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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 3rd
day of September, 1998.

In the Matter of the Application of)
Union Electric Company d/b/a AmerenUE)
and Farmers' Electric Cooperative for)
Approval of a Written Territorial)
Agreement Designating the Boundaries of)
Each Electric Service Supplier within)
Portions of Caldwell, Carroll, Chariton,)
Clinton, Daviess, DeKalb, Linn,)
Livingston and Ray Counties; Authorizing)
the Sale, Transfer, and Assignment of)
Certain Electric Distribution Facilities,) Case No. EO-98-511
Easements, and Other Rights Generally)
Constituting AmerenUE's Electric Utility)
Business Associated with Its Customers)
Transferred Pursuant to the Territorial)
Agreement; and AmerenUE's Application for)
a Certificate of Convenience and Necessity)
Authorizing It to Own, Control, Manage,)
and Maintain an Electric Power System for)
the Public in Certain Portions of Chariton,)
Linn, and Ray Counties.)

ORDER APPROVING APPLICATION AND STIPULATION AND AGREEMENT

On May 13, 1998, Union Electric Company d/b/a AmerenUE (AmerenUE) and Farmers' Electric Cooperative (Cooperative) filed a joint application (Application) with the Commission pursuant to Section 394.312, RSMo 1994, requesting approval of a territorial agreement between the joint applicants, authorizing the sale of certain of AmerenUE's assets associated with the customers transferred pursuant to the territorial agreement, and granting AmerenUE a certificate of convenience and necessity for certain portions of Chariton, Linn and Ray counties. A

timely application to intervene was filed by North Central Missouri Electric Cooperative (NCMEC), and on July 16, the Commission granted intervention to NCMEC. No other applications to intervene were filed.

On August 17, the parties filed a unanimous Stipulation and Agreement (Attachment A hereto), and Staff filed suggestions in support of that Stipulation and Agreement. On August 26, the Commission convened an evidentiary hearing.

The Stipulation and Agreement essentially provides that all parties either support the granting of the Application or do not oppose it. The Stipulation and Agreement modifies the Application by removing a certain area in Linn County from the territory that AmerenUE is to serve.

In its suggestions, Staff states that the change of suppliers will consolidate customers in areas where they can be served from existing facilities. Staff asserts that this change of suppliers will ease the process of planning for future needs, allow both suppliers to use existing facilities and service personnel more efficiently, and minimize duplication of facilities. Staff points out that it expects system downtime to be reduced, reliability to be improved, and safety of utility workers and the public to be enhanced.

Staff also notes that the great majority of the customers to be transferred from AmerenUE to Farmers' would see a rate increase. The average annual increase will be about \$120, or 20%. Staff notes that only two AmerenUE customers attended an informational meeting and only two responded to a notice that AmerenUE sent to all affected customers. Staff believes that customer concerns about the change of supplier have all been addressed.

The Commission finds that the designated electric service areas of AmerenUE and Farmers' are not detrimental to the public interest, and that the transfer of part of AmerenUE's plant to Farmers' pursuant to the terms of the agreement is not detrimental to the public interest. The Commission also finds that the change of suppliers contemplated in the Application is in the public interest. The Commission further finds that allowing AmerenUE to serve in the areas requested is necessary and convenient for the public interest. The Commission has reviewed the Application, the Stipulation and Agreement and affidavits attached thereto, and evidence of record in this matter and finds that substantial and competent evidence of record exists to find the Application and the Stipulation and Agreement to be reasonable and in the public interest and will, therefore, approve them.

IT IS THEREFORE ORDERED:

1. That the Joint Application filed May 13, 1998, as modified by the Stipulation and Agreement, Attachment A to this order, is hereby approved.

2. That the Stipulation and Agreement, Attachment A to this order, is hereby approved.

3. That Union Electric Company d/b/a AmerenUE is authorized to sell, transfer and assign part of its franchise, works or system to Farmers' Electric Cooperative as set forth in the Joint Application filed May 13, 1998.

4. That Union Electric Company d/b/a AmerenUE is granted a Certificate of Convenience and Necessity to own, control, manage, and maintain an electric power system in certain portions of Chariton, Linn

and Ray counties as set forth in the Joint Application filed May 13, 1998, as modified by the Stipulation and Agreement, Attachment A to this order.

5. That Union Electric Company d/b/a AmerenUE and Farmers' Electric Cooperative are authorized to change electric suppliers for certain of their customers as set forth in the Joint Application filed May 13, 1998.

6. That nothing in this order shall be considered a finding by the Commission of the value for ratemaking purposes of the properties herein involved. Furthermore, the Commission reserves the right to consider the ratemaking treatment to be afforded this transaction in any later proceeding.

7. That this order shall become effective on September 10, 1998.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read "Dale Hardy Roberts", written in a cursive style.

Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray and Schemenauer, CC., concur.
Drainer, C., absent.

Mills, Deputy Chief Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Union Electric)
Company d/b/a AmerenUE and Farmers' Electric)
Cooperative for Approval of a Written Territorial)
Agreement Designating the boundaries of each)
Electric Service Supplier within portions of)
Caldwell, Carroll, Chariton, Clinton, Daviess,)
DeKalb, Linn, Livingston and Ray Counties;)
authorizing the sale, transfer, and assignment of)
certain Electric Distribution Facilities, Easements,)
and other rights generally constituting AmerenUE's)
electric utility business associated with its)
customers transferred pursuant to the Territorial)
Agreement; and AmerenUE's Application for a)
Certificate of Convenience and Necessity)
authorizing it to own, control, manage, and maintain)
an electric power system for the public in certain)
portions of Chariton, Linn and Ray Counties.)

Case No. EO-98-511

FILED
JUL 17 1998
PUBLIC SERVICE COMMISSION

STIPULATION AND AGREEMENT

I. Procedural History

1. On May 13, 1998, Union Electric Company d/b/a AmerenUE (AmerenUE) and Farmers' Electric Cooperative (Farmers') filed a joint application pursuant to Section 394.312 RSMo. 1994 (the Joint Application), requesting approval of a territorial agreement (the Agreement) between the joint applicants. On June 9, 1998, the Commission issued an order and notice providing among other things, for the intervention of interested parties. Applications for intervention were to be filed no later than July 10, 1998. On or about June 18, 1998, AmerenUE at the request of the Office of the Public Counsel provided additional notice to its customers who would be transferred to Farmers' pursuant to the Territorial Agreement by sending them a letter. See Attachment A. The letter informed the affected customers of the filing of the Joint

Application by AmerenUE and Farmers', noted as a result of the transfer to Farmers' their bill may change depending on usage, and provided them with the names and phone numbers of individuals working for the Commission Staff, the Office of the Public Counsel, AmerenUE and Farmers' they could call with questions. On July 9, 1998, North Central Missouri Electric Cooperative, Inc. (North Central) filed for intervention.

2. Thereafter, on July 16, 1998, the Commission entered its Order Setting Early Prehearing Conference in which it directed the parties to participate in a prehearing conference on July 28, 1998. The Commission further granted North Central's intervention.

3. The parties met as directed, and debated, among other things, the customer and equipment exchanges.

4. Farmers' and AmerenUE have filed affidavits in support of this stipulation, which are Attachments B and C, respectively.

5. Having reviewed the application and Territorial Agreement and having considered the position of the parties and the issues to be resolved in this case, the parties have entered into this stipulation and agreement.

II. The Parties Have Reached the Following Stipulation and Agreement:

6. Staff, OPC, AmerenUE and Farmers' assert and, in consideration of the promises and covenants herein contained, state that the Territorial Agreement between AmerenUE and Farmers' is not detrimental to the public interest and therefore should be approved; North Central takes no position, but will not oppose approval as set forth herein. Furthermore, Staff, OPC, AmerenUE and Farmers' assert and state that the finding that the Territorial Agreement is not detrimental to the public interest is supported by the facts contained in the Affidavits of

AmerenUE and Farmers’.

7. Staff, OPC, AmerenUE and Farmers’ further assert and state that the customer exchange between AmerenUE and Farmers’ is in the public interest and therefore should be approved; North Central takes no position, but will not oppose approval as set forth herein.

8. Staff, OPC, AmerenUE and Farmers’ further assert and state that the facilities exchange between AmerenUE and Farmers’ is in the public interest and therefore should be approved; North Central takes no position, but will not oppose approval as set forth herein.

9. Staff, OPC, AmerenUE and Farmers’ further assert and state that the Union Electric Company illustrative tariffs as shown in Exhibit I to the Joint Application are acceptable in format and substance, with one exception. Within 30 days of issuance of an Order approving the Territorial Agreement, AmerenUE is to file revised tariff sheets consistent with the illustrative tariffs but deleting from its service area in Linn County, Township 58 North, Range 20 West, Section 16. With this modification, Staff, OPC, AmerenUE and Farmers’ believe that the revised tariff sheets are in the public interest and therefore should be approved; North Central takes no position, but will not oppose approval as set forth herein. Staff, OPC, AmerenUE and Farmers’ also agree that this stipulation and agreement shall not prejudice, in any way, any future AmerenUE application to the Commission for either a certificate of convenience and necessity or a change or modification to its service area.

10. AmerenUE has on its proposed Tariff sheets the following footnote: "Union Electric Company has the right to serve in [County Name] County pursuant to the terms of the territorial agreement between the Company and Farmers’ Electric Cooperative as approved in Case No. __-__-__." This language shall be interpreted (i) to permit AmerenUE, in accordance

with Section 2.2 of the Territorial Agreement, to continue to serve all other Existing Structures that it is serving on the Effective Date of the Agreement regardless of their location (even if that location is in the exclusive service area of Farmers') and (ii) to allow AmerenUE to serve customers in accordance with Article 8 of the Territorial Agreement, the Case-by-Case Exception Procedure, without having to file with the Commission for a certificate of convenience and necessity or revise its tariffs.

11. AmerenUE and Farmers' covenant and agree that the Agreement does not now grant or confer and will not grant or confer in the future, an exclusive grant or franchise to offer or provide electrical service to the areas within the boundaries identified in the Agreement, particularly, as it may apply to electrical service now supplied or provided by North Central to any customer¹, or electrical service which North Central may provide or supply to any customer in the future. AmerenUE and Farmers' further covenant and agree that nothing in the Agreement will restrict or limit North Central's right to negotiate or enter a territorial agreement with any party with boundaries within areas Farmers' or AmerenUE may now, or in the future, provide wholesale or retail electrical energy or sales to customers.

12. North Central, AmerenUE and Farmers' hereby certify and agree that each are estopped to argue an effect or interpretation of the Agreement contrary to those set forth in this Stipulation.

13. This Stipulation shall be binding upon the successors and assigns of AmerenUE, Farmers' and North Central.

¹As used in this Stipulation the term "customer" shall also mean and refer to "structure" or "structures" as that term is

14. The parties request that in the event that the Commission approves this Stipulation and Territorial Agreement that in its Order it specifically states that the approval of the Territorial Agreement between AmerenUE and Farmers' is not intended to and shall in no way affect or diminish the rights and duties of other electric suppliers not a party to the Territorial Agreement to provide electric service within the boundaries designated in the Territorial Agreement in accordance with Section 394.312.5 RSMo.

III. General Matters

15. This Stipulation and Agreement has resulted from extensive negotiations among the signatories and the terms hereof are interdependent. In the event the Commission does not adopt this Stipulation in total, then this Stipulation and Agreement shall be void and no signatory shall be bound by any of the agreements or provisions hereof. The Stipulations herein are specific to the resolution of this proceeding, and all stipulations are made without prejudice to the rights of the signatories to take other positions in other proceedings.

16. In the event the Commission accepts the specific terms of this Stipulation and Agreement, the parties and participants waive, with respect to the issues resolved herein: their respective rights pursuant to §536.080 RSMo. 1994, to present testimony, to cross examine witnesses, and to present oral argument or written briefs; their respective rights to the reading of the transcript by the Commission pursuant to §536.080.2 RSMo. 1994; and their respective rights to seek rehearing pursuant to §386.500 RSMo. 1994; and to seek judicial review pursuant to §386.510 RSMo. 1994. The parties agree to cooperate with each other in presenting this

defined in §394.315(2), RSMo. 1994

Stipulation and Agreement for approval to the Commission and shall take no action, direct or indirect, in opposition to the request for approval of this Stipulation and Agreement.

17. The Staff will file with the Commission suggestions in support of the Stipulation and Agreement, explaining Staff's reasons for entering into same. In addition, Staff will provide to the Commission any further explanation the Commission requests regarding any issue in this case. Any responses or explanations provided by the Staff are its own and are not acquiesced in or otherwise adopted by the other signatories to the Stipulation and Agreement.

18. The Staff shall also have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties and participants with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from Staff. Staff's oral explanation shall be subject to public disclosure.

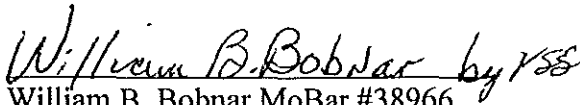
19. None of the Parties to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any rate-making principle or any method of cost determination or cost allocation underlying or allegedly underlying the Stipulation and Agreement, except as the Commission finds that the Territorial Agreement, facility exchange, and customer transfer is in the public interest. Further, the Parties recommend that the Commission reserve the right to consider the rate-making treatment to be afforded these transaction in any later rate-making proceeding, including but not limited to, the determination of customer credits and rate reductions under the Experimental Alternative Regulation Plan of AmerenUE.

WHEREFORE the Staff, OPC, AmerenUE and Farmers'² respectfully request the Commission to issue its Order:

- A. Finding the designated electric service areas of AmerenUE and Farmers' to be not detrimental to the public interest and approving the Territorial Agreement.
- B. Authorizing Applicants to perform in accordance with the terms and conditions of the Agreement, Attachment A to the Joint Application.
- C. Finding that the Territorial Agreement shall not impair AmerenUE's certificates of convenience and necessity except as specifically limited by the Agreement.
- D. Waiving the Commission's Billing Practices Rule and allowing the Applicants to disconnect electric service to a customer who fails to pay the final bill of the other Applicant.
- E. Granting Applicants the authority to change electric service providers for certain customers pursuant to the terms of the Territorial Agreement; and
- F. Granting Applicants the authority to transfer certain property pursuant to the terms of the Territorial Agreement.
- G. Granting permission, approval, and a Certificate of Public Convenience and Necessity authorizing AmerenUE to install, acquire, build, construct, own, operate, control, manage and maintain an electric power system for the public within the area described as land section additions on Exhibit E, as modified by this Stipulation and Agreement.
- H. approving all of the terms of this Stipulation and Agreement.

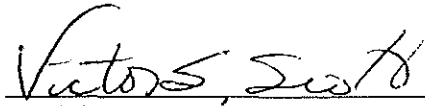
² North Central takes no position on Items A-G but will not oppose a

Respectfully submitted,

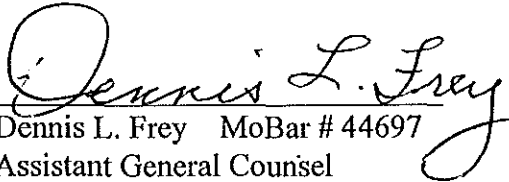
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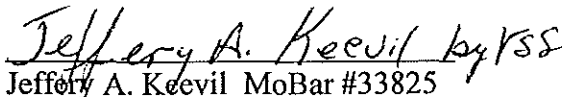


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Attorneys for the
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by VSS

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Columbia, MO 65201-7931
Attorney for North Central
Missouri Electric Cooperative, Inc.

Commission Order so ordering Items A-G, upon the conditions set forth herein.

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 17th day of August, 1998.

Dennis L. Frey

June 18, 1998

Alvin Berry
W of Hwy 69, 1 mi N of I-35
Pattonsburg, MO 64670

Dear AmerenUE Customer:



On May 13, 1998, AmerenUE and Farmers' Electric Cooperative filed a joint application with the Missouri Public Service Commission requesting approval of a territorial agreement. The proposed agreement also required the exchange of certain customers and facilities. As a result of the territorial agreement, both utilities will be able to operate more efficiently by eliminating costly duplication of service. It will also benefit customers by helping to keep rates down while improving service and providing for orderly growth in the area. If this agreement is approved by the Missouri Public Service Commission, FEC and UE plan to implement the agreement during the last quarter of 1998, or the first quarter of 1999.

You are one of the customers who would be served by Farmers' Electric Cooperative under the proposed agreement. AmerenUE and Farmers' Electric Cooperative have different rates. As a result of your transfer to the cooperative, there may be a bill change depending on your usage.

If you have any questions or wish to talk about this exchange, please call either Dan Bryan at Farmers' Electric Cooperative, telephone (800) 279-0496 or (660) 646-4281, or Ronald Loesch at AmerenUE, telephone (573) 473-5012.

If you have questions or you want more details, you may call or write the Missouri Public Service Commission or the Office of the Public Counsel as follows:

Missouri Public Service Commission

Mr. Dennis L. Frey
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-8700

Office of the Public Counsel

Mr. John Coffman
Office of the Public Counsel
P. O. Box 7800
Jefferson City, MO 65102
(573) 751-5565

Sincerely,

A handwritten signature in cursive script, reading "Ronald W. Loesch".

Ronald W. Loesch
Manager
AmerenUE

STATE OF MISSOURI)
)
 LIVINGSTON COUNTY) SS

AFFIDAVIT OF DAN BRYAN

Dan Bryan, being first duly sworn on his oath, states as follows:

1. My name is Dan Bryan. I reside in Chillicothe, MO. I am employed by Farmers' Electric Cooperative (Farmers'). Farmers' is a Chapter 394 Cooperative Corporation which was organized in 1938 to distribute electric energy and service to its members in all or parts of Caldwell, Carroll, Chariton, Clinton, Daviess, DeKalb, Linn, Livingston & Ray Counties in Missouri. The Cooperative's main office is located in Chillicothe, Missouri. Farmers' presently serves approximately 11,042 accounts. Transmission service in our area is provided by N.W. Electric Power Cooperative at Cameron, Missouri and our energy is generated by Associated Electric Cooperative in Springfield, Missouri.

2. I have been Executive Vice President and CEO of Farmers' Electric Cooperative for the past 17 years. I serve as Executive Vice President and CEO of the Cooperative under the direction of a Board of Directors elected by the membership. My duties as Executive Vice President and CEO include administration of board policy, management of day to day operations of the Cooperative, and management of all employees.

3. I am responsible for and thoroughly familiar with the subject matter of this case, Case No. EO-98-511, which involves the Missouri Public Service Commission's ("Commission's") review of the joint application of Union Electric Company d/b/a AmerenUE (AmerenUE) and Farmers' (the "Joint Application") requesting approval of a Territorial Agreement covering portions of Caldwell, Carroll, Chariton, Clay, Clinton, Daviess, DeKalb, Linn, Livingston and Ray counties ("the Territorial Agreement"). In fact, I negotiated the Territorial Agreement for

Farmers'. I have been asked in this affidavit to describe the Territorial Agreement and provide reasons why it is in the public interest and should be approved by the Commission.

4. The territory set aside to Farmers' includes portions of Caldwell, Carroll, Chariton, Clinton, Daviess, DeKalb, Linn, Livingston and Ray Counties. The territory set aside to AmerenUE is portions of Linn County. These territories are more specifically described in the Agreement and the maps incorporated in the Agreement. The Agreement's term is perpetual.

5. Approximately 160 cooperative members are being exchanged to AmerenUE and approximately 330 AmerenUE customers are being exchanged to the cooperative. Farmers' is not anticipating any problems with the transfer of customers between Farmers' and AmerenUE. Prior to entering into the Territorial Agreement, Farmers' and AmerenUE sent notices to all customers affected by the proposed change of supplier. AmerenUE and Farmers' then held public informational meetings at Brookfield, and at Lake Viking. At those meetings customers of both suppliers were invited to attend to ask any questions and provide any comments they had. The meetings also allowed Farmers' and AmerenUE to receive input from the consumers regarding the Territorial Agreement and its implementation. The Board of Directors of Farmers' reviewed the information from these public meetings prior to its decision to approve entering into this Territorial Agreement.

6. The transfer of customers will be coordinated with AmerenUE and the customers leaving each supplier will be treated the same as any other customer who leaves the system for any other reason. The existing supplier will issue a final bill to that consumer and offset or refund any deposit as appropriate. The customers will then be accepted by the new supplier the same as any other customer subject to member deposit and other requirements under the new supplier's service rules or tariffs. The actual transfer of service will be done so as to minimize inconvenience

to the consumer. AmerenUE and our power supply cooperatives have in place arrangements where by each can take delivery of power from the other's system. It is our plan to transfer the customers by simply making a final meter reading for that customer which will become the beginning reading for the new supplier. Each supplier may temporarily take delivery of bulk power from the old supply system until the physical changeover from one system to the other can take place. Such changeovers should be largely transparent to the consumer.

7. The customers being transferred to Farmers' will be required to become members of the Cooperative. Under Section 394.080 RSMo. a cooperative may only serve its members, governmental entities, and other persons not exceeding ten percent of its members. The cooperatives in Missouri have always chosen to only serve members. The primary reason for this is the cooperative principle under which Farmers' operates. All consumers are members and have an equal say and influence on cooperative activities. Farmers' has no interest in creating a class of customers with different rights and responsibilities than its members. In addition, Farmers' is exempt from Federal income tax if it receives 85% of its revenues from its members. Not having the consumers transferred from AmerenUE become members of the cooperative would risk violating all of these principles.

8. There are several public interest benefits which are advanced by the Territorial Agreement. The Agreement will prevent duplication of facilities by Farmers' and AmerenUE. The public will have more certainty in who to call for service and service issues. In addition, the exchange of customers and facilities will allow Farmers' and AmerenUE to consolidate its service areas, to reduce the cost of maintenance on these duplicate facilities.

Within Farmers' territory we will fulfill our duties of providing safe and adequate electric service at just and reasonable rates through our planning, engineering, and operational decisions,

which will be simplified and our investments will not be driven by competition for new loads. The benefits of establishing exclusive territories can show up in the avoided costs of duplication of facilities as well as in greater customer density which enhances our ability to keep rates as low as possible. Reduction of duplication and drawing ourselves into exclusive service areas also have positive public safety and employee safety implications. We will be able to work to develop efficient distribution system designs based on load concerns. Fewer poles along roads and fewer energized lines means that potential hazards to the public are reduced. Our employees will now have less likelihood of receiving injury from energized lines not within our operational control. The amount of time our employees spend simply driving to respond to calls will be reduced. Less time on the road means less accident exposure and quicker restoration of service for customers.

Each party to the Agreement will be able to make efficient use of its facilities currently in place and neither will be required to waste resources that could be better used elsewhere.

Both Farmers' and AmerenUE provide services to the community in addition to electrical service. This agreement will allow Farmers' and AmerenUE to work together to enhance the quality of life without worry as to the legal boundaries of each service territory.

9. Farmers' has sufficient resources to properly and effectively serve the territory set aside to it in the territorial agreement. Farmers' has 47 full time employees along with adequate equipment and office facilities. Although the territorial agreement reduces the geographic service area covered by Farmers', it does add customers who must be adequately served. To do this Farmers' has committed to adding new employees where needed and reassigning existing employees and any necessary equipment to: (1) read meters in the newly acquired areas; and (2) enhance service to new customers as well as existing customers by constructing new facilities or improving existing facilities as needed.

10. Farmers' retains Allgeier, Martin and Associates for engineering expertise and consultation when necessary. Farmers' is familiar with contract construction procedures and supervision required and would not hesitate to use them if necessary during the initial upgrading period.

11. There is a provisions in the territorial agreement to handle exceptions to the service territories. This addendum procedure is similar to that approved by the Commission in Case No. EO-95-400. This procedure is located in Section 8 of the Agreement and provides that the parties may agree on a case by case basis by an addendum to the Agreement to allow a structure to receive service from one party even though the structure is located in the electric service area of the other party. Any addendum will be filed with the Missouri Public Service Commission with a copy to the Office of Public Counsel. Each addendum will be accompanied by a notarized statement indicating that the party in whose territory the structure will be located and the party who will serve the structure support the addendum. Each addendum will be accompanied by a notarized statement identifying the structure, the party to serve the structure and the justification for the addendum and indicate that the parties support the addendum. The addendum, by a notarized statement, signed by the customer to be served which acknowledges such customer's receipt of notice of the contemplated electric service to be provided and that the addendum represents an exception to the territorial boundaries approved by the Public Service Commission and shall indicate the customer's consent to be served by the party contemplated by the addendum. If the Staff and Office of Public Counsel do not submit a pleading objecting to the addendum within 45 days of the filing, the addendum shall be deemed approved by the Staff and Office of Public Counsel. If a pleading in opposition to the addendum is filed, then the Commission shall schedule an evidentiary hearing at the earliest opportunity to determine whether

the addendum should be approved. Pending approval of the addendum, each party shall have the right to provide temporary service so that a consumer is not left without service while the addendum is being acted upon. These addendums would only apply to new structures and not to structures receiving service as of the effective date of the Commission's order approving this proposed Territorial Agreement.

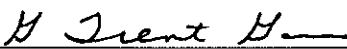
12. For the reasons stated above the Territorial Agreement is in the public interest and the Commission should approve the Territorial Agreement as presented.



Dan Bryan

Subscribed and sworn to before me this 12~~th~~ day of August, 1998.

G. Trent Gann
Notary Public-Notary Seal
State of Missouri
Livingston County
My Commission Expires



Notary Public

G. Trent Gann
Notary Public, State of Missouri
County of Livingston
My Commission Expires 10/1/99

STATE OF MISSOURI)
)
 AUDRAIN COUNTY)

SS

AFFIDAVIT OF RONALD W. LOESCH

Ronald W. Loesch, being first duly sworn on his oath, states as follows:

1. My name is Ronald W. Loesch. I reside at P. O. Box 38, Mexico, Missouri 65265. I am employed by AmerenUE ("UE") as Manager of it's Little Dixie and Green Hills Districts. These districts cover an area bounded approximately by Interstate 70 on the South, the Mississippi River on the East, the Missouri-Iowa border on the North, and Excelsior Springs on the West. In this area, UE serves approximately 65,000 electric and 54,000 gas customers. As the Manager of the Little Dixie and Green Hills Districts, I am responsible for and thoroughly familiar with the subject matter of this case, Case No. EO-98-511, which involves the Missouri Public Service Commission's ("Commission's") review of the joint application of UE and Farmers' Electric Cooperative ("FEC") (the "Joint Application") requesting approval of a territorial agreement covering portions of Caldwell, Carroll, Chariton, Clay, Clinton, Daviess, DeKalb, Linn, Livingston and Ray counties ("the Territorial Agreement"). In fact, I negotiated the Territorial Agreement for UE. I have been asked in this affidavit to describe the Territorial Agreement and provide reasons why it is in the public interest and should be approved by the Commission.

2. I began work in May, 1972 for Missouri Power & Light Company ("MPL"), a former subsidiary of UE. I worked in the Property Accounting, Accounting, Corporate Planning and Rates prior to 1984. After 1984, MPL was merged into UE. Since 1984, I have worked in the areas of Office Operations, Personnel Development and District Management of UE. As Manager of the Little Dixie and Green Hills Districts, I am in charge of the day-to-day operation of these districts and I provide direction to a staff of 206 employees. I received a Bachelor of Science Degree in Accounting from Lincoln University in 1969, and a Master of Business Administration from Lincoln University in 1980.

3. The Territorial Agreement divides electric service responsibilities for existing and future customers between UE and FEC in Caldwell, Carroll, Chariton, Clay, Clinton, Daviess, DeKalb, Linn, Livingston, and Ray counties. Exhibit 1 of the Territorial Agreement is a metes and bounds description of the exclusive service territory of UE and FEC. Exhibit 2 is a series of maps showing FEC's and UE's service territories. The Territorial Agreement does not limit UE's or FEC's right to construct appropriate facilities within the designated electric service area of the other supplier necessary to provide reliable electric service in their respective areas. However, the Agreement provides for dealing with new structures located precisely on the boundary line; the first owner at the new structure will be allowed to choose either supplier. The Agreement requires the transfer of certain facilities and sets forth the methods used to implement the transfers of those facilities. The implementation period for the Territorial Agreement is three years from the Effective Date (the date of the Order issued by the Commission approving this Agreement). UE will continue to have facilities beyond the boundaries of this agreement. The Territorial Agreement permits UE to construct additional facilities through FEC service territory to serve new loads beyond the area covered by this Agreement.

4. The Territorial Agreement also includes a provision related to certain municipally owned electric systems. Article 5 of the Territorial Agreement deals with a potential situation that may arise in the future: if one or more of the incorporated communities of Chillicothe, Laclede, Linneus, Pattonsburg, Trenton, or Gallatin ceases to operate their municipal electric systems and UE or FEC purchases their facilities. This section sets forth a procedure for establishing the UE/FEC service area boundary after the occurrence of this potential situation. While it is extremely remote that one of these cities would cease to operate their municipal system, I believe it is desirable to address this situation expressly in the agreement, since the Territorial Agreement is perpetual.

5. The Territorial Agreement also requires the exchange of certain facilities and customers. The facilities to be transferred include the Winston Feeder 826-51, which can be described as follows:

A. Three-phase 13.8kV line beginning at the FEC-UE borderline in Daviess County on U.S. Highway 69 in T59N, R29W, section 23; running northerly along U.S. Highway 69 for 14 miles to a point 0.25 miles south and 0.25 miles west of the northeast corner of T61N, R29W, section 12, then heading east for 5.5 miles to Coffey, including various taps. The three-phase becomes two-phase at a point 1 mile north of Pattonsburg on U.S. Highway 69. All polemiles in Daviess County.

B. Two-phase 13.8kV line beginning at a point in Daviess County on U.S. Highway 69 in T60N, R29W, section 14; running easterly 7 miles to Jameson, including various taps. All polemiles in Daviess County.

C. Two-phase 13.8kV line beginning at a point in Daviess County on U.S. Highway 69 in T61N, R29W, section 26; running northwesterly 7 miles to a point 0.25 miles east of the northwest corner of T61N, R29W, section 7 at the FEC-UE borderline just east of McFall, including various taps. All polemiles in Daviess County.

In addition, UE is transferring to FEC a section of the Weatherby Feeder 981-51, which can be described as follows: Single-phase 13.8kV line beginning at the FEC-UE borderline in DeKalb County in T60N, R30W, section 25 just west of Santa Rosa; running easterly for 5 miles to a point 0.5 miles east of the southwest corner of T60N, R29W, section 26, including various taps. All the polemiles are in Daviess County except 1.5 polemiles in DeKalb County.

6. The electric distribution facilities described above will be transferred to FEC. FEC will extend their electric distribution system and connect to our feeder after we have disconnected it from our system. Similarly, UE will connect to the FEC facilities around Brookfield which will be transferred to UE. We will connect to them after FEC has disconnected them from their system. In this facility exchange, the work and effort needed to affect the transfer of facilities is minor. We each have facilities in the immediate area.

7. As I stated earlier, Article 3 of the Territorial Agreement requires FEC to transfer certain customers within UE's service area to UE within three years of the effective date of the Agreement. Article 4 requires UE to transfer certain customers within FEC's service area to FEC during the same time period. Thus, UE will transfer approximately 330 customers to FEC. In return, FEC will transfer approximately 160 customers to UE. Although the customer exchange ratio is approximately 2:1, the Kwh ratio of the customers to be transferred is 1.2:1 and the difference in Kwh is approximately 500,000 Kwh.

8. Both UE and FEC desired to obtain direct input from the customers potentially affected by the Territorial Agreement early in the process. By soliciting input early, the customers' concerns can be identified, questions can be answered, and the terms of the Territorial Agreement modified, as required. Therefore, UE and FEC developed a process to solicit customer input in advance of the companies entering into the Agreement. The following is a short description of the process used to solicit customer input. First, affected customers were contacted by mail on or about June 16, 1997. Once it became apparent that a Territorial Agreement between the parties was feasible and sufficient details concerning the Agreement had been developed, UE and FEC sent letters to each affected customer/member to inform them of the potential Territorial Agreement. Each letter was accompanied by a brochure which provided information on the customer's proposed new electric supplier. On the same day the letters were to be mailed, a joint news release was issued to inform everyone in the combined service area of both companies of the proposed Agreement. While each company was responsible to notify its customers/members, both companies cooperated in the development of the notification letter and brochure. Exhibit J to the Joint Application in this case includes a copy of my June 16, 1997, customer letter and copies of the brochures, describing UE and FEC, that were enclosed with the customer letters.

9. Next, UE and FEC held customer information meetings at locations selected to cover the affected area of the Territorial Agreement. Both UE and FEC felt

that customer input would be maximized by face-to-face meetings. Since the area covered by the Territorial Agreement is large and both companies wanted the meetings to be well attended and convenient, we decided to hold multiple meetings. These meetings were held as follows: in Brookfield at the Martin House Restaurant on June 26, 1997, from 3:00 p.m. to 7:00 p.m., and at the Lake Viking Community Center on June 27, from 3:00 p.m. to 7:00 p.m. This schedule, along with an open invitation to attend a meeting, was included in both the June 16, 1997, customer information letter and the joint news release. During each meeting, personnel from UE and FEC were available to answer customer questions. I attended both public meetings along with my associate, David Allen, Supervising Engineer. Representatives from FEC were also present at both meetings. During the customer meetings, personnel from UE or FEC provided answers to each of the customer's/member's questions. As a matter of fact, a representative from the Missouri Public Service Commission Staff attended the meeting held in Brookfield, and talked with many of the FEC members at that time. In addition, the Public Counsel was notified on June 26, 1997, by phone and by fax of the proposed agreement.

10. Finally, at the request of the Office of Public Counsel, an additional notification letter was sent on or about June 19, 1998 to the UE customers who would be transferred in accordance with the terms of the proposed territorial agreement and customer transfer between FEC and UE. The purpose of this letter was to inform the UE customers of the pending territorial agreement, to notify them of a potential for a bill change depending on usage, and to provide these customers with individuals they could contact at UE, FEC, the Commission Staff, and the Office of the Public Counsel. As a result of this additional mailing only one customer out of the 330 customers who would be transferred to FEC that called UE with questions regarding the Territorial Agreement.

11. Under certificates of convenience and necessity issued by the Commission, UE generally has authority over the majority of the area to receive electric service from UE pursuant to this Agreement. However, as part of the facility exchange, UE will be receiving facilities that are beyond the area of its present certificates. Exhibit E to the Joint Application

in this case is a list of land sections for which the Company is seeking a certificate of public convenience and necessity. It lists those land sections in which FEC has facilities which it is exchanging with UE pursuant to the Territorial Agreement, sections where UE has facilities, and any land section adjacent thereto. The exception to this principle is that the list does not include the adjacent land section if it is the service territory of FEC per the Agreement.

12. Several public interest goals are served by this Territorial Agreement. First, the Agreement will stop some existing duplication of facilities now existing between UE and FEC. All in-place and acquired facilities can be utilized to serve new customers in UE's service area. In the future, lines will no longer be built by a second party that are redundant and wasteful. Therefore, each electric supplier will be able to focus its efforts on efficiently utilizing its resources to better serve its customers. Second, the resulting service territories will also be exclusive for future customers, relative to UE and FEC, which will benefit the public. The public will have more certainty in who to call for service and service issues. UE's system planning ability will be improved. By knowing that UE will be serving all the new customers in our area, we can better plan substation and feeder locations and sizes. The acquired facilities will also reinforce the reliability of the existing facilities. Therefore, the Territorial Agreement will improve UE's system planning ability and all facilities will be utilized to their fullest based on the load in the area. Third, the resulting UE service territory will be more consolidated and compact, which will enable UE to better serve its customers. After the exchange of facilities with FEC is complete, UE will have a more densely populated service area around Brookfield, and a less far-flung distribution system. We will be eliminating service areas far from our works headquarters and bulk substations, such as around Coffey, Pattonsburg, Jameson. UE will be more efficient in its maintenance and operation of this more consolidated service territory, thus allowing it to improve customer service and reliability and reduce expenses. This should decrease the call-out, dispatch, patrolling and switching times required for service restoration.

13. For the reasons stated above the Territorial Agreement is in the public interest and the Commission should approve the Territorial Agreement as presented.

Ronald W. Loeck

Subscribed and sworn to before me this 6th day of August, 1998.

Anne T. Harramore
Notary Public

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SEP 03 1998

COMMISSION COUNSEL
PUBLIC SERVICE COMMISSION