

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

In the Matter of the Application of the)
Citizens of Iron County, Northwest End of)
Reynolds County, Edgehill and Black Area,)
for Change of Electrical Supplier.)

Case No. EO-2007-0155

STAFF'S REPORT

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, for its report of its investigation of the petition seeking change of electric supplier from Union Electric Company d/b/a AmerenUE (AmerenUE) to Black River Electric Cooperative (Black River), states:

1. On October 13, 2006, the Commission opened this case in response to a handwritten petition with more than 100 signatures of individuals in the service area of AmerenUE. The petitioners request their service provider be changed from AmerenUE to Black River. They assert they were served by Black River for over 50 years before they were transferred to AmerenUE and state they want to be transferred back to Black River. Included with the petition were statements raising issues regarding the quality and reliability of petitioners' electric service from AmerenUE.

2. AmerenUE filed a response to the petition opposing transfer of AmerenUE customers to Black River.

3. Similarly, Black River filed its response to the petition also opposing transfer of AmerenUE customers to Black River.

4. In the attached memorandum marked Appendix A, the Staff states that the Commission, at the same time it approved a territorial agreement between AmerenUE and Black River in 1996, ordered the transfer of about 3000 AmerenUE customers to Black River and about

2950 Black River members to AmerenUE. In making its Order, the Commission found that it was in the public interest to approve a territorial agreement and transfer customers between AmerenUE and Black River due to the impact of duplication of facilities, the ability of each supplier to provide adequate service in its designated exclusive areas, cost and safety benefits, case-by-case addendums, and the effect on transferred customers.

5. In its memorandum the Staff reports that construction of a substation and scheduled upgrades near Belgrade, Missouri, will allow changes to circuits serving portions of the area in which the petitioners are located and, after completion, will allow AmerenUE to make further changes to enhance service reliability. AmerenUE has access issues to portions of the circuits serving petitioners because they lie within part of Mark Twain National Forest and federal restrictions limit AmerenUE's access to those parts of its distribution system. This circumstance, which is beyond AmerenUE's control, restricts AmerenUE's ability to make alterations that could improve service reliability in the area where petitioners are located; however, it does not foreclose AmerenUE from improving the facilities it uses to serve the petitioners.

WHEREFORE, the Staff submits this Report on its investigation of the petition filed in this case and recommends the Commission deny the petition.

Respectfully submitted,

/s/ Nathan Williams

Nathan Williams
Deputy General Counsel
Missouri Bar No. 35512

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 27th day of November 2006.

/s/ Nathan Williams

Nathan Williams

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EO-2007-0155, In the Matter of the Application of the Citizens
of Iron County, Northwest End of Reynolds County, Edgehill and Black
Area, for Change of Electrical Supplier

FROM: James L. Ketter, Energy Department – Engineering Analysis

<u>/s/ Daniel I. Beck 11/27/06</u> Energy Department / Date	<u>/s/ Nathan Williams 11/27/06</u> General Counsel's Office / Date
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Subject: Staff Report and Recommendation

Date: November 27, 2006

OVERVIEW

On October 13, 2006, a group of electric service customers, identifying themselves as the Citizens of Iron County, Northwest End of Reynolds County, Edgehill and Black Area (Citizens), filed a request for a change in electric supplier. Citizens are presently served by Union Electric Company d/b/a AmerenUE (AmerenUE) and their request is to change electric supplier to the Black River Electric Cooperative (Black River). Citizens are among those customers whose electric provider was changed from Black River to AmerenUE in 1996 as the result of a Missouri Public Service Commission (Commission), Order in Case No. EO-95-400. In its Order Finalizing Approval of Territorial Agreement, Granting Certificate of Convenience and Necessity, and Approving Tariffs dated June 7, 1996, the Commission approved the territorial agreement and authorized the service provider for some 3000 AmerenUE customers to change to Black River and the service provider for some 2950 Black River members to change to AmerenUE.

DISCUSSION

On May 31, 1995, AmerenUE and Black River filed a Joint Application requesting Commission approval of a territorial agreement in Case No. EO-95-400. This agreement defined exclusive territory for each utility and the transfer of customers of each electric provider. The Commission found that it was in the public interest to approve the territorial agreement, considering in its Order the duplication of facilities, ability of each supplier to provide adequate service in its designated exclusive areas, cost and safety benefits, case-by-case addendum, and the effect on transferred customers.

Citizens request that the Commission change their electric supplier from AmerenUE to Black River alleging frequent and lengthy power outages. Citizens'

request includes a signed petition bearing approximately 104 names. Prior to the Commission's approval of the territorial agreement between AmerenUE and Black River, much of this area was served by Black River.

STAFF INVESTIGATION

The territorial agreement and change of electric supplier approved in Case No. EO-95-400 also included transfer of electric service facilities. This included substations and distribution facilities through which Black River served its members and through which AmerenUE now provides electric service. Two substations acquired by AmerenUE from Black River as a result of this change of electric supplier included the South Viburnum Substation and the Black River Substation. A small portion of the area represented by the petitioners is served from the AmerenUE Graniteville Substation.

AmerenUE states in its Answer that the Viburnum feeder is approximately 198 miles in length. The length of the circuit exposes the service facilities to many elements that may cause interruption of electric service. AmerenUE identifies one element that impacts the quality of service is the difficulty encountered to traverse portions of the Mark Twain National Forest. The customer outage history for this area shows many tree related outages associated with major storms in April and July, 2006. AmerenUE's records show that it has maintained periodic trimming cycles, but storms have caused some trees beyond the right-of-way to impact its lines. Despite the limitations and difficulties encountered in this rural setting, AmerenUE remains responsible to provide safe and reliable service.

AmerenUE is building a new substation that will allow AmerenUE the opportunity to change paths for delivery of electric service to portions of the area where Citizens reside. This substation is under construction near Belgrade, Missouri and will have a direct impact on customers in its immediate area, but will also allow changes to enhance reliability to the other circuits from the Black River Substation. This new substation is scheduled for operation by June 2007 at a cost of \$4.3 million.

Even with the addition of the new Belgrade Substation, Citizens will still be served from electric facilities that traverse National Forests and that receive power from circuits that are very long. With the new substation relieving the load at the Black River Substation, circuits now serving customers can be altered to some degree to limit or isolate customers subject to electric outages. This will minimize the impacts and lengths of customer outages caused by storms and equipment failure.

Neither AmerenUE nor Black River support Citizens' request for a change of electric supplier. Staff has found nothing during its investigation that indicates that AmerenUE has violated any tariff, rule or statute.

On November 17, 2006, in Case No. EO-2007-0037, Staff filed a report on AmerenUE storm outage planning and restoration effort following the storms on July 19 and 21, 2006. In that report Staff recommends rules be implemented to address tree trimming, infrastructure maintenance and inspection, and system reliability. These additional reporting rules, if adopted, will provide the Staff with timely data to identify

performance trends throughout AmerenUE's service territory, including the area where Citizens are located.

Staff recommends that Citizens' request for change of electric supplier be denied. Both AmerenUE and Black River, the electric suppliers who would be affected by this request oppose Citizens' request. The Staff anticipates that AmerenUE's planned upgrades to the electric system that are in progress will help to improve the reliability of their service.

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Case No. EO-2007-0155

AFFIDAVIT OF JAMES L. KETTER

STATE OF MISSOURI

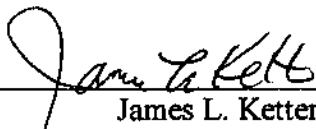
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COUNTY OF COLE

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James L. Ketter, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Report and Investigation in memorandum form, to be presented in the above case; that the information in the Staff Report and Investigation was given by him; that he has knowledge of the matters set forth in such Staff Report and Investigation; and that such matters are true to the best of his knowledge and belief.


James L. Ketter

Subscribed and sworn to before me this 27th day of November, 2006.



SUSAN L. SUNDERMEYER
My Commission Expires
September 21, 2010
Callaway County
Commission #00842086


Notary Public

My commission expires

9-21-10