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UNION ELECTRIC

Donald F. Schnell
Senior Vice President
Nuclear

March 12, 1990

U. S. Nuclear Regulatory Commission
Attn: Document Control Desk
Mail Station P1-137
Washington, D.C. 20555

Gentlemen: ULNRC-2175

DOCKET NUMBER 50-483
CALLAWAY PLANT
ANNUAL FINANCIAL REPORT

Transmitted herewith are twenty-five (25) copies of the Union Electric Company 1989 Annual Report. This information is submitted in accordance with 10CFR 50.71(b).

Very truly yours,

Donald F. Schnell

Donald F. Schnell

JMC/kac

Enclosures

A004
1/25

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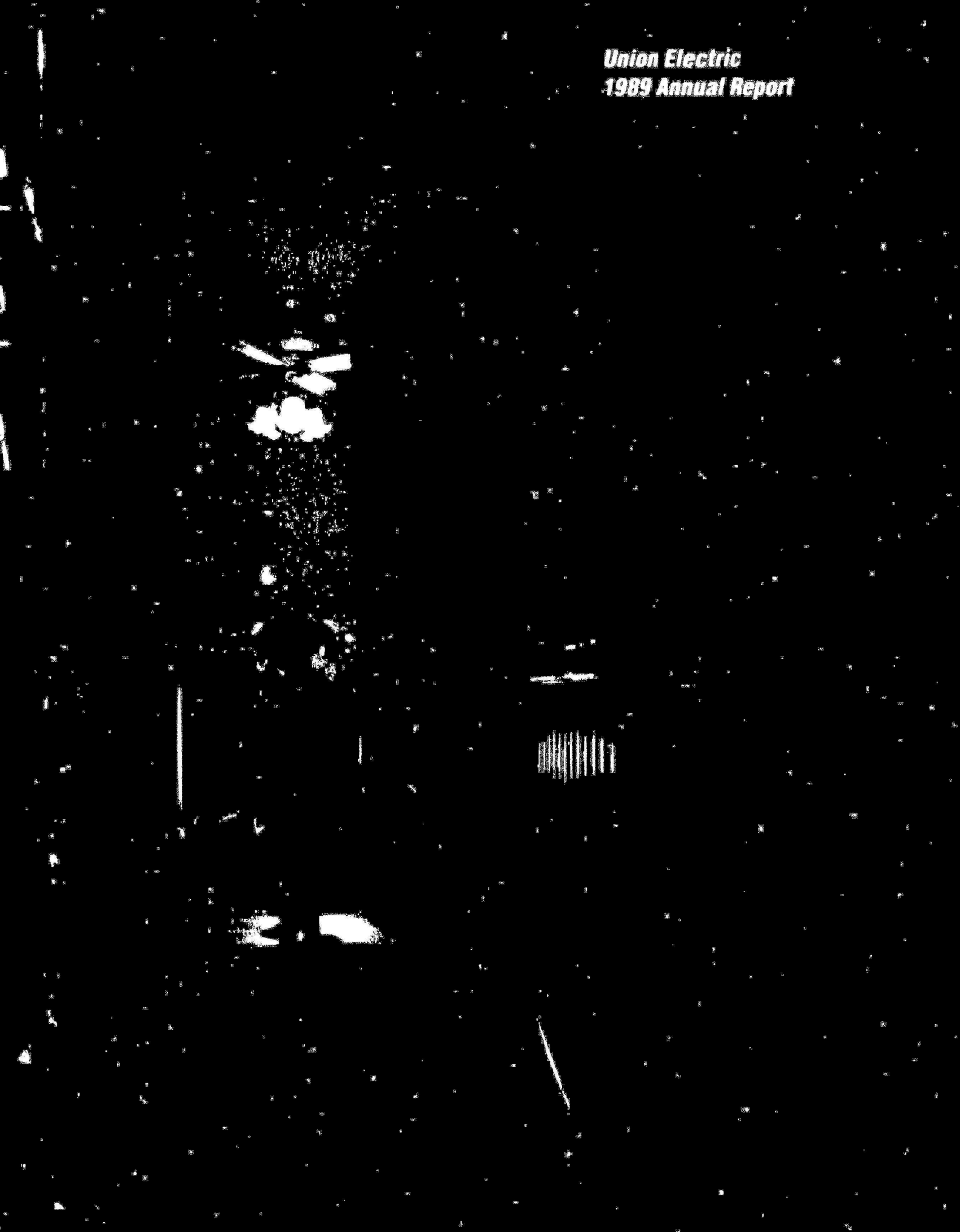
Union Electric
1989 Annual Report



Statement of Policy

We are a business enterprise dependent for success on the high quality and fair price of our service; on the skill, courtesy, and loyalty of our employees; on the confidence of our investors; and on the ability of our management to forecast and provide for the energy requirements of our area.

In the conduct of our business, we will render service of the highest quality to our customers promptly, courteously, and efficiently at the lowest prices consistent with paying fair wages and affording job satisfaction and security to our employees; providing modern facilities for our customers' expanding needs for energy services; and paying a fair return to our investors who have provided the funds to make such service possible.

As a private enterprise entrusted with an essential public service, we recognize our civic responsibility in the communities we serve. We shall strive to advance the growth and welfare of these communities and shall participate in civic activities which fulfill that goal . . . for we believe this is both good citizenship and good business.

Contents

On the Cover

Electricity is vital to all of us – where we live and where we work – for communication and recreation, in our schools and in our hospitals. But it is so reliable most customers take it for granted. Behind the scenes the men and women of Union Electric make it happen, 24 hours a day, 365 days a year.

Annual Meeting

The Annual Meeting of Stockholders will commence at 10 a.m. Tuesday, April 24, 1990, at Powell Symphony Hall, 718 North Grand, St. Louis, Missouri.

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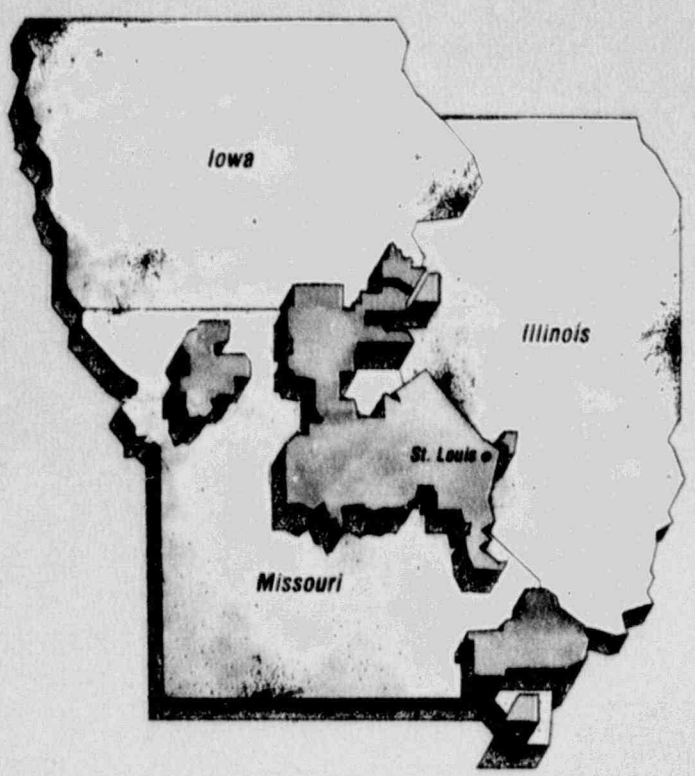
Highlights

	Year Ended December 31, 1989	Annual Change: Current Year	Annual Change: 10-Year Rate of Growth
Earnings per Average Common Share	$2.61	2.0%	4.2%
Dividends per Common Share	$2.02	4.1	3.4
Common Stock Price – Year End	$28 5/8	18.7	9.1
Book Value per Common Share	$19.14	3.1	1.9
Property and Plant (gross)	$7,309,963,000	2.6	7.2
Total Operating Revenues	$2,010,306,000	(.9)	7.8
Total Kilowatt-Hour Sales	30,145,951,000	.4	2.4
Residential Kilowatt-Hour Sales	9,723,850,000	(2.3)	2.6
Commercial Kilowatt-Hour Sales	10,142,002,000	1.3	4.6
Industrial Kilowatt-Hour Sales	8,604,546,000	2.2	.9



Company Profile

Union Electric is a utility company, primarily engaged in supplying electric service to more than one million customers in the strategic center of America – a 24,000 square mile area in Missouri, Illinois, and Iowa, which includes the Metropolitan St. Louis area.

□ *Service Area*

To Our Stockholders:

Common stock earnings for 1989 were $2.61 per share compared with $2.56 for 1988 despite slightly lower operating revenues and a 10-cent per share charge against earnings attributable to nonrecurring items in the first quarter of 1989, including the write-off of the canceled second unit of our Callaway Plant.

Summer temperatures were very mild following an abnormally hot summer in 1988. As a result, residential sales were down 2.3 percent and commercial sales grew only 1.3 percent. Sales to our industrial customers, which are not so weather sensitive, were up a strong 2.2 percent.

Our peak demand for the summer of 1989 was 7.21 million kilowatts, compared to the all-time record peak demand of 7.34 million kilowatts set in 1988. Our December demand for power set a new winter record of 6.38 million kilowatts, or 15 percent above the winter peak the previous year.

We continued to meet our goal of reducing costs through improved productivity. For example, our production cost per kilowatt-hour was down three percent from 1988. This followed a decrease of six percent in production costs a year earlier.

Increased Dividend

In the fourth quarter, we increased the quarterly common stock dividend two cents per share, resulting in an annual dividend rate of $2.08 per share. We have increased the dividend rate in four of the last five years.

Looking to the future, we are confident that we can continue to improve earnings performance through productivity increases and cost control. Two primary forces will enable us to continue to improve performance. First is a management style that encourages individual initiative and a commitment to quality in everything we do. Second is utilization of the latest technology, such as the new distribution monitoring system we are installing that will be one of the most sophisticated in the U.S.

We feel a sense of urgency in achieving additional operating efficiencies. This urgency stems from our belief that competition will increase in the 1990s and beyond. Competition will come from four sources: utilities with excess generating capacity, selling power at any price they can get above their incremental production cost; rural electric co-ops, competing for both industrial and residential customers; industrial customers with cogeneration potential; and independent power producers.

Most of these competitors are unregulated, and some are subsidized by taxpayers. So, obviously, they have an advantage. Just as obviously, our customers aren't influenced by regulatory or other differences. They simply want the best price, best quality and best service available. We intend to be our customers' energy company of choice through across-the-board leadership in price, quality and service.

Acid Rain Legislation

Another issue — acid rain legislation — now appears close to resolution. Let me be clear. Union Electric actively supports clean air. We have virtually eliminated the ash that used to come from our stacks, and we have reduced sulfur dioxide emissions by one third since the mid-1970s.

While we support further reductions in sulfur dioxide emissions, legislation drafted by the Environmental Protection Agency and introduced in Congress distorts the principles of fairness and flexibility that were said by President Bush to be the cornerstone of his environmental policy.

As I testified on behalf of the industry last year before the U.S. Senate, if this legislation passes, the national cost to utility customers will be at least $5.5 billion annually. That will increase to about $7 billion in the year 2000 when the second phase of proposed emission caps would take effect. While we agree that cleaner air is important, so too is the strength of our economy and the ability to compete in world markets.

Discourages Coal Use

Aside from its enormous cost, the acid rain legislation proposed by the Administration also will have a profound effect on our nation's future energy supply. It will discourage the use of coal, our country's most abundant energy resource. The

only alternatives are gas and oil — which cost far more than coal and mean increased dependence on foreign supply — and nuclear. Given the current political climate and the need for substantial changes in the way nuclear plants are licensed, it will be years before additional nuclear plants come on line.

Achieving Goals at Less Cost

The fact is, we can achieve responsible — even aggressive — environmental goals at far less cost than required by this legislation and still preserve the option of using coal. Our research has indicated, for example, that we could achieve a 70 percent reduction in sulfur dioxide emissions at about half the cost of the 78 percent reduction required by legislation now before Congress. That difference would amount to $150 million in annual savings for Union Electric customers. Applied nationally, the savings would be several billion dollars each year.

We are confident that the U.S. public doesn't realize the tremendous costs and far-reaching consequences of the proposed legislation. We will continue to argue for a rational and cost-effective resolution of this issue.

Board of Directors

At the 1989 Stockholders' Meeting, Thomas A. Hays, president of The May Department Stores Company, a nationwide retailing organization, was elected a director of Union Electric. In July, Stewart W. Smith, Jr., vice chairman, retired as an employee of the Company. He continues to serve as a member of the Company's Board of Directors. In January 1990, we were saddened by the death of Neal J. Farrell, retired president and chief operating officer of Mercantile Bancorporation, Inc., and a director of Union Electric since 1987.

Our Commitment

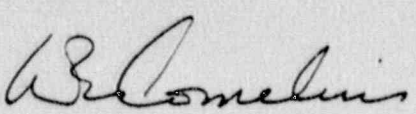
More than a century has passed since Thomas Edison invented the incandescent lamp. But even in those early days of electricity, the inventor's vision was far-reaching. Edison predicted, "We will make electricity so cheap that only the rich will be able to burn candles."

William E. Cornelius

Clearly, Union Electric and our sister electric companies long ago made good on Edison's prediction. Our electrical system is a critical part of our infrastructure and our quality of life, but it's also so dependable and affordable that people take it for granted.

This achievement doesn't mean we can relax. We are responsible to our customers, owners, employees, and others to continue to improve the quality of our service and its cost.

This Annual Report is the story of how the 7,100 men and women of Union Electric pursue this shared commitment — each day. For while our performance has led customers to take our product and service for granted, we do not.



William E. Cornelius
Chairman and Chief Executive Officer

February 5, 1990
St. Louis, Missouri

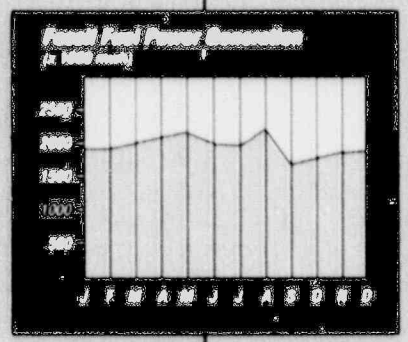
Fossil Fuel Power

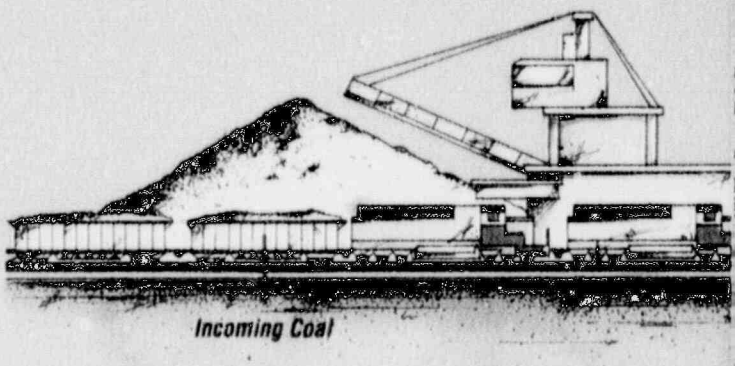
Coal is Union Electric's primary fuel. In 1989, we burned more than 10 million tons of coal, an average of almost 30,000 tons each day, to generate more than 70 percent of our total output. Coal comes direct from mines to our generating plants. Pulverized to talcum powder consistency, coal is fed into boilers up to 16 stories tall. Burning at temperatures of 2800° F., the coal converts water to steam. Steam pressure up to 2400 pounds per square inch drives turbines which spin a generator, producing electricity.

Why use coal over natural gas or oil? In our territory, coal costs about one half as much. So we only use oil or natural gas-fired turbines, similar to jet engines, to provide power for a few peak hours in a typical year.

Coal is less expensive than other fuels because it's more plentiful. The U.S. has an estimated 300 years' supply at current rates of use. However, pending acid rain legislation jeopardizes the most efficient use of coal and, therefore, economical electric rates. Proposed legislation would force us to install chemical treatment scrubbers and switch to more expensive coal supplies by the year 2000. The cost to add scrubbers is estimated at up to $1.5 billion in current dollars. That would increase our rates up to 20 percent. Our research has demonstrated that almost the same result can be achieved for less than half that annual cost by blending low-sulfur coal with the high-sulfur coal currently used. We will continue to press for this more rational and economical course.

Abundant U.S. coal provides more than 70 percent of Union Electric's power. Our 1989 coal bill exceeded $350 million for more than 10 million tons. Producing the same amount of power with natural gas or oil would cost at least twice as much as coal.

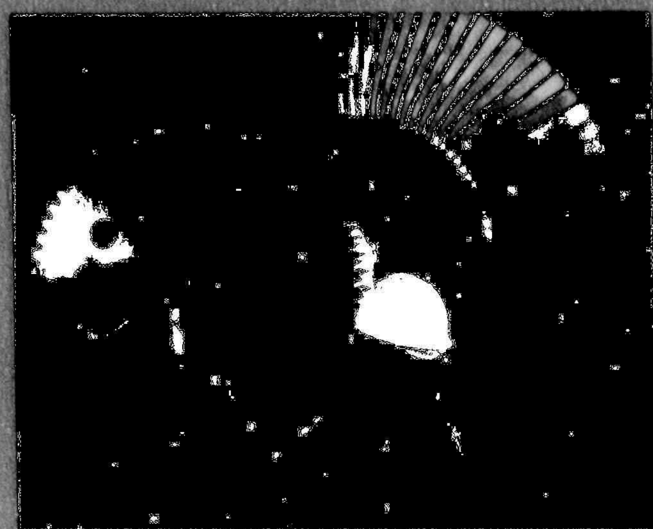




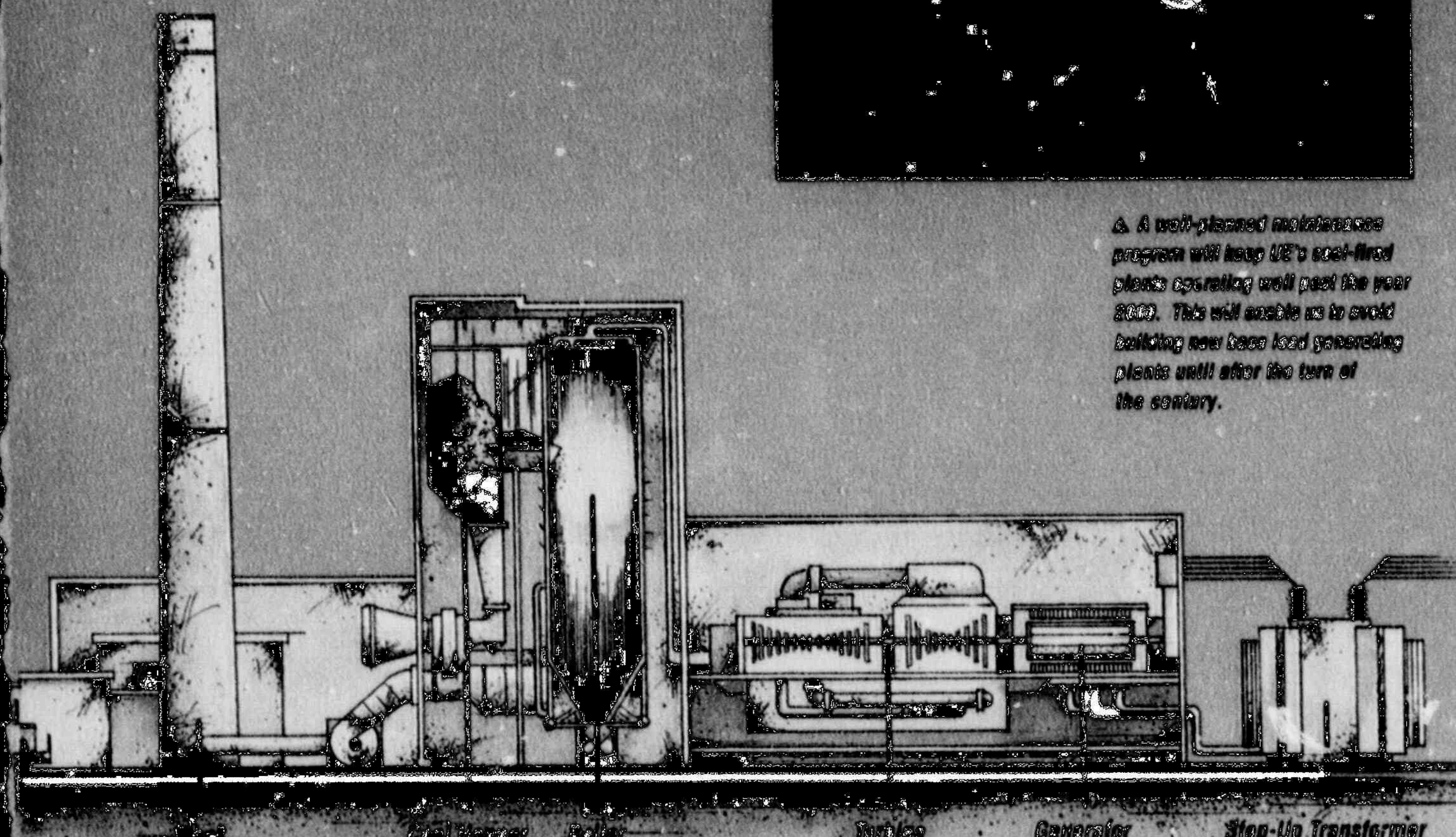
Incoming Coal

▼ Sulfur dioxide emissions have been cut by one third since the mid-1970s. We monitor air quality daily at all plants.

▲ Through technology and training, we produce more electricity today with fewer people. In the last five years, staffing in fossil fuel and hydro operations has declined about 16 percent.



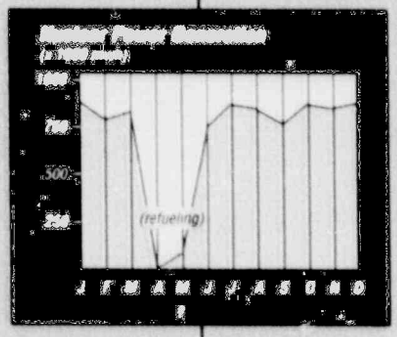
▲ A well-planned maintenance program will keep UE's coal-fired plants operating well past the year 2000. This will enable us to avoid building new base load generating plants until after the turn of the century.



Nuclear Power

Our second largest source of generating power is nuclear energy. While coal-fired plants produce more electricity in total, a single, highly productive nuclear facility — the Callaway Plant — generated 26 percent of all our output in 1989. Indeed, Callaway's 1989 production would have met the needs of our entire system 30 years ago.

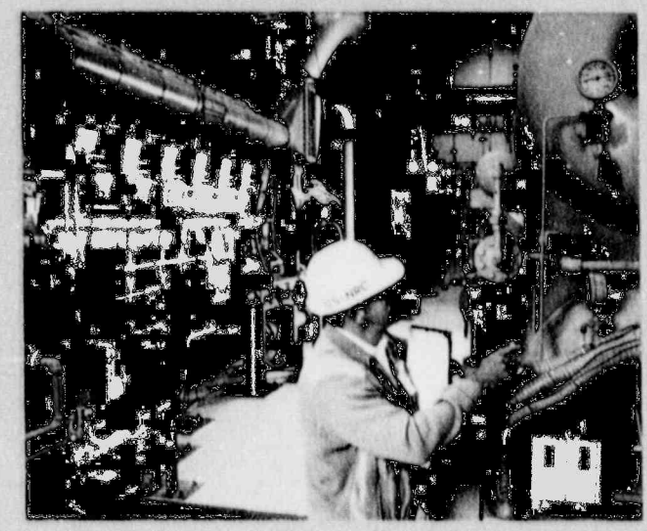
As in a coal-fired plant, Callaway uses steam to produce electricity. But instead of a furnace, Callaway has a nuclear reactor containing a core of nuclear fuel. Controlled splitting of uranium atoms — nuclear fission — produces energy in the form of heat. Because there is no combustion, there are no emissions of the kind produced by burning fossil fuels.



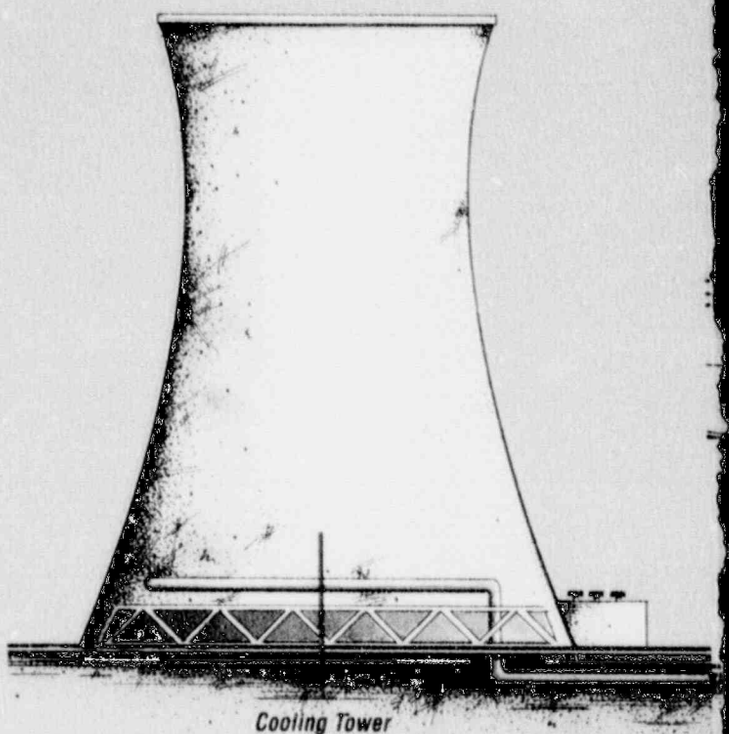
Callaway has set performance records since it went into operation in late 1984. It has become one of the leaders in Nuclear Regulatory Commission performance ratings. In 1989, Callaway achieved new records for power production. It was the national leader for production by a single unit in its first five years of operation.

With 40.8 billion kilowatt-hours of generation, Callaway led all U.S. nuclear units for production from 1985 to 1989. Also, compared with more than 400 nuclear plants worldwide, Callaway was the only U.S. plant to rank among the top 10 in power production.

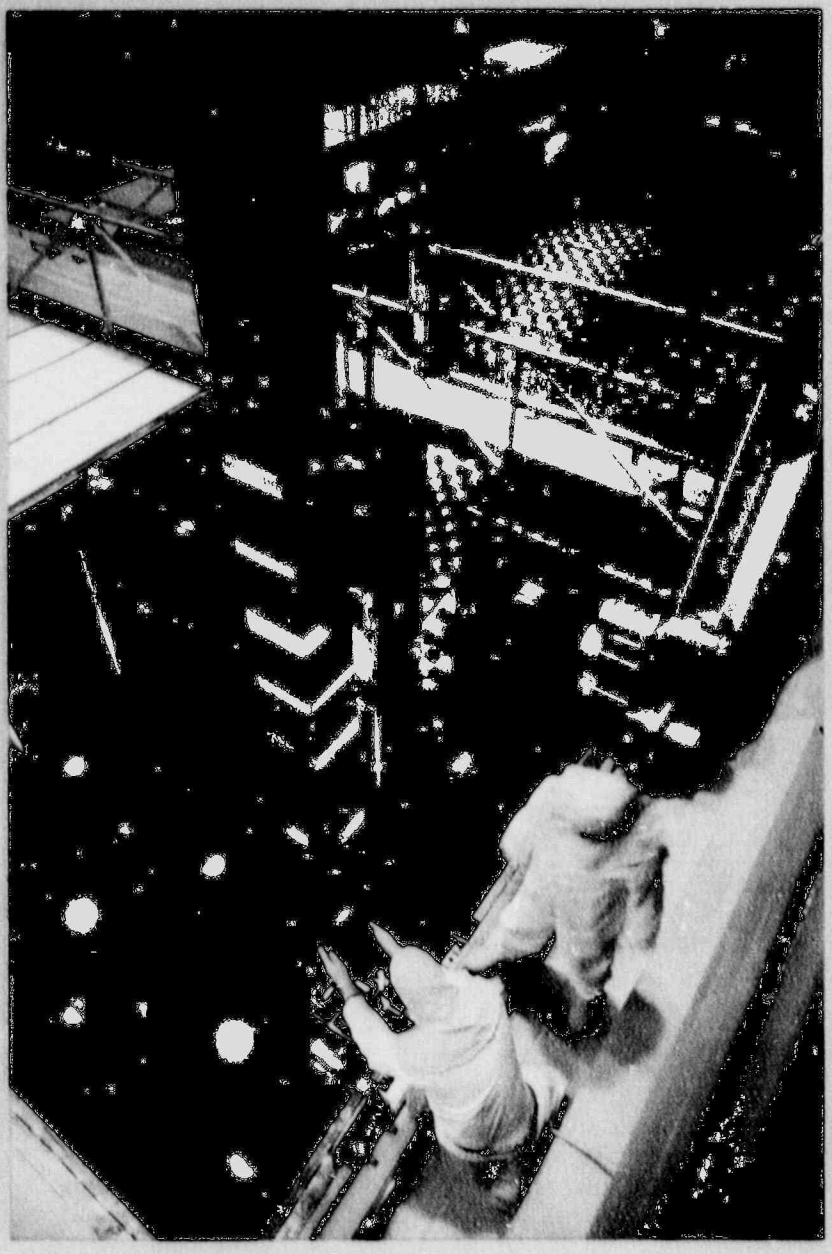
There are many reasons for the excellent performance at Callaway. Two important factors are the ability to manage refueling operations and our success in reducing unplanned service outages. The unit has averaged 57 days for refueling compared to an industry average of more than 100 days for comparable reactors. And Callaway personnel reduced unplanned service outages to only one percent of total operating time last year, compared to an industry median of 4.5 percent.



▲ *Callaway's day-to-day operation is monitored by resident Nuclear Regulatory Commission inspectors. The plant ranks in the top 10 percent of reactors nationwide in overall NRC performance ratings.*

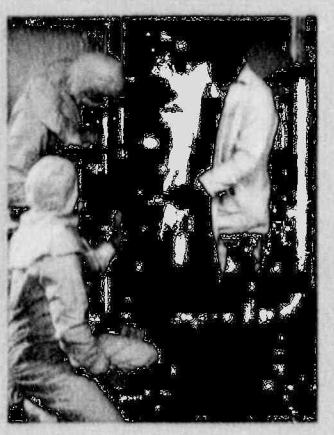


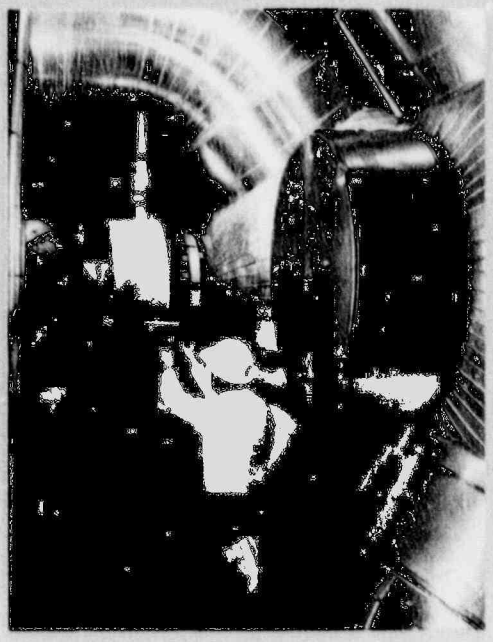
Cooling Tower



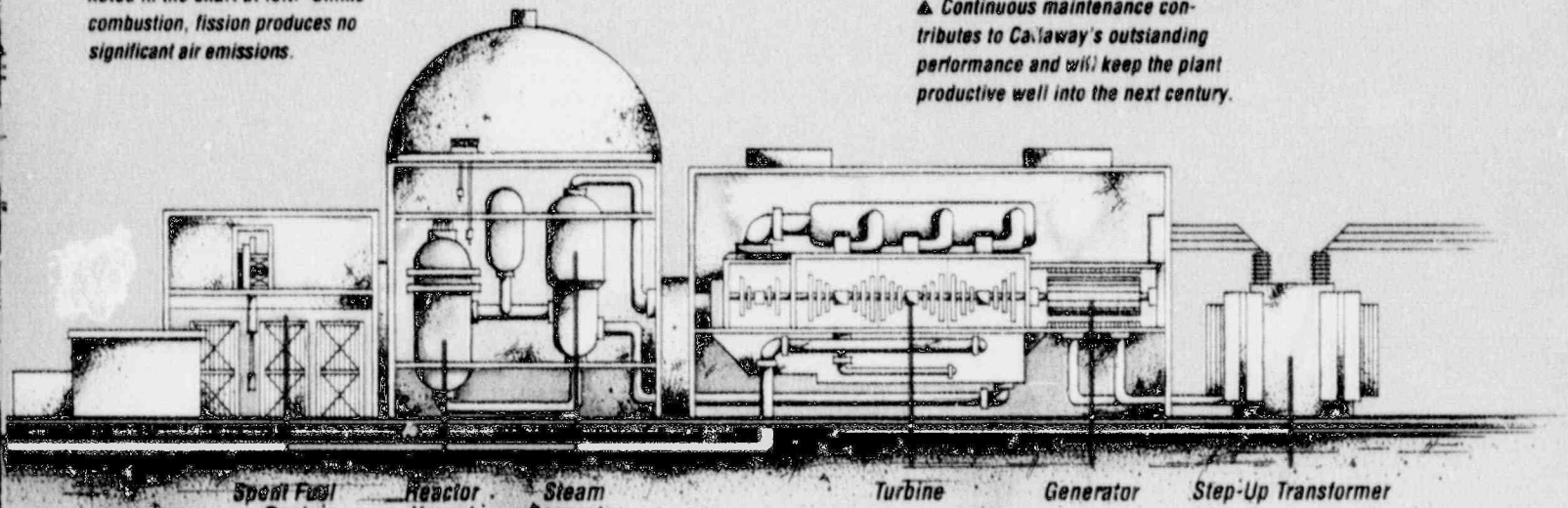
▲ Almost one half of Callaway's fuel is replaced every 18 months. Callaway was off line for refueling last April, causing the production dip noted in the chart at left. Unlike combustion, fission produces no significant air emissions.

▽ Training for all Callaway people is continuous. About 10 percent of employees' work time is devoted to perfecting existing skills and learning new ones.





▲ Continuous maintenance contributes to Callaway's outstanding performance and will keep the plant productive well into the next century.

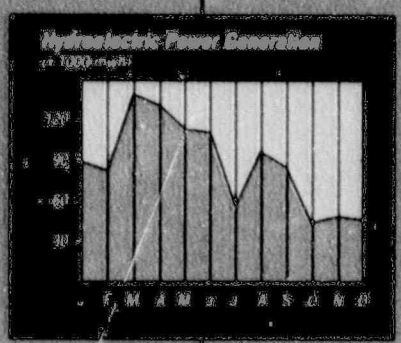


Hydroelectric Power

With hydroelectric power, nature supplies the "fuel" — water. Falling water, from a river or lake, turns water wheels that drive generators.

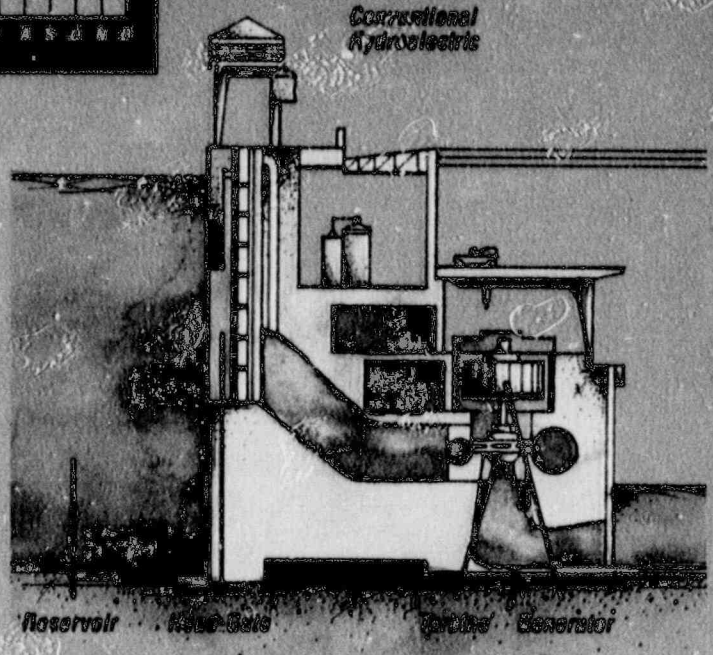
There are two basic kinds of hydro plants. One is conventional hydro, powered by water from a lake or river that flows through a dam's water wheels. The other variety is pumped-storage hydro in which the same water is used over and over. A large volume of water is pumped from a lower reservoir up to a storage area when customer demand is low. Then when needed, the impounded water is released through a tunnel, and the force of its fall drives the generators as it passes through the plant.

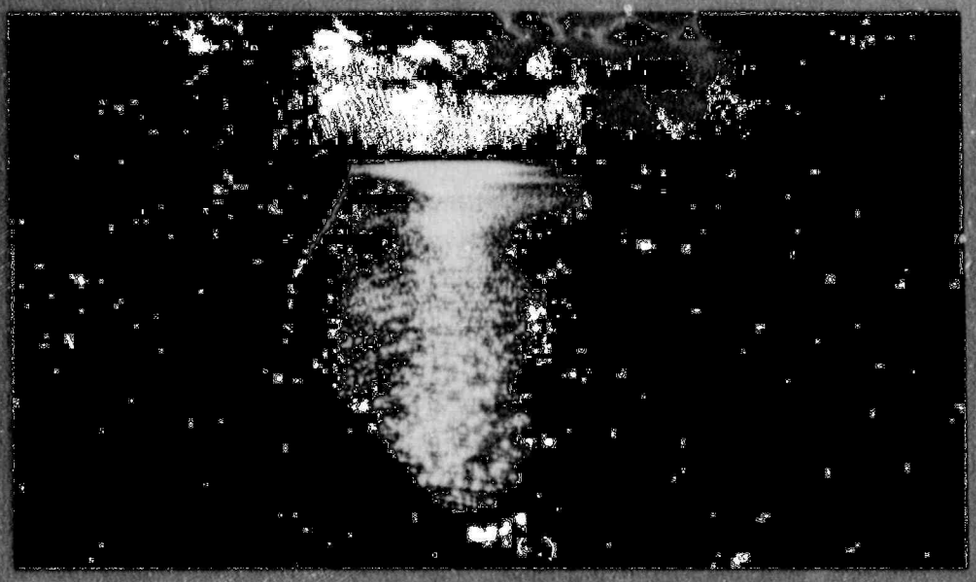
We have two conventional hydro facilities and one pumped-storage plant that, taken together, provide more than 600,000 kilowatts of power. Conventional hydro plants are the Keokuk Plant on the Mississippi River at Keokuk, Iowa, and the Osage Plant at the Lake of the Ozarks. Our pumped-storage facility is the Taum Sauk Plant near Lesterville, Missouri.



Hydroelectric power is subject to constraints. For example, if the level of the Mississippi River is low, all of Keokuk's 15 generators can't be fully utilized. Also, unless peaking power is needed or unless other facilities are out of service, it isn't cost-effective to pump Taum Sauk's 1.4 billion gallons of water through a 7,000-foot tunnel up to the Proffit Mountain reservoir. Still, when conditions are right, our hydro plants represent valuable, strategic assets that few other utilities have. For instance, to replace the Osage facility's 1989 output of 367 million kilowatt-hours with output from oil-fired peaking power generators, would have cost $24 million. The Osage Plant cost $30 million when completed in 1931, and, with continuing maintenance, it will serve our needs, reliably and cost-effectively, for decades to come.

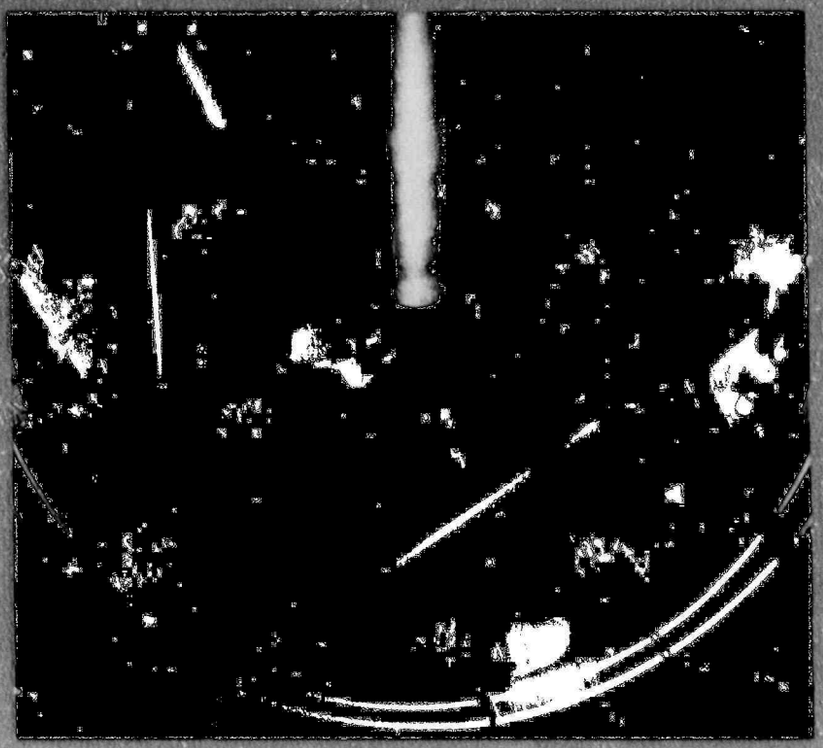
▲ Rising 148 feet above bedrock, Bagnell Dam impounds 662 billion gallons of water. At full capacity, it takes 240,000 gallons of water per second to drive the Osage Plant's eight generators. During 1988, the plant produced enough energy to serve more than 80,000 residential customers.





▲ The upper reservoir at the Taum Sauk Plant holds 1[illegible].4 billion gallons of water. It takes 14 hours to pump water through a more than mile-long tunnel to fill it at maximum capacity, emptying the reservoir takes eight hours and supplies up to 440,000 kilowatts of peaking power.

▲ Formed by US's Bagnell Dam, the 55 square-mile Lake of the Ozarks has become one of Missouri's most popular tourist attractions.



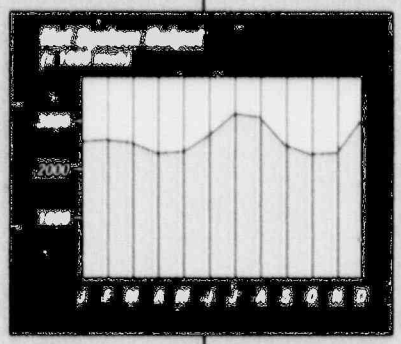
▲ With proper maintenance, Taum Sauk's 150-ton turbines can operate for decades.

Pumped-Storage

Transmission and Distribution

Behind a customer's wall switch, there is a $2.1 billion distribution network monitored every minute of every day by highly-trained people. The diverse network serving our 24,000 square-mile territory includes literally millions of parts, 35,000 miles of distribution lines, more than 700,000 poles, 260,000 transformers, and more than 700 substations. Some network components cost less than a dollar, others cost more than $1 million; some components have been in place for decades, others were installed yesterday.

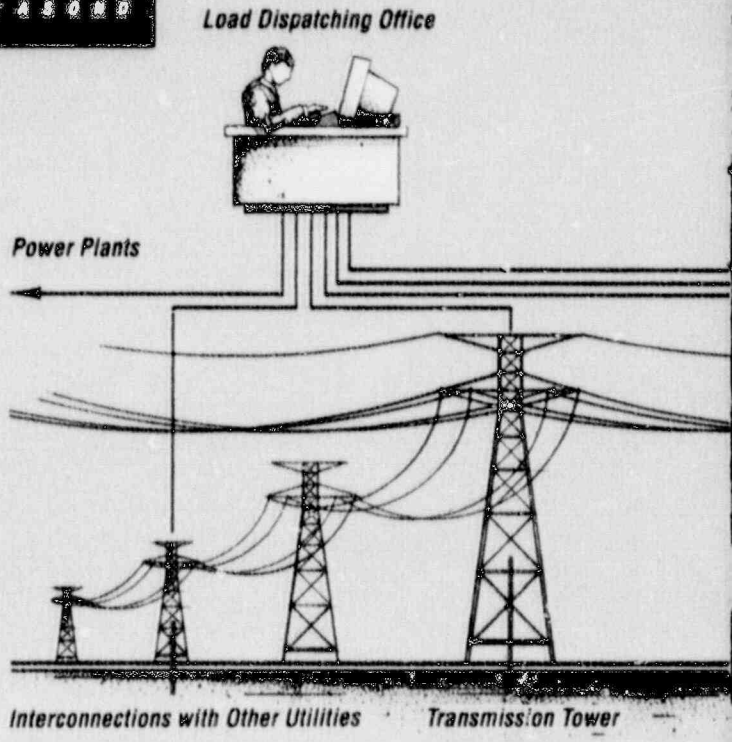
Our transmission and distribution network is dynamic, its facilities are monitored and maintained continuously, and its configuration changes frequently in response to customer needs. For example, growth in downtown St. Louis required expanding downtown distribution capacity more in the 1980s than the previous 40 years combined.



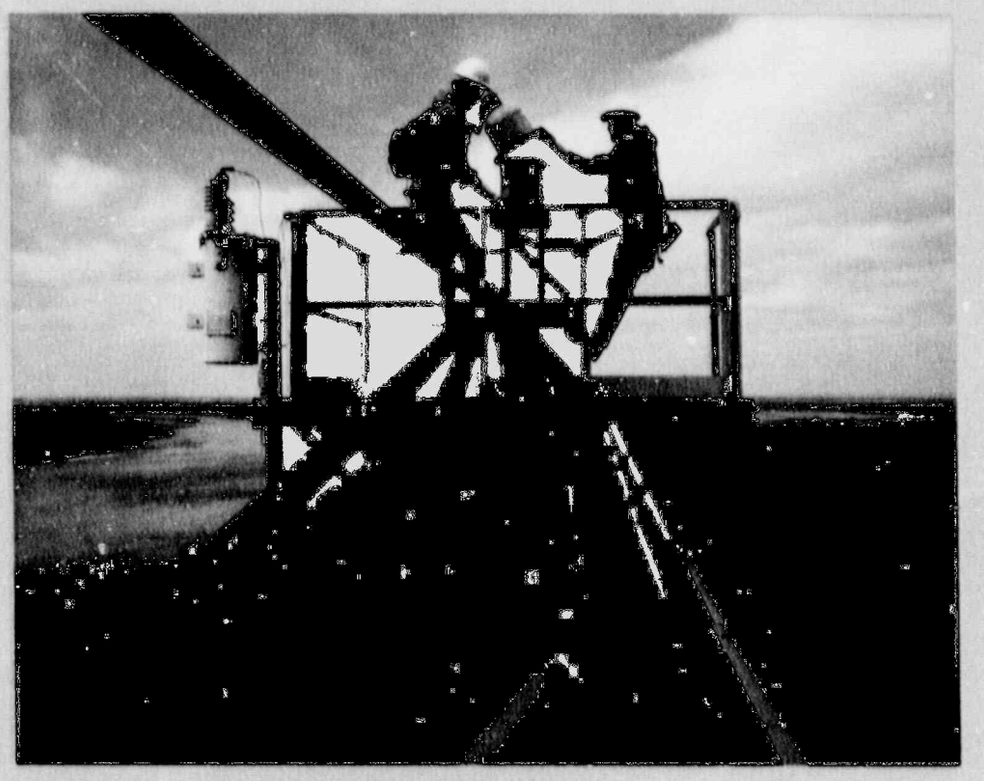
Our ability to manage electricity distribution efficiently is key to earnings and customer service performance. In 1975, we installed our present monitoring system, one of the most sophisticated in the U.S. at that time. We will maintain that leadership with a new state-of-the-art monitoring system that will be fully operational in 1992. Housed in an earthquake-resistant hub, this new system will allow our dispatchers to remotely monitor and operate a substation when an outage occurs. This system, coupled with enhanced radio communications, will increase the use of existing facilities and defer the need for additional capital investment.

From the customer's point of view, a distribution system is effective only when electricity is available. We couldn't agree more. In 1989, the average customer's service was available 99.98 percent of the time.

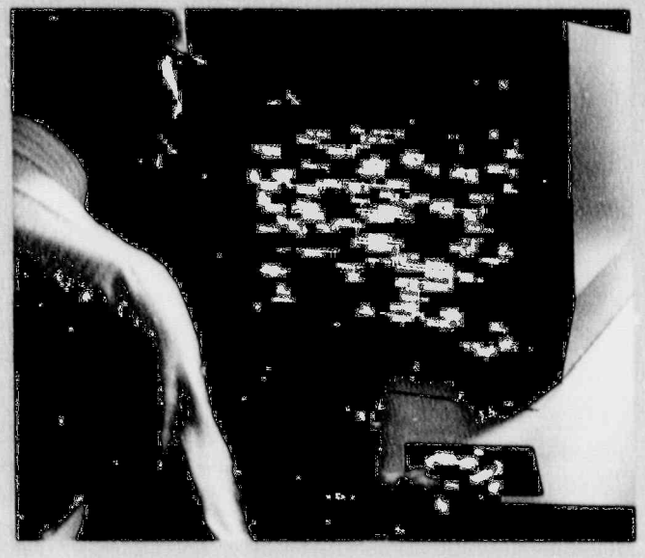
▲ *Load dispatchers respond to customers' energy demands on a minute-to-minute basis, directing power generation within our system and between our system and interconnected companies.*



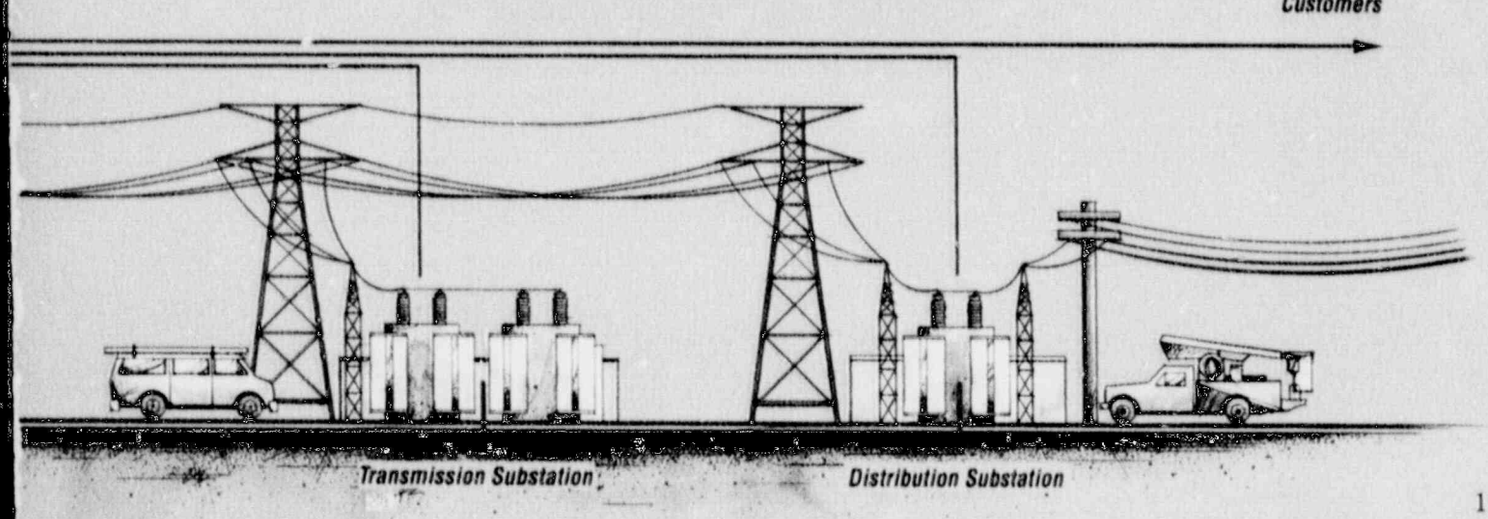
▷ Our $2.1 billion distribution network is constantly maintained and upgraded. Here, 240 feet above the Mississippi River, workers replace an aircraft warning beacon on a tower supporting a 345,000 volt line crossing the river.



△ New equipment, modern technologies, and enhanced employee skills developed in the last decade have enabled us to serve more customers with fewer distribution employees.



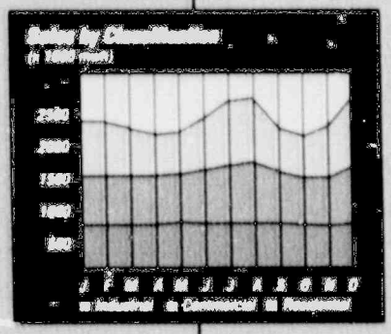
◁ We can access power from several states away through interconnections with other utilities. In 1989, we delivered 3.1 billion kilowatt-hours of power to other utilities and received 3.2 billion kilowatt-hours.



Serving Our Customers

Our service objective is simple to express, but difficult to attain. We want — consistently — to exceed customers' expectations.

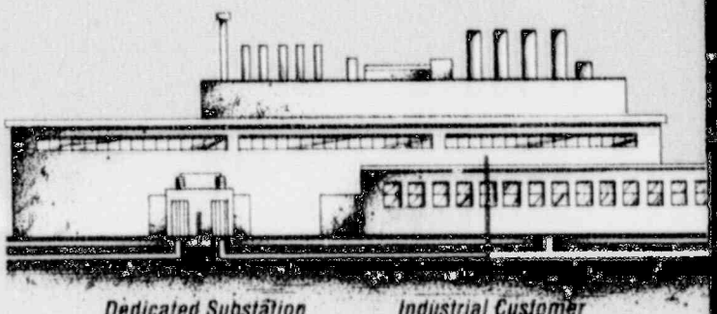
In 1989, monthly surveys conducted by an outside firm indicated that customers' perceptions of our Company improved during the year. For example, customers' perceptions of their contacts with our people trended up in terms of employees' courtesy, competence, and helpfulness. Also, research showed that customers viewed the Company more favorably in 1989 in four areas: fairness of rates; our concern for customers; our partnership efforts with customers to hold down their energy costs; and management competence.



We don't lack opportunities to serve our customers. Each business day, we receive an average of 8,400 customer calls, for a total of 1.7 million telephone calls each year. Our objective is to satisfy each caller in that initial contact. To this end, we are installing a sophisticated electronic telephone system that will be operational in 1990. Also, in 1989, Braille billing was introduced for blind customers, and we promoted our teletype communications option to better serve customers with hearing difficulties. EnergyPlus programs, including weatherizing senior citizens' homes and Dollar More energy assistance for needy customers, continued in 1989, benefiting an estimated 15,000 households.

For some commercial and industrial customers, the quality of service has become an issue. The problem isn't a change in the electricity we provide. The problem is increased use of microelectronic devices that use so little power they can be sensitive to minute, temporary changes. We are addressing this issue on two fronts. First, we provide engineers and equipment to diagnose and solve customer problems. Second, with other utilities, we are working with the electronics industry to solve the problem through product design.

▽ *Service includes showing customers how to use energy wisely and efficiently. In 1989, the Company conducted a pilot program in which Jefferson City, Mo. customers received cash rebates when they purchased high-efficiency air conditioners and heat pumps. In 1989, more than 3,500 new heat pumps were installed in our service area.*

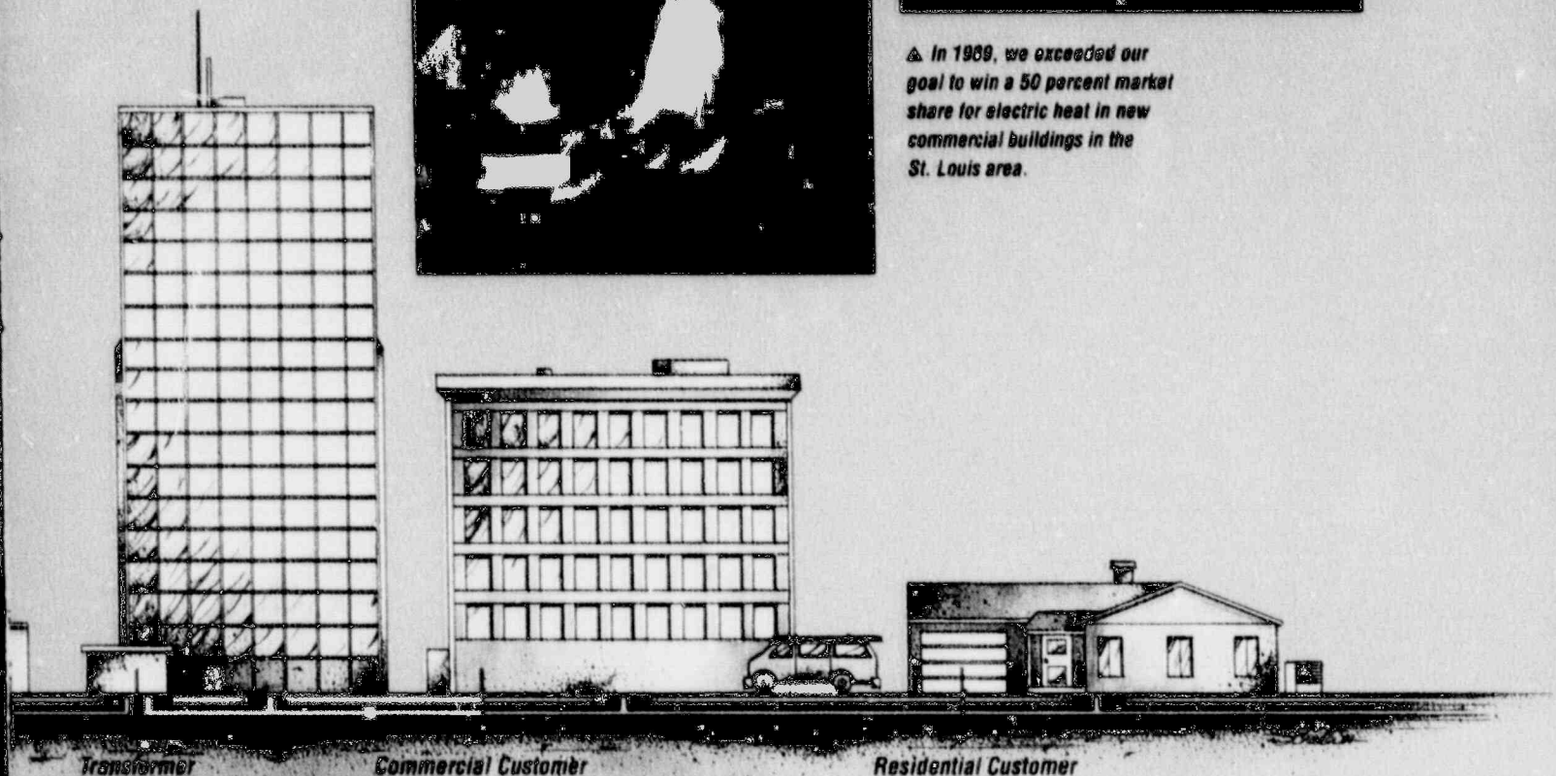


Dedicated Substation *Industrial Customer*

◀ Many residential developers see the advantages of all-electric homes. This all-electric apartment complex in Chesterfield, Mo. was part of the total of 5,600 all-electric housing units built in our service area last year.

▶ Virtually all our salespeople working with industrial customers are engineers. Their professional training makes them valuable problem solvers for those customers.

▲ In 1969, we exceeded our goal to win a 50 percent market share for electric heat in new commercial buildings in the St. Louis area.



Results of Operations

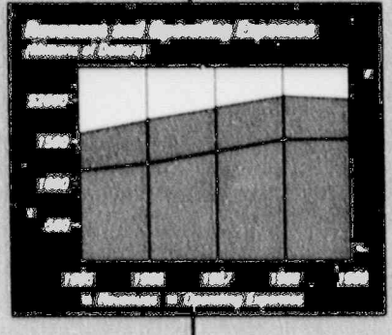
Earnings and earnings per share fluctuated due to many conditions, the primary ones being: the effect of weather variations, the timing and amounts of rate changes, growth in customers' use of electricity, fluctuating operating costs, the effect of costs disallowed by regulatory authorities and reduced preferred stock dividend requirements.

The impacts of the more significant items affecting revenues, costs, and earnings during the past several years are analyzed and discussed below.

Electric Operating Revenues

	Variation from Prior Year		
(Millions of Dollars)	1989	1988	1987
Rate variations	$ (6.4)	$ 23.7	$ 82.7
Effect of weather variations	(64.8)	43.5	(19.5)
Growth and other	62.8	1.6	83.6
	$ (8.4)	$ 68.8	$146.8

The decrease in 1989 electric revenues applicable to rate variations primarily reflects decreases in wholesale electric rates. The increases in 1988 and 1987 electric revenues applicable to rate variations reflect a series of rate increases under the regulatory approved Callaway rate phase-in plans.



The effect of weather variations on 1989 electric revenues reflects the abnormally cool 1989 summer as compared to an abnormally hot 1988 summer. The effect of weather on 1988 electric revenues reflects the abnormally hot 1988 summer as compared to 1987. The effect of weather variations on 1987 electric revenues primarily reflects the increased sales of electricity due to extremely warm weather in the second and third quarters of 1986.

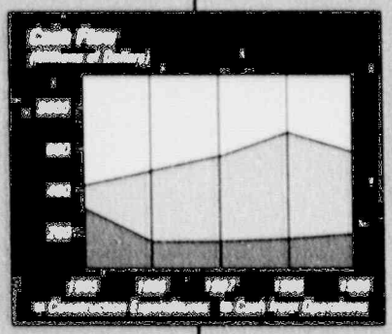
Operating Expenses

Fuel and Purchased Power –	Variation from Prior Year		
(Millions of Dollars)	1989	1988	1987
Fuel:			
Variation in generation	$(11.9)	$ 52.5	$ (3.0)
Price	(27.7)	(19.7)	(1.2)
Amortization of uranium litigation settlement	2.6	11.0	44.6
Generation efficiencies	(1.7)	(10.5)	6.1
Net interchange sales and purchased power variation	20.2	(30.3)	20.9
	$(18.5)	$ 3.0	$ 67.4

The decrease in total fuel and purchased power costs in 1989 reflects reduced generation due to the Callaway refueling outage in 1989 and lower prices, offset in part by increased purchased power costs. The increase in total fuel and purchased power costs in 1988 reflects greater generation due to increased sales of electricity to all classes of customers and no Callaway refueling outage in 1988, offset by greater interchange sales and lower fuel prices. The increase in total fuel and purchased power costs in 1987 primarily reflects decreased amortization of uranium litigation settlement proceeds and increased sales of electricity to all classes of customers.

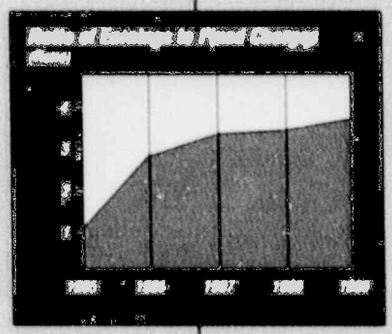
Other variations in operating expenses during the years 1987 through 1989 generally reflected recurring conditions such as growth, inflation, and wage increases. In 1989, operations expenses, other than fuel and purchased power costs, increased $19 million, due primarily to a $16 million increase in wages, pensions and other employee benefit expenses and a $3 million increase in Callaway plant expenses. In 1988, operations expenses, other than fuel and purchased power costs, increased $7 million, due primarily to a $6 million increase in wages and other employee benefit expenses and a $3 million increase in natural gas purchased for resale, partially offset by a $2 million decrease in Callaway plant expenses.

In 1989, maintenance expenses decreased $7 million, reflecting a $14 million decrease in maintenance expenses at generating plants other than Callaway, offset by a $7 million increase in maintenance expenses at Callaway plant, attributable to the plant's third refueling in early 1989. In 1988, maintenance expenses increased $4 million, primarily reflecting increased maintenance expenses at all major coal generating plants, offset by an $11 million reduction in Callaway plant maintenance expenses reflecting the plant's second refueling in late 1987. In 1987, operations expenses, other than fuel and purchased power costs decreased $6 million, primarily due to an $8 million decrease in natural gas purchased for resale, offset by a $2 million increase in other operations costs. Maintenance expenses in 1987 increased $11 million, reflecting Callaway plant's second refueling in late 1987 and increased maintenance at all major coal generating plants except the Labadie plant.



Depreciation expense increased $19 million in 1988 primarily due to the effect of the 1987 Callaway refueling outage and the change in 1988 from the unit-of-production method to the straight-line method of computing Callaway plant depreciation in accordance with regulatory commission orders.

Amortization of phase-in plans deferred costs for 1989 decreased $5 million reflecting the conclusion of the Illinois and wholesale customer phase-in plans. Amortization of phase-in plans deferred costs increased $35 million in 1988 primarily reflecting amortization of the Missouri portion of accumulated Callaway-related deferred costs which began in January 1988.



Income taxes from operations increased $9 million in 1989 principally due to higher pre-tax income and the decreased amortization of certain Callaway-related accumulated deferred income taxes (see Callaway Rate Phase-In Plans in Notes 1 and 2 under Notes to Financial Statements). Income taxes from operations increased in 1988 due principally to decreased amortization of certain Callaway-related accumulated deferred income taxes, offset in part by a decrease in pre-tax income. Income taxes in 1987 increased in response to higher pre-tax income, partially offset by increased amortization of Callaway-related accumulated deferred income taxes.

In 1989, the $1 million increase in other taxes charged to operating expenses is primarily due to increased real estate taxes. The 1988 increase in other taxes charged to operating expenses is due to a $4 million increase in license and franchise taxes resulting from increased revenues. The 1987 increase in other taxes charged to operating expenses is due to a $6 million increase in license and franchise taxes resulting from increased revenues, and a $2 million increase in real estate taxes.

Interest

The 1989 decrease in interest expense reflects the favorable resolution of several tax matters in the first quarter of 1989 (see Note 2 under Notes to Financial Statements). The 1988 and 1987 decreases in interest primarily reflect the refinancing of high-cost debt with lower-cost issues and reduced total outstanding debt.

Callaway Rate Phase-In Plans and Costs Disallowed

See Notes 1 and 11 under Notes to Financial Statements for information relative to Callaway rate phase-in plans and the Callaway Unit No. 2 costs disallowed.

Miscellaneous Other Income and Deductions, Net

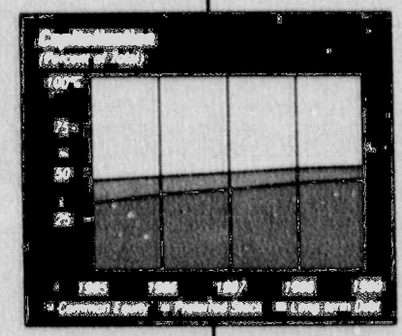
The 1989 increase of $18 million in Miscellaneous, net primarily reflects $15 million net of tax charged to expense in 1988 related to obtaining long-term power supply contracts with certain wholesale customers (see Note 11 under Notes to Financial Statements).

Contingencies

See Note 10 under Notes to Financial Statements for situations existing at December 31, 1989, that could affect the Company.

Liquidity and Capital Resources

Construction expenditures averaging approximately $230 million are anticipated during each of the years 1990 through 1994. The Company completed the construction of its Callaway plant in late 1984. Additional electric generation capacity is not anticipated before the late 1990s. For funds required in addition to construction expenditures, see Notes 3, 4, and 5 under Notes to Financial Statements.



A nuclear fuel lease provides for the financing of up to $200 million of the Company's nuclear fuel requirements. At December 31, 1989, $173 million of nuclear fuel was financed under the lease.

The Company plans to continue utilizing short-term debt as support for normal operations and other temporary requirements (see Note 7 under Notes to Financial Statements). Union Electric is authorized by the Federal Energy Regulatory Commission (FERC) to have outstanding at any one time up to $600 million of short-term unsecured debt instruments.

Tax Matters

The Technical and Miscellaneous Revenue Act of 1988 (TAMRA) contained several provisions that affect the Company. The most significant provision was the substantive law change contained in the Technical Corrections sections of the Act which retroactively extended the 35% reduction in investment tax credit (ITC) carryforwards as enacted by the Tax Reform Act of 1986 to also apply to the ITC carryforwards generated by plant placed in service before 1986. In 1988, while total provisions for federal income taxes were reduced as a result of the reduced tax rate provided by the Tax Reform Act of 1986, the amount of income taxes currently payable increased principally as a result of the reduction of ITC carryforwards.

See Income Taxes in Note 1 under Notes to Financial Statements regarding the Company's adoption of Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes".

Effects of Inflation and Changing Prices

The Company's financial statements reflect the historical cost of events and transactions occurring at times when the purchasing power of the dollar was different from the present. The effects of inflation and changing prices on the Company's financial statements are most significant in the areas of depreciation and property, plant, and equipment.

The current replacement cost of the Company's utility plant substantially exceeds its recorded historical cost. However, the regulatory process limits the Company to the recovery of the historical cost of utility plant through depreciation. While the regulatory process does not reflect the current cost of replacing utility plant, past practice indicates the Company will be allowed to earn on and to recover the increased cost of its net investment after facilities are replaced.

The Company, by having assets such as receivables, fuel and materials inventory, and deferred charges, incurs a loss of purchasing power during periods of inflation because after conversion, the cash received for these items will purchase less. More than offsetting such assets, however, are significant amounts of long-term debt, deferred income taxes, and current liabilities which will be paid with dollars of reduced purchasing power.

Statement of Income

Union Electric Company

(Thousands of Dollars Except Shares and Per Share Amounts)

	Year 1989	Year 1988	Year 1987
Operating Revenues (*):			
Electric	$1,929,884	$1,938,296	$1,869,477
Gas	76,840	87,263	73,518
Other	3,582	3,548	3,416
Total operating revenues	2,010,306	2,029,107	1,946,411
Operating Expenses:			
Operations			
Fuel and purchased power	403,840	422,297	419,272
Other	354,215	335,073	327,949
	758,055	757,370	747,221
Maintenance	156,220	162,977	158,908
Depreciation and nuclear decommissioning	195,908	195,684	176,703
Amortization of phase-in plans deferred costs	34,397	39,703	4,337
Income taxes	203,441	194,211	180,514
Other taxes (*)	195,817	195,008	190,274
Total operating expenses	1,543,838	1,544,953	1,457,957
Operating Income	466,468	484,154	488,454
Other Income and Deductions:			
Callaway rate phase-in plans	227	2,408	92,791
Callaway Unit No. 2 costs disallowed	(50,351)	—	—
Income tax benefits related to Callaway Unit No. 2 costs disallowed	20,155	—	—
Deferred costs disallowed	—	—	(23,169)
Allowance for equity funds used during construction	2,656	2,002	5,994
Miscellaneous, net	7,769	(10,648)	(15,714)
Total other income and deductions, net	(19,544)	(6,238)	59,902
Income Before Interest Charges	446,924	477,916	548,356
Interest Charges:			
Interest	176,571	199,241	228,961
Allowance for borrowed funds used during construction	(15,252)	(12,883)	(14,483)
Net interest charges	161,319	186,358	214,478
Net Income	285,605	291,558	333,878
Preferred Stock Dividends	19,134	30,425	36,522
Earnings on Common Stock	$ 266,471	$ 261,133	$ 297,356
Earnings per Share of Common Stock (based on average shares outstanding)	$2.61	$2.56	$2.91
Dividends per Share of Common Stock	$2.02	$1.94	$1.92
Average Number of Common Shares Outstanding	102,123,834	102,123,834	102,123,834

(*) Includes license and franchise taxes of $95,276,000, $95,608,000, and $91,490,000 for the years 1989, 1988, and 1987, respectively.

See Notes to Financial Statements on pages 25 through 30.

Balance Sheet

(Thousands of Dollars)

Union Electric Company

Assets	December 31, 1989	December 31, 1988
Property and Plant, at original cost:		
Electric	$7,013,217	$6,773,814
Gas	113,190	106,110
Other	14,755	15,009
	7,141,162	6,894,933
Less accumulated depreciation and amortization	2,192,221	1,974,391
	4,948,941	4,920,542
Construction work in progress:		
Nuclear fuel in process	115,333	173,870
Other	53,468	57,452
Total property and plant, net	5,117,742	5,151,864
Deferred Charges and Other Assets:		
Callaway Unit No. 2 construction abandonment	4,330	58,283
Callaway rate phase-in plans	99,200	133,290
Unamortized debt expense	23,623	27,611
Nuclear decommissioning trust fund	17,816	13,223
Other	16,613	15,906
Total deferred charges and other assets	161,582	248,313
Current Assets:		
Cash and special deposits	3,480	3,565
Accounts receivable – trade (less allowance for doubtful accounts of $5,713 and $5,123, at respective dates)	150,088	151,765
Unbilled revenue	113,193	96,768
Other accounts and notes receivable	23,912	11,053
Materials and supplies, at average cost –		
Fossil fuel	86,897	65,376
Construction and maintenance	89,782	87,619
Other	13,646	10,923
Total current assets	480,998	427,069
Total Assets	$5,760,322	$5,827,246

See Notes to Financial Statements on pages 25 through 30.

Capital and Liabilities	December 31, 1989	December 31, 1988
Capitalization:		
Common stock, $5 par value, authorized 150,000,000 shares – outstanding 102,123,834 shares (excluding 42,990 shares at par value in treasury)	$ 510,619	$ 510,619
Other paid-in capital, principally premium on common stock (see accompanying statement)	716,957	716,071
Retained earnings (see accompanying statement)	726,905	668,670
Total common stockholders' equity	1,954,481	1,895,360
Preference stock, $1 par value, authorized 7,500,000 shares – none outstanding		
Preferred stock not subject to mandatory redemption (see accompanying statement)	227,582	279,784
Preferred stock subject to mandatory redemption (see accompanying statement)	806	60,832
Long-term debt (see accompanying statement)	2,114,039	2,196,129
Unamortized discount and premium on debt	(7,263)	(7,515)
Total capitalization	4,289,645	4,424,590
Accumulated Deferred Taxes on Income	704,148	657,965
Accumulated Deferred Investment Tax Credits	207,951	214,964
Accumulated Provision for Nuclear Decommissioning	18,686	14,093
Construction Commitments and Contingencies (Notes 9, 10, and 11)		
Current Liabilities:		
Current maturity of long-term debt	129,003	66,870
Accounts payable	150,420	157,490
Wages payable	33,825	33,425
Bank loans	41,000	38,500
Commercial paper	—	20,000
Income taxes accrued	39,917	40,082
Other taxes accrued	20,622	18,365
Interest accrued	40,665	70,136
Dividends declared	3,698	6,155
Other	80,742	64,611
Total current liabilities	539,892	515,634
Total Capital and Liabilities	$5,760,322	$5,827,246

Long-Term Debt

(Thousands of Dollars)

Union Electric Company

		December 31, 1989	December 31, 1988
First Mortgage Bonds – note (a)			
4 3/4%	Series due 1990	$ —	$ 50,000
4 3/4%	Series due 1991	30,000	30,000
5%	Series due 1991	2,000	2,000
5 5/8%	Series due 1991	3,500	3,500
4 1/2%	Series due 1992	6,000	6,000
4 1/2%	Series due 1993	30,000	30,000
10 3/4%	Series due 1994 – note (b)	2,380	2,800
4 1/2%	Series due 1995	35,000	35,000
4 3/4%	Series due 1995	3,000	3,000
5 1/2%	Series due 1996	30,000	30,000
5 5/8%	Series due 1996	5,000	5,000
8 1/4%	Series due 1996	10,000	10,000
8 7/8%	Series due 1996	100,000	100,000
5 1/2%	Series due 1997	40,000	40,000
5 5/8%	Series due 1997	5,000	5,000
7%	Series due 1998	50,000	50,000
7.95%	Series due 1998	4,000	4,000
7 3/8%	Series due 1999	35,000	35,000
8%	Series due 1999	5,000	5,000
8 1/4%	Series due 1999	40,000	40,000
9.95%	Series due 1999 – note (b)	64,300	71,440
9%	Series due 2000	60,000	60,000
7 7/8%	Series due 2001	50,000	50,000
7 5/8%	Series due 2001	50,000	50,000
8 1/8%	Series due 2001	60,000	60,000
9 1/4%	Series due 2001 – note (b)	3,300	3,600
9 3/8%	Series due 2001 – note (b)	1,912	2,086
9 3/8%	Series due 2001 – note (b)	6,600	7,200
8 1/2%	Series due 2002 – note (b)	3,600	3,900
7 3/4%	Series due 2003	7,000	7,000
8 3/8%	Series due 2004	70,000	70,000
10%	Series due 2004 – note (b)	7,000	7,500
10 1/2%	Series due 2005	70,000	70,000
5.80%	Series due 1992 to 2005 – note (c)	27,085	27,085
8 7/8%	Series due 2006	70,000	70,000
8 5/8%	Series due 2007	60,000	60,000
9.35%	Series due 2008 – note (b)	49,500	52,250
9.25-9.625%	Series due 2000 to 2010 – note (c)	60,000	60,000
9 3/8%	Series due 2016	100,000	100,000

	December 31, 1989	December 31, 1988
Unsecured Loans –		
Foreign credit agreement, due 1991 – note (d)	$ —	$ 150,000
Domestic credit agreement, due 1991 – note (e)	100,000	275,000
Commercial paper – note (f)	300,000	—
Unsecured Notes –		
6% Due to 1992	1,295	1,400
Missouri Environmental Improvement –		
Revenue bonds, 5.70-6.20% Series due to 2004	16,000	16,250
1984 Series A due 2014 – note (g)	80,000	80,000
1984 Series B due 2014 – note (h)	80,000	80,000
1984 Series C due 2014 – note (i)	47,500	47,500
1985 Series A due 2015 – note (j)	70,000	70,000
1985 Series B due 2015 – note (j)	56,500	56,500
Nuclear Fuel Lease – note (k)	106,567	101,118
Long-Term Debt	$2,114,039	$2,196,129

(a) At December 31, 1989, substantially all of the property and plant was mortgaged under, and subject to liens of, the respective indentures pursuant to which the bonds were issued.

(b) To be retired by sinking fund – 10 3/4% Series to 1993; 9.95% Series to 1998; 9 1/4% Series and each 9 3/8% Series to 2000; 8 1/2% Series to 2001; 10% Series to 2003; and 9.35% Series to 2007.

(c) Environmental Improvement Series.

(d) During 1989, the Company repaid and canceled the credit agreement.

(e) During 1989, the Company amended the credit agreement reducing the maximum amount which could be borrowed from $275 million to $150 million. Interest rates will vary depending on market conditions and the Company's selection of various options under the agreement. At December 31, 1989, such borrowings were outstanding at an average interest rate of 8.70%, based on competitive bid rates.

(f) On August 15, 1989, the Company entered into a four-year $300 million bank credit agreement which is utilized to support commercial paper borrowings on a long-term basis. At December 31, 1989, the outstanding commercial paper was at an average annualized interest rate of 8.62%.

(g) Adjustable-fixed rate, interest rate at 6.70% per annum through May 31, 1990; thereafter, interest rates will depend on market conditions and the Company's selection of an adjusted rate for each annual period or a fixed rate until maturity.

(h) Adjustable-fixed rate, interest rate at 6.65% per annum through May 31, 1990; thereafter, interest rates will depend on market conditions and the Company's selection of an adjusted rate for each annual period or a fixed rate until maturity.

(i) Adjustable-fixed rate, interest rate at 7.15% per annum through February 28, 1990; thereafter, interest rates will depend on market conditions and the Company's selection of an adjusted rate for each annual period or a fixed rate until maturity.

(j) Interest rates, and the periods during which such rates apply, vary depending on the Company's selection of certain defined rate modes. The average interest rate at December 31, 1989, for such Series A and Series B bonds was 6.10%.

(k) At December 31, 1989 and 1988, $66 million and $54 million, respectively, are included under current maturity of long-term debt.

See Notes to Financial Statements on pages 25 through 30.

Preferred Stock

(Thousands of Dollars)

Union Electric Company

	December 31, 1989	December 31, 1988
Preferred Stock Not Subject to Mandatory Redemption:		
Preferred stock outstanding without par value (entitled to cumulative dividends) – note (a)		
Stated value of $100 per share –		
$7.44 Series – 427,977 and 550,000 shares at respective dates – note (b)	$ 42,798	$ 55,000
$6.40 Series – 300,000 shares	30,000	30,000
$5.50 Series A – 14,000 shares	1,400	1,400
$5.50 Series B – 3,000 shares	300	300
$4.75 Series – 20,000 shares	2,000	2,000
$4.56 Series – 200,000 shares	20,000	20,000
$4.50 Series – 213,595 shares	21,359	21,359
$4.30 Series – 40,000 shares	4,000	4,000
$4.00 Series – 150,000 shares	15,000	15,000
$3.70 Series – 40,000 shares	4,000	4,000
$3.50 Series – 130,000 shares	13,000	13,000
Stated value of $97.50 per share –		
$8.00 Series of 1971 – 425,000 shares	41,437	41,437
Stated value of $92.25 per share –		
$8.00 Series – 350,000 shares	32,288	32,288
Stated value of $25 per share –		
$2.125 Series – 1,600,000 shares – note (c)	—	40,000
Total Preferred Stock Not Subject to Mandatory Redemption	$227,582	$279,784
Preferred Stock Subject to Mandatory Redemption:		
Preferred stock outstanding without par value (entitled to cumulative dividends) – note (a)		
Stated value of $100 per share –		
$6.30 Series – 8,060 and 8,320 shares at respective dates, due to 2020 – note (d)	$806	$ 832
Stated value of $50 per share –		
$4.60 Series – 1,200,000 shares, due to 2004 – note (e)	—	60,000
Total Preferred Stock Subject to Mandatory Redemption	$806	$60,832

(a) Authorized Union Electric Company total preferred stock – 25,000,000 shares.
(b) In 1989, the Company retired 122,023 shares of the $7.44 Series.
(c) In 1989, the Company redeemed the $2.125 Series at $25.75 per share.
(d) The Company is required to retire 260 shares at $100 per share on June 1 of each year.
(e) In 1989, the Company retired 75,000 shares at $50 per share and completed early redemption of the remaining 1,125,000 shares at $52.50 per share.

See Notes to Financial Statements on pages 25 through 30.

Statement of Retained Earnings

Union Electric Company

(Thousands of Dollars)

	Year 1989	Year 1988	Year 1987
Balance at Beginning of Period	$668,670	$610,466	$515,312
Add:			
Net income	285,605	291,558	333,878
	954,275	902,024	849,190
Deduct:			
Preferred stock dividends*	18,066	29,264	34,679
Common stock cash dividends – $2.02, $1.94, and $1.92 per share, respectively	206,290	198,120	196,078
Premium paid on preferred stock reacquired	3,014	5,970	7,967
	227,370	233,354	238,724
(Under mortgage indentures as amended, free and unrestricted retained earnings at December 31, 1989 amounted to $669,790)			
Balance at Close of Period	$726,905	$668,670	$610,466

*Preferred stock dividends include dividends declared, applicable to subsequent periods.

Statement of Other Paid-In Capital

(Thousands of Dollars)

	Year 1989	Year 1988	Year 1987
Balance at Beginning of Period	$716,071	$716,071	$717,258
Premium paid on preferred stock reacquired	(999)	—	(1,171)
Excess of stated value over purchase price of 122,023 shares $7.44 Series preferred stock retired	1,885	—	—
Other	—	—	(16)
Balance at Close of Period	$716,957	$716,071	$716,071

See Notes to Financial Statements on pages 25 through 30.

Statement of Cash Flows

Union Electric Company

(Thousands of Dollars)

	Year 1989	Year 1988	Year 1987
Cash Flows From Operations:			
Net income	$ 285,605	$ 291,558	$ 333,878
Items not requiring cash –			
Depreciation and amortization	223,290	224,396	158,988
Callaway Unit No. 2 costs disallowed	50,351	—	—
Amortization of nuclear fuel	59,691	68,656	47,142
Allowance for funds used during construction	(17,908)	(14,885)	(20,477)
Deferred taxes on income, net	46,183	36,514	69,072
Deferred investment tax credits, net	(7,013)	26,987	51,758
Callaway rate phase-in plans	(227)	(2,408)	(92,791)
Deferred costs disallowed	—	—	23,169
Contract acquisition expense	—	28,845	—
Changes in assets and liabilities:			
Receivables, net	(27,607)	(10,707)	(28,410)
Materials and supplies	(23,684)	26,191	18,732
Accounts and wages payable	(6,670)	(309)	18,077
Taxes accrued	2,092	6,300	(16,631)
Interest and dividends accrued or declared	(31,928)	(10,645)	(6,601)
Other, net	19,300	9,404	14,895
Net cash provided by operations	571,475	679,897	570,801
Cash Flows From Investing:			
Construction expenditures	(192,853)	(174,903)	(150,698)
Allowance for funds used during construction	17,908	14,885	20,477
Nuclear fuel expenditures	(20,446)	(29,588)	(35,406)
Net cash used in investing activities	(195,391)	(189,606)	(165,627)
Cash Flows From Financing:			
Dividends on preferred and common stock	(224,356)	(227,384)	(230,757)
Redemptions –			
Nuclear fuel lease	(59,374)	(108,753)	(137,802)
Short-term debt	(17,500)	—	—
Long-term debt	(337,539)	(253,368)	(514,902)
Preferred stock	(114,356)	(84,746)	(109,914)
Issuances –			
Nuclear fuel lease	76,956	116,003	160,604
Short-term debt	—	25,500	3,000
Long-term debt	300,000	40,000	425,000
Net cash used in financing activities	(376,169)	(492,748)	(404,771)
Net Change in Cash and Cash Equivalents	(85)	(2,457)	403
Cash and Cash Equivalents at beginning of year	3,565	6,022	5,619
Cash and Cash Equivalents at end of year	3,480	$ 3,565	$ 6,022

See Notes to Financial Statements on pages 25 through 30.

Note 1 – Summary of Accounting Policies
The Company is regulated by the Missouri Public Service Commission, Illinois Commerce Commission, Iowa State Utilities Board, and the Federal Energy Regulatory Commission. The accounting policies of the Company are in accordance with the rate-making practices of the regulatory authorities having jurisdiction and, as such, conform to generally accepted accounting principles as applied to regulated public utilities. A description of the Company's significant accounting policies follows.

Property and Plant
The cost of additions to and betterments of units of property and plant is capitalized. Cost includes labor, material, applicable taxes, and overheads, plus an allowance for funds used during construction. Maintenance expenditures and the renewal of items not considered units of property are charged to income as incurred. When units of depreciable property are retired, the original cost and removal cost, less salvage, are charged to accumulated depreciation.

Depreciation
Depreciation is provided over the estimated lives of the various classes of depreciable property by applying composite rates on a straight-line basis. The provision for depreciation in 1989 is equivalent to approximately 3.0% of the average depreciable cost (3.0% in 1988 and 2.8% in 1987). (As permitted for rate-making purposes, Callaway plant depreciation was computed on a unit-of-production basis through March 1988, and on a straight-line basis thereafter.)

Nuclear Fuel
The cost of nuclear fuel is amortized to fuel expense on a unit-of-production basis. A provision for spent fuel disposal costs is charged to expense based on kilowatt-hours generated.

Income Taxes
Deferred income taxes are provided for timing differences between book and taxable income as permitted for rate-making purposes. Investment tax credits utilized are deferred and amortized over the useful lives of the properties to which they relate.

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96). SFAS 96 requires an asset and liability approach for financial accounting and reporting for income taxes. Under current accounting standards the Company is permitted and intends to adopt SFAS 96 in 1992. The adoption of SFAS 96 is not expected to have a material effect on the Company's financial position or results of operations.

Allowance for Funds Used During Construction
Allowance for funds used during construction (AFC) is a utility industry accounting practice whereby the cost of borrowed funds and the cost of equity funds (preferred and common stockholders' equity) applicable to the Company's construction program are capitalized as a cost of construction. This accounting practice is intended to offset the effect on earnings of the cost of financing current construction, and results in treating such financing costs in the same manner as construction charges for labor and materials.

Under accepted rate-making practice, cash recovery of AFC, as well as other construction costs, occurs when completed projects are placed in service and reflected in customer rates.

AFC rates are established by the Company consistent with the methodology prescribed by the Federal Energy Regulatory Commission. Average annual AFC rates were 9.7% in 1989, 8.7% in 1988, and 10.3% in 1987.

Callaway Rate Phase-In Plans
The Callaway rate phase-in plans effective in 1985 as a result of regulatory commission orders provide for (1) partial deferral of a cash recovery of costs related to the Callaway plant during the early years of the plans with recovery of such deferrals in the later years of the plans, (2) three-year amortization of certain Callaway-related accumulated deferred income taxes, and (3) two-year amortization of certain proceeds from the Company's settlement of uranium litigation with Westinghouse. See Note 11 regarding an order issued by the Missouri Public Service Commission in December 1987.

The amount of costs for which cash recovery is deferred under the plans is recognized as income currently in the Statement of Income. Such noncash income, net of taxes, amounted to 26% of earnings on common stock for 1987 but was not significant in 1988 nor in 1989.

Unbilled Revenue
The Company accrues on its books estimated, but unbilled, revenue and also a liability for the related taxes.

Note 2 - Income Taxes

Total income tax expense for 1989 resulted in an effective tax rate of 39% on earnings before income taxes (38% in 1988 and 37% in 1987). The principal reasons such rates differ from the statutory Federal rate are as follows:

	1989	1988	1987
Statutory Federal income tax rate	34%	34%	40%
Increases (Decreases) from:			
Depreciation differences	5	6	6
Callaway rate phase-in plans -			
Other income	3	3	(5)
Amortization of prior years' tax deferrals	—	(1)	(6)
Miscellaneous, net	(3)	(4)	2
Effective Federal income tax rate	39%	38%	37%

Income tax expense components for the years shown are as follows (in thousands):

	1989	1988	1987
Taxes currently payable (principally Federal):			
Included in operating expenses	$160,695	$128,139	$ 91,585
Included in other income -			
Miscellaneous, net	(8,983)	(7,840)	(9,149)
Deferred taxes (principally Federal):			
Included in operating expenses -			
Liberalized depreciation	73,543	65,845	77,078
Repair allowance	1,886	3,204	4,927
Allowance for borrowed funds used during construction	3,148	3,036	5,493
Unbilled revenue	(9,089)	(10,655)	(12,648)
Other (primarily capitalized costs)	170	137	2,764
Callaway rate phase-in plans amortization of prior years' deferrals	—	(3,527)	(34,337)
Provisions deferred in prior years	(15,338)	(18,204)	(5,148)
Other	(4,561)	(7,269)	(6,679)
Included in other income -			
Callaway rate phase-in plans	—	—	15,533
Callaway Unit No. 2 costs disallowed	(20,155)	—	—
Contract acquisition expense	—	(13,912)	—
Liberalized depreciation	7,490	7,204	9,440
Deferred investment tax credits, net			
Included in operating expenses	(7,013)	33,505	57,479
Total income tax expense	$181,793	$179,663	$196,338

Deferred income taxes are provided for differences between book and taxable income to the extent permitted for rate-making purposes. At December 31, 1989, the cumulative net amount of income tax timing differences for which deferred income taxes have not been provided was $1 billion.

In the first quarter of 1989, the Company favorably resolved several tax matters. The resolution of these matters reduced 1989 interest expense by $27 million and increased 1989 net income and earnings on common stock by $20 million ($.20 per share).

Note 3 - Preferred Stock

During the three years ended December 31, 1989, preferred stock, without par value, was retired or redeemed as follows: in 1989, the Company redeemed 1,600,000 shares, $2.125 Series and 1,125,000 shares, $4.60 Series; in 1988, the Company redeemed 3,000,000 shares, $2.98 Series; and, in 1987, the Company redeemed 880,000 shares, $2.72 Series and 3,000,000 shares, $4.00 Series of 1982. The Company retired 75,000 shares, $4.60 Series and 260 shares, $6.30 Series in each of the years 1989, 1988, and 1987. In 1989, the Company retired 122,023 shares, $7.44 Series.

Preferred Stock Redemption Prices	**Current** (Per Share)	**Eventual Minimum** (Per Share)
$7.44 Series	$101.00	$101.00
$6.40 Series	101.50	101.50
$5.50 Series A	110.00	110.00
$5.50 Series B	103.50	103.50
$4.75 Series	102.176	102.176
$4.56 Series	102.47	102.47
$4.50 Series	110.00	110.00 (a)
$4.30 Series	105.00	105.00
$4.00 Series	105.625	105.625
$3.70 Series	104.75	104.75
$3.50 Series	110.00	110.00
$8.00 Series of 1971	98.50	98.50
$8.00 Series	93.25	93.25
$6.30 Series (b)	100.00	100.00

(a) In the event of voluntary liquidation, $105.50.

(b) The Company is required to retire 260 shares at $100 per share on June 1 of each year.

Note 4 - Preferred Stock Mandatory Redemption Provisions

During each of the five years 1990 through 1994, the Company will be required to redeem $26,000 of the preferred stock outstanding at December 31, 1989.

Note 5 - Debt Retirement Provisions

During the five years from December 31, 1989, the amounts of debt maturities totaling $656,084,000 are: $129,003,000 in 1990; $148,289,000 in 1991; $20,684,000 in 1992; $343,574,000 in 1993; and $14,534,000 in 1994. Amounts for years subsequent to 1990 do not include nuclear fuel lease payments since the amounts of such payments are not currently determinable.

Debt retirement provisions contained in most mortgage bond indentures of the Company require, subject to certain alternatives, the redemption annually of 1% of the principal amount (as defined) of each series of bonds. In substantially all instances, as permitted by the indentures, the Company has been following the practice of pledging property additions in lieu of such redemptions.

Note 6 - Nuclear Fuel Lease

The Company has a lease agreement which provides for the financing of the costs of up to $200 million of the Company's nuclear fuel. Pursuant to the terms of the lease, the Company has assigned to the lessor certain contracts for purchase of nuclear fuel. The lessor obtains, through the issuance of commercial paper or from direct loans under a committed revolving credit agreement from commercial banks, the necessary funds to purchase the fuel and make interest payments when due.

The Company is obligated to reimburse the lessor for all expenditures for nuclear fuel, interest, and related costs. Obligations under this lease become due as the nuclear fuel is utilized at the Company's Callaway nuclear plant. During 1989, the Company reimbursed the lessor $68.3 million. During 1988, the Company reimbursed the lessor $67.9 million and $50 million for fuel repurchased from lessor. During 1987, the Company reimbursed the lessor $58.6 million and $85 million for fuel repurchased from lessor.

The Company has capitalized the cost, including certain interest costs, of the leased nuclear fuel and has recorded the related lease obligation. During the years 1989, 1988, and 1987, the total interest charges under the lease were $17.6 million, $17.0 million, and $15.3 million (based on average interest rates of 10%, 8.2%, and 7.6%, respectively) of which $8.3 million, $7.9 million, and $9.4 million, respectively, were capitalized.

Note 7 - Short-Term Borrowings

Short-term borrowings of the Company consist of bank loans (maturities generally on an overnight basis) and commercial paper (maturities generally within 10-45 days). Information relative to short-term borrowings is as follows (in thousands except rates):

	1989	1988	1987
Bank loans at year end -			
Amount outstanding	$ 41,000	$ 38,500	$33,000
Composite interest rate	9.1%	10.4%	7.6%
Commercial paper at year end -			
Amount outstanding	—	$ 20,000	—
Composite interest rate	—	9.6%	—
Maximum aggregate short-term borrowings at any month end during the year	$204,500	$142,000	$84,000
Average daily short-term borrowings outstanding during the year -			
Aggregate amount	$ 68,626	$ 88,255	$47,794
Weighted composite interest rate	9.6%	7.6%	6.9%

The above weighted composite interest rates were calculated by dividing the applicable interest expense for the year by the average daily short-term borrowings shown above.

At December 31, 1989, the Company had bank lines of credit aggregating $205 million ($164 million of which were unused at such date) which make available interim financing at various rates of interest, not to exceed prime, based on the London InterBank Offered Rate (LIBOR), the bank certificate of deposit rate, or other options, and in support of which the Company has both written and unwritten agreements with its lending banks to pay annual fees of 0.125%. These lines of credit are renewable annually at various dates throughout the year.

Note 8 – Retirement Plans and Related Benefits

The Company has non-contributory, defined-benefit retirement plans covering substantially all of its employees. Benefits are based on years of service and the employees' compensation during years of employment. The Company's funding policy is to contribute annually at least the minimum amount required by government funding standards, but not more than that which can be deducted for Federal income tax purposes. Plan assets consist principally of common stocks and fixed income securities (including $8 million of Company securities at December 31, 1989).

Pension costs for the years 1989, 1988, and 1987 were $19 million, $15 million, and $15 million, respectively, of which approximately 17% in each year was charged to construction accounts.

The plans' funded status follows (in millions):

	At December 31,		
	1989	1988	1987
Actuarial present value of benefit obligations:			
Vested benefit obligation	$(377)	$(329)	$(324)
Accumulated benefit obligation	$(404)	$(353)	$(359)
Projected benefit obligation for service rendered to date	$(538)	$(420)	$(445)
Plan assets at fair value	534	503	448
(Deficiency) Excess of plan assets versus projected benefit obligation	(4)	83	3
Unrecognized net (gain) or loss	(77)	(91)	(11)
Prior service cost not yet recognized in net periodic pension cost	100	28	26
Unrecognized net assets at transition	(14)	(15)	(16)
Prepaid pension cost	$ 5	$ 5	$ 2

Effective January 1, 1989, the Company amended its principal retirement plan to change the benefit formula to reflect final average pay. This amendment increased the accumulated benefit obligation and the projected benefit obligation by $18 million and $62 million, respectively.

Pension costs include the following components (in millions):

	1989	1988	1987
Service cost – benefits earned during the period	$ 15	$ 13	$ 14
Interest cost on projected benefit obligation	43	35	31
Actual return on plan assets	(43)	(66)	(21)
Net amortization and deferral	4	33	(9)
Pension cost	$ 19	$ 15	$ 15

For determining the actuarial present value of the projected benefit obligation in 1989, 1988, and 1987, the weighted average discount rates were 8.75%, 9%, and 8%, respectively. The rate of increase in future compensation was 6% and the expected long-term rate of return on plan assets was 8.5% in 1989 and 7.5% in 1988 and 1987, respectively.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach retirement age while working for the Company. The costs of retiree health care and life insurance benefits are recognized on the basis of claims paid. Such costs totaled $9 million, $7 million, and $6 million for 1989, 1988, and 1987, respectively.

Note 9 – Construction Commitments

The Company is engaged in a construction program under which expenditures averaging approximately $230 million are anticipated during each of the next five years.

Note 10 – Contingencies

The Company's insurance coverage for its Callaway plant is as follows:

Property insurance coverage of $500 million provided by American Nuclear Insurers (ANI) and Mutual Atomic Energy Liability Underwriters (MAELU).

Excess property insurance of $975 million provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurer established by the utility industry. Under this policy, the Company could be subject to a maximum retrospective premium assessment of $7.4 million in any one policy year if NEIL's property losses exceed available funds.

Excess property insurance of $560 million provided by ANI and MAELU.

A Master Worker Policy issued by ANI and MAELU with an aggregate limit of $200 million for the nuclear industry as a whole to cover claims of workers as a result of radiation exposure on or after January 1, 1988. Under this

policy, the Company could be subject to a maximum retrospective premium assessment of $3.4 million.

Accidental outage replacement power cost insurance provided by NEIL. Thereunder, the Company is insured for up to $1.7 million per week for the first year, commencing 21 weeks after initiation of the outage; up to $1.2 million per week for the second year; and for up to $0.6 million per week for the third year. Under this policy, the Company could be subject to a maximum annual retrospective premium assessment of $2.6 million.

The Atomic Energy Act, as revised August 1988 by the Price-Anderson amendments, covers liability to third parties for a nuclear incident and currently limits such liability to approximately $7.4 billion for each nuclear incident. Coverage of the first $200 million of liability is provided by ANI and MAELU. The balance is provided by utility industry retrospective assessments. The Company's maximum potential assessment under this plan would be $63 million per incident payable in annual installments of not more than $10 million. Additionally, if the sum of all public liability claims and legal costs arising from a nuclear incident exceeds the amount of primary and excess coverage in force, the Company can be assessed an additional $3 million.

To the extent that any losses arising from a nuclear incident at Callaway plant exceed the limits of, or are not subject to, insurance, or to the extent such insurance becomes unavailable in the future, the Company may retain the risk of loss as a self-insurer. Although the Company has no reason to anticipate a serious nuclear incident at Callaway plant, if such an incident did occur, it could have a material but presently undeterminable adverse effect on the Company's financial position.

Legislative proposals are pending in the U.S. Congress that expressly seek to control acid deposition in the eastern portion of the United States. If any of these proposals become law, significant reductions in the emissions from the Company's various fossil-fuel generating plants could be required. These reductions could entail substantial capital and operating costs that, in turn, could require the Company to request substantial rate increases.

As of December 31, 1989, the Company was designated a potentially responsible party (PRP) by federal and state environmental protection agencies for three hazardous waste sites. Other parties have also been designated a PRP for these sites but the extent of their participation has not been determined. Other hazardous waste sites have been identified for which the Company may be responsible but has not been designated a PRP. The Company is presently investigating the remedial costs that will be required for all of these sites. However, such costs are not expected to have a material adverse effect on the Company's financial position.

The Company is involved in legal and administrative proceedings before various courts and agencies with respect to matters arising in the ordinary course of business, some of which involve substantial amounts. Management is of the opinion that the final disposition of these proceedings will not have a material adverse effect on the Company's financial position.

Note 11 – Callaway Nuclear Plant

In early 1985, the Missouri Public Service Commission (MoPSC) authorized a $455 million increase in annual electric revenues for costs related to Callaway Unit No. 1. That increase was to be phased in over a six-year period. (In early 1987, the MoPSC reduced the final four annual rate increases, from 7.3% to 4.6%, to reflect expected income tax expense reductions from the Tax Reform Act of 1986.) The first-year increase, effective April 1985, was $149 million (15%); the increase in the second year, effective April 1986, was $112 million (10%); the increase in the third year, effective April 1987, was $57 million (4.6%); to be followed by annual increases of 4.6% in each of the next three years, totaling $189 million.

In April 1987, the Staff of the MoPSC and the Office of Public Counsel of the State of Missouri filed complaints against the Company with the MoPSC alleging that the Company's return on its investment had become excessive. On December 21, 1987, after conducting hearings, the MoPSC issued an order in response to the complaints. The order eliminated the $189 million of scheduled revenue increases and instead authorized a single revenue increase

of $5.6 million effective December 31, 1987. In addition, the order effectively prevents the recovery of $23 million of deferred costs accumulated under the Missouri rate phase-in plan. As a result, the Company charged $23 million ($.23 per share) to expense in 1987. (The order provides that the remaining $159 million deferred cost balance at December 31, 1987, applicable to Missouri be recovered in rates over the five years 1988 through 1992.)

Effective during 1985, the Illinois Commerce Commission, the Iowa State Utilities Board, and the Federal Energy Regulatory Commission authorized rate phase-in plans comparable to those ordered by the MoPSC in 1985.

During 1988, the Company obtained long-term power supply contracts with certain of its wholesale customers. As a condition of such contracts, the Company will not recover $29 million ($15 million net of tax) of phase-in plan deferred costs applicable to these customers. As a result, the Company charged $15 million net of tax ($.15 per share) to expense in 1988.

In 1981, the Company canceled construction of Unit No. 2 at its Callaway plant. In March 1989, the Missouri Supreme Court refused to hear an appeal of a MoPSC order that denied recovery of Callaway Unit No. 2 costs applicable to the Missouri jurisdiction. As a result, in the first quarter of 1989, the Company wrote off $50 million ($30 million net of tax or $.30 per share) of the recorded asset related to the portion of Callaway Unit No. 2 applicable to the Missouri jurisdiction. Recovery of Callaway Unit No. 2 costs applicable to other regulatory jurisdictions ($4 million at December 31, 1989) is presently reflected in rates.

Under the Nuclear Waste Policy Act of 1982, the U. S. Department of Energy (DOE) is responsible for the permanent storage and disposal of spent nuclear fuel. DOE currently charges one mill per kilowatt-hour generated for future disposal of spent fuel. Electric rates charged to customers provide for recovery of such costs.

Callaway plant decommissioning costs are estimated to be $170 million in current year dollars. Electric rates charged to customers provide for recovery of decommissioning costs over the life of the Callaway plant. Amounts so collected from customers are deposited in a trust fund which has been established to provide for decommissioning costs. At December 31, 1989, $18 million was on deposit in the decommissioning trust fund.

Note 12 - Supplementary Information

(Thousands of Dollars)	1989	1988	1987
Maintenance and repairs, charged directly to:			
Operating expenses	$156,220	$162,977	$158,908
Other accounts (a)	10,863	10,749	9,674
	$167,083	$173,726	$168,582
Depreciation, depletion and amortization of fixed and intangible assets, charged directly to:			
Operating expenses	$223,290	$224,396	$158,988
Other accounts (a)	4,508	4,148	3,746
	$227,798	$228,544	$162,734
Taxes, other than payroll and income taxes, charged directly to:			
Operating expenses —			
Real estate and personal property	$ 79,889	$ 79,098	$ 79,306
License and franchise	95,276	95,608	91,490
Miscellaneous	1,743	2,213	2,409
	176,908	176,919	173,205
Other accounts	4,117	3,850	3,394
	$181,025	$180,769	$176,599

(a) A substantial portion of amounts charged to other accounts is allocated to operating expenses through clearing accounts.
(b) The amounts of payroll taxes for the years 1989, 1988, and 1987 were $18,909,000, $18,089,000, and $17,069,000, respectively.
(c) The amounts of royalties and advertising costs were not material.
(d) Total interest paid (net of amount capitalized) in 1989, 1988, and 1987 was $177 million, $179 million, and $202 million, respectively.
(e) Total income taxes paid in 1989, 1988, and 1987 were $148 million, $104 million, and $87 million, respectively.

Responsibility for Financial Statements

The management of Union Electric Company is responsible for the information and representations contained in the financial statements and in other sections of this Annual Report. The financial statements have been prepared in conformity with generally accepted accounting principles. Other information included in this report is consistent, where applicable, with the financial statements.

The Company maintains a system of internal accounting controls designed to provide reasonable assurance as to the integrity of the financial records and the protection of assets. Qualified personnel are selected and an organization structure is maintained that provides for appropriate functional responsibility.

Written policies and procedures have been developed and are revised as necessary. The Company maintains and supports an extensive program of internal audits with appropriate management follow up.

The Board of Directors, through its Auditing Committee comprised of outside directors, is responsible for ensuring that both management and the independent accountants fulfill their respective responsibilities relative to the financial statements. Moreover, the independent accountants have full and free access to meet with the Auditing Committee, with or without management present, to discuss auditing or financial reporting matters.

Report of Independent Accountants

One Boatmen's Plaza
St. Louis, MO 63101

Telephone 314-425-0500

Price Waterhouse

To the Stockholders and Board
of Directors of Union Electric Company

February 5, 1990

In our opinion, the accompanying balance sheet and the related statements of income, long-term debt, preferred stock, retained earnings, other paid-in capital, and cash flows present fairly, in all material respects, the financial position of Union Electric Company at December 31, 1989 and 1988, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1989, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse

Selected Financial Information

Union Electric Company

(Thousands of Dollars Except Shares and Per Share Amounts and Ratios)

	1989	1988	1987	1986
Results of Operations				
Operating revenues	$2,010,306	$2,029,107	$1,946,411	$1,807,182
Operating expenses	1,543,838	1,544,953	1,457,957	1,287,572
Operating income	466,468	484,154	488,454	519,610
Callaway rate phase-in plans	227	2,408	92,791	59,861
Deferred costs disallowed	—	—	(23,169)	—
Callaway Unit No. 1 costs disallowed, net	—	—	—	—
Loss on cancellation of Callaway Unit No. 2, net	(30,196)	—	—	—
Allowance for all funds used during construction	17,908	14,885	20,477	15,812
Miscellaneous, net	7,769	(10,648)	(15,714)	3,947
Interest	176,571	199,241	228,961	247,409
Net income	285,605	291,558	333,878	351,821
Preferred stock dividends	19,134	30,425	36,522	49,245
Earnings on common stock	266,471	261,133	297,356	302,576
Average common shares outstanding	102,123,834	102,123,834	102,123,834	102,123,834
Assets, Obligations, and Equity Capital (Year End)				
Total assets	$5,760,322	$5,827,246	$5,957,811	$5,895,211
Long-term debt obligations	2,106,776	2,188,614	2,357,615	2,436,092
Preferred stock subject to mandatory redemption	806	60,832	64,608	165,384
Preferred stock not subject to mandatory redemption	227,582	279,784	354,784	354,784
Common equity	1,954,481	1,895,360	1,837,156	1,743,189
Financial Indices				
Earnings per share of common stock (based on average shares outstanding)	$2.61	$2.56	$2.91	$2.96
Cash dividends per share of common stock	$2.02	$1.94	$1.92	$1.86
Return on average common stock equity	14.03%	14.08%	16.79%	18.16%
Ratio of earnings to fixed charges (a)	3.63	3.35	3.30	2.79
Book value per common share	$19.14	$18.56	$17.99	$17.07
Capitalization Ratios (Year End)				
Common equity	45.6%	42.8%	39.8%	37.1%
Preferred stock not subject to mandatory redemption	5.3	6.3	7.7	7.6
Preferred stock subject to mandatory redemption	—	1.4	1.4	3.5
Long-term debt	49.1	49.5	51.1	51.8
	100.0%	100.0%	100.0%	100.0%

(a) Earnings used in computing the ratio of earnings to fixed charges consist of net income plus fixed charges (interest and an appropriate amount of rentals charged to operating expenses) and income taxes.

1985	1984	1983	1982	1981	1980	1979
$1,591,763	$1,412,414	$1,401,086	$1,217,705	$1,105,536	$1,077,876	$946,797
1,173,187	1,172,128	1,160,816	1,013,054	922,647	886,720	780,331
418,576	240,286	240,270	204,651	182,889	191,156	166,466
74,631	—	—	—	—	—	—
—	—	—	—	—	—	—
(234,780)	—	—	—	—	—	—
—	—	—	—	(28,469)	—	—
106,754	329,669	251,307	198,093	155,625	92,055	58,093
(1,709)	1,619	2,509	2,364	(787)	3,638	879
254,320	247,308	218,530	200,554	180,312	131,725	106,995
109,152	324,266	275,556	204,554	128,946	155,124	118,443
49,836	50,185	46,118	40,344	29,863	30,082	27,336
59,316	274,081	229,438	164,210	99,083	125,042	91,107
100,403,016	96,574,699	86,744,282	76,251,024	67,179,275	59,675,995	52,577,432
$5,738,620	$5,819,996	$5,146,666	$4,573,783	$3,992,742	$3,552,104	$3,168,998
2,454,687	2,457,381	2,108,047	2,000,405	1,719,927	1,479,229	1,307,990
173,160	178,936	180,962	182,988	110,014	112,040	114,066
354,784	354,784	354,784	279,784	279,784	279,784	279,784
1,630,466	1,695,239	1,526,188	1,299,814	1,135,826	1,045,120	931,946
$0.59	$2.84	$2.64	$2.15	$1.47	$2.10	$1.73
$1.78	$1.72	$1.66	$1.58	$1.52	$1.48	$1.44
3.81%	17.23%	16.79%	14.17%	9.46%	13.11%	10.71%
1.14	2.88	2.89	2.49	2.00	2.85	2.62
$15.97	$17.10	$16.12	$15.40	$15.19	$15.81	$15.85
35.3%	36.2%	36.6%	34.5%	35.0%	35.8%	35.4%
7.7	7.6	8.5	7.4	8.6	9.6	10.6
3.8	3.8	4.3	4.9	3.4	3.9	4.3
53.2	52.4	50.6	53.2	53.0	50.7	49.7
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Selected Quarterly Information

Union Electric Company

(Thousands of Dollars Except Per Share Amounts)

		Operating Revenues	Operating Income	Net Income	Earnings on Common Stock	Earnings Per Share of Stock Outstanding
Quarter Ended:	March 31, 1989	$449,390	$ 78,808	$ 36,058	$ 30,328	$ .30
	March 31, 1988	463,737	95,712	48,330	39,853	.39
	June 30, 1989	490,312	111,731	65,571	60,265	.59
	June 30, 1988	486,357	118,938	74,798	66,321	.65
	September 30, 1989	618,775	185,716	137,952	133,412	1.31
	September 30, 1988	656,780	194,230	146,336	139,020	1.36
	December 31, 1989	451,829	90,213	46,024	42,466	.41
	December 31, 1988	422,233	75,274	22,094	15,939	.16

The write-off of the recorded asset related to the portion of Callaway Unit No. 2 applicable to the Missouri jurisdiction decreased net income and earnings on common stock by $30 million ($.30 per share) in the first quarter of 1989. The favorable resolution of several tax matters increased net income and earnings on common stock by $20 million ($.20 per share) in the first quarter of 1989. Expenses related to the acquisition of long-term power supply contracts decreased net income and earnings on common stock by $4 million ($.04 per share) in the third quarter of 1988, and by $11 million ($.11 per share) in the fourth quarter of 1988.

Common Stock Prices and Dividends (1)

	1989 Price Range		1989		1988 Price Range		1988
	High	Low	Dividends (2)	Quarter Ended	High	Low	Dividends
Per Share:	$24 1/2	$23	50¢	**March 31**	$25	$21 3/8	48¢
	26 1/2	23 3/4	50	**June 30**	24 3/8	21 3/4	48
	27 3/4	26 1/8	50	**September 30**	23 7/8	21 1/2	48
	28 5/8	26	52	**December 31**	25	23 3/8	50

(1) At December 31, 1989, Union Electric Company common stockholders totaled 133,638. (New York Stock Exchange symbol: UEP.)

(2) At December 31, 1989, retained earnings totaled $726,905,000; under the Company's amended mortgage indentures, $57,115,000 of total retained earnings was restricted against payment of common dividends – except those payable in common stock.

	1989	1988	1987	1986	1985
Electric Operating Revenues (000):					
Residential	$ 757,139	$ 778,121	$ 749,786	$ 681,002	$ 572,423
Commercial	668,796	659,075	628,067	580,323	501,913
Industrial	411,614	403,837	393,597	373,196	335,576
Other electric utilities	64,262	70,133	71,160	63,428	56,078
Miscellaneous	28,073	27,130	26,867	24,731	23,267
Total Electric Operating Revenues	$1,929,884	$1,938,296	$1,869,477	$1,722,680	$1,489,257
Kilowatt-Hour Sales (000,000):					
Residential	9,724	9,957	9,585	9,283	8,844
Commercial	10,142	10,009	9,581	9,306	8,823
Industrial	8,605	8,417	8,217	8,073	8,038
Other electric utilities	1,534	1,501	1,487	1,450	1,430
Miscellaneous	141	139	138	145	160
Total Kilowatt-Hour Sales	30,146	30,023	29,008	28,257	27,295
Electric Customers (End of year):					
Residential	951,154	941,673	929,776	916,261	901,777
Commercial	119,307	117,333	114,858	111,322	109,099
Industrial	6,714	6,576	6,569	6,595	6,333
Electric utilities	21	21	21	21	23
Other	1,588	1,569	1,548	1,498	1,410
Total Electric Customers	1,078,784	1,067,172	1,052,772	1,035,697	1,018,642
Residential Customer Data (Average):					
Kilowatt-hours used	10,289	10,645	10,390	10,227	9,901
Annual electric bill	$801.14	$831.91	$812.73	$750.24	$641.02
Revenue per kilowatt-hour	7.79¢	7.82¢	7.82¢	7.34¢	6.47¢
Gross Instantaneous Peak Demand (Kilowatts)	7,210,000	7,340,000	7,255,000	6,810,000	6,335,000
Capability at Time of Peak, Including Net Purchases (Kilowatts)	8,255,000	8,028,000	8,236,000	7,955,000	8,231,000
Generating Capability at Time of Peak (Kilowatts)	7,837,000	7,791,000	8,040,000	8,031,000	8,097,000
Coal Burned (Tons)	10,711,000	10,876,000	10,245,000	9,961,000	10,126,000
Price per Ton of Coal	$33.12	$35.25	$37.31	$37.01	$34.79

Officers and Directors

Officers

William E. Cornelius
Chairman and
Chief Executive Officer

Earl K. Dille
President

Donald E. Brandt
Senior Vice President –
Finance and Accounting

Charles A. Bremer
Senior Vice President –
Technical Services

Charles W. Mueller
Senior Vice President –
Administrative Services

Robert O. Piening
Senior Vice President –
Power Operations

Donald F. Schnell
Senior Vice President –
Nuclear

Charles J. Schukai
Senior Vice President –
Customer Services

James J. Beisman
Vice President – Customer Service

Donald W. Capone
Vice President – Engineering and
Construction

William J. Carr
Vice President – Regional West

G. J. Haven
Vice President – Research and
Development

William E. Jaudes
Vice President and General Counsel

R. Alan Kelley
Vice President – Energy Supply

Herbert W. Loeh
Vice President – Human Resources

H. G. Meyer
Vice President – Information Services

Michael J. Montana
Vice President – Industrial Relations

William A. Sanford
Vice President – Supply Service

Robert J. Schukai
Vice President – Power Plants

William C. Shores
Vice President – Regional East

Jerrel D. Smith
Vice President – Environmental
Services

H. E. Wuertenbaecher, Jr.
Vice President – Public Relations

Ronald C. Zoellar
Vice President – Transmission and
Distribution

Joseph M. Pfeifer
Controller

James C. Thompson
Secretary

L. A. Esswein
Treasurer

Board of Directors

* **J. A. Baer II**
Management – Business Consultant.
Former Chairman and Chief Executive
Officer – Stix, Baer & Fuller.

* **Marguerite Ross Barnett**
** Chancellor, University of Missouri –
St. Louis.

Sam B. Cook
Chairman – Central Bancompany and
its subsidiary, Central Bank, which
conducts a general banking business.

* **William E. Cornelius**
Chairman and Chief Executive Officer

* **Earl K. Dille**
President

* **Charles J. Dougherty**
Former Chairman and
Chief Executive Officer

Thomas A. Hays
President – The May
Department Stores Company,
a nationwide retailing organization.

* **John Peters MacCarthy**
Chairman and Chief Executive Officer –
Boatmen's Trust Company,
which conducts a general trust
business.

** **Harvey Saligman**
Chairman of the Board –
INTERCO INCORPORATED,
a manufacturer and retailer of footwear
and furniture.

* **Stewart W. Smith, Jr.**
** Former Vice Chairman

Adviser to the Board

Isaac B. Grainger
Former President – Chemical Bank.

* Member of Executive Committee
** Member of Auditing Committee

Investor Information

Dividend Reinvestment and Stock Purchase Plan

The Dividend Reinvestment and Stock Purchase Plan (DRPlus) provides common and preferred stockholders, employees, and customers the opportunity to purchase shares of common stock of the Company, without the payment of brokerage commissions or service charges, by automatically reinvesting dividends and/or investing optional cash payments.

Information regarding your DRPlus account, or the transfer of Preferred or Common Stock may be obtained by writing or calling:

Union Electric Company
Stockholder Services Department
P.O. Box 149
St. Louis, MO 63166

Toll-free telephone
1-800-255-2237
Local calls 554-3502

Office
1901 Chouteau Avenue
St. Louis, MO
(314)621-3222

Mailing Address
P.O. Box 149
St. Louis, MO 63166

Transfer Agent and Registrar
Union Electric Company
St. Louis, MO 63166

Trustees, Transfer Agents, Registrars, and Paying Agents

For First Mortgage Bonds

Boatmen's Trust Company, Trustee
St. Louis, MO 63101

The Boatmen's National Bank of St. Louis, Trustee
St. Louis, MO 63102

Harris Trust and Savings Bank and
D.G. Donovan, Co-Trustees
Chicago, IL 60690

LaSalle National Bank, Trustee
Chicago, IL 60690

Bankers Trust Company
New York, NY 10015

Continental Bank N.A.
Chicago, IL 60697

Investor Information

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Information regarding your DRIPlus account, or the transfer of Preferred or Common Stock may be obtained by writing or calling:

Union Electric Company
Stockholder Services Department
P.O. Box 149
St. Louis, MO 63166

Toll free telephone
1 800 255-2237
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