

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

In the Matter of the Joint Application of Union Electric )  
Company, d/b/a AmerenUE, and Pemiscot-Dunklin )  
Electric Cooperative, Inc. for an Order Approving the )  
Change in Electric Supplier for Certain Customers, )  
Authorizing the Sale, Transfer and Assignment of )  
Certain Electric Distribution Facilities and Easements )  
from AmerenUE to Pemiscot-Dunklin Electric )  
Cooperative and Approving the Territorial Agreement )  
Between AmerenUE and Pemiscot-Dunklin Electric )  
Cooperative in Dunklin County, Missouri )

**Case No. EO-2008-0310**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission (Staff) and for its Staff Recommendation respectfully states as follows:

**Procedural History**

1. On March 28, 2008, Union Electric Company, d/b/a AmerenUE (AmerenUE) and Pemiscot-Dunklin Electric Cooperative, Inc., (Pemiscot-Dunklin) submitted a Joint Application to the Missouri Public Service Commission (Commission).
2. The parties seek Commission approval for a change in the electric supplier for 2,700 Dunklin County customers from AmerenUE to Pemiscot-Dunklin, approval for the sale of certain AmerenUE assets to Pemiscot-Dunklin, and approval of a territorial agreement between the parties.
3. The Commission issued its Order And Notice on April 1, 2008, allowing interested parties 20 days to file a motion for leave to intervene. The Commission received no intervention requests.
4. On April 22, 2008, the Commission issued an Order Directing Filing, ordering Staff to file a Recommendation no later than May 12, 2008.

5. On May 7, 2008, Staff filed a Request for Extension of Time to File Staff's Investigation and Report. The extension was necessary to allow a complete and thorough investigation, and adequately prepare a report with all applicable information.

6. On May 9, 2008, the Commission issued its Order Granting Request for Extension of Time to File Staff's Investigation and Report, allowing Staff to file a recommendation by June 11, 2008.

**Statutory Authority And Relevant Facts Regarding The Joint Application**

7. Pursuant to 393.190.1 RSMo (Supp. 2007), "[n]o....electrical corporation....shall hereafter sell....the whole or any part of its franchise, works or system, necessary or useful in the performance of its duties to the public....without having first secured from the commission an order authorizing it so to do."

8. AmerenUE is seeking to transfer \$3,732,000 in assets to Pemiscot-Dunklin.

9. Pursuant to Section 393.106.2 RSMo (Supp. 2007), "[t]he public service commission, upon application made by an affected party, may order a change of suppliers on the basis that it is in the public interest for a reason other than a rate differential."

10. The parties seek approval under the Joint Application for a change in electric supplier for 2,700 Dunklin County customers from AmerenUE to Pemiscot-Dunklin.

11. Pursuant to Sections 394.312.1 and 394.312.3 RSMo (Supp. 2007), "[c]ompetition to provide retail electric service, as between rural electric cooperatives, [and] electrical corporations....may be displaced by written territorial agreements" and "the commission shall rule on such applications [for territorial agreements] not later than one hundred twenty days after the application is properly filed with the secretary of the commission."

12. In the Joint Application, the parties have specifically designated the boundaries of the

exclusive electric service area of each party following completion of this transaction.

13. Pursuant to Section 394.312.5 RSMo (Supp. 2007), “[t]he commission shall hold evidentiary hearing to determine whether such territorial agreements should be approved or disapproved, except that in those instances where the matter is resolved by a stipulation and agreement submitted to the commission by all the parties such hearings may be waived by agreement of the parties.”

14. Staff is a signatory to the Stipulation and Agreement being filed in this case, requesting, in part, a Commission order waiving evidentiary hearings in this matter.

15. A certified copy of AmerenUE’s Certificate of Corporate Good Standing from the Missouri Secretary of State is on file with the Commission in Case No. EF-2008-0293.

16. A certified copy of Pemiscot-Dunklin’s Certificate of Good Standing from the Missouri Secretary of State is provided with the Joint Application as Exhibit 5.

17. A certified copy of AmerenUE’s registration of a fictitious name is on file with the Commission in Case No. EO-99-267.

18. AmerenUE is currently involved in a rate case, Case No. ER-2008-0318, and a Complaint regarding an adjusted bill dispute, Case No. GC-2008-0317.

19. AmerenUE has no annual report or assessment fees that are overdue.

#### **Staff Recommendation**

20. The Staff Recommendation is attached to this pleading as Appendix A.

21. Staff notes AmerenUE sent a notice to each customer regarding the Joint Application’s pending transaction. Staff attended an AmerenUE public information meeting held on October 22, 2007. All attendees, but one, voiced the opinion to receive service from Pemiscot-Dunklin.

22. The Commission has not received any intervention requests from notified customers.

23. Staff notes AmerenUE currently has no operational and maintenance personnel located in the area, and that Staff has responded to numerous inquiries regarding the number and duration of outages over the past decade.

24. Staff believes customers will see an immediate benefit by receiving service from a provider in the local area.

25. Pemiscot-Dunklin is planning on constructing a new substation in the area of Dunklin County, which will improve service reliability for the transferred customers.

26. The Joint Application will allow each Applicant to make better use of their respective capital resources and decrease the chances for duplicating facilities in the future.

27. Staff believes the Joint Application will greatly impact the efficient use of Pemiscot-Dunklin's facilities, as the Joint Application will increase the member base by forty-five (45) percent.

28. Additionally, AmerenUE indicates a positive benefit on the present value of expected future cash flows, extending a period of up to twenty (20) years.

29. Staff recommends the Commission approve, with the following conditions, the Joint Application as submitted by AmerenUE and Pemiscot-Dunklin, as it is reasonable and necessary, and meets the public interest requirement of 393.106.2 RSMo (2000):

- a. AmerenUE will file updated tariff sheets reflecting the changes to its certificated service territory.

- b. The Commission order the Joint Application will have no effect, explicitly or implicitly, on current rates, and any impact of the Joint Application on AmerenUE's rate base will be determined in the current rate case, Case No. ER-2008-0318.

**WHEREFORE**, Staff respectfully requests the Missouri Public Service Commission to accept its recommendation to approve the Joint Application and issue an order 1) pursuant to 394.312.5 RSMo (Supp. 2007), waiving any evidentiary hearing in this matter; 2) approving the Joint Application subject to the specific terms and conditions contained therein; 3) requiring AmerenUE to file updated tariff sheets reflecting the changes to its certificated service territory; and 4) The Commission order the Joint Application has no effect, explicitly or implicitly, on AmerenUE's current rates, and any impact of the Joint Application on AmerenUE's rate base will be determined in the current rate case, Case No. ER-2008-0318.

Respectfully submitted,

/s/ Jennifer Hernandez  
Jennifer Hernandez  
Legal Counsel  
Missouri Bar No. 59814

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Missouri Public Service Commission  
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#### **CERTIFICATE OF SERVICE**

I certify that a true and accurate copy of the foregoing was sent via US Mail, electronic mail, or facsimile to all parties of record on this 11<sup>th</sup> day of June, 2008.

**/s/ Dawn M. Carafeno**

## **MEMORANDUM**

TO: Missouri Public Service Commission Official Case File  
Case No. EO-2008-0310, Joint Application of Union Electric Company  
d/b/a AmerenUE and Pemiscot-Dunklin Electric Cooperative Requesting  
Approval of a Written Territorial Agreement, Asset Sale/Assignment, and  
Customer Exchange within Portions of Dunklin County, Missouri

FROM: Alan J. Bax, Energy Department – Engineering Analysis

<u>/s/Daniel I. Beck</u> 06/11/08 Energy Department / Date	<u>/s/ Jennifer Hernandez</u> 06/11/08 General Counsel's Office / Date
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SUBJECT: Staff Recommendation

DATE: June 11, 2008

## **OVERVIEW**

On March 28, 2008, the Union Electric Company, d/b/a AmerenUE (AmerenUE or Company), and Pemiscot-Dunklin Electric Cooperative (PDEC or Cooperative), hereinafter referred to collectively as “Applicants,” filed a Joint Application with the Missouri Public Service Commission (Commission). The Joint Application seeks approval of a written Territorial Agreement (TA), that would displace competition amongst themselves, pursuant to Section 394.312.1, RSMo (Supp. 2007) and 4 CSR 240-3.135. The Applicants also seek approval of a proposed sale, transfer, and/or assignment of specific electric distribution facilities pursuant to Section 393.190 RSMo (Supp. 2007), and authorization pursuant to Sections 393.106.2 and 394.315.2, RSMo (Supp. 2007) to allow a change in electric service providers for approximately 2700 structures in Dunklin County, Missouri from AmerenUE to PDEC. The Application includes a detailed list of the customers requested to be transferred, as is required by 4 CSR 240-3.140.1(I). The Joint Application contains statements from both AmerenUE’s and the Cooperative’s Board of Directors to seek the consummation of the terms contained therein.

The Applicants assert the transaction, as submitted, would not be detrimental to the public interest. In support, the Applicants state this agreement will improve electric service reliability and decrease travel time in responding to outages, maintenance and repair, requests for electric service installations etc. which should provide a positive impact on outage duration. In addition, consummation of this agreement will allow each Applicant to make better use of their respective capital resources and decrease the chances for duplicating facilities in the future. AmerenUE's evaluation of the present value of expected future cash flows indicate a positive benefit over an extended period up to twenty (20) years.

The Cooperative is organized under Chapter 394 RSMo (Supp. 2007) to provide electric service to its members located in Pemiscot County, Dunklin County and a portion of New Madrid County, Missouri. The area that is the subject of the Joint Application lies in Dunklin County, Missouri. Rural electric cooperatives, such as PDEC, are subject to the jurisdiction of the Commission as specified by Chapter 394 RSMo (Supp. 2007). For the purpose of this case, the Cooperative is subject to the jurisdiction of the Commission under Section 394.312.2, RSMo (Supp. 2007) and 394.312.4 RSMo (Supp. 2007)<sup>1</sup>.

AmerenUE is an electrical corporation subject to the jurisdiction of the Commission as specified, in part, by Chapters 386 and 393, RSMo (Supp. 2007).

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<sup>1</sup> Section 394.312.2 states, in relevant part, that "...such territorial agreements shall specifically designate the boundaries of the electric service area of each electric service supplier subject to the agreement, any and all powers granted to a rural electric cooperative by a municipality, pursuant to the agreement, to operate within the corporate boundaries of that municipality." Section 394.312.4 provides "The commission may approve the application if it determines that approval of the territorial agreement in total is not detrimental to the public interest."

AmerenUE is authorized to provide electricity to property in Dunklin County, Missouri that is the subject of this Application.

On April 1, 2008, the Commission issued an Order and Notice that established a twenty day intervention period for interested parties to file a motion to intervene in this Case. To date, the Commission has received no intervention requests.

On April 22, the Commission ordered the Staff of the Public Service Commission (Staff) to file a Recommendation by May 12, 2008. On May 7, 2008, the Staff filed a Request for an Extension of Time to File Staff's Investigation and Report to allow further investigation and adequately prepare a report with all applicable information. On May 9, 2008, the Commission issued its Order Granting Request for Extension of Time to File Staff's Investigation and Report, allowing until June 11, 2008 to file a recommendation.

### **DISCUSSION**

This portion of AmerenUE's system is not directly connected to the remainder of its system, in effect operating as an island. Power is currently being delivered to this portion of the AmerenUE system via facilities located in Arkansas. AmerenUE has interconnection agreements with Entergy Arkansas, Inc. Staff has responded to numerous inquiries regarding the number and duration of outages over the past decade. AmerenUE currently has no operation and maintenance personnel in this area of Dunklin County. AmerenUE had briefly stationed one troubleman in this area at the request of Staff in response to past inquiries; however, the overwhelming majority of service personnel dispatched to this area were predominantly from a service center nearly 90 minutes away, only adding to the frustration level of customers and the duration of power disruptions. Because this area lies entirely within the PDEC operational region,



customers in the area will see an immediate benefit upon transfer by receiving service from a group that is stationed in the immediate vicinity. Approval of this Joint Application will allow AmerenUE to make more efficient use of its remaining facilities in its system. Approval of this Territorial Agreement will have no impact on AmerenUE's existing Certificates of Convenience and Necessity (CCNs) filed with the Commission except as limited by the terms of this Territory Agreement. Staff recommends that AmerenUE file updated tariff sheets with the Commission which reflect these changes, should the Commission approve this Joint Application.

PDEC is planning on constructing a new substation within this geographic area of Dunklin County. This substation will enable the Cooperative to tap the 69 kV transmission network in the region currently utilized by the Cooperative in its provision of electric service. The use of this higher voltage network should provide a level of improvement to service reliability. In addition, PDEC will construct additional feeder circuits from this substation, meaning there will be supplementary sources available if and when needed, such as to accommodate successful completion of periodic maintenance requirements. Should the Joint Application be approved, these feeder circuits will improve the reliability of the electric service to the customers in this area. An addition of 2700+ customers will represent a nearly 45% increase in PDEC's member base. Thus, approval of this Joint Application will greatly impact the efficient use of the Cooperative's facilities.

The Joint Application contains a list of customers that AmerenUE plans to transfer to the Cooperative should the Applicants' request be granted. AmerenUE notified each customer of the pending transaction by mail. Letters were remitted in early

October 2007, inviting customers to an October 22, 2007 public meeting, in which information was provided and questions/concerns addressed, etc. An example of this letter was included in the Joint Application as Exhibit 8. Staff was invited to and did take part in this meeting. More than three dozen customers participated; all received an estimate of expected charges based upon PDEC's current rate structure and an individual's usage the past year. All but one voiced a desire to receive electric service from PDEC. The main reason cited was the improved response time expected in recovering from electrical outages, requests for service, etc., with the knowledge that PDEC's service personnel would be stationed locally. Cotton gin operators, with their seasonal load requirements and unique load patterns, claim to experience numerous frustrating power fluctuations and it is their belief PDEC will be better able to respond to these challenges upon consummation of this TA.

Pursuant to 393.190 RSMo (Supp. 2007), a tax impact statement illustrating the impact on local political subdivisions is included in the Joint Application as Exhibit 6. AmerenUE has franchise agreements with several cities in this area; a list is included in the Joint Application in Exhibit 7. PDEC asserts that it will have franchise agreements in place with all these municipalities prior to the operational date of the Territorial Agreement to allow it to provide electric service to these communities.

In addition, the Joint Application includes a sale, transfer and/or assignment of certain assets. AmerenUE has assigned a value of 4.1 million dollars to the 92.61 miles of subtransmission/distribution lines, distribution substations and support equipment currently utilized in its provision of electric service to customers in the effected area. PDEC plans on purchasing five transformers and assigning them to AmerenUE in return

for the aforementioned assets of AmerenUE. AmerenUE asserts that this arrangement offers a tax advantage of \$800,000, to be shared equally among the Applicants (see Exhibit 3). The impact of this transaction on AmerenUE's rate base will need to be evaluated in the context of the current AmerenUE Rate Case on file with the Commission, ER-2008-0318.

### **STAFF RECOMMENDATION**

The Staff believes that the Joint Application, in total, is reasonable and necessary, and meets the public interest requirement of 393.106.2 RSMo (Supp. 2007). Therefore, the Staff recommends the Commission approve, with the following conditions, the Applicants' request for a Territorial Agreement, including a sale, transfer and/or assignment of assets, and a change in electric service providers for certain customers:

1. AmerenUE will file updated tariff sheets reflecting the changes to its certified service territory.
2. The Commission order the Joint Application will have no effect, explicitly or implied, on current rates and any impact the Joint Application may have on AmerenUE's rate base will be assessed in the current rate case, Case No. ER-2008-0318.

Staff contends this transaction provides benefits not only to the Applicants but also to the customers in the impacted area. Approval of the Joint Application is in the best interests of all concerned. There has been numerous power problems in this portion of AmerenUE's service territory over the last decade or more. The impacted area is isolated from the rest of the AmerenUE system, power being delivered via an interconnection agreement with Entergy Arkansas Inc. In effect, this area is effectively

operated as an island. A major contributing factor to the reliability issues in this area is the fact that AmerenUE has no service personnel stationed in the impacted area. Approving this transaction will allow AmerenUE to make more efficient use of its facilities in the remainder of its system.

The impacted area, as depicted in the Joint Application, lies entirely within the current service territory of the Cooperative. Thus, the Cooperative will have service personnel located within this area, and response times to outages, for maintenance and repairs, for initial service requests, etc., will be markedly reduced as compared to those currently experienced. PDEC plans on constructing a substation and associated feeder circuits which will improve the reliability of electric service by providing alternative sources if needed for maintenance or limiting outage duration. PDEC's member base will be increased by nearly 45% should this transaction be approved, which will greatly enhance the efficient use of its facilities. PDEC will have acquired necessary franchise agreements with applicable communities by the operational date of this transaction.

Customers overwhelmingly voiced their desire to have PDEC be their electric service provider. Customers should experience an improvement in the reliability of their electric service and certainly will be comforted having the knowledge local service personnel will respond to outages, service requests, power fluctuations, etc.

PDEC is not required to file annual reports or pay assessment fees with the Commission. Further, PDEC has no pending or final unsatisfied decision against it from any state or federal court involving customer service or rates within three years of the date of this filing.

AmerenUE is current on filings of annual reports and its assessment dues. Staff is not aware of unsatisfied judgments or decisions against AmerenUE in any state or federal agency or court involving customer service or rates within the last three years that would have bearing on the immediate Case. Staff notes that there is currently an AmerenUE Rate Case open at this Commission in which the rate impact of the sale, transfer and/or assignment of assets, as presented in this Joint Application, will be evaluated.

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

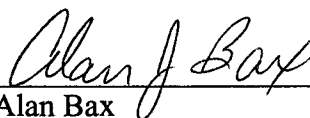
In the Matter of the Joint Application of Union )  
Electric Company, d/b/a AmerenUE, and )  
Pemiscot-Dunklin Electric Cooperative, Inc. for )  
an Order Approving the Change in Electric )  
Supplier for Certain Customers, Authorizing the )  
Sale, Transfer and Assignment of Certain )  
Electric Distribution Facilities and Easements )  
from AmerenUE to Pemiscot-Dunklin Electric )  
Cooperative and Approving the Territorial )  
Agreement between AmerenUE and Pemiscot- )  
Dunklin Electric Cooperative in Dunklin County, )  
Missouri )

Case No. EO-2008-0310

**AFFIDAVIT OF ALAN BAX**

STATE OF MISSOURI )  
 ) ss:  
COUNTY OF COLE )


Alan Bax, employee of the Missouri Public Service Commission, being of lawful age and after being duly sworn, states that he has participated in preparing the accompanying Staff Recommendation, and that the facts therein are true and correct to the best of his knowledge and belief.

  
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Alan Bax

Subscribed and affirmed before me this 11<sup>th</sup> day of June 2008 .



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

  
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NOTARY PUBLIC