

EXHIBIT NO.:

ISSUE:

WITNESS: PATRICK PREWITT

TYPE OF EXHIBIT: DIRECT TESTIMONY

SPONSORING PARTY: OZARK ELECTRIC

CASE NO: EO-2008-0043

DATE TESTIMONY PREPARED:

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

DIRECT TESTIMONY OF PATRICK PREWITT

OCTOBER 12, 2007

DIRECT EXAMINATION OF PATRICK
PREWITT

1. Q. Please state your name and business address.
2. A. My name is Patrick Prewitt. My business address is Highway 39 North, P.O.
3. Box 420, Mount Vernon, Missouri 65712.
4. Q. By whom are you employed and in what capacity?
5. A. I am the General Manager of Ozark Electric Cooperative. My oversight
6. includes all aspects of the Cooperative's day to day operations, including administration,
7. finance, construction and maintenance.
8. Q. Briefly describe your professional experience.
9. A. I have been employed by the Cooperative since 1982. Prior to being selected
10. to be Manager, I served as a Staking Engineer, District Engineer, and District Manager.
11. I became Assistant Manager in 1987 and General Manager effective October 1, 2007.
12. Q. Are you appearing and offering testimony on behalf of Ozark Electric
13. Cooperative?
14. A. Yes.
15. Q. What is the purpose of your testimony?
16. A. My intent is to support the Territorial Agreement and this Joint Application for its
17. approval. I want to specifically anticipate questions that the Commission may pose about
18. Ozark's operations as a member customer regulated electric service provider.
19. Q. How did Ozark Electric get involved in providing electric service to the development
20. that is described in the Territorial Agreement?
21. A. I think it is important to understand that the tract of the land under consideration
22. in the Territorial Agreement is "rural" by statutory definition. Ozark Electric is a
23. lawful supplier and may compete for any and all new services in rural areas.

24. Our competitive status is not just a matter of discretion. Under our mortgage loan
25. agreements with the United States Government, acting through the Rural Utilities
26. Services branch of the Department of Agriculture, Ozark Electric is bound to
27. follow an "area coverage" covenant that has been part of the rural electrification
28. plan since its inception in 1939. Our area coverage obligation is similar to the
29. public utility obligation placed on The Empire District. Essentially, we are bound
30. to extend service to persons asking for service and at the same rates as other
31. members.

32. So our involvement here arises out of the fact that we are a lawful supplier of
33. electric energy and service. We promote rural development, and our membership
34. base realizes the benefit of spreading our distribution costs across a broader base
35. whenever we can increase our customer density. A mile of line represents the
36. same maintenance costs whether you have only three customers served off it or
37. thirty customers. When approached by the developer of The Lakes at Shuyler Ridge, we
38. offered our services.

39. Q. Could you have refused to serve that development in light of the annexation plans of
40. the City of Republic?

41. A. We are constantly aware of how annexation of tracts into a non-rural area can
42. upset our service extension planning. In this particular instance, even though the
43. developer was open to agree to a consent annexation in the future in return for certain
44. municipal services, that annexation was initially projected to be in the distant and
45. indefinite future. It was after our agreement was in place that annexation was moved
46. into the more immediate future and our plans and investments became at risk. That is
47. the practical side.

48. On the legal side, we recognize that The Empire District is a competitor in a

49. virtual monopoly business. To refuse to compete with The Empire District when
50. we may lawfully do so, would seem to be tantamount to engaging in an anti-trust
51. law violation. I am not a lawyer, but this is something that neither company
52. wants to be charged. We cannot agree to not compete.

53. Q. Did you offer special inducements to the developer of The Lakes at Shuyler Ridge to
54. gain selection as its power supplier of choice?

55. A. No. The services, rates, and charges we presented are consistent with our
56. standing policies of general application to similarly situated customers. Our policies are
57. developed with a view toward allowing a reasonable utility investment that accounts for our
58. experience and efficiencies and that will be returned over the passage of time. By comparison
59. to The Empire District tariffs, our conditions of service appear to be "incentives" but that is a
60. subjective conclusion. From the developers' standpoint, any reduction in required cash outlay is
61. an incentive. My point is that regardless of how it is characterized, we run an operation that
62. results in electric energy charges that are competitive with those of The Empire District and
63. other Missouri utilities and electric cooperatives.

64. Q. Why is it necessary to secure your service to The Lakes at Shuyler Ridge by the
64. means of a Territorial Agreement with Empire District?

65. A. There are multiple reasons, but most important is that the changed sense of urgency of the
66. timing of annexation of this development and surrounding areas has thrown us a real
67. curve. As I stated, premature annexation would void our plans and ability to serve all of
68. this development despite our contractual obligation to the developer. Based on the
69. timing of such annexation, the development could have different electric suppliers in its
70. various phases.

71. Q. How does approval of this application support the public interest?

72. A. This agreement is a reasonable compromise vehicle to achieve the multiple separate

73. goals of the electric supplier parties, the developer, the purchasers of homes, and the
74. City of Republic. The Commission is aware that a larger scale agreement was proposed
75. in the consolidated Cases No. EO-2007-0029 and EE-2007-0030. In anticipation of
76. approval of that former agreement, Ozark allowed The Empire District to purchase
77. Ozark's installed infrastructure at its cost in The Lakes at Shuyler Ridge and to proceed as an
78. acceptable substitute provider of the services that Ozark was contractually bound to supply.
79. Approval of that agreement, however was ultimately denied because of its tie to the condition
80. that The Empire District receive a waiver to enable it to meet the terms and conditions of
81. service established between Ozark and the developer. Returning the parties to their prior status
82. means that The Empire District must allow Ozark to return to the role that it exercised prior to
83. the initiation of Case No. EO-2007-0029.

84. By now focusing squarely on the 517 lots in this 245 acre development, we can restore
85. balance and fairness to an unfortunate situation. Some of the obvious benefits are that:

- 86. a. The developer is allowed to proceed forward with the supplier of its original
- 87. choice under the terms and conditions established with that supplier, Ozark Electric, and
- 88. b. The Empire District is made whole for the infrastructure investment it provided
- 89. in this interim period of service provider uncertainty, and
- 90. c. Ozark Electric is restored to its role as the service provider free to plan for
- 91. efficient service to its entire development without fear of having its investment
- 92. stranded by municipal annexation, and
- 93. d. The present and future customers residing in the development remain assured of
- 94. receiving quality electric service at competitive rates, and, finally,
- 95. e. The City of Republic may proceed with timely incorporation of this development
- 96. into the municipal boundaries for the mutual benefit of the City and persons living
- 97. at The Lakes at Shuyler Ridge.

98. Q. Do you have anything further to say about this Application?

99. A. Yes. For hearing purposes I ask the Commission to take notice of the facts that

100. were contained in Paragraphs 1, 2, 3, 4, 5, 6, 7, and part of Paragraph 14 of the Stipulation of

101. Facts that was entered into evidence as Exhibit 1 in the hearing of Case. No. EO-2007-

102. 0029. Those selected facts, set out below, remain applicable in this case:

103. 1. The Empire District Electric Company ("Empire") is a Kansas corporation certificated by
104. the Missouri Secretary of State to do business in Missouri, with its principal office and place of
105. business at 602 Joplin Street, Joplin, Missouri 64801.

106. 2. The Public Service Commission of Missouri ("Commission") has certificated Empire to
107. provide electrical utility service to customers in areas of Missouri and Empire does so.

108. 3. Empire is an "electrical corporation" and a "public utility" as those terms are defined in
109. §86.020 RSMo 2000, and is subject to the jurisdiction and supervision of the Commission as
110. provided by law.

111. 4. Empire has no overdue Commission annual reports or assessment fees.

112. 5. Ozark Electric Cooperative ("Ozark") is a rural electric cooperative organized and existing
113. pursuant to Chapter 394 RSMo, with its headquarters office located at 10943 N. Highway 39,
114. Mount Vernon, Missouri. Although certain safety aspects of its operations are subject to the
115. jurisdiction of the Commission, the Commission does not have jurisdiction over the terms and
116. conditions of the electrical service Ozark offers to its members.

117. 6. Ozark is engaged in the distribution of electric energy and service to its members within
118. certain counties in Missouri, including Greene and Christian Counties.

119. 7. Both Empire and Ozark are currently in good standing with the Office of the Missouri
120. Secretary of State.

121. 14. Ozark and the developer of The Lakes at Shuyler Ridge, a platted subdivision ..., entered
122. into contract titled, "Agreement for the Purchase of Electric Power and Energy," dated
123. September 15, 2005 ("Contract"). Empire filed a copy of that contract as part of Appendix A to

124. its application that initiated Case No. EE-2007-0030. That Contract is admissible as evidence

125. in these consolidated cases.

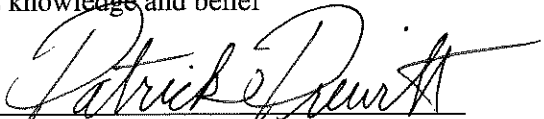
126. Q. Does this conclude your testimony?

127. A. Yes.

AFFIDAVIT

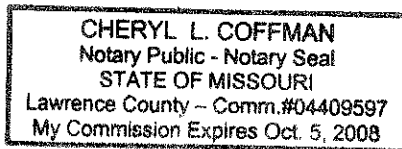
STATE OF MISSOURI)
)ss
COUNTY OF LAWRENCE)

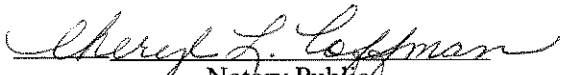
Patrick Prewitt, of lawful age, on his oath states that he has participated in the preparation of the proceeding prepared testimony; that he has knowledge of the matters set forth therein; and that such matters are true and correct to the best of his knowledge and belief


Patrick Prewitt

Subscribed and sworn to before me this 10 day of October, 2007.

(notary seal)




Notary Public