

**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 Electrical 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.)

FILED
AUG 17 1998
Missouri Public
Service Commission

Case No. EO-98-511

**STAFF'S SUGGESTIONS IN SUPPORT OF
STIPULATION AND AGREEMENT**

COMES NOW the Staff of the Missouri Public Service Commission ("Staff"), by and through the Office of the General Counsel, and for its Suggestions in Support of Stipulation and Agreement ("Staff's Suggestions"), respectfully states as follows:

1. On May 13, 1998, Union Electric Company d/b/a AmerenUE ("AmerenUE") and Farmers' Electric Cooperative ("Farmers"), hereinafter collectively referred to as "the Applicants," filed a Joint Application requesting Commission approval of a proposed Territorial Agreement between the two parties.

2. On July 16, 1998, the Commission issued an Order which, in pertinent part, granted intervenor status to North Central Missouri Electric Cooperative ("NCMEC").

3. The Applicants, NCMEC, the Office of the Public Counsel, and Staff, hereinafter collectively known as "the Parties," have reached an agreement in this docket and are filing, concurrent with Staff's Suggestions, a Stipulation and Agreement.

4. The Stipulation and Agreement is consistent with the Joint Application and Territorial Agreement as filed, except for a change noted in Paragraph 9 of said Stipulation and Agreement, wherein AmerenUE has agreed to withdraw its request for a certificate of convenience and necessity in one section of its proposed service area. (See Exhibits E and I of the Joint Application.) Staff has no objection to the change. The areas in which AmerenUE would receive customers are in the territory designated in the Territorial Agreement as an AmerenUE service area. The areas in which Farmers' would receive customers are in its own designated service area.

5. Staff has reviewed the subject Joint Application, made inquiries of the Applicants, conducted field inspections of the facilities that are the subject of this transaction, and attended the joint informational meetings held for the benefit of the affected customers.

6. The Territorial Agreement involves a transfer of both assets and customers between the Applicants. AmerenUE would receive approximately 160 customers from Farmers' in the vicinity of Brookfield, where AmerenUE already has a concentration of customers. AmerenUE has facilities in place to serve these customers, and service personnel and trucks in Brookfield to maintain service. AmerenUE has existing facilities that can be easily connected to energize the existing Farmers' electric circuits. This transfer would complement the territorial agreement with

Macon Electric Cooperative that gave AmerenUE the electric customers close to Brookfield to the north and east of the city limits (EO-97-6).

7. Farmers' would be adding approximately 334 customers from AmerenUE in an area in the northwest portion of AmerenUE's present service territory which has a number of small communities and rural customers. AmerenUE has a single supply line and a single substation that presently serves this area. By contrast, Farmers' has multiple facilities in place to serve the customers in this area, including three substations and feeder lines that can be connected to energize the circuits presently served by AmerenUE. In addition, Farmers' has service crews stationed in Gallatin, within the affected area, to respond to customer service needs. AmerenUE service crews, on the other hand, are stationed outside the affected area, in Hamilton, which is fourteen miles south of Gallatin. The strong electrical presence of Farmers' in this area was recently expanded when Farmers' was chosen to provide retail service to the City of Pattonsburg after it was moved from the flood plain. The old City of Pattonsburg was a municipal system.

8. This change of supplier would consolidate customers for both of the Applicants in areas where the supplier receiving customers can integrate them into existing facilities. The geographic consolidation and resulting increased customer density, in addition to easing the process of planning for future needs, would enable both utilities to utilize their existing facilities more efficiently and minimize duplication of facilities. Moreover, the utilities would be able to make more efficient use of service personnel, such that system downtime should be reduced and reliability improved. In essence, the overall quality of service to customers can be expected to improve. In addition, minimizing duplication of facilities and reducing their number would help ensure a safer environment for the utility workers and for the public in general.

9. A change of supplier would mean a change in rate schedules for the electric customers involved. The great majority of customers scheduled to be transferred from AmerenUE to Farmers' would see a rate increase. The average increase would be approximately \$120 per year, or about 20%, depending upon the overall usage levels and the seasonal pattern of usage. Approximately 218 of the AmerenUE customers who would be transferred to Farmers' would experience increases equal to or less than the aforesaid average annual amount.

10. AmerenUE rates are higher for the four summer months than they are for the remaining eight months. Farmers' rates do not have a seasonal differential, but in general the summer rate is lower and the winter rate is higher than the corresponding AmerenUE rates. The customers in the area where Farmers' would provide service are for the most part small users, with an average annual usage of 9000 KWHs. Small users would see a high percentage increase in rates because the customer charge and initial rate blocks are relatively high.

11. Attached hereto and incorporated herein as Appendix A is a frequency distribution graph showing the annual dollar impact on AmerenUE customers scheduled to move to Farmers'. The highest percentage increase (74%) would be experienced by a customer with zero monthly usage. (AmerenUE annual bill of \$69 and versus a Farmers' bill of \$120). Conversely, the largest decrease would be 10% for a customer using 63,000 KWHs annually.

12. At a local meeting held by the Applicants, current Farmers' customers in the Brookfield area expressed their desire to stay with the present supplier despite the above-noted higher rates. This desire was echoed in letters to the Commission and Staff. These customers have confidence in the service provided by Farmers' and prefer the local control from the headquarters in Chillicothe, Missouri. In the interest of achieving the benefits detailed hereinabove, Farmers' has

agreed to transfer these customers to AmerenUE; however, these customers would receive a rate reduction of approximately 20% if the transfer is approved.

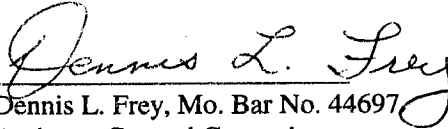
13. Those customers transferring to Farmers' would become members of, and acquire an ownership interest in, the cooperative, and would be eligible to receive capital credits from Farmers', which are normally paid annually. In addition, last year Farmers' returned to its customers, money that was received as a result of excess revenue realized by Farmers' own power supply cooperative as a result of off-system power sales. Further, Farmers' has agreed to waive the membership fee of \$30.00 and the connection fee of \$100.00, which are normally charged to new customers. Finally, the aforementioned efficiencies expected to result from approval of the Territorial Agreement will help to mitigate future rate increases for these new Farmers' customers.

14. Affected customers have been given the opportunity to comment. AmerenUE customers subject to the average 20% increase on moving to Farmers' have been largely silent as to the proposed Agreement. The local meeting held last summer by the Applicants in the area presently served by AmerenUE attracted just two customers to inquire about the Agreement. A notice, dated June 18, 1998, sent to affected AmerenUE customers and soliciting their comments, also engendered just two responses. To Staff's knowledge, customer concerns about the change of supplier have all been addressed.

In conclusion, the Territorial Agreement would allow both AmerenUE and Farmers' a higher concentration of customers in areas where each is best equipped to provide service. Overall, the exchanges would, in the long run, benefit both the Applicants and their customers in terms of increased efficiency and reliability of service, as well as improved safety. For the reasons set forth

hereinabove, Staff believes that the Territorial Agreement is in the public interest. Accordingly, Staff supports the Stipulation and Agreement and respectfully recommends Commission approval.

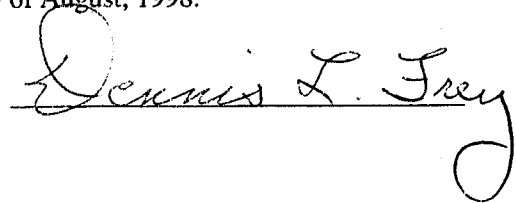
Respectfully submitted,


Dennis L. Frey, Mo. Bar No. 44697
Assistant General Counsel

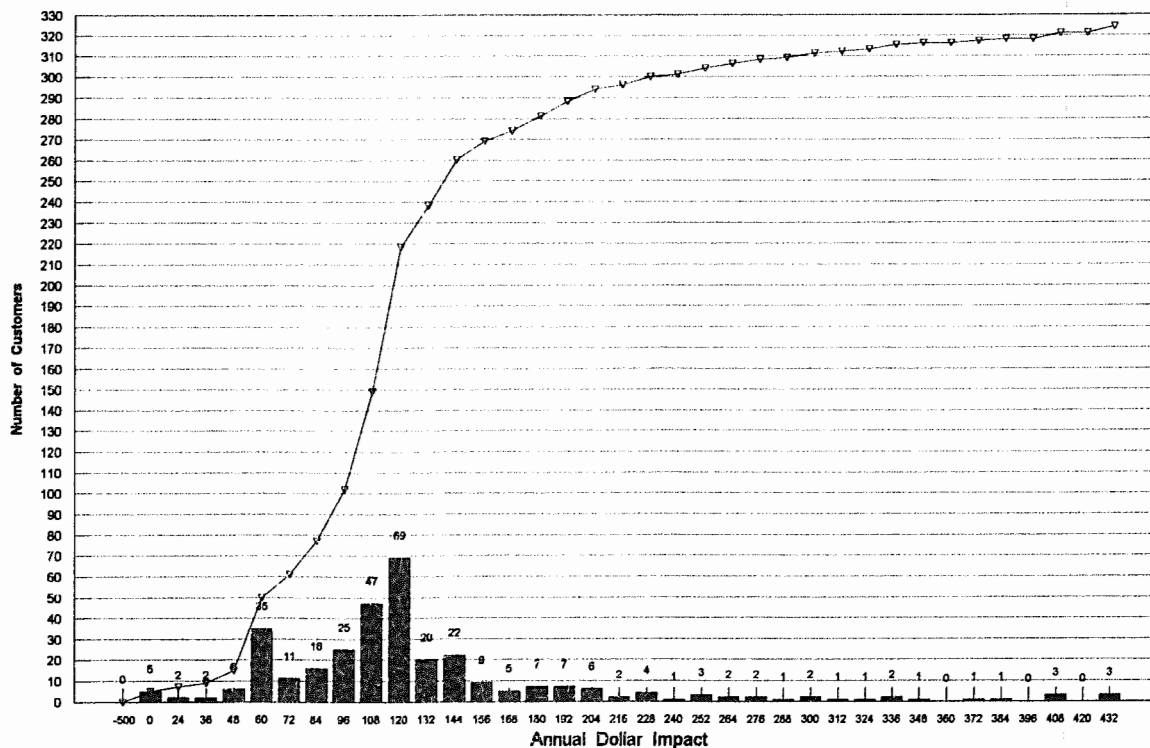
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CERTIFICATE OF SERVICE

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.



Frequency Distribution of Annual Dollar Increase for AmerenUE Customers Moving to Farmers' Rates



Line Graph is Cumulative Number of Customers

Bar Graph is Number of Customers in Each Annual Dollar Group

Service List for Case No. EO-98-511
Revised: August 17, 1998

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