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January 14, 2002

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Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

FILED²

JAN 14 2002

Missouri Public
Service Commission

RE: Case No. EO-2002-178

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S SUGGESTIONS IN SUPPORT OF NONUNANIMOUS STIPULATION AND AGREEMENT**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Robert V. Franson
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RVF:ccl
Enclosure
cc: Counsel of Record

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

FILED²

JAN 14 2002

Missouri Public
Service Commission

In the Matter of the Joint Application of)
Union Electric Company and Gascosage)
Electric Cooperative for an Order)
Approving a Change in Electric Supplier)
for Reasons in the Public Interest;)
Authorizing the Sale, Transfer, and)
Assignment of Certain Electric)
Distribution Facilities, Substations, and)
Easements from Union Electric Company)
and Approving the First Amendment of)
the Union Electric Company and)
Gascosage Electric Cooperative Territorial)
Agreement)

Case No. EO-2002-178

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

COMES NOW, the Staff ("Staff") of the Missouri Public Service Commission ("Commission") and for its Suggestions in Support of the Nonunanimous Stipulation and Agreement, respectfully submits as follows:

1. On October 10, 2001, Union Electric Company d/b/a AmerenUE ("Company") and the Gascosage Electric Cooperative ("Cooperative") (Collectively "Applicants") filed a joint application (the "Joint Application"), requesting that the Missouri Public Service Commission ("Commission") issue an Order: (1) approving a change in the electric supplier for approximately 1200 structures in and around the Cities of Brumley and Ulman from Company to Cooperative pursuant to Section 393.106 RSMo. 2000; (2) authorizing the sale, transfer, and assignment of certain substations and electric distribution facilities, and easements (hereinafter, collectively referred to as "the Assets"), as more particularly described in the Exchange

35

Agreement for Purchase and Sale of Distribution Facilities between Company and Cooperative dated October 9, 2001, (the "Exchange Agreement") pursuant to Section 393.190 RSMo. 2000; (3) approving Applicants' First Amendment to the existing Territorial Agreement that was approved by the Commission by Report and Order in Case No. EO-98-279 (the "First Amendment") pursuant to Sections 394.312 RSMo. 2000; (4) finding that the First Amendment shall not impair the Company's certificates of public convenience and necessity, except as specifically limited by the First Amendment; (5) approving Company's change to its tariffs; (6) authorizing Company to perform in accordance with the terms of the First Amendment and Exchange Agreement, and to enter into and execute all other documents reasonably necessary and incidental to the performance of the transactions which are the subject of the Contract, the First Amendment, and this Joint Application; and (7) granting such other relief as deemed necessary to accomplish the purposes of this Joint Application and to consummate the sale, transfer and assignment of the Assets and related transactions

2. On November 6, 2001, the Commission issued an Order and Notice directing notice and setting a date of November 28, 2001, for interested entities to file a request for intervention. The Order also set a prehearing conference for November 28, 2001, at 10:00 a.m. and the filing of a proposed procedural schedule by November 30, 2001.

3. In cooperation with Staff and the Office of the Public Counsel, Applicants developed a written notice providing the case number and the necessary contact information to any customer who wished to contact either the Commission's General Counsel or the Office of the Public Counsel regarding this case. Company mailed said written notice to each customer to be transferred pursuant to the Joint Application on or about November 9, 2001.

4. On November 28, 2001, the Parties appeared for the Prehearing Conference. Direct testimony was filed by Company on October 30, 2001 and by Cooperative on November 28, 2001. On November 30, 2001, the Parties filed a Joint Proposed Procedural Schedule. On December 14, 2001, the Commission issued its Order Adopting Procedural Schedule.

5. On November 21, 2001, the Commission issued an Order Granting Intervention to the International Union of Operating Engineers, Local No. 148, AFL-CIO ("OE Local 148") and the International Brotherhood of Electrical Workers Local No. 1455, AFL-CIO ("IBEW Local 1455"). On December 20, 2001, the Commission issued an Order Granting Intervention to Karl Brandt and 30 other employees of Gascosage Electric Cooperative ("Employees of Gascosage").

6. The Staff filed Rebuttal testimony in this case on December 18, 2001. Surrebuttal testimony was filed by the Applicants on December 27, 2001. On January 4, 2002, Intervenor OE Local 148 and IBEW Local 1455 filed a request for leave to withdraw from Commission on Case No. EO-2002-178. This Motion was granted at the commencement of the Hearing on January 8, 2002, without objection from the other parties.

7. Staff, Company, Cooperative and the Employees of Gascosage filed a Nonunanimous Stipulation and Agreement on January 7, 2002.

8. Staff has reviewed the Joint Application, investigated the electrical facilities of each utility serving the area where customers are subject to a change of supplier and conducted a field inspection. Staff supports this application and is of the opinion that approval of the change of electric supplier is in the public interest for a reason other than rate differential. The customers affected by this change of electric supplier from Company to the Cooperative are within the electric service territory of the Company, pursuant to the Territorial Agreement approved in Case No. EO-98-279, thus requiring the First Amendment to address the issue of

future customers. This exchange will allow each utility to plan for the long-range needs of the exclusive territories, it will allow Cooperative to make use of Company's existing facilities into its distribution system including the addition of a new substation and looped transmission service to the northwestern part of its current service territory.

9. The Staff has determined that Company and Cooperative have adequate electric facilities in their respective designated areas. Gascosage has committed to a plan to energize a substation at Brumley from a new 69 kV source and future extensions could provide a looped transmission circuit for added reliability. The Company's radial 34.5 kV that presently serves the Brumley Substation has no logical extension to provide a loop to an alternate source to improve the transmission reliability. There would be an alternate transmission source to improve the transmission reliability under Cooperative that is simply not available from Company.

10. Staff has also believes that the new construction of a three-phase circuit through the middle of the new Cooperative territory would be of great benefit to the area. The benefit would be the provision of reliable electric service and an economic benefit for customers that might require three-phase service that is not otherwise available at the present time.

11. Staff believes that for these reasons, that the transfer of approximately 1200 structures in and around the Cities of Brumley and Ulman from Company to Cooperative pursuant to Section 393.106 RSMo 2000 is in the public interest for reasons other than a rate differential.

12. Staff further asserts that the sale, transfer and assignment of Assets between Company and Cooperative pursuant to Section 393.190 RSMo 2000 is not detrimental to the public interest and therefore should be approved. It is clear that Gascosage needs these Assets to

serve the new customers and accordingly the sale, transfer and assignment of Assets between Company and Cooperative should be approved.

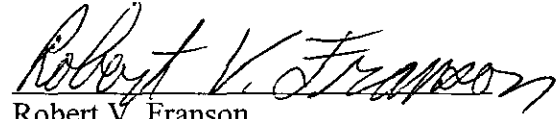
13. The Staff further states that the First Amendment to the existing Territorial Agreement between Company and Cooperative in total is not detrimental to the public interest pursuant to 394.312.4 RSMo 2000 and should be approved. Gascosage's plan to serve the area should provide better service quality and reliability. A looped transmission source and the added three-phase distribution circuit through the center of the territory are facilities not provided by the existing Company distribution and transmission facilities. The First Amendment to the existing Territorial Agreement between Company and Cooperative will permit Gascosage to integrate this new service territory into its system and avoid duplication of facilities thus allowing Company and Gascosage to make long-range plans to serve their assigned territory.

14. Staff also believes that the Commission should specifically state in any Order approving the Agreement that the Commission reserves the right to consider the rate-making treatment to be afforded this transaction in any subsequent rate increase case, excess earnings/revenue complaint case and/or alternative regulation plan. Staff also believes that this is appropriate because rate-making determinations should only be made in rate cases. Staff also notes that Territorial Agreement adjustments are part of Staff's case in EC-2002-1.

WHEREFORE, the Staff respectfully submits its Suggestions in Support of the Nonunanimous Stipulation and Agreement entered into by Company, Cooperative, Employees of Gascosage and Staff and filed in this case on January 7, 2002.

Respectfully submitted,

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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 14th day of January 2002.



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Case No. EO-2002-178
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