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Senior Vice President
Nuclear

March 23, 1993

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

Gentlemen:

ULNRC- 2780

CALLAWAY PLANT
DOCKET NUMBER 50-483
ANNUAL FINANCIAL REPORT

Transmitted herewith are twenty-five (25)
copies of the Union Electric Company 1992 Annual
Report. This information is submitted in accordance
with 10CFR50.71(b).

Very truly yours,

A handwritten signature in cursive script, appearing to read "Donald F. Schnell".
Donald F. Schnell

WEK/plh

Enclosures

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Union Electric

1992 Annual Report



Increasing Reliability Through New Technology III

"Just Ask UE" Gains New Meaning III

Cellway: Still An Industry Leader III

Beyond Compliance: UE Responds To Clean Air Regulations III

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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 service; 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.

Union Electric - 1992 Annual Report

Highlights

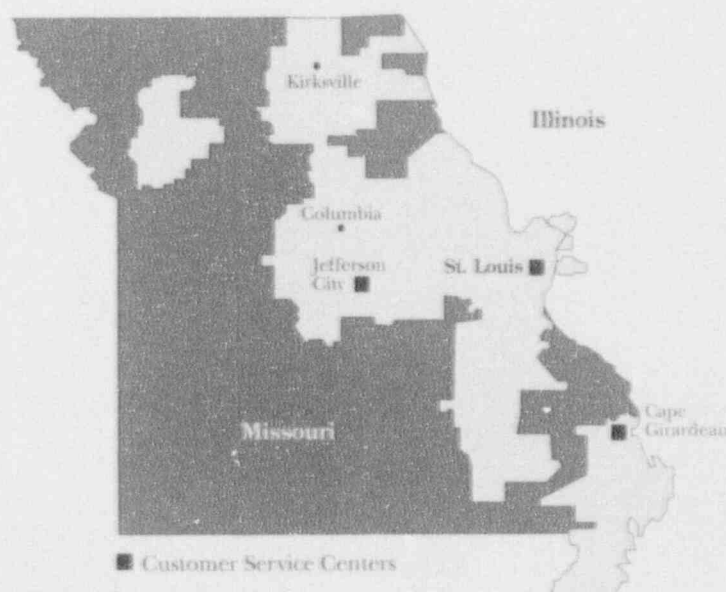
	Year Ended December 31, 1992	Annual Change	
		Current Year	10-Year Rate of Growth
Earnings per Common Share	\$2.83	(6.0)%	2.8%
Dividends per Common Share	\$2.26	3.7	3.6
Common Stock Price - Year End	\$37 3/8	(3.2)	10.5
Book Value per Common Share	\$21.19	2.8	3.2
Property and Plant (gross)	\$ 8,062,074,000	4.0	4.5
Total Operating Revenues	\$ 2,015,121,000	(3.9)	5.2
Total Kilowatt-Hour Sales	30,905,000,000	(2.2)	2.5
Residential Kilowatt-Hour Sales	9,690,000,000	(9.0)	2.1
Commercial Kilowatt-Hour Sales	10,553,000,000	(1.2)	3.7
Industrial Kilowatt-Hour Sales	9,030,000,000	5.9	2.4

Annual Meeting

The Annual Meeting of Stockholders will convene at 9 a.m. Tuesday, April 27, 1993 at Powell Symphony Hall, 718 North Grand Boulevard, St. Louis, Missouri.

On The Cover

From vital services to child's play, electricity is a part of our daily lives. Our job at UE is to make sure it's there when customers want it.



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 24,500 square-mile area in Missouri and Illinois.

Letter To Our Stockholders

"All these accomplishments made UE a significantly stronger company — more competitive than any time in recent history."

Earnings for 1992 declined from 1991's record levels, as we predicted they would. However, it was a year of important accomplishments. For example, we significantly reduced interest expense. We increased the dividend — again. We sharpened our strategic focus. We moved aggressively to earn Clean Air Act credits. We improved customer service and reduced rates for our Missouri customers. These accomplishments made UE a significantly stronger company — more competitive than any time in recent history.

1992 Financial Results

Earnings declined to \$2.83 from \$3.01 per share. There are two main reasons for this decline. First, weather patterns reversed. While 1991's spring and summer temperatures were abnormally high, 1992's were abnormally mild. Accordingly, kilowatt-hour sales fell more than two percent last year — versus 1991's four percent increase and an average annual 2.5 percent increase over the last decade. Sales dropped nine percent for residential customers and 1.2 percent for commercial customers. The bright spot was industrial sales, which increased almost six percent because of new customers, acquired in our purchase of territory in southeast Missouri, and a rebounding economy.

The second reason for last year's earnings decline was that we incurred about a 20-cent per share expense for refueling Callaway, an expense we didn't have in 1991.

These two negative effects were somewhat offset by the 18-cent per share gain from our sales of Iowa and northern Illinois territories.

Favorable interest rates allowed us to continue aggressive refinancing of debt. In the last 14 months, we refinanced almost \$900 million of bonds and preferred stock. These actions reduced interest charges for 1992 by \$30 million, or 19 percent below 1991. Our embedded cost of debt at year-end stood at 6.7 percent, one of the lowest rates in our industry. This favorable position makes UE more competitive and will continue to benefit customers and stockholders for years to come.

The year's positive results led us to increase the dividend by eight cents per share to an annual rate of \$2.32 — UE's seventh dividend increase in the last eight years. Our history of consistent dividend increases has rewarded UE's long-term stockholders. While last year's total return to our owners was

just over three percent, our average annual total return for the last five years exceeded 19 percent.

Sharpened Strategic Focus

Last year's sales of territories in Iowa and northern Illinois, paired with our purchase of territory in southeastern Missouri, will help us achieve two continuing benefits. First, we will now work with two state regulatory commissions instead of three. Second, it sharpens our strategic focus on our core business. Taken together, these benefits should help us continue to reduce costs and improve service.

Compliance With Clean Air Act

UE has moved aggressively to minimize costs of complying with the Clean Air Act Amendments of 1990 and to maximize our flexibility for the future. Our early response has meant we've already reduced emissions and, therefore, already are earning emission credits for later use. Since 1990, capital costs of compliance amount to about \$80 million — on target with the projected \$300 million we anticipate spending in this decade. All this capital has been generated internally. Equally important, our strategy means we will meet emission objectives without a rate increase and without jeopardizing our owners' return.

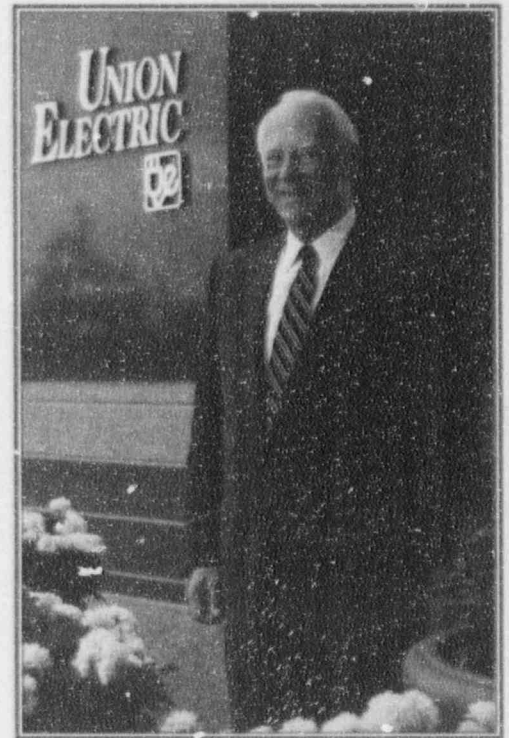
Customer Service Operations

Effective in January, we reduced our Missouri customers' rates by 2.5 percent, or about \$40 million annually. UE's Missouri residential rates now are 10 percent below the national average, and our industrial rates are 2.5 percent below the national average. UE's rates also are lower than those of surrounding midwest utilities. This gives UE a very attractive position in our increasingly competitive environment.

Even before lower rates went into effect, customers demonstrated their approval of our company by giving us the highest satisfaction ratings UE has ever received.

Our Future

UE employees are continuing to meet the challenges of new technology and increasing competition. Thanks to their efforts, we are meeting our major goals — to be one of the country's lowest-cost energy producers, to keep improving customer satisfaction with UE service and to provide a fair return to our investors.



William E. Cornelius

A handwritten signature in dark ink, which appears to read "W. E. Cornelius". The signature is fluid and cursive, written on a light-colored background.

William E. Cornelius
Chairman and
Chief Executive Officer

February 12, 1993

Union Electric: A Strong Competitor

An Interview With Union Electric's Management

*Chairman and CEO
William E. Cornelius (left),
Senior Vice President
Donald E. Brandt (center)
and Corporate Planning
General Manager
Gary L. Rainwater answer
questions concerning
Union Electric's outlook.*



**"UE's rates are low
enough to compete with
independent power
producers."**

Union Electric's management routinely meets with investors around the country, explaining the company's operations, financial position and the effect that current issues — such as new environmental regulations, for example — have on Union Electric's outlook. Here are some of the commonly asked questions:

How will the Energy Bill of 1992 affect Union Electric?

It won't ... at least in the short run. UE's rates are low enough to compete with independent power producers for industrial and commercial customers' business. Of course, part of the bill opens access to utility lines to other groups ... our first concern on that issue is to insure reliability for the customers who count on us to serve them.

Doesn't part of the bill allow for streamlined plans for new nuclear plants? Will you build another nuclear plant?

We don't plan to add any major generating plants until well beyond the year 2000. However, we do believe the nuclear option should be available.

You just finished buying and selling some territory. What are your plans for future expansion?

First, any expansion would be limited to the energy business ... we don't have any intent to diversify. Second, we don't have any specific plans to acquire territory or sell any territory now. But we continue to look at opportunities.

What about buying utilities in other countries?

No, we're not considering that.

Are you meeting your goals in relation to the 1990 Clean Air Act Amendments? What other environmental regulations do you expect?

We're on target with Clean Air Act compliance — our plants are successfully

burning more low-sulfur coal, and we have begun installing burners that reduce nitrogen oxide emissions. We expect more

environmental regulations in the future and hope they offer flexibility in compliance and that they are based on scientific evidence.

What about new accounting requirements, such as FAS 106? That particular accounting requirement — accruing for retirees' medical benefits — has affected almost every corporation in the country. In 1993, UE will begin accruing additional expense, which will reduce earnings by approximately 20 cents per share.

How will you keep cutting costs? What role will technology play? We believe that we can continue to reduce costs through productivity improvements. We will reduce our employee count to about 6,300 by 1997 through attrition. Technology will play an important role in both reducing costs and improving customer service.

Will you manage to keep rates down?

We just reduced electric rates for all customers in Missouri by 2.5 percent, effective January 1, 1993. That's our second rate decrease in just over two years. We now have a rate moratorium agreement with the Missouri Public Service Commission, prohibiting anyone from filing for rate increases or decreases before September 1994, unless something unexpected occurs.

How much kilowatt-hour sales growth do you expect in your territory over the next few years?

We estimate that sales will grow about 1.8 percent a year for the next few years. We've already seen a rebound in sales to industrial customers as the economy improved. Our residential KWH sales vary, depending on weather.

What role will demand-side management play in the future?

One of our company's goals is to institute five pilot demand-side management programs this year. [Demand-side management refers to increased energy efficiency.] We will work closely with our state regulators and our customers to find the best, most cost-effective ways to increase energy efficiency. Our pilot programs cover all our customers, from major industrial customers to school children.

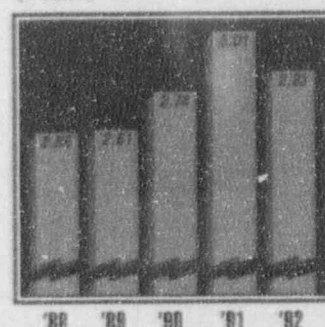
What makes UE different from other utilities?

We have the advantage of being in the center of the country, with access to more than 20 utilities for power. Our management is probably more conservative, and more averse to risk, than many utilities. That shows in our strong balance sheet.

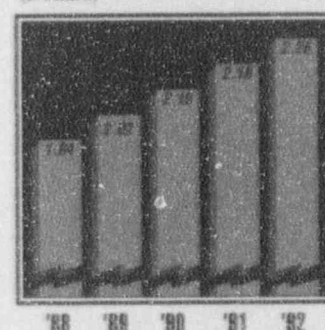
What about your dividend policy?

We have increased our stockholders' dividend steadily over the past years and will strive to reward our owners fairly for their investment.

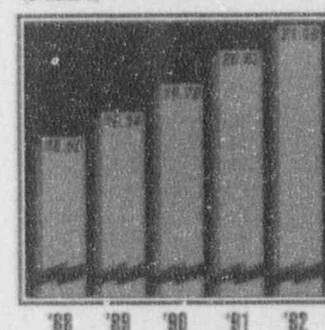
Annual Earnings Per Share
(Dollars)



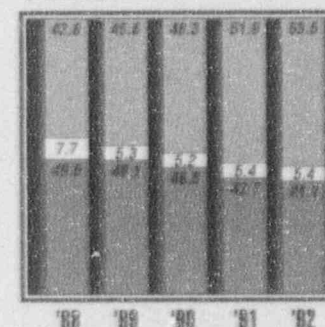
Dividends Per Share
(Dollars)



Book Value Per Share
(Dollars)



Capitalization
(Percent)



Common Equity
Preferred Stock
Long-Term Debt

Increasing Reliability Through New Technology

Interview

Q: How did the committee do this year?

A: Our average customer outage in 1992 was 62 minutes, compared to our goal of 75 minutes — close to the 1995 goal. And our reliability moved up to 99.99 percent.

Q: Averages aren't easy to move when you're dealing with a million customers. How did you do it?

A: Our reliability team includes people from all over the company... we involve everyone in doing a little bit to improve the system.

Q: For example?

A: We're aggressive about replacing cable and feeder lines that could go bad before they become problems. And we're in our second year of a major program to trim back trees that threaten lines, a real problem here in the Midwest. We've also made major improvements on the system — replaced three substations, expanded and redeveloped others.

Q: Where do you go from here?

A: Next year, our new outage analysis system goes on our systemwide computer to track reliability data for the entire company — all 24,500 square miles — which means faster, more and better customer information. We'll also use more infrared testing to spot minor problems sooner and start a three-year project to automate our electric switches beyond substations.

Q: The technology sounds great, but what's the committee doing?

A: Our planning activity has been more routine, but more aggressive. We're seeing the benefits of some decisions we made a couple of years ago, so we'll keep laying groundwork for future improvements.

Q: All this means...?

A: Tougher goals for next year. Which is good.



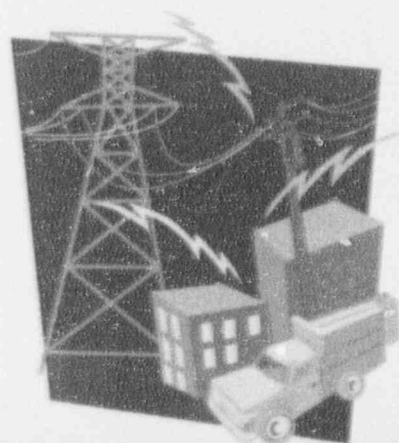
Tom Voss, distribution operating manager, chairs the company committee charged with constantly improving UE's already-good service reliability.

Few services can claim anywhere near the reliability of electric service. In 1992, UE's reliability factor was 99.99 percent, meaning that if you flipped on a switch 10,000 times, electricity would be there all but one time.

To achieve that level of dependability, one doesn't have the luxury of simply fixing problems. Instead, problems must be anticipated — and resolved — *before* they can affect service. In 1992, UE increased its ability to anticipate and react to problems by beginning installation of a new, upgraded Supervisory Control and Data Acquisition (SCADA) computer system. Basically, this system will allow a dispatcher to "see" into the thousands of miles of distribution network and its interlocking components via a computer-generated map. If, for example, the dispatcher notices that a transformer isn't behaving normally, he often can redirect the flow of electricity to bypass it before it fails. Our crews faced a serious test when a tunnel collapsed in downtown St. Louis during construction of the city's light-rail system. Underground UE cables that serve thousands of downtown customers were threatened in the cave-in. But re-routing power — and fast cable splicing — prevented any major power outages.

Last year, UE enhanced the SCADA system by linking it with two new sophisticated digital radio communications systems. Now working throughout the St. Louis metro area, the first radio system will be

Digital radio has replaced leased telephone lines to transmit operating data to monitoring computers. Eliminating leased lines will save UE \$250,000 each year and cover the cost of the new system in less than a year.



"Problems must be anticipated — and resolved — before they can affect service."



Preventive Maintenance Pays Off in 99.99% Service

UE monitors and replaces components regularly to prevent problems, but the company also trains employees to work quickly and safely on UE's power grid. Geoffrey Hunter (left), watched by instructor Russell Stirnaman, splices cable in UE's Underground training area before tackling field assignments.



operational all over UE's 24,500 square-mile operating area this year. The system will make the company's 1,500 service trucks rolling field offices. For example, work orders can be transmitted to computers in trucks, saving valuable time. The radio system also can access the area's telephone network, so that an employee can call a customer before arriving — a courtesy to the customer and a way to ensure access and no wasted time. The second system carries SCADA-generated data formerly transmitted on leased telephone lines. Eliminating the leased lines will save UE \$250,000 annually.

SCADA On Line

SCADA not only alerts dispatchers about downed power lines, it helps prevent outages by warning them when a transformer is getting too much load, for example. The dispatcher can then shift load to other lines. Lee Schultdt (left) and Ron Kemper track performance throughout the system.



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"Just Ask UE" Gains New Meaning

Consolidating and upgrading our customer service system offers our customers expanded access to UE while significantly reducing costs

..... In 1992, customers gave UE its highest marks ever for service quality, according to our monthly surveys. Our customers aren't becoming less demanding. We're providing more responsive service.



Fewer Service Centers But More Information

Before last year's consolidation, 22 offices served more than 200,000 UE customers in mid-Missouri. Now a single Jefferson City service center takes customers' calls. Another customer service center in St. Louis serves the Metropolitan St. Louis area and a third service center in Cape Girardeau serves southeast Missouri. Service representatives Dana Hall (foreground) and Mardy Snyder can answer callers' questions more effectively than ever before because once-separate information databases have been linked together.

Interview

Last year, we completed a three-year program to upgrade and consolidate our customer service communications system. It means that customers can call UE 24 hours a day, seven days a week, in the metropolitan St. Louis area. Customers in less-populated areas of Missouri also have expanded access to UE, including evening hours and Saturdays.

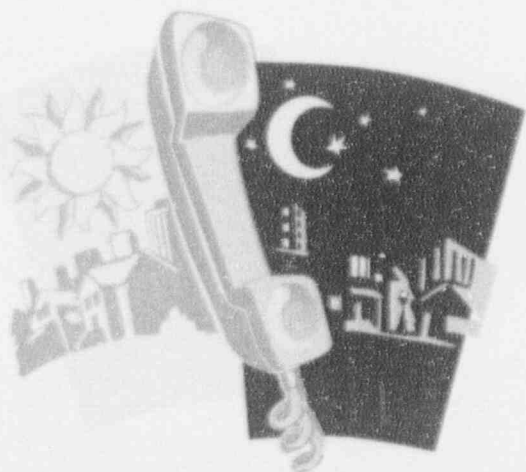
The task team that studied the need for these new Customer Service Centers worked hand-in-glove with UE's computer staff to develop a state-of-the-art voice response system, allowing more callers to get through to UE at peak times.

"Customers gave UE its highest marks ever for service quality."

Of course, greater accessibility doesn't automatically mean better service. Recognizing this, UE took two important steps. First, policies were changed to give service representatives authority to resolve practically any customer problem in one call, with no annoying referrals.

So, for example, when a customer calls to arrange a late payment, the service representative doesn't have to refer the caller to credit people. And second, training for service people was expanded. Ongoing coaching helps service representatives apply guidelines more uniformly and encourages them to be courteous, professional and fast, which explains why almost eight out of ten of our customers who contact UE rated representatives very favorably.

The combination of increased accessibility and more responsive UE people makes our customer service faster, more flexible and, we believe, more friendly. Evidently, our customers agree.



"Business hours" Aren't Just 9 to 5 Anymore.

Customers now don't have to confine their business with UE to normal business hours. St. Louis metropolitan customers can call the company 24 hours a day, seven days a week.



William J. Dobrich, a 39-year veteran with UE, began managing the company's new Metropolitan Service Center in January 1992. The center serves more than 850,000 of UE's customers and operates around the clock.

Q: Bill, what happens here?

A: We get an average of 5,600 calls per day, with more calls on weekdays and in the summer. In 1992, we answered around 1.8 million customer calls, mostly about billing and credit questions, but also about moves and other issues.

Q: What's different from the old system?

A: We now operate 24 hours a day every day, and we have a new computer system that automates the way customer calls are handled. But we have changes on the human end of the phone, too, because our employees have more authority and responsibility.

Q: Sometimes change can be difficult to handle.

A: Yes, it can, so we've implemented a coaching program. Each supervisor mentors employees, one on one, to improve their technical knowledge and the quality of their customer

contacts. "Service with a smile" is important even when you're on the phone. We've also assigned a training supervisor to work full-time with service people, and we're developing formal training programs.

Q: How have the changes worked?

A: We're answering more calls, and the CCI moved up. (The CCI - Customer Contact Index - is a monthly telephone survey of customers who recently called UE. CCI forms part of the overall Customer Satisfaction Index, which monitors customer opinion.)

Q: Where do you go from here?

A: We will be installing a new automated customer account inquiry system. Then, our customers will be able to make arrangements on past-due accounts just using the automated system. And, of course, we're always looking for improvements to existing procedures.

Callaway: An Industry Leader

Interview

Q: Tell me about a refueling. How many people are involved and how long does a refueling take?

A: Callaway operates on an 18-month cycle. We generate electricity about 16 of those months; we're shut down for refueling about two months. When we refuel, we use everyone in the nuclear division — about 900 people — and we bring in about 500 contractors.

Q: What happens during a refueling?

A: We refuel the reactor, which is a major activity in itself. We perform preventive maintenance, some corrective maintenance and a lot of testing, including what we call surveillance testing — testing required by the NRC (Nuclear Regulatory Commission).

Q: Do refuelings get easier with experience?

A: They get easier from the standpoint that people know more what to expect, so there are fewer surprises. Our last two refuelings have been as difficult as any we've done, because they involved very complex activities. But those were one-time, preventive maintenance jobs — for example, shot peening the steam generator tubes, adding insulation in the electrical generator — we should never have to repeat.

Q: Callaway does well at all times, especially during refuelings ... you finished ahead of schedule even on this refueling. Why the success?

A: One reason for our success is the planning that goes into the outage. We can cope with 'jump-up' work ... unanticipated problems ... because it's easier to modify a good plan in the middle of an outage than it is to develop a new plan.

Another reason is our experienced people ... that experience helps a lot. And since we're a single-unit nuclear plant, everyone can focus on the outage. We don't have to keep another plant running.

But the main reasons are teamwork and the attitude we have. Everyone has to be part of the team or it doesn't work.



Michael E. Taylor, assistant manager - work control, has been in charge of the last two refuelings.

In operation since 1984, UE's nuclear-powered Callaway Plant has consistently been an industry leader in production and safety. The plant's leadership position was maintained in 1992 as the Nuclear Regulatory Commission (NRC) again cited Callaway for outstanding safety performance.

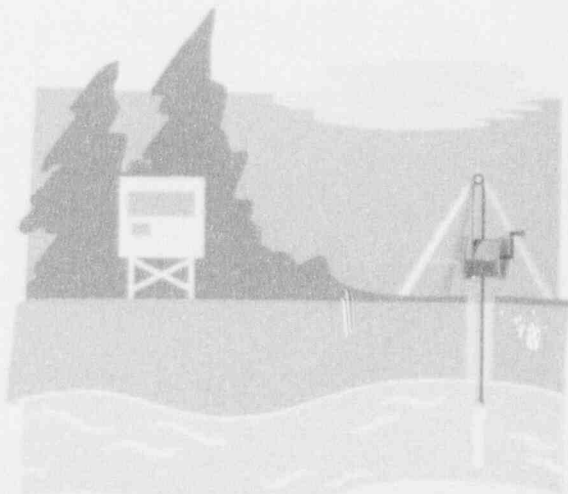
In 1991, Callaway produced more electricity than any other nuclear plant in the country. This record couldn't be repeated last year because the plant had to shut down for refueling, a routine event that occurs every 18 months. This was Callaway's fifth refueling.

Still, excluding the 59-day refueling shutdown, Callaway operated at a 95 percent capacity factor, an outstanding record. (Capacity factor measures the electricity a plant generates as a percentage of its rated capacity.)

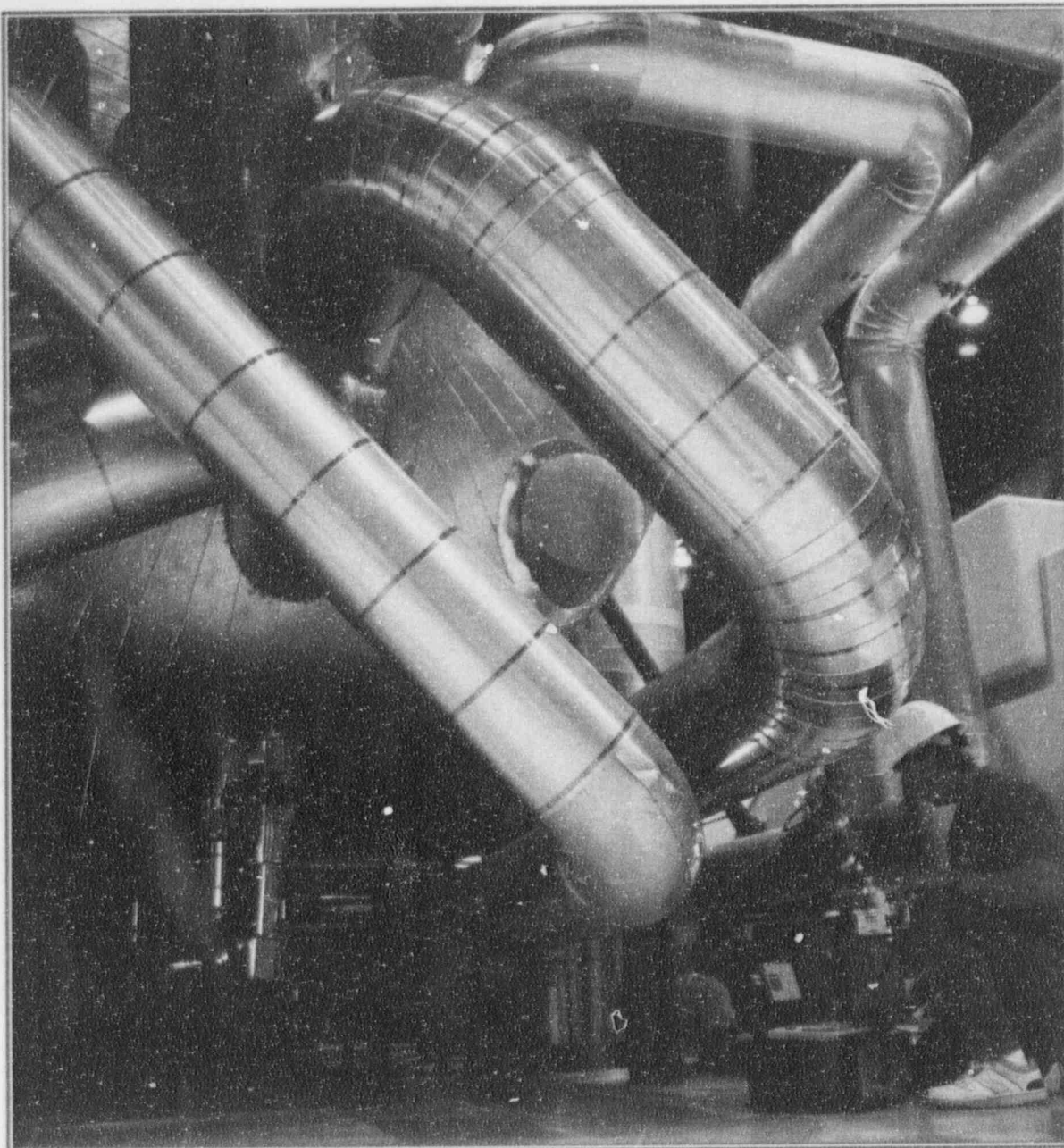
During refueling, almost half the 193 fuel assemblies in the reactor's core are replaced. The fuel is thousands of uranium dioxide pellets, each about the size of a cigarette filter but capable of producing as much energy as 1,800 pounds of coal. Pellets are stacked in 12-foot-long rods that are arranged in bundles, with each bundle representing one fuel assembly.

Air and Water Tests Show No Radioactivity

Continued testing of the air and water around Callaway has shown no increase in radioactivity since before the facility was built in 1984.



"Callaway team work finished over 7,000 work activities for refuel five ahead of schedule."



Refueling Provides Opportunity For Thorough Maintenance and Tests

When Callaway was refueled last year, no power could be generated, but a great deal of work was accomplished. More than 7,000 activities were performed during refueling, including the complete disassembly of the plant's school bus-sized electrical generator. Roger Luechtefeld performs one of more than 100 tests conducted on the plant's motor-operated valves.

While refueling was going on, UE employees took advantage of the plant's down-time to perform more than 7,000 work activities, including sophisticated preventive maintenance. Despite this complex work, the nuclear staff completed the refueling in 59 days, ahead of schedule, on budget, and in less time than the industry average.

Ongoing Concern for the Environment

This new six-acre wetland uses nature to process waste-water from Callaway's sewage system. It provides environmental benefits.



**Beyond
Compliance:**

UE Responds To New Clean Air Regulations

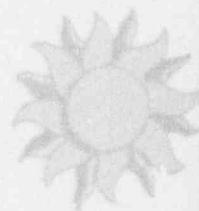
Our early response to the Clean Air Act Amendments means we can keep future costs down by earning emission credits

In November 1990, Congress passed the Clean Air Act Amendments; UE responded within months, even though final regulations weren't completed. In 1992, final regulations still weren't available, but UE acted aggressively to minimize compliance costs while maximizing flexibility.



Early Compliance

New emission standards for nitrogen oxides will be effective in 1995. But UE has already installed its first low-NOX burner system, using scheduled overhaul times to make the changes efficiently. Rod Bland (left) works on burners at Labadie, UE's largest coal-fired plant.



Basically, legislation sets specific limits on sulfur dioxide and nitrogen oxide produced by coal-fired plants. By 1995, UE must reduce sulfur dioxide and nitrogen oxide emissions by one-third. By the year 2000, that level must be cut by another one-third. Utilities that can't or don't meet these objectives have two choices — pay a fine for each ton of emissions over

authorized limits or buy emission allowances from companies that have earned credits by under-cutting emission limits.

"Customers want reliable, low cost electricity, but they also want power produced with respect for the environment"

UE already is "banking" emission credits for later use. Put simply, our strategy calls for investing \$300 million by the year 2000 to enable our plants to burn more low-sulfur coal and to install equipment that reduces nitrogen oxide emissions. The \$300 million investment will be largely offset by savings on low-sulfur coal. So UE's stockholders and

customers will not be adversely affected, and, at the same time, our environment will benefit.

As simple as that may sound, deciding this strategy meant analyzing myriad factors, from world energy market scenarios to rail transport costs to the costs of scrubbers versus the costs of retrofit equipment for low-sulfur operations. Some 750 computer runs checked and rechecked various scenarios and the costs of different options.

Implementing the strategy also is an unprecedented task, because UE plants were designed to burn high-sulfur coal. Switching to low-sulfur coal means change

(continued on page 14)



Compliance — At No Cost To Stockholders or Customers

UE's decision to comply with the Clean Air Act, primarily by switching to low-sulfur coal, will result in a \$300 million investment during the 1990s. However, this cost is expected to be offset by savings on low-sulfur coal.

In early 1990, a 22-person task force began forming UE's compliance strategy for the Clean Air Act Amendments slated for Congressional action that year. Here, task force members Gary Rainwater and Maureen Borkowski answer questions about the committee's solutions.

The final strategy — to use more low-sulfur coal — benefits the environment without increasing costs to our customers.

Q: What was your initial impression of the committee?

GR: I thought the size would be cumbersome, but so many functions and basic, day-to-day operations would be affected by the committee's decisions that everyone in the group was necessary. It really worked better than I expected.

Q: Give us a picture of the issue — the Clean Air Act Amendments — as it looked when the committee first got together.

GR: We knew legislators favored a market approach and a two-phase reduction in SO₂ and NO_x emissions, and we had a good idea about the required reductions [in sulfur dioxide and nitrogen oxide emissions].

MB: But the law wasn't written yet, so we had to look at all varieties of scenarios and consider what solutions would be the most flexible and robust.

Q: How long did it take to get to solutions?

GR: We used a decision-making model called Catalyst that's really a structured brain-storming process. For two days, we sat down, described the problem, and developed scenarios. Then we tested strategies against the scenarios.

Q: And this just took two days?

GR: It was really a simple decision because the numbers were so compelling. Other areas — documentation, implementation — aren't so simple.

(continued on page 14)



Corporate Planning General Manager Gary Rainwater chaired the committee.

Interview

Q: How is implementation going?

MB: It's going very well. We went from the planning phase into the active phase almost immediately. Remember, we began the switch to low-sulfur coal with our coal contracts in force, and no time to make physical modifications in the plants. We started figuring out, 'How are we going to start banking tons [of SO₂] and minimize cost?' Both strategies fell into lockstep.

Q: Where are you on implementation?

MB: We focused on Labadie [the company's largest coal-burning plant] to begin tactical planning. Personnel in various areas of the company — Energy Supply, Fossil Fuel, Betterment Engineering and, of course, Labadie Plant — reached consensus on a plan and moved out. Fossil Fuel negotiated new coal and rail contracts and moved some high-sulfur coal off system. The plant started burning ranges of coal blends, balancing our coal contract obligations with spot coal opportunities. I think it's remarkable they [Labadie Plant staff] were able to do as much as they did.

Our goal is to bank 300,000 tons of credits by January 1, 1995, and we're on track, according to our projections. E & C [Engineering and Construction] plans to complete plant modifications in 1994.

Q: What were some of the lessons learned during this process?

GR: Using the Catalyst approach was creative. The problem was much broader than an operational problem, since it involved business decisions. For example, one question was, 'Should we do nothing and buy emissions credits?' No single department had the expertise required to answer all the questions.

MB: We demonstrated that we have to bring people in on the front end of the decision-making.

GR: The committee was a good example of creativity ... no one would take "that can't be done" for an answer.



Maureen Borkowski, Energy Supply Services manager and participant on the Clean Air Act planning committee.

for many aspects of our operations. For example, our high-sulfur coal comes from nearby southern Illinois mines, so transportation is relatively easy and inexpensive. But, most low-sulfur coal comes from the Powder River Basin in Wyoming — 1,000 miles from our power plants. So, UE people have become experts in the railroad business, buying high-capacity aluminum rail cars.

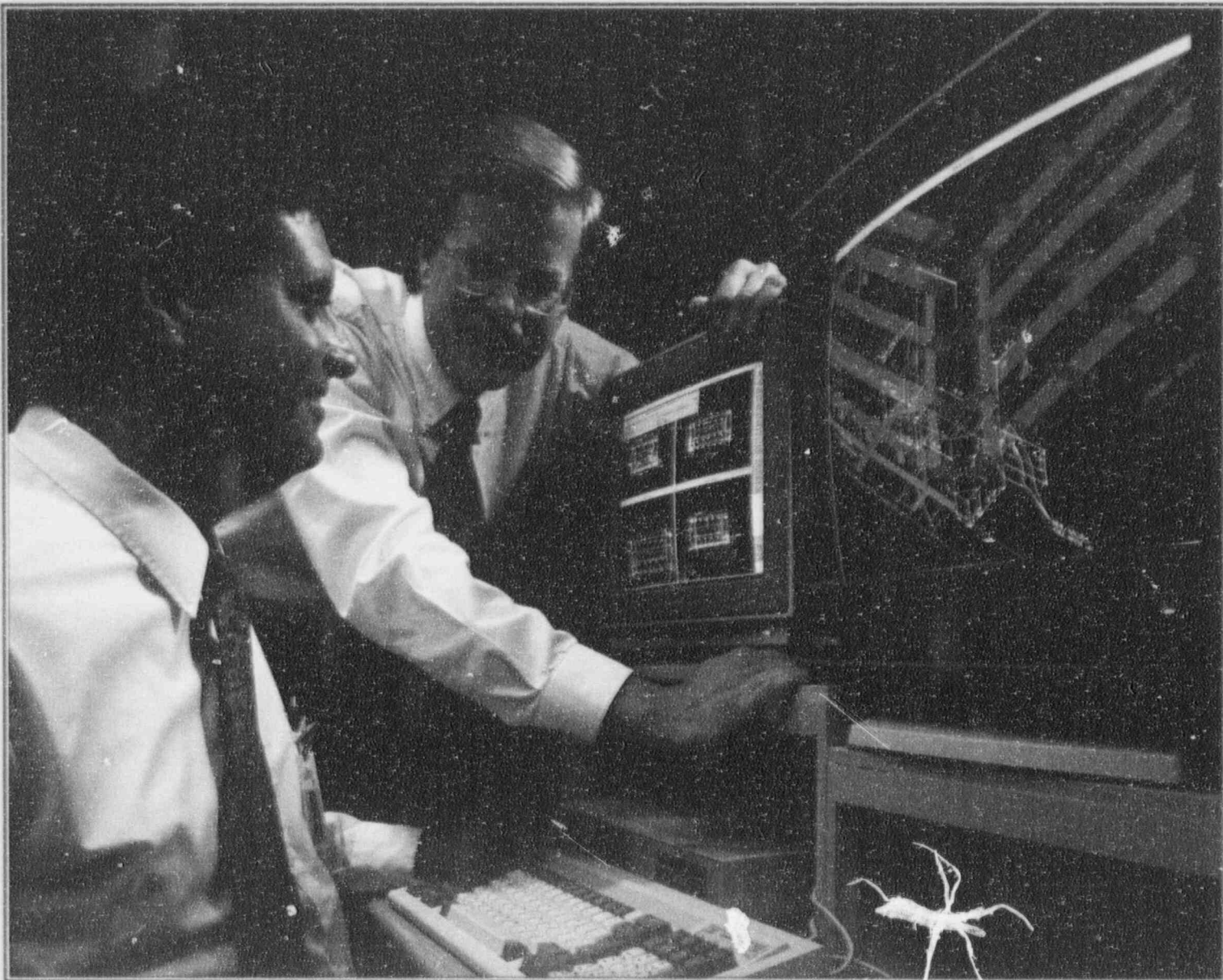
Other changes result from the nature of low-sulfur coal. For example, low-sulfur coal has a lower heat — or BTU — content than high-sulfur coal, so we have to burn more of it. In turn, greater coal consumption means we must enlarge conveyor systems that move coal. Another characteristic of low-sulfur coal is that it is more volatile than high-sulfur coal. So, extra care must be taken to prevent fires or explosions. Coal that's being moved will be covered with a water-based foam to suppress volatile coal dust. Vacuum systems collect dust and help clean up any leaks or spills. And, when the coal is ground in the coal mills into a talcum-

"UE's aggressive action means we will minimize compliance costs, maximize flexibility and protect our environment."



Modifying Plants

Rick Smith, (photo facing page, right) supervising engineer - Engineering and Construction, and Rich Phillips, senior E&C engineer, managed the design for the first-of-its-kind low-NOX burner system in UE's 2330-MW Labadie Plant. The company plans to install similar burners on the plant's other three units. At left, Ken Stirneman, David Reisner, and Carl Rhymer work on the burner's air preheater, improving the plant's capacity to use more low-sulfur coal.

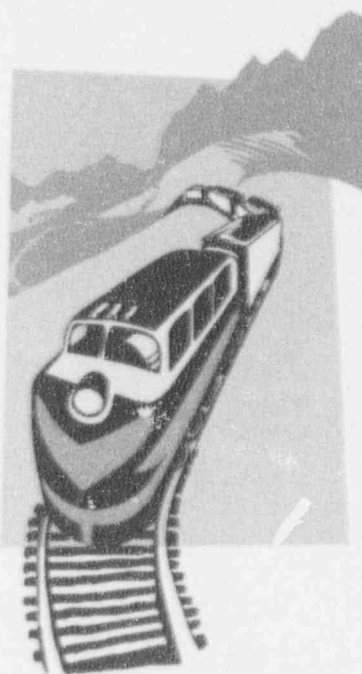


powder consistency before being burned, steam will be injected, when needed, into the mills to displace oxygen and eliminate the chance for explosion.

To reduce nitrogen oxide emissions, our Labadie Plant is installing the country's largest low-nitrogen oxide burner system. Our experience with this new equipment will help us manage future retrofits more effectively and efficiently.

Because of UE's early response to the Clean Air Act, we expect to earn almost 300,000 emission credits by 1995. These "banked" credits will give us flexibility in meeting post-1995 emissions objectives.

The bottom line: UE's aggressive action means that we will minimize compliance costs and maximize our flexibility. We will meet emission objectives, and we will do so without increasing rates or jeopardizing our return to stockholders.



Moving Low-Sulfur Coal 1,000 Miles to UE Plants

Low-sulfur coal is coming from Wyoming's Powder River Basin and Colorado's Western Slope. We have aggressively negotiated contracts with railroads to carry this coal, since as much as three-quarters of the delivered cost of western fuel consists of transportation costs.

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

Joe Holtzman, L.P.S. 301
311 1st Ave., WEO 60101

Telephone 314-425-0500

Price Waterhouse



To the Stockholders and Board of Directors
of Union Electric Company

February 3, 1993

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, 1992 and 1991, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1992, 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

Statement of Income

(Thousands of Dollars Except Shares and Per Share Amounts)

Union Electric Company

	Year 1992	Year 1991	Year 1990
Operating Revenues (*):			
Electric	\$1,929,468	\$2,006,258	\$1,939,171
Gas	84,159	86,877	80,310
Other	1,494	3,805	3,536
Total operating revenues	2,015,121	2,096,940	2,023,017
Operating Expenses:			
Operations			
Fuel and purchased power	407,067	411,739	402,453
Other	381,690	374,997	367,365
	788,757	786,736	769,818
Maintenance	187,267	170,454	176,369
Depreciation and nuclear decommissioning	214,029	204,152	200,475
Amortization of phase-in plans deferred costs	32,291	32,459	32,461
Income taxes	179,691	222,700	192,206
Other taxes (*)	201,069	197,626	194,148
Total operating expenses	1,603,104	1,614,127	1,565,477
Operating Income	412,017	482,813	457,540
Other Income and Deductions:			
Gain on sales of electric property	34,810	—	—
Income taxes related to gain on sales of electric property	(16,711)	—	—
Allowance for equity funds used during construction	3,115	2,156	2,188
Miscellaneous, net	(71)	(2,611)	10,118
Total other income and deductions, net	21,143	(455)	12,306
Income Before Interest Charges	433,160	482,358	469,846
Interest Charges:			
Interest	135,319	167,209	187,584
Allowance for borrowed funds used during construction	(4,907)	(6,363)	(11,957)
Net interest charges	130,412	160,846	175,627
Net Income	302,748	321,512	294,219
Preferred Stock Dividends	14,058	14,059	14,693
Earnings on Common Stock	\$ 288,690	\$ 307,453	\$ 279,526
(*) Includes license and franchise taxes of \$92,993,000, \$96,802,000, and \$94,200,000 for the years 1992, 1991, and 1990, respectively.			
Earnings per Share of Common Stock (based on average shares outstanding)	\$2.83	\$3.01	\$2.74
Dividends per Share of Common Stock	\$2.26	\$2.18	\$2.10
Average Number of Common Shares Outstanding	102,123,834	102,123,834	102,123,834

See Notes to Financial Statements on pages 25 through 29.

Balance Sheet

(Thousands of Dollars)

Union Electric Company

Assets	December 31, 1992	December 31, 1991
Property and Plant, at original cost:		
Electric	\$7,657,516	\$7,387,765
Gas	138,811	130,053
Other	34,994	18,805
	7,831,321	7,536,623
Less accumulated depreciation and amortization	2,860,699	2,634,136
	4,970,622	4,902,487
Construction work in progress:		
Nuclear fuel in process	100,098	90,258
Other	130,655	125,807
Total property and plant, net	5,201,375	5,118,552
Deferred Charges and Other Assets:		
Callaway rate phase-in plans	522	33,048
Unamortized debt expense	36,598	23,855
Nuclear decommissioning trust fund	32,541	27,810
Other	24,952	19,684
Total deferred charges and other assets	93,913	104,397
Current Assets:		
Cash	2,257	4,917
Accounts receivable - trade (less allowance for doubtful accounts of \$5,858 and \$6,233, at respective dates)	156,459	168,587
Unbilled revenue	80,932	92,871
Other accounts and notes receivable	15,876	14,217
Materials and supplies, at average cost -		
Fossil fuel	103,582	82,227
Construction and maintenance	83,732	95,149
Environmental bond redemption fund	47,500	42,585
Other	11,737	9,977
Total current assets	502,075	510,530
Total Assets	\$5,797,363	\$5,733,479

See Notes to Financial Statements on pages 25 through 29.

Capital and Liabilities

December 31, 1992 December 31, 1991

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)	718,482	718,507
Retained earnings (see accompanying statement)	934,919	877,029
Total common stockholders' equity	2,164,020	2,106,155
Preference stock, \$1 par value, authorized 7,500,000 shares – none outstanding		
Preferred stock not subject to mandatory redemption (see accompanying statement)	217,784	217,784
Preferred stock subject to mandatory redemption (see accompanying statement)	728	754
Long-term debt (see accompanying statement)	1,668,337	1,737,320
Unamortized discount and premium on debt	(8,784)	(7,043)
Total capitalization	4,042,085	4,054,970

Accumulated Deferred Taxes on Income	841,944	796,994
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Accumulated Deferred Investment Tax Credits	186,513	193,927
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Accumulated Provision for Nuclear Decommissioning	35,897	28,680
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Construction Commitments and Contingencies (Notes 9, 10, and 11)**Current Liabilities:**

Current maturity of long-term debt	291,169	230,921
Accounts payable	165,311	154,192
Wages payable	33,747	32,659
Bank loans	22,000	56,500
Income taxes accrued	30,925	41,195
Other taxes accrued	17,562	18,250
Interest accrued	38,700	42,941
Dividends declared	3,502	3,503
Other	88,008	78,747
Total current liabilities	690,924	658,908

Total Capital and Liabilities	\$5,797,363	\$5,733,479
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Long-Term Debt

(Thousands of Dollars)

Union Electric Company

December 31, 1992 December 31, 1991

First Mortgage Bonds - note (a)

4 1/2%	Series due 1993	\$ —	\$ 30,000
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 - note (b)	—	10,000
8 7/8%	Series due 1996 - note (b)	—	30,000
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 - note (b)	—	4,000
6 3/4%	Series due 1999	100,000	—
7 3/8%	Series due 1999	35,000	35,000
8%	Series due 1999 - note (b)	—	5,000
8 1/4%	Series due 1999 - note (b)	—	40,000
9%	Series due 2000 - note (b)	—	60,000
7 7/8%	Series due 2001 - note (1)	50,000	50,000
7 5/8%	Series due 2001	50,000	50,000
8 1/8%	Series due 2001 - note (1)	60,000	60,000
8.33%	Series due 2002	75,000	75,000
8 1/2%	Series due 2002 - note (b)	—	3,000
7.65%	Series due 2003	100,000	—
7 3/4%	Series due 2003	7,000	7,000
7 3/8%	Series due 2004	85,000	—
8 3/8%	Series due 2004 - note (1)	70,000	70,000
10 1/2%	Series due 2005 - note (b)	—	70,000
8 7/8%	Series due 2006 - note (b)	—	70,000
8 5/8%	Series due 2007 - note (j)	—	60,000
9 3/8%	Series due 2016 - note (j)	—	100,000
7.40%	Series due 2020 - note (c)	60,000	60,000
8 3/4%	Series due 2021	125,000	125,000
8%	Series due 2022	85,000	—
8 1/4%	Series due 2022	104,000	—

Unsecured Loans - note (d)

Commercial paper - note (e)	\$ 71,000	\$ 121,513
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Missouri Environmental Improvement -

Revenue bonds, 1984 Series A due 2014 - note (f)	80,000	80,000
1984 Series B due 2014 - note (f)	80,000	80,000
1984 Series C due 2014 - note (g)	—	47,500
1985 Series A due 2015 - note (h)	70,000	70,000
1985 Series B due 2015 - note (h)	56,500	56,500
1991 Series due 2020 - note (h)	42,585	42,585
1992 Series due 2022 - note (h)	47,500	—

Nuclear Fuel Lease - note (i)

46,752	57,222
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Long-Term Debt - notes (k) (m)

\$1,668,337	\$1,737,320
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- (a) At December 31, 1992, 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) Redeemed in 1992.
- (c) Environmental Improvement Series.
- (d) The Company has a credit agreement due 1994 with certain banks which permits the Company to borrow up to \$200 million. Interest rates will vary depending on market conditions and the Company's selection of various options under the agreement. At December 31, 1992, no such borrowings were outstanding.
- (e) The Company has a bank credit agreement due 1995 which is utilized to support commercial paper borrowings up to \$300 million on a long-term basis. At December 31, 1992, the outstanding commercial paper was at an average annualized interest rate of 3.55%.
- (f) Adjustable-fixed rate, interest rate at 3.25% per annum through May 31, 1993; 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.
- (g) Adjustable-fixed rate, interest rate at 3.75% per annum through February 28, 1993; the proceeds from the sale of the 1992 Series Revenue Bonds will be utilized to redeem this series in March 1993.
- (h) 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 rates at December 31, 1992, for 1985 Series A, 1985 Series B, 1991 Series and 1992 Series bonds were 2.62%, 2.68%, 3.35% and 3.50%, respectively.
- (i) At December 31, 1992 and 1991, \$54 million and \$53 million, respectively, are included under current maturity of long-term debt.
- (j) Redeemed in January 1993.
- (k) On February 9, 1993, the Company issued \$188 million of first mortgage bonds, 6 7/8% Series due 2004.
- (l) The Company plans to redeem these series in March 1993.
- (m) The estimated fair value of long-term debt at December 31, 1992 is \$1,699,444,000. This estimate is based primarily on market values of actual or comparable securities at year end. The estimate may not represent actual values of financial instruments that could have been realized as of year end or that may be realized in the future.

See Notes to Financial Statements on pages 25 through 29.

Preferred Stock

(Thousands of Dollars)

Union Electric Company

December 31, 1992 December 31, 1991

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 - note (b)		
\$7.44 Series - 330,001 shares - note (c)	\$ 33,000	\$ 33,000
\$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 - note (d)	32,288	32,288
Total Preferred Stock Not Subject to Mandatory Redemption	\$217,784	\$217,784

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 - 7,280 and 7,540 shares at respective dates, due 2020 - note (e)	\$728	\$754
Total Preferred Stock Subject to Mandatory Redemption	\$728	\$754

- (a) Authorize Union Electric Company total preferred stock - 25,000,000 shares.
 (b) In January 1993, the Company issued 330,000 shares of \$7.64 Series at \$100 per share.
 (c) In 1991, the Company retired 1,200 shares of the \$7.44 Series.
 (d) The Company plans to redeem this series in February 1993.
 (e) The Company is required to retire 260 shares at \$100 per share on June 1 of each year.

See Notes to Financial Statements on pages 25 through 29.

Statement of Retained Earnings

(Thousands of Dollars)

Union Electric Company

	Year 1992	Year 1991	Year 1990
Balance at Beginning of Period	\$ 877,029	\$ 792,207	\$ 726,905
Add:			
Net income	302,748	321,512	294,219
	1,179,777	1,113,719	1,021,124
Deduct:			
Preferred stock dividends*	14,058	14,060	14,457
Common stock cash dividends - \$2.26, \$2.18, and \$2.10 per share, respectively	230,800	222,630	214,460
	244,858	236,690	228,917
(Under mortgage indentures as amended, free and unrestricted retained earnings at December 31, 1992 amounted to \$899,437)			
Balance at Close of Period	\$ 934,919	\$ 877,029	\$ 792,207

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

Statement of Other Paid-In Capital

(Thousands of Dollars)

	Year 1992	Year 1991	Year 1990
Balance at Beginning of Period	\$718,507	\$718,473	\$716,957
Capital stock expense	(25)	—	—
Excess of stated value over purchase price of 2,200 and 95,776 shares \$7.44 Series preferred stock retired during 1991 and 1990	—	34	1,516
Balance at Close of Period	\$718,482	\$718,507	\$718,473

See Notes to Financial Statements on pages 25 through 29.

Statement of Cash Flows

(Thousands of Dollars)

Union Electric Company

	Year 1992	Year 1991	Year 1990
Cash Flows From Operating:			
Net income	\$ 302,748	\$ 321,512	\$ 294,219
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	237,659	227,684	225,760
Amortization of nuclear fuel	47,816	71,964	58,518
Gain on sales of electric property	(34,810)	—	—
Allowance for funds used during construction	(8,022)	(8,519)	(14,145)
Deferred taxes on income, net	44,950	50,633	42,213
Deferred investment tax credits, net	(7,414)	(7,007)	(7,017)
Changes in assets and liabilities:			
Receivables, net	22,408	(3,663)	15,181
Materials and supplies	(9,938)	(15,182)	14,485
Accounts and wages payable	12,207	6,346	(3,740)
Taxes accrued	(10,958)	7,336	(8,430)
Interest and dividends accrued or declared	(4,242)	5,593	(3,512)
Other, net	(1,393)	5,486	(2,384)
Net cash provided by operating activities	591,011	662,183	611,148
Cash Flows From Investing:			
Construction expenditures	(259,652)	(237,159)	(212,932)
Acquisition of electric property	(62,430)	—	—
Sale of water property	8,500	—	—
Sales of electric property	68,702	—	—
Allowance for funds used during construction	8,022	8,519	14,145
Nuclear fuel expenditures	(63,779)	(25,344)	(43,332)
Net cash used in investing activities	(300,637)	(253,984)	(242,119)
Cash Flows From Financing:			
Dividends on preferred and common stock	(244,858)	(236,690)	(228,917)
Environmental bond redemption fund -			
1991 Series	42,585	(42,585)	—
1992 Series	(47,500)	—	—
Redemptions -			
Nuclear fuel lease	(50,693)	(60,178)	(58,884)
Short-term debt	(34,500)	(34,000)	—
Long-term debt	(520,076)	(292,396)	(222,539)
Preferred stock	(26)	(212)	(8,087)
Issuances -			
Nuclear fuel lease	40,534	16,669	49,943
Short-term debt	—	—	49,500
Long-term debt	521,500	242,585	60,000
Net cash used in financing activities	(293,034)	(406,807)	(368,984)
Net Change in Cash and Cash Equivalents	(2,660)	1,392	45
Cash and Cash Equivalents at beginning of year	4,917	3,525	3,480
Cash and Cash Equivalents at end of year	\$ 2,257	\$ 4,917	\$ 3,525

Cash and cash equivalents include cash on hand and temporary investments purchased with a maturity of three months or less.

See Notes to Financial Statements on pages 25 through 29.

Note 1 - Summary of Accounting Policies

The Company is regulated by the Missouri Public Service Commission, Illinois Commerce Commission, 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. Following is a description of the Company's significant accounting policies:

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 1992, 1991, and 1990 is equivalent to approximately 3% of the average depreciable cost.

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 sold.

Income Taxes

Deferred income taxes are provided for temporary differences between book and taxable income as permitted for rate-making purposes. Investment tax credits utilized in prior years were deferred and are being amortized over the useful lives of the properties to which they relate.

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109) in 1992. SFAS 109, effective in 1993, requires an asset and liability approach for financial accounting and reporting. Adoption of SFAS 109 is expected to increase both assets and liabilities by approximately \$600 million, but is not expected to have a material effect on the Company's 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 treats 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 6.2% in 1992, 7.1% in 1991, and 9% in 1990.

Callaway Rate Phase-In Plans

The Callaway rate phase-in plans effective in 1985 as a result of regulatory commission orders provided for the 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.

A 1987 order of the Missouri Public Service Commission provided that \$159 million of deferred costs at December 31, 1987, applicable to Missouri be recovered in rates over the five years 1988 through 1992.

Unbilled Revenue

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

Note 2 - Debt Retirement Provisions

During the five years from December 31, 1992, the amounts of debt maturities totaling \$660 million are: \$471 million in 1993; \$109 million in 1995; \$35 million in 1996; and \$45 million in 1997. Amounts for years subsequent to 1993 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 pledging property additions in lieu of such redemptions.

Note 3 - 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)

	1992	1991	1990
Bank loans at year end -			
Amount outstanding	\$ 22,000	\$ 56,500	\$ 45,500
Composite interest rate	3.3%	4.7%	7.7%
Commercial paper at year end -			
Amount outstanding	—	—	\$ 45,000
Composite interest rate	—	—	8.0%
Maximum aggregate short-term borrowings at any month end during the year	\$261,000	\$173,000	\$115,000
Average daily short-term borrowings outstanding during the year -			
Aggregate amount	\$100,996	\$101,181	\$ 70,618
Weighted composite interest rate	3.8%	6.2%	8.3%

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, 1992, the Company had committed bank lines of credit aggregating \$177 million (\$155 million of which were unused at such date) which make available interim financing at various rates of interest based on LIBOR, the bank certificate of deposit rate, or other options, and in support of which the Company has agreements with its lending banks to pay annual fees up to 0.125%. These lines of credit are renewable annually at various dates throughout the year.

Note 4 - Nuclear Fuel Lease

The Company has a lease agreement which provides for the financing of nuclear fuel. Effective February 1, 1993, the maximum amount which may be financed under the agreement was reduced from \$125 million to \$100 million. 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. The Company reimbursed the lessor \$54.3 million during 1992, \$68.0 million during 1991, and \$76.2 million during 1990.

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 1992, 1991, and 1990, the total interest charges under the lease were \$4.4 million, \$8.5 million, and \$13.9 million (based on average interest rates of 4.3%, 6.7%, and 8.6%, respectively) of which \$1.3 million, \$1.4 million, and \$7.3 million, respectively, were capitalized.

Note 5 - Preferred Stock

During the three years ended December 31, 1992, preferred stock, without par value, was retired or redeemed as follows: 2,200, and 95,776 shares, \$7.44 Series in 1991, and 1990, respectively; 260 shares, \$6.30 Series in 1992, 1991, and 1990.

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

(a) In January 1993, the Company issued 330,000 shares of \$7.64 Series preferred stock.

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

(c) February 1993 redemption planned.

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

Note 6 - Preferred Stock Mandatory Redemption Provisions

During each of the five years 1993 through 1997, the Company will be required to redeem \$26,000 of the preferred stock outstanding at December 31, 1992.

Note 7 - Income Taxes

Total income tax expense for 1992 resulted in an effective tax rate of 39% on earnings before income taxes (41% in 1991 and 39% in 1990). The principal reasons such rates differ from the statutory Federal rate are as follows:

	1992	1991	1990
Statutory Federal income tax rate	34%	34%	34%
Increases (Decreases) from:			
Depreciation differences	1	2	2
Callaway rate phase-in plans	2	2	2
State tax	3	3	3
Miscellaneous, net	(1)	—	(2)
Effective income tax rate	39%	41%	39%

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

	1992	1991	1990
Taxes currently payable (principally Federal):			
Included in operating expenses	\$147,887	\$183,573	\$168,186
Included in other income - Miscellaneous, net	11,586	(8,244)	(6,964)
Deferred taxes (principally Federal):			
Included in operating expenses -			
Depreciation differences	37,588	41,757	40,429
Unbilled revenue	—	—	(4,886)
Other	1,630	4,377	(4,506)
Included in other income -			
Depreciation differences	6,978	6,834	6,290
Other	(1,246)	(2,336)	—
Deferred investment tax credits, net			
Included in operating expenses	(7,414)	(7,007)	(7,017)
Total income tax expense	\$197,009	\$218,954	\$191,532

Deferred income taxes are provided for differences between book and taxable income to the extent permitted for rate-making purposes. At December 31, 1992, the cumulative net amount of income tax temporary differences for which deferred income taxes have not been provided is approximately \$900 million. This amount is expected to be reflected in electric rates when the temporary differences reverse.

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 the employees' years of service and compensation. The Company's funding policy is to contribute annually at least the minimum amount required by

government funding standards, but not more than can be deducted for Federal income taxes. Plan assets consist principally of common stocks and fixed income securities (including \$0.6 million of Company securities at December 31, 1992).

Pension costs for the years 1992, 1991, and 1990, were \$25 million, \$24 million, and \$23 million, respectively, of which approximately 18% in 1992, and 17% in 1991 and 1990 were charged to construction accounts.

The plans' funded status follows (in millions):

	At December 31,		
	1992	1991	1990
Actuarial present value of benefit obligations:			
Vested benefit obligation	\$(492)	\$(455)	\$(414)
Accumulated benefit obligation	\$(521)	\$(481)	\$(439)
Projected benefit obligation for service rendered to date	\$(688)	\$(633)	\$(582)
Plan assets at fair value	671	636	540
(Deficiency) Excess of plan assets versus projected benefit obligation	(17)	3	(42)
Unrecognized net gain	(55)	(78)	(37)
Prior service cost not yet recognized in net periodic pension cost	84	89	95
Unrecognized net assets at transition	(12)	(12)	(13)
Prepaid pension cost	\$ —	\$ 2	\$ 3

Pension costs include the following components (in millions):

	1992	1991	1990
Service cost - benefits earned during the period	\$ 17	\$ 15	\$ 15
Interest cost on projected benefit obligation	56	52	49
Actual return on plan assets	(52)	(110)	(19)
Net amortization and deferral	4	67	(22)
Pension cost	\$ 25	\$ 24	\$ 23

For determining the actuarial present value of the projected benefit obligation in 1992, 1991, and 1990, the weighted average discount rates were 8.5%, 8.75%, and 9%, 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 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 have been recognized on the basis of claims paid. Such costs totaled \$13.5 million in 1992 and \$11 million in each of 1991 and 1990.

The FASB has issued SFAS No. 106, "Employers' Accounting for Postretirement Benefits other than Pensions". The Company plans to adopt SFAS 106 in 1993. SFAS 106 requires accrual of the expected postretirement benefit costs during the employees' years of service. The Company's accumulated postretirement benefit obligation is estimated to be \$325 million and the 1993 accrued postretirement benefit expense will be approximately \$55 million.

Note 8 to the Company's 1991 financial statements stated that the Company intended to address adoption of SFAS 106 in 1993 by, among other things, recording a regulatory asset offsetting the liability recorded pursuant to the standard. In January 1993, the Emerging Issues Task Force ("EITF") of the FASB reached a consensus on the accounting criteria required to record a regulatory asset. The criteria prescribed by the EITF preclude the Company from implementing the accounting set forth in the above-referenced Note 8. As a result, adoption of SFAS 106 is expected to have a material adverse effect on the Company's results of operations, and the Company estimates that 1993's reported earnings on common stock will be reduced by approximately \$20 million, or 20 cents per share, due to adoption of SFAS 106.

Note 9 - Construction Commitments

The Company is engaged in a construction program under which expenditures averaging approximately \$285 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 \$800 million provided by ANI and MAELU, which includes \$100 million of coverage for premature decommissioning costs.

Excess property insurance of \$1.075 billion 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 \$10.9 million in any one

policy year. The policy also provides up to an additional \$250 million of coverage for premature decommissioning costs in excess of funds previously collected for decommissioning. Such coverage is limited to a premature decommissioning which results from a major accident.

The NRC requires property insurance proceeds to be first dedicated to reactor stabilization and decontamination, which may significantly reduce the proceeds available for property repair and replacement.

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 initial radiation exposure after December 31, 1987. Under this policy, the Company could be subject to a maximum retrospective premium assessment of \$3.2 million.

Accidental outage replacement power cost insurance provided by NEIL. Thereunder, the Company is insured for up to \$3.1 million per week for the first year, commencing 21 weeks after initiation of the outage and up to \$2.1 million per week for the second and third year. Under this policy, the Company could be subject to a maximum annual retrospective premium assessment of \$3.2 million in any one policy year.

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 \$7.8 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 \$3.2 million. As required by the Price-Anderson Act, the assessment is subject to an inflationary adjustment in mid-1993.

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.

Under the Clean Air Act Amendments of 1990, the Company is required to reduce total annual emissions of sulfur dioxide by approximately two-thirds by the year 2000. Significant reductions in nitrogen oxide will also be required. With switching to low-sulfur coal and early banking of emission credits, the Company anticipates that it can comply with the requirements of the law with no significant increase in revenue needs because the related capital costs, currently estimated at about \$300 million, will be largely offset by lower fuel costs.

As of December 31, 1992, the Company was designated a potentially responsible party (PRP) by federal and state environmental protection agencies for seven hazardous waste sites. 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.

In November 1992, the Missouri Public Service Commission approved a settlement among various parties involving the Company's Missouri electric rates. Under the terms of the settlement, rate decreases for all classes of Missouri electric customers will reduce annual revenues by \$40 million, effective January 1, 1993. The settlement also provides that no party shall file for a general increase or decrease in the Company's Missouri electric rates prior to September 1, 1994, except that the Company may file for an increase if certain adverse events occur.

See Management's Discussion and Analysis — Liquidity and Capital Resources for information regarding the Company's acquisition and sales of electric properties.

Note 11 — Callaway Nuclear Plant

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 sold for future disposal of spent fuel. Electric rates charged to customers provide for recovery of such costs. DOE is not expected to have its permanent storage facility for spent fuel available until at least 2010. The Company has sufficient storage capacity at the Callaway plant site until 2005 and has viable storage alternatives under consideration that would provide additional storage facilities. Each alternative will likely require Nuclear Regulatory Commission approval and may require other regulatory approvals. The delayed availability of DOE's disposal facility is not expected to adversely affect the continued operation of the Callaway plant.

Callaway plant decommissioning costs are estimated to be \$373 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.

Note 12 — Supplementary Information

(Thousands of Dollars)	1992	1991	1990
Maintenance and repairs, charged directly to:			
Operating expenses	\$187,267	\$170,454	\$176,369
Other accounts (a)	10,633	11,064	10,890
	<u>\$197,900</u>	<u>\$181,518</u>	<u>\$187,259</u>
Depreciation, depletion and amortization of fixed and intangible assets, charged directly to:			
Operating expenses	\$237,659	\$227,684	\$225,760
Other accounts (a)	7,827	5,967	4,930
	<u>\$245,486</u>	<u>\$233,651</u>	<u>\$230,690</u>
Taxes, other than payroll and income taxes, charged directly to:			
Operating expenses —			
Real estate and personal property	\$ 85,792	\$ 78,900	\$ 78,559
License and franchise	92,993	96,802	94,200
Miscellaneous	1,700	1,699	1,980
	<u>180,485</u>	<u>177,401</u>	<u>174,739</u>
Other accounts	4,900	4,512	4,304
	<u>\$185,385</u>	<u>\$181,913</u>	<u>\$179,043</u>

- (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 1992, 1991, and 1990 were \$20,584,000, \$20,225,000, and \$19,409,000, respectively.
 (c) The amounts of royalties and advertising costs were not material.
 (d) Total interest paid (net of amount capitalized) in 1992, 1991, and 1990 was \$128 million, \$146 million, and \$168 million, respectively.
 (e) Total income taxes paid in 1992, 1991, and 1990 were \$170 million, \$168 million, and \$158 million, respectively.

This report and the financial statements contained herein are submitted for the information of the stockholders of the Company and are not intended to induce, or for use in connection with, any sale or purchase of any securities of the Company.

Results of Operations

Earnings and earnings per share fluctuated due to many conditions, the primary ones being: the effect of weather variations, changes in electric rates, growth in customers' use of electricity, fluctuating operating costs, the purchase and sales of utility properties, changes in interest expense, and changes in income and property taxes.

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

(Millions of Dollars)	Variation from Prior Year		
	1992	1991	1990
Rate variations	\$ (1.9)	\$ (16.4)	\$ (11.2)
Effect of abnormal weather	(135.7)	91.2	(8.4)
Growth and other	59.8	(7.7)	28.9
	<u>\$ (76.8)</u>	<u>\$ 67.1</u>	<u>\$ 9.3</u>

The decline in 1992 electric revenues was primarily due to unusually mild summer weather which reduced air conditioning use as compared to 1991. The unusually warm spring and summer weather in 1991 resulted in significantly increased electric revenues when compared to the weather experienced in 1990. As compared to 1989, electric revenues in 1990 were lower due to abnormal weather, particularly the warmer than normal weather in the first and fourth quarters of 1990, versus overall normal weather in the prior year.

The lower 1991 and 1990 electric revenues attributable to rate variations reflect the effects of the lower rates resulting from the Missouri rate design settlement effective November 26, 1990. Under the terms of this settlement, rate decreases for commercial and industrial customers reduced revenues on an annual basis, by approximately \$30 million. Summer/winter rate differentials, increased by the settlement, were revenue neutral on an annual basis.

The variation in electric revenues attributable to growth and other factors in 1990, 1991, and 1992 primarily reflects the differences in economic growth in the Company's service territory for these periods. In 1990, normalized kilowatt-hour sales increased 2% over the prior period. In 1991, the Company's service area experienced the general reduction in economic growth that occurred nationally and was reflected in lower sales to industrial customers. In 1991, normalized kilowatt-hour sales decreased 0.4% compared to 1990. In

1992, normalized kilowatt-hour sales increased 3.2% compared to 1991, which reflects both an improving local economy and the addition of new customers as a result of the purchase of the Missouri distribution properties of Arkansas Power & Light Company in early 1992. Other less significant factors contributing to variations in electric sales are conservation, installation of energy efficient appliances, and changes to and from alternative fuels.

Operating Expenses

Fuel and Purchased Power - (Millions of Dollars)	Variation from Prior Year		
	1992	1991	1990
Fuel:			
Variation in generation	\$ (36.7)	\$ 17.3	\$ (6.6)
Price	(6.1)	(19.6)	6.1
Amortization of uranium			
litigation settlement	2.7	(1.7)	1.2
Generating efficiencies	(.3)	3.6	4.7
Net interchange sales and purchased power variation	35.7	9.7	(6.8)
	<u>\$ (4.7)</u>	<u>\$ 9.3</u>	<u>\$ (1.4)</u>

The decreased 1992 Fuel and Purchased Power costs reflect reduced generation associated with lower electric sales and a Callaway refueling outage in 1992, greater hydro generation and lower fuel prices, offset in part by greater net purchased power costs. The increased 1991 Fuel and Purchased Power costs reflects increased steam plant generation partly due to less hydro generation, reduced generating efficiencies, and increased net purchased power costs, offset in part by decreased fuel prices. The decreased 1990 Fuel and Purchased Power costs reflect replacing steam generation (which was lower due to the 1990 Callaway refueling outage) with low-cost hydro generation and decreased purchased power, offset in part by increased fuel prices and reduced generating efficiencies.

Other variations in operating expenses during the years 1990 through 1992 generally reflect recurring conditions such as growth, inflation, and wage increases. In 1992, operations expenses, other than fuel and purchased power costs, increased \$7 million, primarily reflecting a \$5 million increase in labor costs, a \$4 million increase in employee benefit expenses, a \$2 million increase in natural gas purchased for resale, and a \$1 million increase in tree trimming expense, offset in part by a \$5 million decrease in nuclear spent fuel disposal cost, primarily due to the refueling outage at Callaway plant and a refund of overcharges

from the Department of Energy. In 1991, operations expenses, other than fuel and purchased power costs, increased \$8 million, due primarily to a \$2 million increase in employee benefit expenses, a \$3 million increase in regulatory expenses, and a \$2 million increase in natural gas purchased for resale. In 1990, operations expenses, other than fuel and purchased power costs, increased \$13 million, due primarily to a \$12 million increase in wages and other employee benefit expenses and a \$4 million increase in Callaway plant expenses, offset by a \$3 million reduction in natural gas purchased for resale.

In 1992, maintenance expenses increased \$17 million due to a \$20 million increase in Callaway plant maintenance expenses primarily associated with Callaway's fifth refueling in early 1992, partially offset by reduced maintenance at other fossil-fueled generating plants. In 1991, maintenance expenses decreased \$6 million, primarily due to a \$14 million decrease in Callaway plant maintenance expenses, reflecting the plant's fourth refueling in late 1990, partially offset by increases in tree trimming and storm-related distribution expenses, and increased maintenance at most generating plants other than Callaway. In 1990, maintenance expenses increased \$20 million, which includes \$14 million at generating plants other than Callaway and \$2 million associated with Callaway's fourth refueling.

Depreciation expense increased \$10 million in 1992, primarily due to the purchase of the Missouri distribution properties of Arkansas Power & Light Company in early 1992, a \$3 million increase in nuclear plant decommissioning expense and increased other depreciable property. Depreciation expense increased \$4 million in 1991 and \$5 million in 1990 primarily due to increased depreciable property.

Income taxes from operations decreased \$43 million in 1992 due principally to lower pre-tax income. Income taxes from operations increased \$30 million in 1991 due principally to higher pre-tax income. Income taxes from operations decreased \$11 million in 1990 due principally to lower pre-tax income.

In 1992, other taxes charged to operating expenses increased \$3 million due to a \$7 million increase in real estate taxes, partially offset by a \$4 million reduction in gross receipts taxes associated with lower revenues. In 1991, other taxes charged to operating expenses increased \$3 million, due to a \$2 million increase in license and franchise taxes and a \$1 million increase in payroll taxes. In

1990, the \$2 million decrease in other taxes was primarily due to decreases in real estate and license and franchise taxes partially offset by higher payroll taxes.

Interest

In 1992 and 1991, interest expense decreased \$32 million and \$20 million, respectively, primarily due to the refinancing of high-cost debt with lower cost issues, lower interest rates on variable rate debt and a reduction in total debt outstanding. In 1990, interest expense increased \$11 million, primarily reflecting a \$27 million reduction in 1989 attributable to the favorable resolution of several tax matters, partially offset by reduced interest resulting from refinancing higher-cost debt with lower-cost issues and reduced total outstanding debt.

Callaway Rate Phase-In Plans

See Note 1 under Notes to Financial Statements for information relative to Callaway rate phase-in plans.

Other Income and Deductions

The 1992 reduction in Miscellaneous, net of \$3 million primarily reflects reduced charitable contributions and other miscellaneous income deductions. The 1991 reduction in Miscellaneous, net of \$13 million primarily reflects a reduction in interest income, greater charitable contributions, the expense related to obtaining long-term power supply contracts with certain wholesale customers, and other miscellaneous income deductions. The 1990 increase of \$2 million in Miscellaneous, net primarily reflects miscellaneous interest income. The December 1992 gain of \$18 million, net of tax, from sales of electric property, is discussed under Liquidity and Capital Resources.

Clean Air Act Amendments

Under the Clean Air Act Amendments of 1990, the Company is required to reduce total annual emissions of sulfur dioxide by approximately two-thirds by the year 2000. Significant reductions in nitrogen oxide will also be required. With switching to low-sulfur coal and early banking of emission credits, the Company anticipates that it can comply with the requirements of the law with no significant increase in revenue needs because the related capital costs, currently estimated at about \$300 million, will be largely offset by lower fuel costs.

Contingencies

See Notes 8 and 10 under Notes to Financial Statements for material issues existing at December 31, 1992 that could affect the Company.

Liquidity and Capital Resources

Construction expenditures averaging approximately \$285 million are anticipated during each of the years 1993 through 1997. The Company completed the construction of its Callaway plant in late 1984. Additional electric generating capacity is not anticipated before the year 2000. For funds required in addition to construction expenditures, see Notes 2, 5, and 6 under Notes to Financial Statements.

On March 12, 1992, the Company purchased the Missouri retail electric distribution properties of Arkansas Power & Light Company (a subsidiary of Entergy Corporation) for \$63 million dollars. This acquisition increased the Company's customers by 26,000 in 10 counties in south-eastern Missouri adjacent to the Company's existing service territory. In connection with the transaction, the Company entered into a long-term power purchase agreement with AP&L which allows the Company to serve the new customers cost-effectively and without building additional generating capacity.

In December 1992, the Company sold its Iowa retail and wholesale electric distribution properties to Iowa Electric Light & Power (a subsidiary of IES Industries, Inc.) and its northern Illinois electric distribution properties to Central Illinois Public Service Company. The Company served approximately 21,000 customers in the areas sold, with total annual revenues of \$56 million. The net book value of the properties sold was \$34 million. Sales proceeds totaled \$68 million. As a result of these sales, the Company realized a gain in 1992 of \$18 million, net of tax. The Company's hydroelectric generating station near Keokuk, Iowa and related transmission facilities were not included in the sales.

On January 19, 1993, the Company issued \$33 million (330,000 shares) of new \$7.64 series preferred stock. The Company plans to use the proceeds to redeem the \$8 preferred stock series of 1969 on February 22, 1993.

On February 9, 1993, the Company sold \$188 million of first mortgage bonds, 6 7/8% Series due 2004. The Company plans to use the proceeds to redeem existing bonds in March 1993.

A nuclear fuel lease agreement provides financing for the Company's nuclear fuel requirements. Effective February 1, 1993, the maximum amount which may be financed under the agreement was reduced from \$125 million to \$100 million. At December 31, 1992, \$100 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 3 under Notes to Financial Statements). The Company 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

See Income Taxes in Note 1 under Notes to Financial Statements regarding Statement of Financial Accounting Standards No. 109 "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.

Operating Statistics

Union Electric Company

	1992	1991	1990	1989	1988
Electric Operating Revenues (000):					
Residential	\$ 754,667	\$ 831,106	\$ 763,539	\$ 757,139	\$ 778,121
Commercial	676,761	685,799	673,037	668,796	659,075
Industrial	410,370	395,116	411,809	411,614	403,837
Other electric utilities	57,226	65,317	62,167	64,262	70,133
Miscellaneous	30,444	28,920	28,619	28,073	27,130
Total Electric Operating Revenues	\$1,929,468	\$2,006,258	\$1,939,171	\$1,929,884	\$1,938,296
Kilowatt-Hour Sales (000,000):					
Residential	9,690	10,646	9,810	9,724	9,957
Commercial	10,553	10,678	10,276	10,142	10,009
Industrial	9,030	8,524	8,706	8,605	8,417
Other electric utilities	1,488	1,623	1,511	1,534	1,501
Miscellaneous	144	139	142	141	139
Total Kilowatt-Hour Sales	30,905	31,610	30,445	30,146	30,023
Electric Customers (End of year):					
Residential	990,563	962,629	957,102	951,154	941,673
Commercial	127,041	122,152	121,090	119,307	117,333
Industrial	7,719	6,778	6,752	6,714	6,576
Electric utilities	19	20	21	21	21
Other	1,619	1,599	1,644	1,588	1,569
Total Electric Customers	1,126,961	1,093,178	1,086,609	1,078,784	1,067,172
Residential Customer Data (Average):					
Kilowatt-hours used	9,864	11,106	10,283	10,289	10,645
Annual electric bill	\$768.20	\$867.00	\$800.80	\$801.14	\$831.91
Revenue per kilowatt-hour	7.79¢	7.81¢	7.78¢	7.79¢	7.82¢
Gross Instantaneous					
Peak Demand (Kilowatts)	7,135,000	7,365,000	7,465,000	7,210,000	7,340,000
Capability at Time of Peak,					
Including Net Purchases (Kilowatts)	8,407,000	8,285,000	8,132,000	8,255,000	8,028,000
Generating Capability at					
Time of Peak (Kilowatts)	7,868,000	7,868,000	7,760,000	7,837,000	7,791,000
Coal Burned (Tons)	10,314,000	10,732,000	10,643,000	10,711,000	10,876,000
Price per Ton of Coal	\$31.96	\$32.26	\$33.85	\$33.12	\$35.25

Selected Financial Information

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

Union Electric Company

	1992	1991	1990	1989
Results of Operations				
Operating revenues	\$2,015,121	\$2,096,940	\$2,023,017	\$2,010,306
Operating expenses	1,603,104	1,614,127	1,565,477	1,543,838
Operating income	412,017	482,813	457,540	466,468
Callaway rate phase-in plans	60	107	237	227
Deferred costs disallowed	—	—	—	—
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	8,022	8,519	14,145	17,908
Gain on sales of electric property, net	18,099	—	—	—
Miscellaneous, net	(131)	(2,718)	9,881	7,769
Interest	135,319	(167,209)	(187,584)	(176,571)
Net income	302,748	321,512	294,219	285,605
Preferred stock dividends	14,058	14,059	14,693	19,134
Earnings on common stock	288,690	307,453	279,526	266,471
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	\$5,797,363	\$5,733,479	\$5,702,341	\$5,760,322
Long-term debt obligations	1,659,553	1,730,277	1,948,024	2,106,776
Preferred stock subject to mandatory redemption	728	754	780	806
Preferred stock not subject to mandatory redemption	217,784	217,784	218,004	227,582
Common equity	2,164,020	2,106,155	2,021,233	1,954,481

Financial Indices:

Earnings per share of common stock (based on average shares outstanding)	\$2.83	\$3.01	\$2.74	\$2.61
Cash dividends per share of common stock	\$2.26	\$2.18	\$2.10	\$2.02
Return on average common stock equity	13.70%	14.99%	14.16%	14.03%
Ratio of earnings to fixed charges (a)	4.66	4.21	3.57	3.63
Book value per common share	\$21.19	\$20.62	\$19.79	\$19.14

Capitalization Ratios (Year End):

Common equity	53.5%	51.9%	48.3%	45.6%
Preferred stock not subject to mandatory redemption	5.4	5.4	5.2	5.3
Preferred stock subject to mandatory redemption	—	—	—	—
Long-term debt	41.1	42.7	46.5	49.1
	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 on debt, amortization of debt discount, premium and expense, and a portion of rentals representative of the interest factor) and income taxes.

1988	1987	1986	1985	1984	1983	1982
\$2,029,107	\$1,946,411	\$1,807,182	\$1,591,763	\$1,412,414	\$1,401,086	\$1,217,705
1,544,953	1,457,957	1,287,572	1,173,187	1,172,128	1,160,816	1,013,054
484,154	488,454	519,610	418,576	240,286	240,270	204,651
2,408	92,791	59,861	74,631	—	—	—
—	(23,169)	—	—	—	—	—
—	—	—	(234,780)	—	—	—
—	—	—	—	—	—	—
14,885	20,477	15,812	106,754	329,669	251,307	198,093
—	—	—	—	—	—	—
(10,648)	(15,714)	3,947	(1,709)	1,619	2,509	2,364
(199,241)	(228,961)	(247,409)	(254,320)	(247,308)	(218,530)	(200,554)
291,558	333,878	351,821	109,152	324,266	275,556	204,554
30,425	36,522	49,245	49,836	50,185	46,118	40,344
261,133	297,356	302,576	59,316	274,081	229,438	164,210
102,123,834	102,123,834	102,123,834	100,403,016	96,574,699	86,744,282	76,251,024
\$5,827,246	\$5,957,811	\$5,895,211	\$5,738,620	\$5,819,996	\$5,146,666	\$4,573,783
2,188,614	2,357,615	2,436,092	2,454,687	2,457,381	2,108,047	2,000,405
60,832	64,608	165,384	173,160	178,936	180,962	182,988
279,784	354,784	354,784	354,784	354,784	354,784	279,784
1,895,360	1,837,156	1,743,189	1,630,466	1,695,239	1,726,188	1,299,814
\$2.56	\$2.91	\$2.96	\$0.59	\$2.84	\$2.64	\$2.15
\$1.94	\$1.92	\$1.86	\$1.78	\$1.72	\$1.66	\$1.58
14.08%	16.79%	18.16%	3.81%	17.23%	16.79%	14.17%
3.35	3.30	2.79	1.14	2.88	2.89	2.49
\$18.56	\$17.99	\$17.07	\$15.97	\$17.10	\$16.12	\$15.40
42.8%	39.8%	37.1%	35.3%	36.2%	36.6%	34.5%
6.3	7.7	7.6	7.7	7.6	8.5	7.4
1.4	1.4	3.5	3.8	3.8	4.3	4.9
49.5	51.1	51.8	53.2	52.4	50.6	53.2
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Selected Quarterly Information

(Thousands of Dollars Except Per Share Amounts)

Union Electric Company

Quarter Ended:	Operating Revenues	Operating Income	Net Income	Earnings on Common Stock	Earnings Per Share of Stock Outstanding
March 31, 1992	\$430,930	\$ 64,188	\$ 31,841	\$ 28,326	\$.28
March 31, 1991	437,528	74,777	35,052	31,538	.31
June 30, 1992	501,469	100,080	67,260	63,745	.62
June 30, 1991	554,992	143,173	105,220	101,705	.99
September 30, 1992	656,271	195,841	166,759	163,245	1.60
September 30, 1991	687,909	209,747	166,907	163,392	1.60
December 31, 1992	426,451	51,908	36,888	33,374	.33
December 31, 1991	416,511	55,116	14,333	10,818	.11

Net Income and Earnings on Common Stock for the fourth quarter of 1992 reflect a gain of \$18 million (\$.18 per share) from the sale of the Company's Iowa and northern Illinois retail distribution properties.

Common Stock Prices and Dividends ^(a)

	1992 Price Range		1992 Dividends ^(b)	Quarter Ended	1991 Price Range		1991 Dividends
	High	Low			High	Low	
Per Share:	\$38 3/4	\$32 1/2	56c	March 31	\$31 3/8	\$28 1/2	54c
	36	31 3/4	56	June 30	31	29	54
	37 7/8	35 5/8	56	September 30	34 1/8	29 5/8	54
	37 3/8	35 1/4	58	December 31	38 5/8	33 1/2	56

(a) At December 31, 1992, Union Electric Company common stockholders totaled 123,723. (New York Stock Exchange symbol: UEP)

(b) At December 31, 1992, retained earnings totaled \$934,919,000; under the Company's amended mortgage indentures, \$35,482,000 of total retained earnings was restricted against payment of common dividends - except those payable in common stock.

Investor Information

DRPlus

Our stockholders, employees, and customers can buy shares of UE common stock through our Dividend Reinvestment and Stock Purchase Program (DRPlus) without paying brokerage commissions or service charges. Participants can reinvest dividends and/or make optional cash investments. To get more information about DRPlus, just complete and mail the card attached to the cover of this report. You can also write or call:

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

Toll-Free Phone
1-800-255-2237
St. Louis Area
554-3502

Office

1901 Chouteau Ave.
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

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D.G. Donovan,
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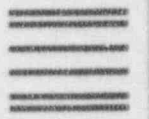
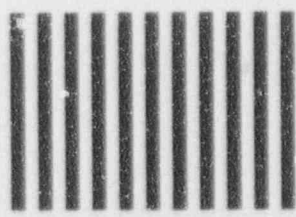
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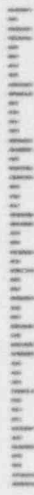
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