UNION ELECTRIC
1987 ANNUAL REPORT

"Providing our customers with quality service at an affordable price, while providing our stockholders with a fair return on their investment, is the challenge we face as we look to the future."

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.

Contents

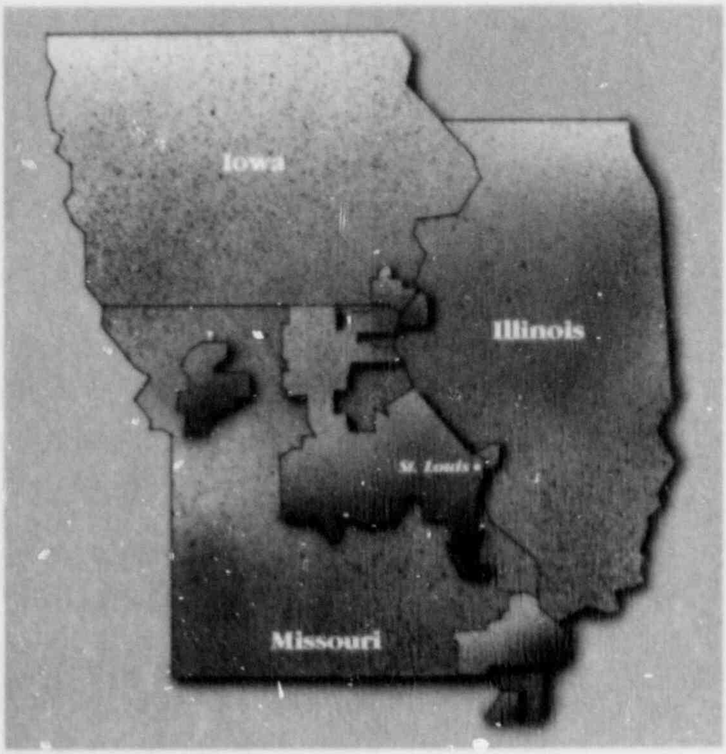
2 Letter to Stockholders
4 Serving Our Markets
20 Responsibility for Financial Statements
21 Financial Review
40 Investor Information
41 Officers and Directors

Annual Meeting

The Annual Meeting of Stockholders will convene at 10 a.m. Tuesday, April 26, 1988 at Powell Symphony Hall, 718 North Grand, Saint Louis, Missouri.

Highlights

	Year Ended December 31, 1987	Annual Increase Current Year	Annual Increase 10-Year Rate of Growth
Earnings per Average Common Share	$2.91	(1.7)%	5.7%
Dividends per Common Share	$1.92	3.2	3.5
Common Stock Price – Year End	$22 3/8	(22.2)	4.1
Book Value per Common Share	$17.97	5.4	1.4
Property and Plant (gross)	$6,936,776,000	2.4	8.9
Total Operating Revenues	$1,946,411,000	7.7	9.8
Total Kilowatt-Hour Sales	29,008,167,000	2.7	2.3
Residential Kilowatt-Hour Sales	9,585,324,000	3.3	2.6
Commercial Kilowatt-Hour Sales	9,581,325,000	3.0	4.2
Industrial Kilowatt-Hour Sales	8,216,880,000	1.8	.7

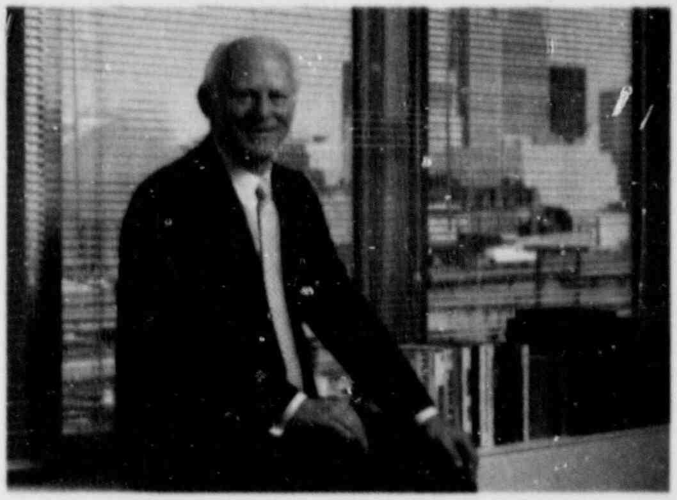


Company Profile

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

Service Area

To Our Stockholders:



This report provides a perspective on the many aspects of our service to customers. Providing our customers with quality service at an affordable price, while providing our stockholders with a fair return on their investment, is the challenge we face as we look to the future.

Financial results for 1987 exceeded our expectations. Although earnings of $2.91 a share were 5 cents below the restated $2.96 a share earned last year, 1987 earnings included a charge of 23 cents a share resulting from an order of the Missouri Public Service Commission.

Kilowatt-hour sales increased by 3% over 1986, reflecting a 3% increase in sales to both our residential and commercial customers, and a 2% increase in sales to our industrial customers. Unusually warm weather in the third quarter of 1987 contributed to the increased residential and commercial sales. Our peak demand reached an all-time record of 7,255,000 kilowatts on August 3, 6.5% over the previous record set in 1984 and equaled in 1986.

In December 1987, the Missouri Public Service Commission issued an order in response to complaints filed by the Commission Staff and Office of Public Counsel which alleged that the Company's return on its investment had become excessive. The order replaced $189 million of revenue increases scheduled to be implemented over the next three years, under a previously approved rate phase-in plan, with a single $5.6 million revenue increase effective December 31, 1987. We believe the Commission's action does not preserve a reasonable balance between customer and investor interests and is heavily weighted to short-run rate considerations.

While we expect 1988 earnings to be adversely affected by this action of the Commission, we will continue to employ cost control and aggressive marketing to provide a solid base for future earnings and dividends.

We were successful in implementing cost controls and productivity improvements in many areas during 1987. For example, our 1987 construction program was reduced to $151 million, a reduction of more than $50 million from earlier estimates. Also, we reduced our investment in fossil fuel inventories by $25 million (25%). Through teamwork, enhanced by our Quality Improvement Process, employees are learning to draw upon their knowledge and experience to attain higher standards of performance.

Our dedication to quality is evident at our Callaway nuclear plant which continues to operate at an exceptional level. The average capacity factor of 73% achieved by Callaway over the last three years is a credit to our nuclear team. The plant, recently described by an official of the U.S. Nuclear Regulatory Commission as "one of the best operating plants in the country," provided 21% of our electric generation in 1987. We are particularly gratified with the success that our nuclear personnel have had in minimizing the frequency of unplanned reactor "trips" (unscheduled shutdowns). Callaway experienced only one unplanned reactor trip from power during 1987 – a remarkable achievement by industry standards.

The NRC's Systematic Assessment of Licensee Performance (SALP) report issued in 1987 evaluated Callaway plant operations for the period from June 1986 through May 1987. All SALP ratings of Callaway were in the two highest categories. This means that we met or exceeded NRC expectations in all rated areas.

"We have undertaken an aggressive marketing program with the goal of selling more energy without increasing the growth rate in our summer peak."

The NRC's report concludes that, "...Union Electric Company's conduct of nuclear activities in connection with the Callaway plant shows an appropriate concern for nuclear safety."

Callaway's second refueling was completed last Fall. Beginning in September, the plant was taken off-line for about two months as we replaced 96 of the 193 fuel assemblies in the reactor. (One-third to one-half of the fuel assemblies are replaced with fresh assemblies every eighteen months.) The new fuel assemblies incorporated an advanced design which will improve fuel utilization, operating flexibility and cost effectiveness.

We have undertaken an aggressive marketing program with the goal of selling more energy without increasing the growth rate in our summer peak. A key objective is to increase our share of the residential heating market substantially. We are accomplishing this by promoting electric heat pumps to builders of new homes and to existing homeowners. Our marketing efforts are also producing additional off-peak power sales to other utilities.

Our ongoing capital restructuring program continued to take advantage of favorable interest rates. During the year, we completed the early redemption of $97 million of high cost preferred stock, as well as $125 million of 15% first mortgage bonds. We also restructured our bank credit agreements and downsized our nuclear fuel lease from $300 million to $250 million. On February 1, 1988, we completed the early redemption of $150 million of 15 ⅞% first mortgage bonds, and we have announced plans to redeem $14.4 million of 13% first mortgage bonds in March 1988.

Proposed acid rain legislation is an issue we are following closely. Legislation has been introduced in Congress that would require further reductions in sulfur dioxide emissions without any scientific evidence that lower emissions from power plants in the Midwest would reduce acidity in some lakes in the Northeast. This legislation could increase the cost of electricity in our area by as much as 25%. Adding substantial cost to electric bills, and consequently to goods and services produced in our service area, is not sound economic policy unless corresponding benefits in the environment can be attained.

At the 1987 Stockholders Meeting, Marguerite Ross Barnett, chancellor of the University of Missouri-St. Louis, was elected to the Board of Directors. Dr. Barnett replaced retiring Director William L. Behan.

In June, Neal J. Farrell, president and chief executive officer, Mercantile Bank N.A. and president, Mercantile Bancorporation Inc., was elected a new director of Union Electric.

Late in the year, we signed new labor agreements which provide for wage increases averaging 3.58% retroactive to July 1, 1987, 3.41% on July 1, 1988, and 3.5% on July 1, 1989.

As we look forward to 1988 and the years beyond, I am confident that our highly-qualified employee team will enable us to meet our goals.

Sincerely,

W E Cornelius

William E. Cornelius
President and Chief Executive Officer

February 9, 1988
St. Louis, Missouri

Serving Our Markets

Our Marketing Environment

At Union Electric, our basic "product" is electric energy, which we deliver instantly, on demand, to more than one million residential, commercial, industrial, and agricultural customers.

Our customers expect their electric service to be available 24 hours a day, everyday, year-round. They depend on it to run their homes, their businesses, their factories. Electricity can't be produced in advance and stored for future use. It must be produced upon demand for all customers in a marketplace that is affected by weather extremes, and for an expanding economy with new commercial structures and growing manufacturing output.

Large Investments in Facilities

Union Electric has large capital investments in power plants, transmission lines, and distribution facilities. This system has been built over the years to meet the increasing electric energy demands of our customers. In our service area, the demands for electricity are much greater during the summer than during the winter, and the facilities in place have been designed to meet the summer peak use of electricity. For example, the peak demand for electricity in our service area last summer was 7,255,000 kilowatts, 31% higher than the record winter peak demand of 5,545,000 kilowatts reached in January 1988.

Therefore, we have ample generating capacity to serve additional winter load. As we increase winter sales of electricity, the efficiency and profitability of our electric system are improved. This benefits our customers and our investors.

We focus our marketing efforts on those areas of mutual benefit to customers and the Company.

"Chrysler's St. Louis assembly operations have great power demands. Union Electric answered our increasing needs by direct connection to their main transmission system. Now, our own substation automatically directs power wherever required in our plants to prevent costly outages."

Keith Herron
Systems Engineering Supervisor
Chrysler Corporation/Fenton, Missouri

Chrysler St. Louis car assembly plant

"We repair freight cars, design and build specialty railcars. Our goal is to keep customers 'on track' through service. Union Electric's service to our expanding operations is like that. They always provide what we need, when we need it."

Ronald Thompson

Ronald L. Thompson, President
General Railroad Equipment and Services, Inc.
Alorton, Illinois

General Railroad Equipment and Services, Inc.

For example, we carry out a communications program each summer, consisting of news articles, advertising, and brochures, offering helpful information to customers on how to control air conditioning energy use. This program helps us reduce peak summer demand and, at the same time, helps customers reduce their summer cooling costs.

Another way we help customers optimize use of electricity is by providing a financing program for customers wishing to add insulation or other energy-related home improvements. Available through participating contractors, the program makes it possible for customers to finance energy-related home improvements at reasonable rates, and make monthly payments on their electric bills. More than 16,000 customers have taken advantage of this program to improve the energy efficiency of their homes.

Corporate Marketing Plan

The main objectives of our Corporate Marketing Plan are to moderate the growth of peak summer demand and to increase sales during off-peak periods. We want to build sales without increasing the growth in peak demand so we can delay building another power plant for as long as possible.

The greatest potential for increasing off-peak energy sales is in marketing electric heat. In our service area, 156,000 homes and apartments and 24,000 commercial and industrial customers utilize electric space heating. Total kilowatts on line for electric space heating are 3,482,000, an increase of 6.5% over the previous year.

Serving Our Markets

A major goal in 1988 is to increase our market share of heat pumps and other electric space heating equipment in the residential and commercial markets. For new single family homes, our goal is 37% of the market; for new multi-family units, 76% of the market; our goal for market share of commercial buildings is 40% of new construction and 24% of existing structures.

Heat Pump Opportunities

Historically, relatively few heat pumps have been installed in subdivision homes because developers did not offer heat pumps as an option. To penetrate this market, Union Electric is purchasing energy-efficient, heat pump-equipped display homes in strategically located major residential developments. These display homes demonstrate to new home buyers the comfort and efficiency of the heat pump system and other energy control options, such as extra insulation and sealed, double pane windows.

"My new house was built with energy efficiency in mind. The computer analysis shows that my 4-ton ground-coupled heat pump system will dramatically cut year-round heating and cooling costs."

William R. Wachter

William Wachter, Homeowner
St. Charles County, Missouri

Installation of ground-coupled heat pump system

In 1987, we purchased the first of such homes – our Energy Control Home in a new St. Louis County subdivision. The home has been visited by some 5,000 people during the development of the subdivision and, to date, more than one-third of the homebuyers there have heat pumps in their new homes. In 1988, we will purchase similar homes in other new developments.

In the existing home market, every homeowner replacing a central air conditioner represents a potential heat pump opportunity, since electric heat pumps are actually air conditioners that also heat.

Serving Our Markets

Through advertising and direct mail, leads are obtained for the heating/cooling equipment dealers who work closely with us to sell heat pumps. A centerpiece of that activity is the Union Electric Five-Star Heat Pump Dealer Program. The Five-Star program challenges the dealers to achieve higher levels of heat pump sales, along with greater technical competence. As Five-Star Heat Pump Dealers, they enjoy higher profit margins and an enhanced reputation for excellence in sales, installation, and service. During 1987, 90 dealers achieved Five-Star status.

Electrically-Heated Apartments

Electric heat is attractive to apartment builders because of the lower installed cost of electric heating equipment. Our market research indicates that electric heat is also appreciated by apartment residents because it is safe and clean. In addition, Union Electric offers a Renter's Cost Control Plan that permits occupants of new apartment buildings to budget their heating bills with confidence. The Plan provides for a cash refund if annual heating costs exceed Union Electric's estimates by more than 10%. In 1987, electric heat was installed in 65% of all new apartments.

Customer Assistance Programs

"Energy Plus," a group of special Union Electric community service programs, was developed to address individual customer needs and to respond to our responsibility to the customers and communities we serve. These energy programs are available to assist our customers, particularly the elderly, the handicapped, and others with special needs.

"The street lighting in our small town gives us security and traffic safety. It helps business and serves the whole community. Union Electric people provide reliable service and prompt maintenance."

Everett Peters

Everett Peters
Manager, Honold Hardware Company
Beaufort, Missouri

Street lighting illuminates storefronts in Beaufort, Missouri

"We heard about Union Electric's weatherization program at our Senior Center. The free kit had a lot of good materials which keep out drafts and dirt. We're more comfortable now, and we save at least 10% on heating bills."

Mr. + Mrs. Lucian Hartmann

Mr. and Mrs. Lucian Hartmann
Ferguson, Missouri

Volunteers installing weatherization materials

Working with volunteer groups and social service agencies, we provide the following customer assistance programs:

Dollar More is a utility bill assistance program funded by Union Electric and its customers, which makes it possible for customers to add $1 to their bill payments, or make monthly pledges to a fund that provides temporary financial help to people who are having difficulty paying their energy bills. Through 1987, the Company and its customers had contributed more than $1,120,000 to Dollar More.

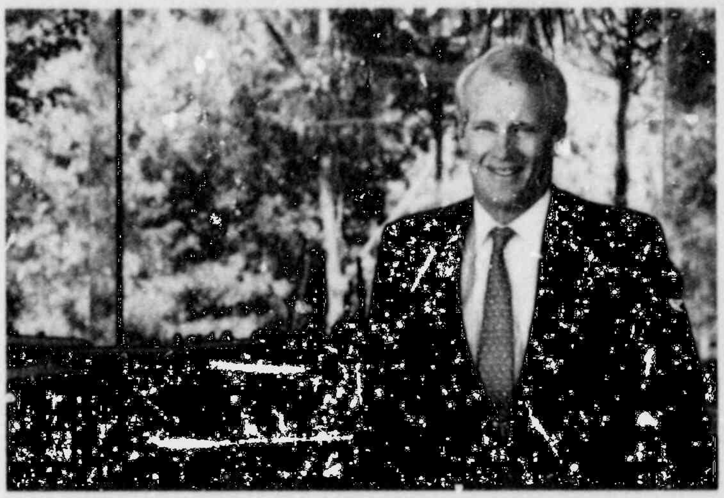
Energy Aid Grants fund social service agencies involved in home weatherization projects. The Company provides up to $2,500 per agency to assist in financing qualified energy conservation projects.

EnergyWise provides energy conservation seminars for senior citizens. Conducted by teams of Company retirees, the seminars teach low-cost, or no-cost ways to cut energy expenses. Seminars have been conducted for more than 26,000 seniors.

Project Comfort provides for the construction of superinsulated rooms in poorly insulated dwellings. The residents choose one room in the dwelling where they spend most of their time. The room is insulated and kept warmer than the rest of the house, allowing the customer to lower the central thermostat during extremely cold weather. Comfort zones have been constructed in more than 700 homes.

Weatherization Kits provide pre-packaged, high quality weatherization materials. Community volunteers install the kits for older adults living in inadequately insulated homes. Some 9,000 weatherization kits have been installed. We estimate that, on average, each customer saves $100 each year after weatherization materials are installed.

Serving Our Markets



Radio Watch utilizes Union Electric's radio-equipped vehicles to transmit emergency information to local emergency response agencies. When our service crews see emergency situations, such as accidents, stranded motorists, or public safety hazards, they use their radio communications systems to notify the appropriate agency.

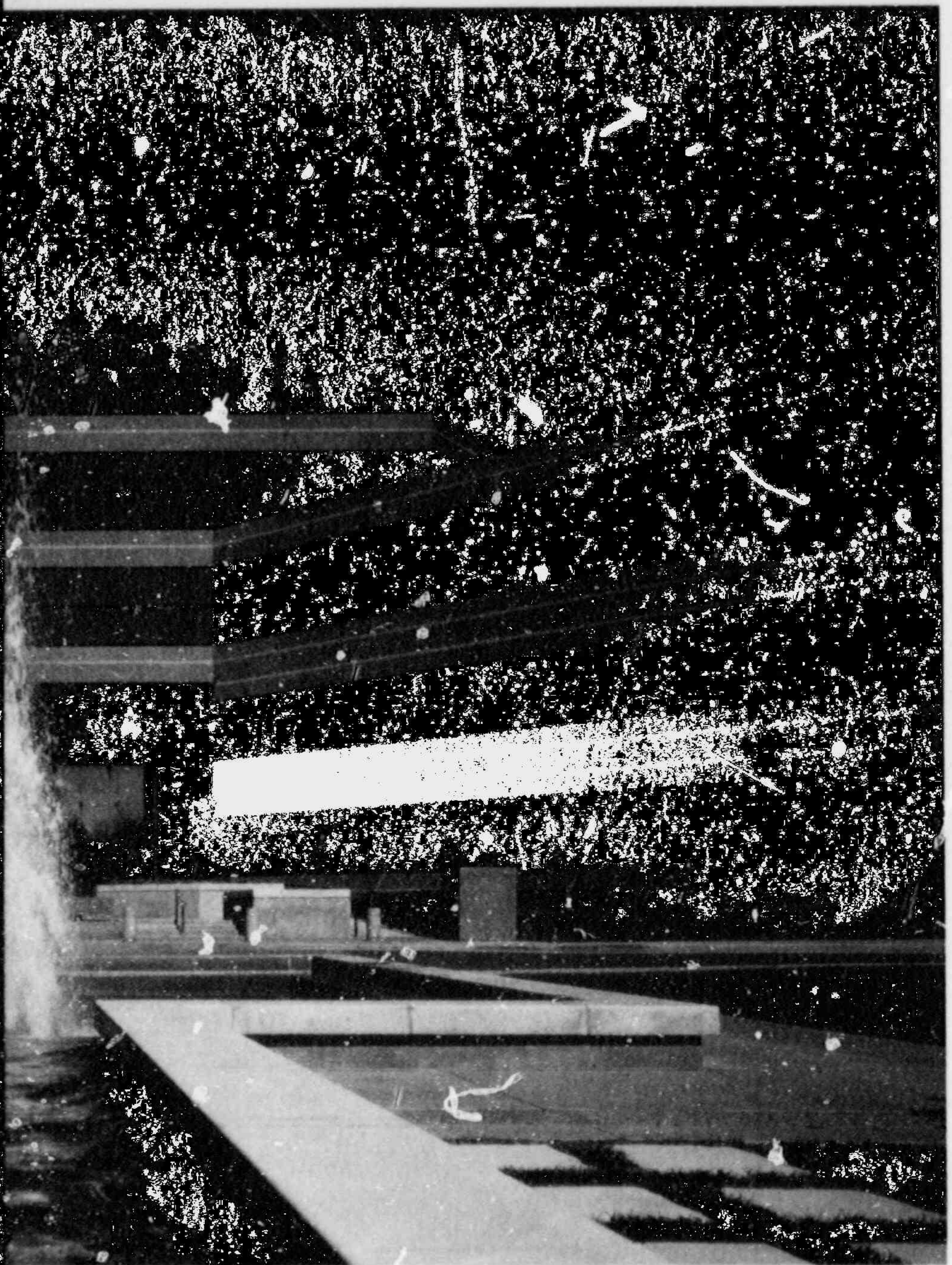
The Customer Assistance Program provides a credit counseling service to customers faced with bill payment problems. Trained, professional counselors work with customers who are experiencing immediate credit problems because of unemployment, sudden illness, or other problems. The program has served more than 15,000 customers since it began in 1986.

Customer Satisfaction

Our Customer Relations staff has thousands of direct contacts daily with our customers and, in every contact, the emphasis is on dealing with each customer on an individual basis.

"Maryville Center is a 100-acre corporate campus that ultimately will have 1.3 million feet of office space. We had to plan ahead on an electric concept to service future load demand. Union Electric worked with us on options to assure this reliable service."

Edward T. Baur
Edward T. Baur, President
Baur Properties
Chesterfield, Missouri



Baur Properties, Maryville Two Building

Our employees receive specialized training in customer sensitivity and customer contact skills. Company employees are trained to be sensitive to customer needs and to marketing opportunities as well.

We have established a "Customer Satisfaction Index" that is based on three aspects of customer service:

- customer outage time,
- customer attitudes toward Union Electric, as measured by opinion research surveys, and
- customer attitudes toward Union Electric, as measured by customer service follow-up interviews.

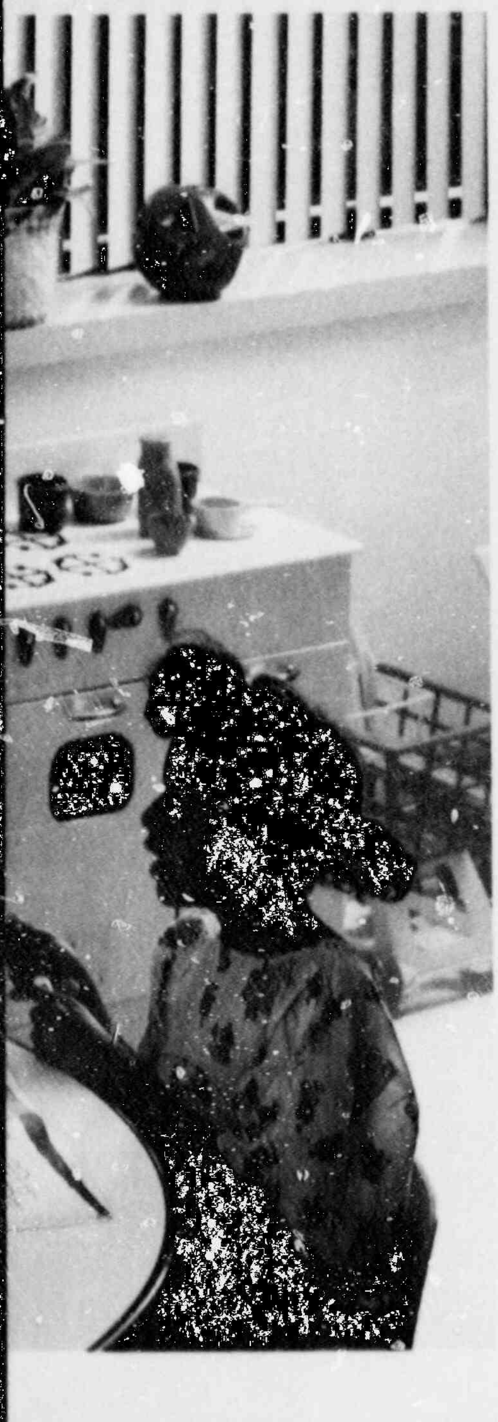
During 1988, our goal is to improve, by 7%, the base index that was established last year.

"Peak-shaving of high electric demand periods significantly cuts energy bills. Our emergency back-up generators are computer-controlled to produce power during peak times, and reduce demand charges. Union Electric was very supportive in helping us implement this new concept."

Thomas D. Stapp

Thomas D. Stapp
Associate Director, Engineering Support
Children's Hospital/St. Louis, Missouri

Children's Hospital, Recreational Therapy Department



Energy Experts

As an integral component of our marketing effort, we provide energy expertise to residential customers, to the developers of residential projects, to managers of business and commercial operations, to farmers, and to industrial planners.

Our time-of-day demand rate for commercial and industrial customers makes electricity used at night more economical than electricity used during the peak load periods between 10 a.m. and 10 p.m. Therefore, if a business can shift the heaviest use of electricity to night, it can save a substantial amount in energy costs.

For example, the pastor of Assumption Church in St. Louis asked Union Electric for recommendations to help the church reduce energy costs. We analyzed the lighting system and developed energy saving recommendations. We also suggested ways the air conditioning system could be operated to reduce demand charges. As a result, the church saved $5,000 per year.

In outstate Missouri, the City of Louisiana asked if we could help them reduce costs of operation for City water pumping. We provided information on how off-peak pumping and special digital metering would be cost effective for the City, thereby saving them about $24,000 annually.

We were instrumental in supporting the continued operation of our sixth largest customer, the former Foote Mineral Co. in Keokuk, Iowa, after the firm's management announced plans, early in 1987, to close the Keokuk facility. We tailored our service to recognize this customer's unique power supply requirements. We understand our actions were a major factor in keeping the facility open. Re-named Keokuk Ferro-Sil, Inc., the plant, which employs 135 people, provides revenues to Union Electric of more than $5.7 million annually.

Our marketing personnel worked with LaSalle Iron Works in St. Louis to lower use of power during peak demand periods. By installing demand control equipment, the customer's electrical demand will be reduced during on-peak time, and the customer will be able to take advantage of lower rates, saving an estimated $7,000 per year.

Among other customers who have taken advantage of our off-peak, time-of-day demand rates is Gundaker REALTORS/Better Homes & Gardens. The firm recently installed in its new corporate headquarters building a new "peak-shifting" commercial air conditioning system that promises to save about $18,000 a year in energy costs. The system uses electricity to make huge blocks of ice during the night, which are used to cool the office building during the day.

These are just a few examples of how we serve our customers' needs and our own objectives by controlling the growth of our summer peak and by increasing off-peak sales of energy.

"This manufacturing complex now uses enough electric power to run a city of 50,000 homes. We replaced steam with electricity to keep pipelines warm and drive equipment. The results: a more manageable plant with minimal energy loss. UE expanded its facilities to accommodate our added load."

John E. Propst

John Propst
Manager, Electrical Engineering
Shell Oil Company/Wood River, Illinois

Shell Oil Company, Wood River manufacturing complex

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 consistently applied. Other information included in this report is consistent, where applicable, with the financial statements.

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

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

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

Report of Independent Accountants

One Centerre Plaza
St. Louis, MO 63101

Telephone 314 425 0500

Price Waterhouse

February 9, 1988

To the Stockholders and Board of
Directors of Union Electric Company

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 the financial position of Union Electric Company at December 31, 1987 and 1986, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1987, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for plant abandonments and disallowances of plant costs as described in Note 12 to the financial statements. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse

Statement of Income

Union Electric Company

(Thousands of Dollars Except Share and Per Share Amounts)

	Year 1987	Year 1986	Year 1985
Operating Revenues (*):			
Electric	$1,869,477	$1,722,680	$1,489,257
Gas	73,518	80,895	99,124
Other	3,416	3,607	3,382
Total operating revenues	1,946,411	1,807,182	1,591,763
Operating Expenses:			
Operations			
Fuel and purchased power	419,272	351,854	341,640
Other	327,949	334,275	312,271
	747,221	686,129	653,911
Maintenance	158,908	148,173	122,526
Depreciation and amortization	181,040	179,681	165,202
Income taxes	180,514	92,030	81,548
Other taxes (*)	190,274	181,559	150,000
Total operating expenses	1,457,957	1,287,572	1,173,187
Operating Income	488,454	519,610	418,576
Other Income and Deductions:			
Callaway rate phase-in plans	92,791	59,861	74,631
Deferred costs disallowed	(23,169)	—	—
Callaway Unit No. 1 costs disallowed	—	—	(393,637)
Income tax benefit related to Callaway Unit No. 1 costs disallowed	—	—	158,857
Allowance for equity funds used during construction	5,994	3,804	53,709
Miscellaneous, net	(15,714)	3,947	(1,709)
Total other income and deductions, net	59,902	67,612	(108,149)
Income Before Interest Charges	548,356	587,222	310,427
Interest Charges:			
Interest on debt	228,961	247,409	254,320
Allowance for borrowed funds used during construction	(14,483)	(12,008)	(53,045)
Net interest charges	214,478	235,401	201,275
Net Income	333,878	351,821	109,152
Preferred Stock Dividends	36,522	49,245	49,836
Earnings on Common Stock	$ 297,356	$ 302,576	$ 59,316

(*) Includes license and franchise taxes of $91,490,000, $85,494,000, and $76,514,000 for the years 1987, 1986, and 1985, respectively.

Earnings per Share of Common Stock (based on average shares outstanding)	$2.91	$2.96	$0.59
Dividends per Share of Common Stock	$1.92	$1.86	$1.78
Average Number of Common Shares Outstanding	102,123,834	102,123,834	100,403,016

See Notes to Financial Statements on pages 29 through 34.

Balance Sheet

(Thousands of Dollars)

Union Electric Company

Assets	**December 31, 1987**	December 31, 1986
Property and Plant, at original cost:		
Electric	**$6,644,756**	$6,450,660
Gas	**99,109**	92,332
Other	**14,482**	14,288
	6,758,347	6,557,280
Less accumulated depreciation and amortization	**1,735,720**	1,556,019
	5,022,627	5,001,261
Construction work in progress:		
Nuclear fuel in process	**140,439**	196,402
Settlement of uranium litigation	**(14,869)**	(27,108)
Other	**52,859**	44,679
Total property and plant, net	**5,201,056**	5,215,234
Deferred Charges and Other Assets:		
Callaway Unit No. 2 construction abandonment	**60,543**	66,123
Callaway rate phase-in plans	**199,508**	134,223
Unamortized debt expense	**24,405**	21,132
Unamortized bond defeasance cost	**5,066**	4,931
Nuclear decommissioning trust fund	**9,084**	5,228
Other	**13,215**	13,813
Total deferred charges and other assets	**311,821**	245,450
Current Assets:		
Cash	**3,940**	4,353
Deposits for payment of interest and other deposits	**2,082**	1,266
Accounts receivable – trade (less allowance for doubtful accounts of $3,039 and $4,058, at respective dates)	**149,866**	127,876
Unbilled revenue	**86,258**	82,420
Other accounts and notes receivable	**12,755**	10,173
Materials and supplies, at average cost –		
Fossil fuel	**78,961**	104,795
Construction and maintenance	**100,225**	93,123
Other	**10,847**	10,521
Total current assets	**444,934**	434,527
Total Assets	**$5,957,811**	$5,895,211

See Notes to Financial Statements on pages 29 through 34.

Capital and Liabilities

Capital and Liabilities	December 31, 1987	December 31, 1986
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)	**714,585**	715,772
Retained earnings (see accompanying statement)	**610,466**	515,312
Total common stockholders' equity	**1,835,670**	1,741,703
Preference stock, $1 par value, authorized 7,500,000 shares – none outstanding		
Preferred stock not subject to mandatory redemption, including $1,486 premium (see accompanying statement)	**356,270**	356,270
Preferred stock subject to mandatory redemption (see accompanying statement)	**64,608**	165,384
Long-term debt (see accompanying statement)	**2,366,005**	2,445,409
Unamortized discount and premium on debt	**(8,390)**	(9,317)
Total capitalization	**4,614,163**	4,699,449
Accumulated Deferred Taxes on Income	**621,451**	552,379
Accumulated Deferred Investment Tax Credits	**187,977**	136,219
Accumulated Provision for Nuclear Decommissioning	**9,954**	6,098
Construction Commitments and Contingencies (Notes 10, 11, and 12)		
Current Liabilities:		
Current maturity of long-term debt	**101,634**	83,967
Accounts payable	**161,094**	145,835
Wages payable	**30,130**	27,312
Bank loans	**33,000**	30,000
Income taxes accrued	**34,216**	51,267
Other taxes accrued	**17,931**	17,511
Interest accrued	**78,459**	81,375
Dividends declared	**8,477**	12,162
Other	**59,325**	51,637
Total current liabilities	**524,266**	501,066
Total Capital and Liabilities	**$5,957,811**	$5,895,211

(Thousands of Dollars)

		December 31, 1987	December 31, 1986
First Mortgage Bonds – note (a)			
4 ½%	Series due 1988	**$ —**	$ 3,000
4 ⅜%	Series due 1988	**—**	35,000
4 ¾%	Series due 1990	**50,000**	50,000
4 ¾%	Series due 1991	**30,000**	30,000
5%	Series due 1991	**2,000**	2,000
5 ⅝%	Series due 1991	**3,500**	3,500
15 ⅜%	Series due 1991 – note (b)	**150,000**	150,000
4 ½%	Series due 1992	**6,000**	6,000
15%	Series due 1992 – note (c)	**—**	125,000
4 ½%	Series due 1993	**30,000**	30,000
10 ¾%	Series due 1994 – note (d)	**3,220**	3,640
4 ½%	Series due 1995	**35,000**	35,000
4 ¾%	Series due 1995	**3,000**	3,000
5 ½%	Series due 1996	**30,000**	30,000
5 ⅝%	Series due 1996	**5,000**	5,000
8 ¼%	Series due 1996	**10,000**	10,000
8 ⅞%	Series due 1996	**100,000**	100,000
5 ½%	Series due 1997	**40,000**	40,000
5 ⅝%	Series due 1997	**5,000**	5,000
7%	Series due 1998	**50,000**	50,000
7.95%	Series due 1998	**4,000**	4,000
7 ⅜%	Series due 1999	**35,000**	35,000
8%	Series due 1999	**5,000**	5,000
8 ¼%	Series due 1999	**40,000**	40,000
9.95%	Series due 1999 – note (d)	**78,580**	85,720
9%	Series due 2000	**60,000**	60,000
7 ⅞%	Series due 2001	**50,000**	50,000
7 ⅝%	Series due 2001	**50,000**	50,000
8 ⅛%	Series due 2001	**60,000**	60,000
9 ¼%	Series due 2001 – note (d)	**3,900**	4,200
9 ⅜%	Series due 2001 – note (d)	**2,260**	2,434
9 ⅜%	Series due 2001 – note (d)	**7,800**	8,400
8 ½%	Series due 2002 – note (d)	**4,200**	4,500
7 ¾%	Series due 2003	**7,000**	7,000
8 ⅜%	Series due 2004	**70,000**	70,000
10%	Series due 2004 – note (d)	**8,000**	8,500
10 ½%	Series due 2005	**70,000**	70,000
5.80%	Series due 1992 to 2005 – note (e)	**27,085**	27,085
8 ⅞%	Series due 2006	**70,000**	70,000
3 ⅝%	Series due 2007	**60,000**	60,000
9.35%	Series due 2008 – note (d)	**55,000**	55,000
9.25 - 9.625%	Series due 2000 to 2010 – note (e)	**60,000**	60,000
13%	Series due 2013 – note (b)	**14,351**	14,351
9 ⅜%	Series due 2016	**100,000**	100,000

	December 31, 1987	December 31, 1986
Unsecured Loans –		
Foreign credit agreement, due 1991 – note (f)	$ 150,000	$ 80,000
Domestic credit agreement, due 1991 – note (g)	275,000	275,000
Unsecured Notes –		
6% Due to 1992	1,505	1,610
Missouri Environmental Improvement –		
Revenue bonds, 5.60 - 6.20% Series due 198[illegible] to 2004	16,500	16,500
1984 Series A due 2014 – note (h)	80,000	80,000
1984 Series B due 2014 – note (h)	80,000	80,000
1984 Series C due 2014 – note (i)	47,500	47,500
1985 Series A due 2015 – note (j)	70,000	70,000
1985 Series B due 2015 – note (j)	56,500	56,500
Nuclear Fuel Lease – note (k)	94,104	70,969
Long-Term Debt	$2,366,005	$2,445,409

(a) At December 31, 1987, 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) The Company redeemed the 15 3/4% Series on February 1, 1988 at a price of 100 percent of the principal amount, and has announced plans to redeem the 13% Series on March 1, 1988 at a price of 110.30 percent of the principal amount.

(c) In 1987, the Company completed early redemption of the 15% Series at a price of 104.29 percent of the principal amount.

(d) To be retired by sinking fund – 10 1/4% Series to 1993; 9.95% Series to 1998; 9 1/4% Series and each 9 3/4% Series to 2000; 8 1/2% Series to 2001; 10% Series to 2003; and 9.35% Series from 1989 to 2007.

(e) Environmental Improvement Series.

(f) In June 1987, the Company entered into a new four-year credit agreement with certain foreign banks which permits the Company to borrow up to $150 million in term loans, on which interest rates will vary depending on market conditions and the Company's selection of various options under the agreement, replacing the former $100 million foreign credit agreement which was due 1987 to 1989 ($20 million is included under 1986 current maturity of long-term debt). At December 31, 1987, such foreign borrowings were outstanding at an average interest rate of 8.47%, based on the 30-day London InterBank Offered Rate (LIBOR).

(g) In November 1987, the Company entered into a new four-year credit agreement with certain domestic banks which permits the Company to borrow up to $275 million, on which interest rates will vary depending on market conditions and the Company's selection of various options under the agreement, replacing the former $275 million domestic credit agreement which was due 1989 to 1990. At December 31, 1987, such domestic borrowings were outstanding at an average interest rate of 7.54%, based on competitive bid rates.

(h) Adjustable-fixed rate, interest rate at 5 1/2% per annum through May 31, 1988; thereafter, interest rates will depend on market conditions and the Company's option to select an adjusted rate for each annual period or a fixed rate until maturity.

(i) Adjustable-fixed rate, interest rate at 3.95% per annum through February 29, 1988; thereafter, interest rates will depend on market conditions and the Company's option to select an adjusted rate for each annual period or a fixed rate until maturity.

(j) Interest rates, and the periods during which such rates apply, vary depending on the Company's selection of certain defined rate modes. The average interest rates at December 31, 1987, for such Series A and Series B bonds were 5.36% and 5.44%, respectively.

(k) At December 31, 1987 and 1986, $54 million in each of the years is included under current maturity of long-term debt. The Company borrowed an additional $100 million under the Fuel Lease in January 1988.

(l) Union Electric Company has an intermediate-term credit agreement with certain foreign banks which permits the Company to borrow up to $40 million through December 1991. At December 31, 1987, none of such foreign borrowings were outstanding. The Company plans to borrow the $40 million available under this agreement in February 1988.

See Notes to Financial Statements on pages 29 through 34.

(Thousands of Dollars)

	December 31, 1987	December 31, 1986
Preferred Stock Not Subject to Mandatory Redemption:		
Preferred stock outstanding without par value (entitled to cumulative dividends) – note (a)		
Stated value of $100 per share –		
$7.44 Series – 550,000 shares	$ 55,000	$ 55,000
$6.40 Series – 300,000 shares	30,000	30,000
$5.50 Series A – 14,000 shares	1,400	1,400
$5.50 Series B – 3,000 shares	300	300
$4.75 Series – 20,000 shares	2,000	2,000
$4.56 Series – 200,000 shares	20,000	20,000
$4.50 Series – 213,595 shares	21,359	21,359
$4.30 Series – 40,000 shares	4,000	4,000
$4.00 Series – 150,000 shares	15,000	15,000
$3.70 Series – 40,000 shares	4,000	4,000
$3.50 Series – 130,000 shares	13,000	13,000
Stated value of $97.50 per share –		
$8.00 Series of 1971 – 425,000 shares	41,437	41,437
Stated value of $92.25 per share –		
$8.00 Series – 350,000 shares	32,288	32,288
Stated value of $25 per share –		
$2.98 Series – 3,000,000 shares	75,000	75,000
$2.125 Series – 1,600,000 shares	40,000	40,000
Total Preferred Stock Not Subject to Mandatory Redemption	$354,784	$354,784
Preferred Stock Subject to Mandatory Redemption:		
Preferred stock outstanding without par value (entitled to cumulative dividends) – note (a)		
Stated value of $100 per share –		
$6.30 Series – 8,580 and 8,840 shares at respective dates, due to 2020 – note (b)	$ 858	$ 884
Stated value of $50 per share –		
$4.60 Series – 1,275,000 and 1,350,000 shares at respective dates, due to 2004 – note (c)	63,750	67,500
Stated value of $25 per share –		
$4.00 Series of 1982 – 3,000,000 shares due 1988 to 2007 – note (d)	—	75,000
$2.72 Series – 880,000 shares due to 1998 – note (d)	—	22,000
Total Preferred Stock Subject to Mandatory Redemption	$ 64,608	$165,384

(a) Authorized Union Electric Company total preferred stock – 25,000,000 shares.
(b) The Company is required to retire 260 shares at $100 per share on June 1 of each year.
(c) The Company is required to retire 75,000 shares at $50 per share on August 15 of each year.
(d) In 1987, the Company completed early redemption of the $4.00 Series of 1982 at $27.65 per share and the $2.72 Series at $26.35 per share.

See Notes to Financial Statements on pages 29 through 34.

Statement of Retained Earnings

Union Electric Company

(Thousands of Dollars)

	Year 1987	Year 1986	Year 1985
Balance at Beginning of Period, as previously reported			$552,743
Cumulative effect of retroactive application of SFAS 90			(30,697)
Balance at Beginning of Period	$515,312	$402,589	522,046
Add:			
Net income	333,878	351,821	109,152
	849,190	754,410	631,198
Deduct:			
Preferred stock dividends*	34,679	49,148	49,766
Common stock cash dividends – $1.92, $1.86, and $1.78 per share, respectively	196,078	189,950	178,843
Premium paid on preferred stock reacquired	7,967	—	—
	238,724	239,098	228,609
(Under mortgage indentures as amended, free and unrestricted retained earnings at December 31, 1987 amounted to $553,351)			
Balance at Close of Period	$610,466	$515,312	$402,589

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

Statement of Other Paid-In Capital

(Thousands of Dollars)

	Year 1987	Year 1986	Year 1985
Balance at Beginning of Period	$715,772	$715,772	$675,934
Excess of sales price over par value of common stock issued for:			
Dividend reinvestment and stock purchase plan	—	—	39,058
Employee stock ownership plan	—	—	888
Premium paid on preferred stock reacquired	(1,171)	—	—
Other	(16)	—	(108)
Balance at Close of Period	$714,585	$715,772	$715,772

See Notes to Financial Statements on pages 29 through 34.

Statement of Cash Flows

(Thousands of Dollars)

Union Electric Company

	Year 1987	Year 1986	Year 1985
Cash Flows From Operations:			
Net income	**$ 333,878**	$ 351,821	$ 109,152
Items not requiring cash –			
Depreciation and amortization	**177,559**	177,219	163,552
Callaway Unit No 1 costs disallowed	—	—	393,637
Amortization of uranium litigation settlement	**(18,571)**	(63,143)	(46,554)
Amortization of nuclear fuel	**47,142**	57,685	51,944
Allowance for funds used during construction	**(20,477)**	(15,812)	(106,754)
Fuel expense during construction	—	—	34,027
Deferred taxes on income, net	**69,072**	17,337	(46,623)
Deferred investment tax credits, net	**51,758**	47,501	(35,031)
Callaway rate phase-in plans	**(92,791)**	(59,861)	(74,631)
Deferred costs disallowed	**23,169**	—	—
Changes in assets and liabilities:			
Receivables, net	**(28,410)**	(4,083)	(38,337)
Materials and supplies	**18,732**	(15,693)	(36,324)
Accounts and wages payable	**18,077**	4,025	34,237
Cancellation charges	**(2,337)**	(21,580)	(172)
Taxes accrued	**(16,631)**	9,765	19,417
Interest and dividends accrued or declared	**(6,601)**	(1,167)	16,381
Other, net	**17,232**	4,801	(10,285)
Net cash provided by operations	**570,801**	488,815	427,639
Cash Flows From Investing:			
Construction expenditures	**(150,698)**	(145,056)	(285,897)
Allowance for funds used during construction	**20,477**	15,812	106,754
Nuclear fuel expenditures	**(41,738)**	(87,765)	(81,242)
Settlement of uranium litigation	**6,332**	8,201	12,380
Net cash used in investing activities	**(165,627)**	(208,808)	(248,005)
Cash Flows From Financing:			
Dividends on preferred and common stock	**(230,757)**	(239,098)	(228,609)
Redemptions –			
Short-term debt	—	—	(51,000)
Nuclear fuel lease	**(137,802)**	(136,645)	(54,971)
Long-term debt	**(514,902)**	(163,191)	(167,699)
Preferred stock	**(109,914)**	(7,776)	(5,776)
Issuances –			
Nuclear fuel lease	**160,604**	37,282	40,477
Short-term debt	**3,000**	30,000	—
Dividend reinvestment/stock purchase plan	—	—	54,792
Long-term debt	**425,000**	200,000	226,500
Net cash used in financing activities	**(404,771)**	(279,428)	(186,286)
Net Change in Cash and Cash Equivalents	403	579	(6,652)
Cash and Cash Equivalents at beginning of year	5,619	5,040	11,692
Cash and Cash Equivalents at end of year	$ 6,022	$ 5,619	$ 5,040

See Notes to Financial Statements on pages 29 through 34.

Note 1 – Summary of Accounting Policies

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

Property and Plant

The cost of additions to and betterments of units of property and plant is capitalized. Cost includes labor, material, applicable taxes, pensions, and certain other items, plus an allowance for funds used during construction. Maintenance expenditures and renewals of items not considered to be 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.

The Company adopted Statement of Financial Accounting Standards No. 90, "Regulated Enterprises – Accounting for Abandonments and Disallowances of Plant Costs" in December 1987 and, as provided, restated prior period financial statements. See Note 12.

Depreciation

Except for the Callaway nuclear plant, depreciation is provided over the estimated lives of the various classes of depreciable property by applying composite rates on a straight-line basis. Callaway plant depreciation is computed on a unit-of-production basis. The provision for depreciation in 1987 is equivalent to approximately 2.8% of the average depreciable cost (2.9% in 1986 and 3.1% in 1985). The provision for depreciation includes an allowance for future nuclear decommissioning costs.

Nuclear Fuel

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

Income Taxes

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

In December 1987, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96, "Accounting for Income Taxes" (SFAS 96). SFAS 96 requires an asset and liability approach for financial accounting and reporting for income taxes. Adoption of SFAS 96 is required no later than 1989. The Company has not determined when it will adopt SFAS 96. The adoption of SFAS 96 is not expected to have a material effect on the Company's financial position or results of operations.

Allowance for Funds Used During Construction

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

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

AFC rates are established by the Company consistent with the methodology prescribed by the Federal Energy Regulatory Commission. Average annual AFC rates were 10.3% in 1987, 10.4% in 1986, and 11.5% in 1985. AFC, net of taxes, amounted to 5%, 3%, and 136% of earnings on common stock for 1987, 1986, and 1985, respectively.

Callaway Rate Phase-In Plans

The Callaway rate phase-in plans effective in 1985 as a result of regulatory commission orders provide for (1) partial deferral of a cash recovery of costs related to the Callaway plant during the early years of the plans with recovery of such deferrals in the later years of the plans, (2) three-year amortization of certain Callaway-related accumulated deferred income taxes, and (3) two-year amortization of certain proceeds from the Company's settlement of uranium litigation with Westinghouse. See Note 12 regarding an order issued by the Missouri Public Service Commission in December 1987.

The amount of costs for which cash recovery is deferred under the plans is recognized as income currently in the Statement of Income. Such noncash income, net of taxes, amounted to 26%, 20%, and 126% of earnings on common stock for 1987, 1986, and 1985, respectively.

Unbilled Revenue

The Company records on its books the estimated amount of accrued, but unbilled, revenue and also the accrued liability for the related taxes.

Note 2 - Income Taxes

Total income tax expense for 1987 resulted in an effective tax rate of 37% on earnings before income taxes [21% in 1986 and (203)% in 1985]. The principal reasons such rates are less than the statutory Federal rate are as follows:

	1987	1986	1985
Statutory Federal income tax rate	40%	46%	46%
Increases (Decreases) from:			
Depreciation differences	6	8	240
Callaway rate phase-in plans -			
Other income	(5)	(6)	(95)
Amortization of prior years' tax deferrals	(6)	(23)	(218)
Amortization of uranium litigation credits	(1)	(3)	(23)
Allowance for equity funds used during construction	(1)	-	(67)
Investment tax credits related to Callaway Unit No. 1 costs disallowed	-	-	(63)
Miscellaneous, net	4	(1)	(23)
Effective Federal income tax rate	37%	21%	(203)%

In 1985, due to the nominal amount of book income as a result of the write-off of Callaway Unit No. 1 costs disallowed, differences between tax and financial reporting income (even in relatively minor amounts) cause, on a percentage basis, unusual changes in the effective tax rate.

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

	1987	1986	1985
Taxes currently payable (principally Federal):			
Included in operating expenses	$ 91,585	$ 35,595	$ 21,827
Included in other income -			
Callaway Unit No. 1 costs disallowed	—	—	(13,217)
Miscellaneous, net	(9,149)	(13,762)	(104)
Deferred taxes (principally Federal):			
Included in operating expenses -			
Liberalized depreciation	77,078	95,835	112,958
Repair allowance	4,927	5,573	5,543
Allowance for borrowed funds used during construction	5,493	4,631	21,590
Unbilled revenue	(12,648)	—	—
Other (primarily capitalized costs)	2,764	10,518	18,260
Callaway rate phase-in plans amortization of prior years deferrals	(34,337)	(107,901)	(81,356)
Provisions deferred in prior years	(5,148)	(5,164)	(5,004)
Other	(6,679)	—	—
Included in other income -			
Callaway Unit No. 1 costs disallowed	—	—	(122,879)
Callaway rate phase-in plans	15,533	—	—
Miscellaneous, net (principally liberalized depreciation)	9,440	13,845	4,265
Deferred investment tax credits, net			
Included in operating expenses	57,479	52,943	(12,270)
Included in other income -			
Callaway Unit No. 1 costs disallowed	—	—	(22,761)
Total income tax expense	$196,338	$ 92,113	$(73,148)

Investment tax credit carryforwards, unrecorded as of December 31, 1987, amounted to approximately $70 million which may be utilized by the Company to reduce future income tax liabilities through 2002.

Deferred income taxes are provided for differences between book and taxable income to the extent permitted for ratemaking purposes. At December 31, 1987, the cumulative net amount of income tax timing differences for which deferred income taxes have not been provided was $1.1 billion.

Note 3 - Capital Stock

During the three years ended December 31, 1987, of the 26,000,000 shares of common stock, $5 par value, reserved for the Union Electric Company Dividend Reinvestment and Stock Purchase Plan, 2,901,122 shares were issued in 1985; and of the 4,500,000 shares reserved for the Union Electric Company Employee Stock Ownership Plan, 68,102 were issued in 1985.

During the same three-year period, preferred stock, without par value, was retired or redeemed as follows: in 1987, the Company retired 880,000 shares, $2.72 Series and 3,000,000 shares, $4.00 Series of 1982. In 1986 and 1985, the Company redeemed 160,000 shares and 80,000 shares, $2.72 Series, respectively. The Company redeemed 260 shares, $6.30 Series and 75,000 shares, $4.60 Series in each of the years 1987, 1986, and 1985.

Preferred Stock Redemption Prices	Current (Per Share)	Eventual Minimum (Per Share)
$7.44 Series	$102.50	$101.00
$6.40 Series	101.50	101.50
$5.50 Series A	110.00	110.00
$5.50 Series B	103.50	103.50
$4.75 Series	102.176	102.176
$4.56 Series	102.47	102.47
$4.50 Series	110.00	110.00 (a)
$4.30 Series	105.00	105.00
$4.00 Series	105.625	105.625
$3.70 Series	104.75	104.75
$3.50 Series	110.00	110.00
$8.00 Series of 1971	98.50	98.50
$8.00 Series	96.25	93.25
$2.98 Series	27.98 (b)	25.00
$2.125 Series	25.75	25.25
$6.30 Series (c)	100.00	100.00
$4.60 Series (d)	54.60 (b)	50.50

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

(b) Redemption subject to certain restrictions regarding refunding operations.

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

(d) The Company is required to redeem 75,000 shares at $50 per share on August 15 of each year.

Note 4 – Preferred Stock Subject to Mandatory Redemption

During each of the five years 1988 through 1992, the Company will be required to redeem $3,776,000 of the preferred stock outstanding at December 31, 1987.

Note 5 – Debt Retirement Provisions

During the five years from December 31, 1987, the amounts of debt maturities totaling $820,685,000 are: $101,634,000 in 1988; $12,539,000 in 1989; $62,539,000 in 1990; $623,289,000 in 1991; and $20,684,000 in 1992. However, $150,000,000 of the requirement in the year 1991 has been eliminated as a result of the Company's early redemption of the 15⅞% Series on February 1, 1988. The Company has announced plans for the early redemption on March 1, 1988 of the $14,351,000, 13% Series, due March 1, 2013. Amounts for years subsequent to 1988 do not include nuclear fuel lease payments since the amounts of such payments are not currently determinable.

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

Note 6 – Nuclear Fuel Lease

The Company has a lease agreement which provides for the financing of the costs of up to $250 million of the Company's nuclear fuel. Pursuant to the terms of the lease, the Company has assigned to the lessor certain contracts for purchase of nuclear fuel. The lessor obtains, through the issuance of commercial paper backed by the Company's credit or from direct loans under a committed revolving credit agreement from commercial banks, the necessary funds to purchase the fuel and make interest payments when due.

The Company is obligated to reimburse the lessor for all expenditures for nuclear fuel, interest, and related costs. Obligations under this lease become due as the nuclear fuel is utilized at the Company's Callaway nuclear plant. During 1987, the Company reimbursed the lessor $58.6 million, including $5.8 million of interest charges applicable to nuclear fuel in heat production, and $85 million for fuel repurchased from lessor. During 1986, the Company reimbursed the lessor $64.0 million, including $7.3 million of interest charges applicable to nuclear fuel in heat production, and $80 million for fuel repurchased from lessor. During 1985, the Company reimbursed the lessor $65.8 million, including $10.8 million of interest charges applicable to nuclear fuel in heat production.

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 1987, 1986, and 1985, the total interest charges under the lease were $15.3 million, $16.0 million, and $20.9 million (based on an average interest rate of 7.6%, 8.0%, and 9.2%, respectively) of which $9.4 million, $8.9 million, and $11.3 million, respectively, were capitalized.

Note 7 – Short-Term Borrowings

Short-term borrowings of the Company consist of bank loans (maturities not in excess of 270 days) and commercial paper (maturities generally within 10-45 days). Information relative to short-term borrowings is as follows (in thousands except rates):

	1987	1986	1985
Bank loans at year end –			
Amount outstanding	$33,000	$30,000	—
Composite interest rate	7.6%	7.5%	—
Commercial paper at year end	—	—	—
Maximum aggregate short-term borrowings at any month end during the year	$84,000	$94,000	$154,700
Average daily short-term borrowings outstanding during the year –			
Aggregate amount	$47,794	$45,130	$ 65,594
Weighted composite interest rate	6.9%	7.7%	8.6%

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, 1987, the Company had bank lines of credit aggregating $212 million ($179 million of which were unused at such date) which make available interim financing at various rates of interest, not to exceed prime, based on the London InterBank Offered Rate (LIBOR), the bank certificate of deposit rate, or other options, and in support of which the Company has both written and unwritten agreements with its lending banks to pay annual fees ranging from 0.125% to 0.25%. These lines of credit are renewable annually at various dates throughout the year.

Note 8 – Settlement of Uranium Litigation

In 1979, the Company and Westinghouse Electric Corporation settled the Company's suit to require Westinghouse to fulfill its contractual obligation to deliver 10 million pounds of uranium U_3O_8 to the Company. The settlement provides for cash and discounts on uranium, goods, and services over the period 1980-2010. In accordance with rate orders of regulatory authorities, settlement proceeds are being amortized as a reduction of fuel expense.

Note 9 - Employee Retirement Plan and Related Benefits

The Company has a non-contributory, defined-benefit retirement plan covering substantially all of its employees. Benefits are based on years of service and the employees' compensation during years of employment. The Company's funding policy is to contribute annually at least the minimum amount required by government funding standards, but not more than that which can be deducted for Federal income tax purposes. Plan assets consist principally of common stocks and fixed income securities (including $5 million of Company securities at December 31, 1987).

Pension costs for the years 1987, 1986, and 1985 were $15 million, $11 million, and $17 million, respectively, of which approximately 17%, 17%, and 21%, respectively, were charged to construction accounts. The Company's adoption in 1986 of Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions" reduced 1986 pension costs $6 million.

The plan's funded status follows (in millions):

	At December 31, 1987	1986
Actuarial present value of benefit obligations:		
Vested benefit obligation	$(324)	$(301)
Accumulated benefit obligation	$(359)	$(338)
Projected benefit obligation for service rendered to date	$(445)	$(422)
Plan assets at fair value	448	433
Excess of plan assets over projected benefit obligation	3	11
Unrecognized net (gain) or loss	(11)	8
Prior service cost not yet recognized in net periodic pension cost	26	—
Unrecognized net assets at transition	(16)	(17)
Prepaid pension cost	$ 2	$ 2

Pension costs include the following components (in millions):

	1987	1986
Service cost - benefits earned during the period	$ 14	$ 12
Interest cost on projected benefit obligation	31	29
Actual return on plan assets	(21)	(46)
Net amortization and deferral	(9)	16
Pension cost	$ 15	$ 11

For determining the actuarial present value of the projected benefit obligation in 1987 and 1986, the weighted average discount rates were 8% and 7.5%, respectively, and the rate of increase in future compensation was 6% in both years. The expected long-term rate of return on plan assets was 7.5% in 1987 and 1986.

In addition to providing pension benefits, the Company provides certain health care and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach retirement age while working for the Company. The costs of retiree health care and life insurance benefits are recognized on the basis of claims paid. Such costs totaled $6 million, $5 million, and $3 million for 1987, 1986, and 1985, respectively.

Note 10 - Construction Commitments

The Company is engaged in a construction program under which expenditures averaging approximately $235 million are anticipated during each of the next five years.

Note 11 - Contingencies

In late 1981, the Company canceled construction of Unit No. 2 at its Callaway plant. At December 31, 1987, $61 million ($36 million net of tax) is recorded as an asset representing the present value of future cash flows expected to be received as recovery for the cost of Callaway Unit No. 2. (See Note 12 regarding the Financial Accounting Standards Board.)

In 1983, the Missouri Public Service Commission (MoPSC) ruled that recovery of Callaway Unit No. 2 costs applicable to the Missouri jurisdiction is barred by a state statute prohibiting recovery of costs of a facility before it is fully operational and used for service. The Company appealed this ruling and in 1985 the Missouri Supreme Court ruled that the statutory ban does not apply to canceled plants and remanded the issue to the MoPSC for further proceedings. In March 1986, the MoPSC again denied recovery. The Company appealed this second denial to the Missouri Circuit Court and in December 1987, the Circuit Court affirmed the MoPSC's denial. The Company has appealed to the Missouri Court of Appeals, where the case is now pending. At December 31, 1987, $52 million ($32 million net of tax) of the recorded asset related to Callaway Unit No. 2 is applicable to the Missouri jurisdiction. Recovery of Callaway Unit No. 2 costs applicable to other regulatory jurisdictions is presently reflected in rates. In the opinion of management, unrecovered amounts if any, would not be material to the financial position of the Company.

The Company's insurance coverage for its Callaway plant, the maximum amount currently available to the Company, 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 $775 million provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurer established by the utility industry. Under this policy, the Company could be subject to a maximum retrospective premium assessment of $7.6 million in any one policy year if NEIL's property losses exceed available funds.

Excess property insurance of $250 million provided by ANI and MAELU.

On August 1, 1987, the Price-Anderson amendments to the Atomic Energy Act, covering liability to third parties, expired. Until legislation is passed by Congress to further amend the Act, the Company continues to be covered by the expired amendment which limits such liability to $720 million for each nuclear incident. Coverage of the first $160 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 $5 million per incident but not more than $10 million per year. Proposed legislation in Congress would substantially increase limits of liability and the Company's potential assessments. The Company is unable to predict the outcome of such legislation.

Effective January 1, 1988, a new Master Worker Policy was issued by ANI and MAELU with an aggregate limit of $160 million for the nuclear industry as a whole and will cover claims of workers as a result of radiation exposure on or after January 1, 1988. The policy was issued for a term of five years with a five-year discovery period and provides for retrospective premium assessments. The Company's maximum potential assessment under the policy is $2.7 million.

Accidental outage replacement power cost insurance provided by NEIL. Thereunder, the Company is insured for up to $1.2 million per week for one year, commencing 26 weeks after initiation of the outage, and for up to $0.6 million per week for an additional year. Under this policy, the Company could be subject to a maximum annual retrospective premium assessment of $2.0 million.

To the extent that any losses arising from a nuclear incident at Callaway plant exceed the limits of, or are not subject to, insurance, or to the extent such insurance becomes unavailable in the future, the Company will 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 impact 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 financial position of the Company.

Note 12 – Callaway Nuclear Plant

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

In April 1987, the Staff of the MoPSC and the Office of Public Counsel of the State of Missouri filed with the MoPSC complaints against the Company which alleged that the Company's return on its investment had become excessive. The complaints sought, (i) a reduction in the Company's then current electric revenues in a range of $45 million to $37 million, (ii) elimination of $189 million of revenue increases scheduled to be implemented over the next three years under the Missouri rate phase-in plan previously authorized by the MoPSC, and (iii) a material reduction in the Callaway-related deferred cost balance accumulated under the Missouri rate phase-in plan. On December 21, 1987, after conducting hearings, the MoPSC issued an order in response to the complaints. The order eliminated the $189 million of scheduled revenue increases and instead authorized a single revenue increase of $5.6 million effective December 31, 1987. In addition, the order effectively prevents the recovery of $23 million of Callaway-related deferred costs accumulated under the Missouri rate phase-in plan. As a result, the Company charged $23 million ($.23 per share) to expense in 1987. (The order provides that the remaining $159 million deferred cost balance applicable to Missouri be recovered in rates over the five years 1988 through 1992.)

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

Regulatory commission orders authorizing the respective rate phase-in plans, disallowed a total of $440 million of Callaway Unit No. 1 costs from rate base (including $44 million allocated to the canceled Callaway Unit No. 2, see Note 11).

In December 1986, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 90, "Regulated Enterprises-Accounting for Abandonments and Disallowances of Plant Costs" (SFAS 90). SFAS 90 requires that the Company write off and charge to income the Callaway

Unit No. 1 costs disallowed from rate base. The Company adopted SFAS 90 in December 1987 and, as provided by SFAS 90, restated prior period financial statements. The write-off, totaling $394 million ($235 million net of taxes), was recorded retroactive to 1985.

SFAS 90 also requires the Company to write down the investment in the abandoned Callaway Unit No. 2 to the present value of the future cash flows expected to be received as recovery for the cost of Callaway Unit No. 2 (see Note 11). This write-down, retroactive to 1981, is required because the expected recovery of such costs does not include a return on such costs from the date of cancellation (1981) through the recovery period. The cumulative effect of this write-down on January 1, 1985 retained earnings is $31 million.

Adoption of SFAS 90 increased net income and earnings on common stock for 1987 and 1986 by $2.5 million ($.02 per share) and $7.9 million ($.07 per share), respectively, and decreased net income and earnings on common stock for 1985 by $228.1 million ($2.27 per share).

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

Callaway plant decommissioning costs are estimated to be $143 million in current year dollars. Electric rates charged to customers provide for recovery of decommissioning costs over the life of the Callaway plant. Amounts so collected from customers are deposited in a trust fund which has been established to provide for decommissioning costs. At December 31, 1987, $9,084,000 was on deposit in the decommissioning trust fund.

Note 13 – Supplementary Information

(Thousands of Dollars)	1987	1986	1985
Maintenance and repairs, charged directly to:			
Operating expenses	$158,908	$148,173	$122,526
Other accounts (a)	9,674	8,665	8,378
	$168,582	$156,838	$130,904
Depreciation, depletion and amortization of fixed and intangible assets, charged directly to:			
Operating expenses	$177,559	$176,200	$162,705
Other income and deductions	—	1,019	847
Other accounts (a)	3,746	3,563	3,216
	$181,305	$180,782	$166,768
Taxes, other than payroll and income taxes, charged directly to:			
Operating expenses –			
Real estate and personal property	$ 79,306	$ 77,422	$ 56,959
License and franchise	91,490	85,494	76,514
Miscellaneous	2,409	1,926	1,707
	173,205	164,842	135,180
Other accounts	3,394	3,334	13,007
	$176,599	$168,176	$148,187

(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 1987, 1986, and 1985 were $17,069,000, $16,717,000, and $14,820,000, respectively.

(c) The amounts of royalties and advertising costs were not material.

(d) Total interest paid (net of amount capitalized) in 1987, 1986, and 1985 was $202 million, $225 million, and $170 million, respectively.

(e) Total income taxes paid in 1987, 1986, and 1985 were $87 million, $13 million, and $9 million, respectively.

Results of Operations

Earnings and earnings per share fluctuated due to many conditions, the primary conditions being: the effect of weather variations, growth in customers' use of electricity, the timing and amounts of rate increases, fluctuating operating costs, and the write-off of construction costs disallowed from rate base by regulatory authorities. With implementation in early 1987 of the third series of rate increases under the Callaway rate phase-in plans, the Company's internal cash flow improved and the proportion of earnings represented by cash increased (see Note 12 under Notes to Financial Statements for information concerning such rate increases). However, AFC and the partial deferral of a cash recovery of costs related to the Callaway plant during the early years of the Callaway rate phase-in plans (both noncash income items) constituted a significant portion of earnings (see AFC below and Callaway Rate Phase-In Plans, under Note 1 of Notes to Financial Statements).

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

Electric Operating Revenues

	Variation from Prior Year		
(Millions of Dollars)	**1987**	1986	1985
Rate variations	**$ 82.7**	$170.2	$180.1
Effect of weather variations	**(19.5)**	32.5	(12.7)
Growth and other	**83.6**	30.7	29.8
	$146.8	$233.4	$197.2

The increases in 1987, 1986, and 1985 electric revenues applicable to rate variations reflect the first three series of rate increases under the Callaway rate phase-in plans.

The effect of weather variations on 1987 and 1986 electric revenues primarily reflects the increased sales of electricity in 1986 due to extremely warm weather in the second and third quarters of 1986. The effect of weather variations on 1985 electric revenues was relatively minor.

Operating Expenses

Fuel and Purchased Power –	Variation from Prior Year		
(Millions of Dollars)	**1987**	1986	1985
Fuel:			
Variation in generation	**$ (3.0)**	$(39.2)	$ 55.9
Price increases	**(1.2)**	21.0	10.2
Amortization of uranium litigation settlement	**44.6**	(16.6)	(46.6)
Callaway generation efficiencies	**—**	—	(49.9)
Other generation efficiencies	**6.1**	2.9	4.2
Net interchange sales and purchased power variation	**20.9**	42.1	(73.0)
	$67.4	$ 10.2	$(99.2)

The increase in total fuel and purchased power costs in 1987 primarily reflects decreased amortization of uranium litigation settlement proceeds and increased sales of electricity to all classes of customers. The increase in total fuel and purchased power costs in 1986 reflects increased sales of electricity to residential and commercial customers. The decrease in 1986 fuel costs attributable to reduced generation and the increase in 1986 net interchange and purchased power costs primarily reflect the increased availability and utilization of relatively low-cost purchased power.

The large reduction in total fuel and purchased power costs in 1985 primarily reflects improved efficiencies and greater interchange sales due to the initial impact of the additional generation available from Callaway plant which was first reflected in operations in early 1985.

Other Operating Expenses –	Variation from Prior Year		
(Millions of Dollars)	**1987**	1986	1985
Callaway plant effect on:			
Operations expense other than fuel and purchased power	**$(4.9)**	$16.6	$57.0
Maintenance expense	**5.7**	17.2	13.9
Depreciation expense	**(7.8)**	9.2	59.9

The Callaway plant effect on 1987 operating expenses reflects continued operating efficiencies and the second Callaway plant refueling in late 1987. The Callaway plant effect on 1986 operating expenses, versus comparable 1985 expenses, reflects a full year of Callaway operations as compared to a partial year in 1985, and costs attributable to the first Callaway plant refueling in early 1986.

Other variations in operating expenses during the years 1985 through 1987 generally reflected recurring conditions such as growth, inflation, and wage increases. However, in 1987, operations expense, other than fuel and purchased power and Callaway-related costs, [illegible]eased $1 million, due primarily to decreased natural gas purchased for resale, which more than offset these increases. Also in 1987, maintenance expenses, other than those at Callaway plant, increased $5 million, reflecting increased maintenance at all major coal generating plants except the Labadie plant. In 1986, operations expense, other than fuel and purchased power and Callaway-related costs, increased $5 million, primarily reflecting higher power plant operations costs, provisions for insurance and tree trimming costs, partially offset by reduced natural gas purchases for resale and decreased pension expense. Also in 1986, maintenance expenses, other than Callaway-related maintenance, increased $8 million, primarily reflecting increased power plant maintenance.

The 1987 increase in other taxes charged to operating expenses is attributable to a $6 million increase in license and

franchise taxes resulting from increased revenues, and a $2 million increase in real estate taxes reflecting increased tax rates and property additions. The 1986 increase in other taxes charged to operating expenses is attributable to a $9 million increase in license and franchise taxes resulting from increased revenues, and a $20 million increase in real estate taxes reflecting increased tax rates, property additions, and a full year of Callaway operations.

Income taxes generally increased in response to higher pretax income (see Callaway Rate Phase-In Plans in Notes 1 and 2 under Notes to Financial Statements). However, the rapid amortization of certain Callaway-related accumulated deferred income taxes more than offset the increase in income taxes resulting from higher pre-tax income in 1985; partially offset such increase in 1986, and, to a much lesser degree, offset such increase in 1987.

Interest on Debt

The 1987 decrease in interest on debt primarily reflects refinancing high-cost debt with lower-cost issues and reduced total outstanding debt. The 1986 decrease in interest on debt primarily reflects reduced interest on long-term debt issues, reduced short-term interest rates, and reduced average daily short-term borrowings.

Allowance for Funds Used During Construction (AFC)

In recent years AFC constituted a substantial portion of earnings due to the amount of construction work in progress, primarily the $3 billion Callaway plant, and increased AFC rates (see Note 1 under Notes to Financial Statements). However, AFC declined substantially after the Callaway plant was reflected in operations in early 1985.

Callaway Rate Phase-In Plans

See Notes 1 and 12 under Notes to Financial Statements for information relative to Callaway rate phase-in plans.

Liquidity and Capital Resources

Construction expenditures averaging approximately $235 million are anticipated during each of the years 1988 through 1992. The Company completed the construction of its Callaway plant in late 1984. Additional electric generation capacity is not anticipated before the late 1990s. For funds required in addition to construction expenditures, see Notes 4 and 5 under Notes to Financial Statements.

A nuclear fuel lease provides for the financing of up to $250 million of the Company's nuclear fuel requirements. At December 31, 1987, $148 million of nuclear fuel was financed under the lease. The Company financed an additional $100 million under the fuel lease in January 1988.

In addition, the Company has an intermediate-term credit agreement with certain foreign banks which permits the Company to borrow up to $40 million through December 1991. At December 31, 1987, none of such foreign borrowings were outstanding. The Company plans to borrow the $40 million available under this agreement in February 1988.

The Company plans to continue to utilize short-term debt as support for normal operations or other temporary requirements (see Note 7 under Notes to Financial Statements). Union Electric is authorized by the Federal Energy Regulatory Commission to incur up to $300 million of short-term unsecured indebtedness; however, short-term debt is not expected to exceed $250 million.

Tax Reform Act of 1986

The Tax Reform Act of 1986 (TRA) contains numerous provisions that affect the Company. The most significant provisions of the TRA with respect to the Company are a reduced marginal corporate income tax rate, restrictions on the utilization of investment tax credit carryforwards, and elimination of the investment tax credit on construction expenditures. Through 1988, while total provisions for Federal income taxes will be reduced as a result of the reduced tax rate, the amount of income taxes currently payable will increase principally as a result of the restrictions on utilization of investment tax credit carryforwards. Such an increase in income taxes currently payable will reduce the amount of cash generated internally. In years beyond 1988, as a result of the reduced tax rate, both total provisions for Federal income taxes and the amount of income taxes currently payable are expected to decrease. As a result of the Company's substantially reduced levels of construction, elimination of the investment tax credit on future construction expenditures is not expected to have a material effect on the Company.

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, preferred stock subject to mandatory redemption, deferred income taxes, and current liabilities which will be repaid with dollars of reduced purchasing power.

	1987	1986	1985	1984	1983
Electric Operating Revenues (000):					
Residential	$ 749,786	$ 681,002	$ 572,423	$ 495,346	$ 524,792
Commercial	628,067	580,323	501,913	430,913	402,737
Industrial	393,597	373,196	335,576	294,245	281,397
Other electric utilities	71,160	63,428	56,078	50,702	46,428
Miscellaneous	26,867	24,731	23,267	20,880	25,800
Total Electric Operating Revenues	$1,869,477	$1,722,680	$1,489,257	$1,292,086	$1,281,154
Kilowatt-Hour Sales (000,000):					
Residential	9,585	9,283	8,844	8,764	8,979
Commercial	9,581	9,306	8,823	8,441	7,653
Industrial	8,217	8,073	8,038	7,928	7,478
Other electric utilities	1,487	1,450	1,430	1,503	1,498
Miscellaneous	138	145	160	164	321
Total Kilowatt-Hour Sales	29,008	28,257	27,295	26,800	25,929
Electric Customers (End of year):					
Residential	929,776	916,261	901,777	888,026	879,156
Commercial	114,858	111,322	109,099	106,760	110,048
Industrial	6,569	6,595	6,333	6,334	5,126
Electric utilities	21	21	23	24	24
Other	1,548	1,498	1,410	1,400	3,297
Total Electric Customers	1,052,772	1,035,697	1,018,642	1,002,544	997,651
Residential Customer Data (Average):					
Kilowatt-hours used	10,390	10,227	9,901	9,951	10,283
Annual electric bill	$812.73	$750.24	$641.02	$562.60	$601.03
Revenue per kilowatt-hour	7.82¢	7.34¢	6.47¢	5.65¢	5.84¢
Gross Instantaneous Peak Demand (Kilowatts)	7,255,000	6,810,000	6,335,000	6,810,000	6,598,000
Capability at Time of Peak, Including Net Purchases (Kilowatts)	8,236,000	7,955,000	8,231,000	7,912,000	7,633,000
Generating Capability at Time of Peak (Kilowatts)	8,040,000	8,031,000	8,097,000	6,952,000	6,948,000
Coal Burned (Tons)	10,245,000	9,961,000	10,126,000	11,820,000	11,371,000
Price per Ton of Coal	$37.31	$37.01	$34.79	$33.76	$33.33

Selected Financial Information

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

	1987	1986	1985	1984
Results of Operations				
Operating revenues	**$1,946,411**	$1,807,182	$1,591,763	$1,412,414
Operating expenses	**1,457,957**	1,287,572	1,173,187	1,172,128
Operating income	**488,454**	519,610	418,576	240,286
Callaway rate phase-in plan	**92,791**	59,861	74,631	—
Deferred costs disallowed	**(23,169)**	—	—	—
Callaway Unit No. 1 costs disallowed, net	—	—	(234,780)	—
Loss on cancellation of Callaway Unit No. 2, net	—	—	—	—
Allowance for all funds used during construction	**20,477**	15,812	106,754	329,669
Miscellaneous, net	**(15,714)**	3,947	(1,709)	1,619
Interest on debt	**228,961**	247,409	254,320	247,308
Net income	**333,878**	351,821	109,152	324,266
Preferred stock dividends	**36,522**	49,245	49,836	50,185
Earnings on common stock	**297,356**	302,576	59,316	274,081
Average common shares outstanding	**102,123,834**	102,123,834	100,403,016	96,574,699
Assets, Obligations, and Equity Capital (Year End)				
Total assets	**$5,957,811**	$5,895,211	$5,738,620	$5,819,996
Long-term debt obligations	**2,357,615**	2,436,092	2,454,687	2,457,381
Preferred stock subject to mandatory redemption	**64,608**	165,384	173,160	178,936
Preferred stock not subject to mandatory redemption	**356,270**	356,270	356,270	356,270
Common equity	**1,835,670**	1,741,703	1,628,980	1,693,753
Financial Indices				
Earnings per share of common stock (based on average shares outstanding)	**$2.91**	$2.96	$0.59	$2.84
Cash dividends per share of common stock	**$1.92**	$1.86	$1.78	$1.72
Return on average common stock equity	**16.79%**	18.16%	3.81%	17.23%
Ratio of earnings to fixed charges (a)	**3.30**	2.79	1.14	2.88
Book value per common share	**$17.97**	$17.05	$15.95	$17.08
Capitalization Ratios (Year End)				
Common equity	**39.8%**	37.1%	35.3%	36.2%
Preferred stock not subject to mandatory redemption	**7.7**	7.6	7.7	7.6
Preferred stock subject to mandatory redemption	**1.4**	3.5	3.8	3.8
Long-term debt	**51.1**	51.8	53.2	52.4
	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 and an appropriate amount of rentals charged to operating expenses) and income taxes.

Adoption of Statement of Financial Accounting Standards No. 90 decreased net income and earnings on common stock for 1985, 1983, 1982, and 1981 by $228,073 ($2.27 per share), $981 ($.02 per share), $1,296 ($.02 per share), and $28,522 ($.43 per share), respectively, and increased net income and earnings on common stock for 1986 by $7,928 ($.07 per share).

1983	1982	1981	1980	1979	1978	1977
$1,401,086	$1,217,705	$1,105,536	$1,077,876	$946,797	$903,988	$765,102
1,160,816	1,013,054	922,647	886,720	780,331	727,756	605,963
240,270	204,651	182,889	191,156	166,466	176,232	159,139
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	—	—	—	—	—
—	—	(28,469)	—	—	—	—
251,307	198,093	155,625	92,055	58,093	31,469	19,022
2,509	2,364	(787)	3,638	879	2,896	1,389
218,530	200,554	180,312	131,725	106,995	90,309	83,624
275,556	204,554	128,946	155,124	118,443	120,288	95,926
46,118	40,344	29,863	30,082	27,336	23,430	20,758
229,438	164,210	99,083	125,042	91,107	96,858	75,168
86,744,282	76,251,024	67,179,275	59,675,995	52,577,432	48,260,596	45,110,245
$5,146,666	$4,573,783	$3,992,742	$3,552,104	$3,168,998	$2,800,209	$2,521,181
2,108,047	2,000,405	1,719,927	1,479,229	1,307,990	1,238,860	1,189,080
180,962	182,988	110,014	112,040	114,066	41,092	41,118
356,270	281,355	281,355	281,355	281,355	281,355	281,355
1,524,702	1,298,243	1,134,255	1,043,549	930,375	836,020	733,111
$2.64	$2.15	$1.47	$2.10	$1.73	$2.01	$1.67
$1.66	$1.58	$1.52	$1.48	$1.44	$1.40	$1.36
16.79%	14.17%	9.46%	13.11%	10.71%	12.61%	10.68%
2.89	2.49	2.00	2.85	2.62	3.20	2.83
$16.10	$15.38	$15.17	$15.78	$15.82	$16.11	$15.66
36.6%	34.5%	34.9%	35.8%	35.3%	34.9%	32.7%
8.6	7.5	8.7	9.7	10.7	11.7	12.5
4.3	4.8	3.4	3.8	4.3	1.7	1.8
50.5	53.2	53.0	50.7	49.7	51.7	53.0
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Selected Quarterly Information

Union Electric Company

(Thousands of Dollars Except Per Share Amounts)

		Operating Revenues	Operating Income	Net Income	Earnings on Common Stock	Earnings Per Share of Stock Outstanding
Quarter Ended:	**March 31, 1987**	**$406,617**	**$111,236**	**$ 71,429**	**$ 60,767**	**$ .60**
	March 31, 1986	376,782	84,4[illegible]	55,180	42,823	.42
	June 30, 1987	**508,441**	**131,756**	**73,763**	**65,498**	**.64**
	June 30, 1986	458,838	144,075	93,844	81,487	.80
	September 30, 1987	**617,554**	**179,086**	**152,228**	**143,110**	**1.40**
	September 30, 1986	575,508	187,176	144,540	132,226	1.29
	December 31, 1987	**413,799**	**66,376**	**36,458**	**27,981**	**.27**
	December 31, 1986	396,054	103,933	58,257	46,040	.45

The first three quarters of 1987 and all quarters of 1986 have been restated to reflect the adoption of Statement of Financial Accounting Standards No. 90 which increased net income and earnings on common stock by $2.6 million ($.03 per share) in the first quarter of 1987, $3.0 million ($.03 per share) in the second quarter of 1987, $3.2 million ($.03 per share) in the third quarter of 1987, $1.4 million ($.01 per share) in the first quarter of 1986, $1.5 million ($.02 per share) in the second quarter of 1986, $2.6 million ($.02 per share) in the third quarter of 1986, and $2.4 million ($.02 per share) in the fourth quarter of 1986. Also, the second quarter of 1987 has been restated to reflect a charge to expense resulting from an order of the Missouri Public Service Commission which reduced net income and earnings on common stock by $23 million ($.22 per share). See Note 12 under Notes to Financial Statements.

Common Stock Prices and Dividends (1)

	1987 Price Range		1987		1986 Price Range		1986
	High	Low	Dividends (2)	Quarter Ended	High	Low	Dividends
Per Share:	**$31 5/8**	**$28**	**48¢**	**March 31**	$25 1/2	$20 7/8	46¢
	28 3/4	**22 3/8**	**48**	**June 30**	25 7/8	22 3/4	46
	25 7/8	**22 7/8**	**48**	**September 30**	31 3/4	25	46
	25 1/2	**19 7/8**	**48**	**December 31**	31	27 3/8	48

(1) At December 31, 1987, Union Electric Company common stockholders totaled 145,661. (New York Stock Exchange symbol: UEP.)

(2) At December 31, 1987, retained earnings totaled $610,466,000; under the Company's amended mortgage indentures $57,115,000 of total retained earnings was restricted against payment of common dividends – except those payable in common stock.

Investor Information

Dividend Reinvestment and Stock Purchase Plan

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

Information regarding your account, the transfer of Preferred or Common Stock or the Dividend Reinvestment and Stock Purchase Plan may be obtained by writing or calling:

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

Toll-free telephone
1-800-255-2237

Office
1901 Gratiot Street
St. Louis, MO
(314) 621-3222

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

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

Trustees, Transfer Agents, Registrars, and Paying Agents

For First Mortgage Bonds

Centerre Trust Company of St. Louis, Trustee
St. Louis, MO 63101

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

Harris Trust and Savings Bank and J. L. Spreng, Co-Trustees
Chicago, IL 60690

LaSalle National Bank, Trustee
Chicago, IL 60690

Bankers Trust Company
New York, NY 10015

Continental Illinois National Bank and Trust Company of Chicago
Chicago, IL 60697

Officers and Directors

Officers

William E. Cornelius
President and Chief Executive Officer

Earl K. Dille
Executive Vice President

Stewart W. Smith, Jr.
Executive Vice President

James J. Beisman
Vice President – Customer Service

Donald E. Brandt
Vice President and Controller

Charles A. Bremer
Vice President – Supply Service

David C. Harrison
Vice President – Regional West

G. J. Haven
Vice President – Engineering and Construction

William E. Jaudes
Vice President and General Counsel

Francis R. Lengefeld
Vice President – Regional East

Herbert W. Loeh
Vice President – Human Resources

H. G. Meyer
Vice President – Computer Services

Charles W. Mueller
Vice President – Finance

Robert O. Piening
Vice President – Rates

William A. Sanford
Vice President – Industrial Relations

Donald F. Schnell
Vice President – Nuclear

Charles J. Schukai
Vice President – Transmission and Distribution

Edgar J. Telthorst
Vice President – Power Operations

H. E. Wuertenb[illegible], Jr.
Vice President – [illegible] Relations

James C. Tho[illegible]
Secretary

L. A. Esswein
Treasurer

Board of Directors

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

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

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

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

* **Earl K. Dille**
Executive Vice President

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

Neal J. Farrell
President and Director –
Mercantile Bancorporation Inc., a bank holding company.

* **Edwin S. Jones**
** Former Chairman of the Board –
Centerre Bancorporation, a bank holding company.

* **John Peters MacCarthy**
President and Director –
Centerre Bancorporation, a bank holding company.

* **Richard A. Meyer**
** Former President –
Anheuser-Busch, Inc.

John F. Riedy
Consultant. Former Chairman of the Board – INTERCO INCORPORATED.

* **Stewart W. Smith, Jr.**
Executive Vice President

Adviser to the Board

Isaac B. Grainger
Former President – Chemical Bank.

* Member of Executive Committee
** Member of Auditing Committee

UNION ELECTRIC

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

UNION ELECTRIC

1901 Gratiot Street, St. Louis

Donald F. Schnell
Vice President

March 25, 1988

U.S. Nuclear Regulatory Commission
Attn: Document Control Desk
Washington, D.C. 20555

ULNRC-1749

DOCKET NUMBER 50-483
CALLAWAY PLANT
ANNUAL FINANCIAL REPORT

Transmitted herewith are twenty-five (25) copies of the Union Electric Company 1987 Annual Report. This information is submitted in accordance with 10CFR50.71(b).

Very truly yours,

Donald F. Schnell

Donald F. Schnell

JMC/mlg

Enclosures

M004
1/25

cc: Gerald Charnoff, Esq.
Shaw, Pittman, Potts & Trowbridge
2300 N. Street, N.W.
Washington, D.C. 20037

Dr. J. O. Cermak
CFA, Inc.
4 Professional Drive (Suite 110)
Gaithersburg, MD 20879

W. L. Forney
Chief, Reactor Project Branch 1
U.S. Nuclear Regulatory Commission
Region III
799 Roosevelt Road
Glen Ellyn, Illinois 60137

Bruce Little
Callaway Resident Office
U.S. Nuclear Regulatory Commission
RR#1
Steedman, Missouri 65077

Tom Alexion (2)
Office of Nuclear Reactor Regulation
U.S. Nuclear Regulatory Commission
Mail Stop 316
7920 Norfolk Avenue
Bethesda, MD 20014

Manager, Electric Department
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

bcc: D. Shafer/A160.761
/QA Record (CA-758)
E210.01
Nuclear Date
DFS/Chrono
D. F. Schnell
J. E. Birk
J. F. McLaughlin
A. P. Neuhalfen
R. J. Schukai
M. A. Stiller
G. L. Randolph
R. J. Irwin
H. Wuertenbaecher
W. R. Campbell
A. C. Passwater
R. P. Wendling
D. E. Shafer
D. J. Walker
O. Maynard (WCNOC)
R. C. Slovic (Bechtel)
G56.37 (CA-460)
T. P. Sharkey
NSRB (Sandra Auston)