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

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

DIRECT EXAMINATION OF
PATRICK PREWITT

Q. Please state your name and business address.

A. My name is Patrick Prewitt. My business address is Highway 39 North, P.O. Box 420, Mount Vernon, Missouri 65712.

Q. By whom are you employed and in what capacity?

A. I am the Assistant Manager of Ozark Electric Cooperative. My oversight includes assisting the General Manager in all aspects of the Cooperative's day to day operations, including administration, finance, construction and maintenance.

Q. Briefly describe your professional experience.

A. I have been employed by the Cooperative since 1982. Prior to being selected to be Assistant Manager, I served as a Staking Engineer, District Engineer, and District Manager becoming Assistant Manager In 1987.

Q. Are you appearing and offering testimony on behalf of Ozark Electric Cooperative?

A. Yes.

Q. What is the purpose of your testimony?

A. My intent is to support the Territorial Agreement and The Empire District's variance application that is a condition of that agreement. I want to specifically anticipate questions that the Commission may pose about Ozark's operations as a member customer regulated electric service provider.

Q. How did Ozark Electric get involved in providing electric service to the developments that are described in the Territorial Agreement and in the Joint Stipulation of Facts?

A. I think it is important to understand that the Territorial Agreement far exceeds the scope of the named developments, and that all of the land under consideration in the Territorial Agreement is "rural" by statutory definition. Ozark Electric is a lawful supplier and may compete for any and all new services in rural areas. Our competitive status is not just a matter of discretion. Under our mortgage loan agreements with the United States Government, acting through the Rural Utilities

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

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

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

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

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

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

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

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

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

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

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

Q. Does this conclude your testimony?

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 20th day of November, 2006.

(notary seal)

YVONNE A. JOHNSON
Notary Public - Notary Seal
STATE OF MISSOURI
Lawrence County – Comm.#06458489
My Commission Expires May 22, 2010

Yvonne A. Johnson
Notary Public