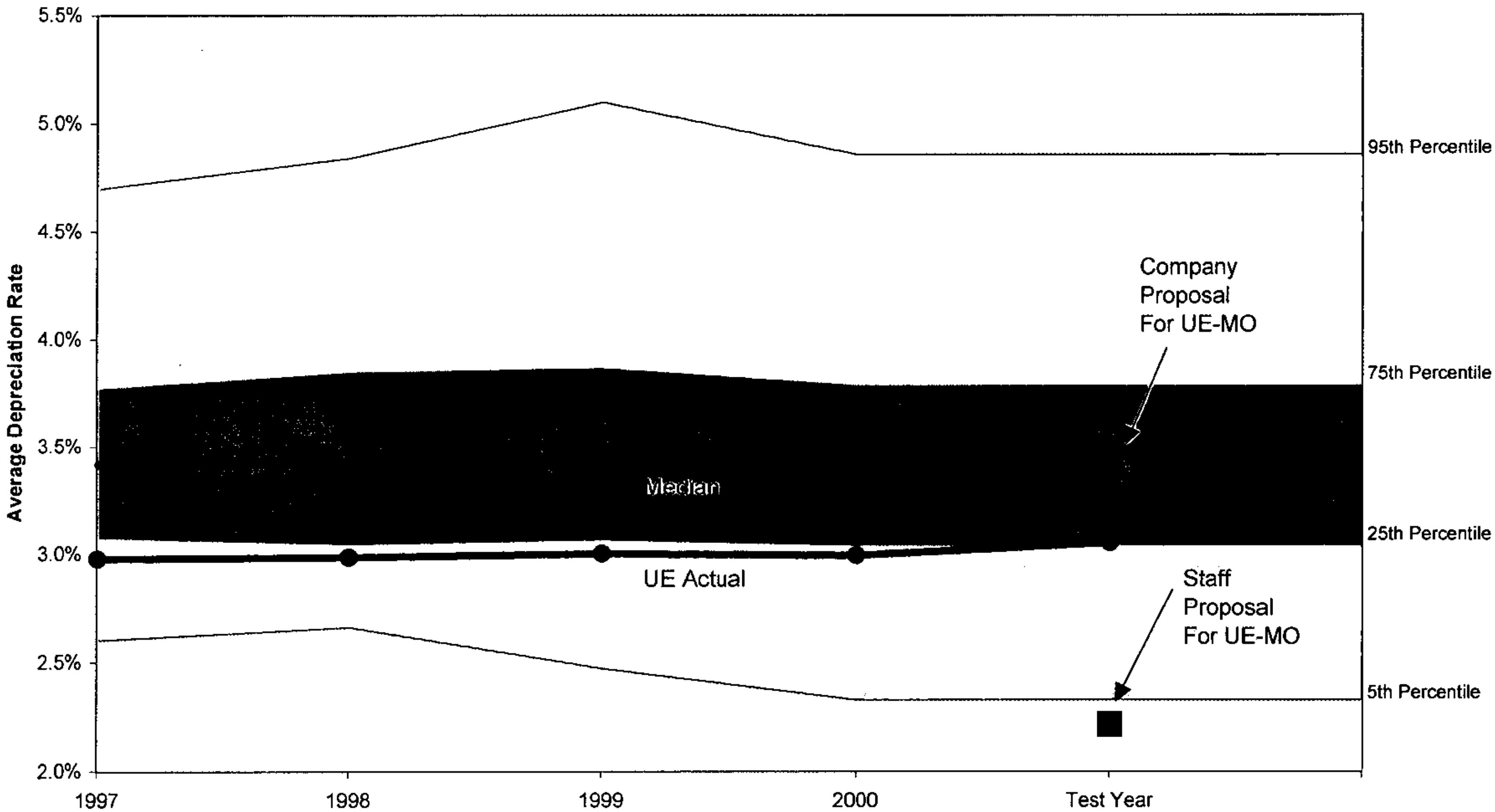
A - Broadwater - GR-96-193 - Laclede (1996) - 10.45%
B - Broadwater - ER-97-81 - EDE (1997) - 10.88%
C - Hill - ER-97-394 - MPS (1997) - 10.75%
D - Bible - GR-98-140 - Missouri Gas (1998) - 11.01%
E - Broadwater - GR-98-374 - Laclede (1998) - 10%
F - Bible - GR-99-246 - SJLP (1999) - 9.89%
G - Bible - ER-99-247 - SJLP (1999) - 9.89%
H - Broadwater - GR-99-315 - Laclede (1999) - 9.5%
I - McKiddy - GR-2000-512 - AmerenUE (2000) - 10.25%
J - Murray - GR-2001-292 - Missouri Gas (2001) - 9.85%
K - McKiddy - ER-2001-299 - EDE (2001) - 9%
L - McKiddy - GR-2001-620 - Laclede (2001) - 9.25%

Note:
Allowed ROE statistics for 2001 do not include MPSC's September 21st decision allowing a 10.00% ROE for Empire District Electric.

Source: Regulatory Research Associates, Inc., Regulatory Focus, Major Rate Case Decisions: Janurary 1990-December 2000, January 2001 and Major Rate Case Decisions - January - September 2001, October 2001.

Exhibit 1

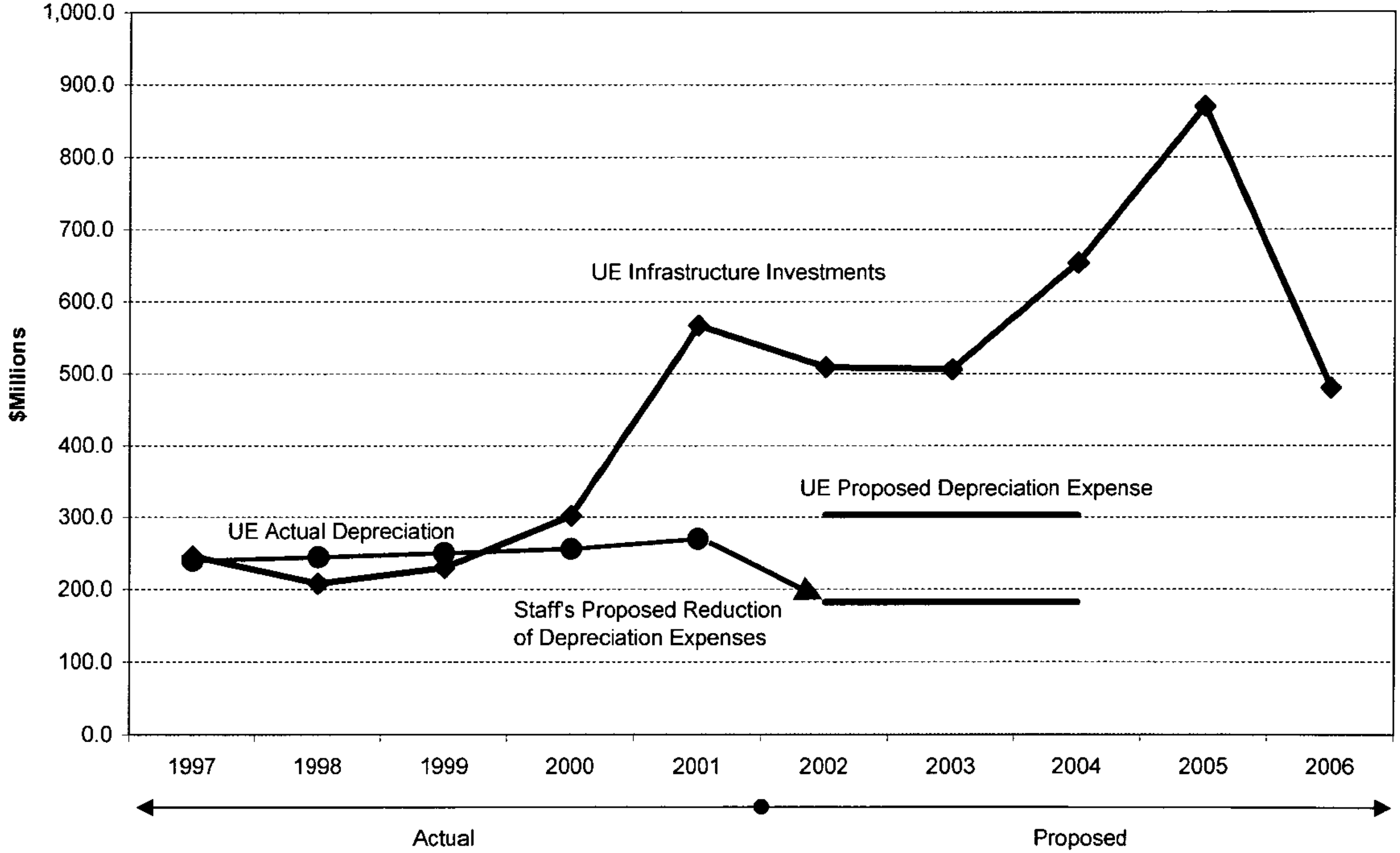
Schedule 13-1: Average Depreciation Rate for Investor-Owned Utilities (Depreciation & Amortization Expense / Gross Plant Value) Total Plant



Sources:
Median, Percentile, and UE Actual, 1997 - 2000: UDI.
UE Actual Test Year and Company Proposal: AmerenUE.
Staff Proposal: Staff Schedule 5.

Exhibit 2

Schedule 7-1: AmerenUE Infrastructure Investment vs. Depreciation & Amortization Expense Total



Notes:
2001 UE actual depreciation expense is for the Test Year.
All infrastructure investments and depreciation expenses include Illinois and Iowa plant.

Sources:
UE Actual Depreciation Expense 1997 - 2000: UDI.
All Other Data: AmerenUE.

Exhibit 3

The Rating Outlook is changed to Negative from Stable. Ameren Corporation is a holding company that derives its credit strength from the cash flow of its regulated utility subsidiaries AmerenUE and AmerenCIPS.... The Negative Rating Outlook for both [UE and Ameren Corp.] reflects the potential rate reduction at AmerenUE, which is Ameren's largest subsidiary and accounts for roughly 70% of operating income.... It would be difficult for AmerenUE to offset any rate reduction, since the company has already substantially reduced expenses. (Fitch Rates Ameren Notes 'A+'; Rating Outlook Negative for Ameren and AmerenUE, December 07, 2001 [emphasis added]).

Moody's Investors Service assigned negative outlooks to its long term ratings of Union Electric Company (AmerenUE) and Ameren Corporation ... in response to the Missouri Public Service Commission's (MPSC) July 2nd staff filing which, if implemented, could reduce AmerenUE's annual revenues between $214 million and $250 million. ...

A $214 million to $250 million annual revenue reduction will considerably reduce AmerenUE's financial flexibility. In 2000, the company's ... funds from operations minus capital expenditures was only $292 million. A $214 million to $250 million revenue reduction in 2000 ... would therefore have significantly reduced the company's free cash flow for any additional working capital and capital expenditure needs. Moody's believes the reduction would, to the same significant extent, affect the company's cash flows going forward. ...

Moody's projects that a $214 million to $250 million AmerenUE revenue reduction [would] impair Ameren Corporation's ability to cover both its interest and dividend payments at their current levels. ("Moody's Assigns Negative Outlooks to AmerenUE and Ameren Corporation," Moody's Investor Service, *Global Credit Research*, July 12, 2001, [emphasis added].)

Standard & Poor's revised its credit outlook for Ameren Corp. ... and its Subsidiaries ... to negative from stable. The outlook change reflects the company's eroding consolidated financial profile that just last year was robust for current ratings. Potentially significant electric rate reductions at UE, lower forward energy prices, additional financing requirements for installation of a block of combustion turbines, and higher operating expenses will pressure cash flow, earnings protection measures, and capital structure." ("Ameren Corp. Outlook Revised to Negative," Standard & Poor's, *Credit Profile*, Oct. 5, 2001 [emphasis added]).

Exhibit 4

Ratings On Empire District Electric Co. Lowered To 'BBB'; Outlook Stable

Todd A Shipman, CFA, New York (1) 212-438-7676; Craig Hauret, New York (1) 212-438-7938

Summary analysis -- Empire District Electric Co. ---------------- 02-Jul-2002

CREDIT RATING: BBB/Stable/A-2	Country: United States
	State/Province: Missouri
	Primary SIC: Electric Services
	Mult. CUSIP6: 291641

Credit Rating History:

	Local currency	Foreign currency
02-Jul-2002	BBB/A-2	BBB/A-2
20-May-1994	A-/A-2	A-/A-2

Rationale

On July 2, Standard & Poor's lowered its corporate credit rating on Joplin, Mo.-based Empire District Electric Co. (EDE) to 'BBB' from 'A-'. The rating on the company's commercial paper program remains at A-2. The outlook was revised to stable from negative.

The rating action on energy provider EDE reflects a downward trend in the company's financial profile that was not adequately stemmed in recent regulatory actions. Roughly 80% of EDE's revenues are derived in Missouri, where the regulatory environment is marked by relatively low allowed ROEs, low plant depreciation allowances, and the lack of a permanent fuel adjustment clause to help shield the company from its markedly increased dependence on natural gas. While the temporary fuel and purchased-power mechanism now in place in Missouri helps to mitigate potential volatility in energy prices through 2003, Standard & Poor's is concerned about future regulatory policy regarding the timely recovery of prudently incurred fuel and purchased-power expenses.

EDE has an average business profile, and a financial position (adjusted for purchased power obligations) that is marginally adequate for the new rating. The business profile is supported by a healthy service area with limited industrial concentration, negligible unregulated activities, and a credit-quality conscious management. In addition to the aforementioned regulatory environment, concerns include EDE's reliance on the Asbury coal plant, illustrated by the company's poor financial performance in 2001 during which the plant experienced extended maintenance. This dependence will diminish as more capacity comes on line through 2004, but Asbury will still provide a significant amount of generation. Furthermore, Nox compliance issues at the plant will affect the company's operating and financial risks going forward.

Continued reductions in capital spending (outside of expansion) and cost controls are leading to improved earnings protection. Rates are higher, but EDE will remain competitive in the region. In addition, the other principal financial measures are expected to fall in line with levels suitable for the established risk profile at the 'BBB' level: funds from operations (FFO) to debt at 20%, FFO coverage at 3.5 times, and debt to capital at 53%.

Outlook

The stable outlook assumes reasonable regulatory response in future rate proceedings, manageable environmental compliance costs that are recoverable through rates, and the continued improvement in risk management of the company's generation fleet, fuel procurement, and purchased-power needs.

Ratings List

Empire District Electric Co.	
Corporate credit rating	BBB/Stable/A-2

A complete list of the ratings is available to RatingsDirect subscribers at www.ratingsdirect.com, as well as on Standard & Poor's public Web site at www.standardandpoors.com under Ratings Actions/Newly Released Ratings.

For a complete list of ratings, please click the hyperlink provided here
http://www.rtr.standardandpoors.com/NASApp/rtr/InitialRtrServlet