

WITNESS: PATRICK PREWITT
PARTY: OZARK ELECTRIC
EXHIBIT NO.: _____

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

CASE NOS.: EO-2002-0029 and EE-2007-0030

PRE-FILED DIRECT TESTIMONY OF
PATRICK PREWITT

FILED²

JAN 25 2007

Missouri Public
Service Commission

SPONSORED BY: OZARK ELECTRIC COOPERATIVE
FILED: NOVEMBER 20, 2006

Ozark Exhibit No. 5
Date 12-7-06 Case No. EO-2007-0029
Reporter PF EE-2007-0030

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 Assistant Manager of Ozark Electric Cooperative. My oversight
6. includes assisting the General Manager in all aspects of the Cooperative's day to
7. day operations, including administration, 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 Assistant Manager, I served as a Staking Engineer, District Engineer, and
11. District Manager becoming Assistant Manager In 1987.
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 The Empire District's
17. variance application that is a condition of that agreement. I want to specifically
18. anticipate questions that the Commission may pose about Ozark's operations as a
19. member customer regulated electric service provider.
20. Q. How did Ozark Electric get involved in providing electric service to the
21. developments that are described in the Territorial Agreement and in the Joint
22. Stipulation of Facts?
23. A. I think it is important to understand that the Territorial Agreement far exceeds
24. the scope of the named developments, and that all of the land under consideration
25. in the Territorial Agreement is "rural" by statutory definition. Ozark Electric is a
26. lawful supplier and may compete for any and all new services in rural areas.
27. Our competitive status is not just a matter of discretion. Under our mortgage loan
28. agreements with the United States Government, acting through the Rural Utilities

29. Services branch of the Department of Agriculture, Ozark Electric is bound to
30. follow an "area coverage" covenant that has been part of the rural electrification
31. plan since its inception in 1939. Our area coverage obligation is similar to the
32. public utility obligation placed on The Empire District. Essentially, we are bound
33. to extend service to persons asking for service and at the same rates as other
34. members.

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

42. Q. Could you have refused to serve them in light of the annexation plans of the
43. City of Republic?

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

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

56. Q. Did you offer special inducements to these developers to gain selection as
57. their power supplier of choice?

58. A. No. The services, rates, and charges we presented are consistent with our
59. standing policies of general application to similarly situated customers. Our

60. policies are developed with a view toward allowing a reasonable utility
61. investment that accounts for our experience and efficiencies and that will be
62. returned over the passage of time. By comparison to The Empire District tariffs,
63. our conditions of service appear to be "incentives" but that is a subjective
64. conclusion. From the developers' standpoint, any reduction in required cash
65. outlay is an incentive. My point is that regardless of how it is characterized,
66. we run an operation that results in electric energy charges that are competitive
67. with those of The Empire District and other Missouri utilities and electric
68. cooperatives.

69. Q. Why are you willing to yield your Lakes at Shuyler Ridge contract to The
70. Empire District?

71. A. There are multiple reasons. First, the changed sense of the timing of
72. annexations has thrown us a real curve. As I stated, premature annexation would
73. make our plans and ability to serve very moot.

74. Second, since the organization of the Cooperative, we have succeeded by taking
75. the long view of any present circumstance. We intend to be around for the next
76. fifty years. In this agreement, we are giving up the right and privilege of serving
77. 517 lots on 245 acres, along with the possibility of adding other services in the
78. 4.5 square mile area allocated to The Empire District. All of that area is subject
79. to the same annexation uncertainty. In exchange we are gaining the certainty of
80. being the sole supplier in an area containing approximately 4.0 square miles
81. regardless of future annexation and without competition. To Ozark, this is more
82. important in the long run than the 517 lots of the Lakes at Shuyler Ridge. It
83. satisfies our corporate goals of fostering development, and increasing customer
84. density for the efficiencies that represents. It secures our reasonable investment,
85. and it supports the maintenance of competitive customer electric rates.

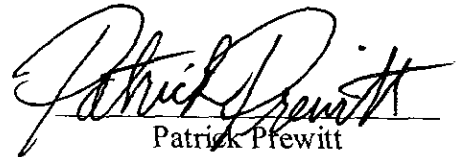
86. Q. Does this conclude your testimony?

87. A. Yes.

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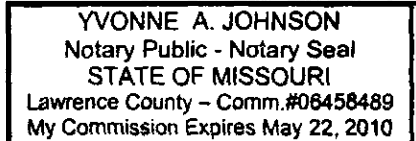
STATE OF MISSOURI)
)ss
COUNTY OF Lawrence)

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 20th day of November, 2006.

(notary seal)




Notary Public