

Exhibit No.:  
Issues: Territorial Agreement  
Witness: James L. Ketter  
Sponsoring Party: MoPSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: EO-2002-178  
Date Testimony Prepared: December 18, 2001

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**JAMES L. KETTER**

**UNION ELECTRIC COMPANY D/B/A AMERENUE AND  
GASCOSAGE ELECTRIC COOPERATIVE**

**CASE NO. EO-2002-178**

**Jefferson City, Missouri  
December, 2001**

**FILED**

**DEC 18 2001**

**Missouri Public  
Service Commission**



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James L. Ketter

1 transmission and power plant certification cases, territorial agreements and I have  
2 presented testimony on rate design in electric, steam and gas rate cases. I am a registered  
3 Professional Engineer in the state of Missouri; my registration number is E-20056. I am a  
4 member of the National Society of Professional Engineers and I am a member of the  
5 Jefferson City Chapter of the Missouri Society of Professional Engineers.

6 Q. What is the purpose of your testimony in this case?

7 A. I will address the First Amendment To Territorial Agreement filed by  
8 Union Electric Company d/b/a AmerenUE (AmerenUE or Company) and Gascosage  
9 Electric Cooperative (Gascosage or Cooperative) to amend the Territorial Agreement  
10 previously approved in Case No. EO-98-279, effective June 23, 1998. Also, I will address  
11 the proposed change of electric supplier between AmerenUE and Gascosage plus the  
12 transfer of electric facilities necessary to serve these electric customers.

13 Q. Describe the geographic area that this amended territorial agreement  
14 encompasses.

15 A. In Case No. EO-98-279, a boundary was established for the provision of  
16 electrical service in portions of Camden, Miller, Maries, Pulaski, and Phelps Counties. In  
17 the previous Territorial Agreement in that case, AmerenUE was the exclusive supplier as  
18 to Gascosage and AmerenUE for most of Miller County. Gascosage was the exclusive  
19 supplier, as to Gascosage and AmerenUE, in a portion of the southeast corner of Miller  
20 County, centered around Iberia. The First Amendment to Territorial Agreement would  
21 move the boundary of the exclusive territory of Gascosage westward to the Lake of the  
22 Ozarks State Park and northward to the Osage River. This expanded area includes the  
23 communities of Brumley and Ulman.

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1           Q.     How are AmerenUE customers in this area presently served?

2           A.     AmerenUE has a 34.5 kV line from Osage Beach that follows State  
3 Highway 42 to Brumley, where the Brumley Substation transforms the voltage to 7.2 kV to  
4 serve customers. The 34.5 kV line continues south and east to serve a pipeline pumping  
5 station. In the northern portion of this area, AmerenUE maintains a three-phase line from a  
6 different substation that crosses the Osage River near Tuscumbia to serve the balance of  
7 the customers.

8           Q.     What is the history in this area concerning service outages?

9           A.     During the summer of 1999 there were a number of outages for customers  
10 served from the Brumley Substation and a number of formal complaints were filed. These  
11 complaints were referenced in AmerenUE's filing in the testimony of Mr. Larry Merry,  
12 and copies of the complaints are provided in Schedule 5 – 1 of Mr. Merry's testimony.  
13 These complaints were consolidated in Case No. EC-2000-63.

14           In response to these service problems, AmerenUE completed a number of  
15 improvements prior to the summer of 2000. Work within the Brumley Substation included  
16 transformer maintenance and upgrading the protection equipment to serve the increased  
17 load. The single-phase line along State Highway C through Brumley and Ulman carried a  
18 large portion of the load for the area north of State Highway 42. Work on the distribution  
19 lines to alleviate this problem included upgrading protection equipment (reclosurers) on  
20 the circuit, trimming trees and building an extension of another feeder to reduce the  
21 loading on the line. These system improvements increased the reliability of the service in  
22 this area during 2000 and 2001.

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1 Another circuit that serves customers south and east of the Brumley Substation,  
2 experienced service problems. AmerenUE purchased a new substation site located next to  
3 the 34.5 kV line that serves the pipeline and installed a portable substation during the  
4 summer of 2001. This was necessary to adequately serve the electric load in the area.

5 In response to the service outages during 1999, AmerenUE hired an outside  
6 contractor to inspect the poles along State Highway C to determine their serviceability.  
7 Seven poles were identified as needing immediate attention and were replaced. An  
8 additional forty-three were identified as defective and AmerenUE committed to replace  
9 these poles by December 31, 2001.

10 Q. Will this territorial agreement and change of electric supplier produce a  
11 benefit for the reliability of electric service for customers in this area?

12 A. Yes, it is my opinion that it will. Gascosage has committed to a plan to  
13 energize a substation at Brumley from a new 69 kV source and future extensions could  
14 provide a looped transmission circuit for added reliability. The radial 34.5 kV that  
15 presently serves the Brumley Substation has no logical extension to provide a loop to an  
16 alternate source to improve the transmission reliability.

17 It will be necessary for Gascosage to extend three-phase service north from  
18 Brumley along Highway C to State Route 17 to provide this service to an existing three-  
19 phase customer in the northern portion of the new territory. This new construction of a  
20 three-phase circuit through the middle of the new Gascosage territory would be of great  
21 benefit to the area. This is a benefit in providing reliable electric service and an economic  
22 benefit for customers that might require three-phase service that is not otherwise available  
23 at this time.

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1           Q.     If this change of supplier is approved, should this relieve AmerenUE of the  
2     need to replace the forty-three poles identified as defective along State Route C?

3           A.     Yes, I believe that is appropriate. The planned three-phase line along State  
4     Route C by Gascosage will require replacement of all the poles. Gascosage has indicated  
5     that 700 poles may be needed to upgrade the entire area subject to the change of supplier.  
6     The addition of 1200 new customers will allow Gascosage to acquire long term financing  
7     to pay for upgrades as this new area is integrated into its service territory.

8           Q.     Have the customers subject to a change of electric supplier been notified?

9           A.     Yes, letters were sent to each customer and a public meeting was held on  
10    November 20, 2001 to answer questions.

11          Q.     Did you attend the public meeting?

12          A.     Yes.

13          Q.     What were the general questions asked by customers?

14          A.     Customers wanted to understand how and when a change might occur.  
15    Some questions were directed to Gascosage to understand how the cooperative would  
16    serve this area. There was interest in the change of supplier and the change in rates.  
17    AmerenUE was able to calculate bills on Gascosage rates using the historical usage for the  
18    customer.

19          Q.     What is the rate impact of changing from AmerenUE to Gascosage?

20          A.     Outlined below in Table I are the rate structures for AmerenUE and  
21    Gascosage plus annual bills at various monthly usage levels. The main differences are the  
22    customer charges and AmerenUE's seasonal rates. Seasonal rates for AmerenUE are  
23    higher than Gascosage's in the summer but lower in the winter season. Comparison of

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rates requires an analysis for a yearly period so that these seasonal differences are accounted for. Comparison at the level monthly use shows very favorable impact. As usage levels change, the impact will change.

**TABLE I**

	<b>AMERENUE</b>	<b>GASCOSAGE</b>
Customer Charge	\$7.25	\$15.00
Winter	First 750 kwh \$ .0577 over 750 kwh \$ .0389	First 500 kwh \$ .065 over 500 kwh \$ .049
Summer	All usage \$ .0813	First 500 kwh \$ .065 over 500 kwh \$ .049

**TABLE II**

<b>KWH Usage</b>	<b><u>AmerenUE</u> Winter 8 months</b>	<b><u>AmerenUE</u> Summer 4 months</b>	<b>Annual Bill</b>	<b><u>Gascosage</u></b>	<b>Annual Bill</b>
0	\$7.25	\$7.25	<b>\$87.00</b>	\$15.00	<b>\$180.00</b>
500	36.10	47.90	<b>480.40</b>	47.50	<b>570.00</b>
1000	60.25	88.55	<b>836.20</b>	72.00	<b>864.00</b>
1500	79.70	129.20	<b>1154.40</b>	96.50	<b>1158.00</b>
2000	99.15	169.85	<b>1472.60</b>	121.00	<b>1452.00</b>
2500	118.60	210.50	<b>1790.80</b>	145.50	<b>1746.00</b>

Q. What happens to monthly bills if a customer's use is higher in the summer or during the winter period?

A. With level monthly usage, the comparison of rates is very close as can be seen in Table II. AmerenUE's summer rates are much higher during the summer period. If a customer has high summer use, the Gascosage rate structure is more favorable. If a

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1 customer has higher use in the winter period, AmerenUE's rate structure is more favorable.  
2 For residential customers, the cost for heating is more favorable on AmerenUE rates, but  
3 air conditioning cost is more favorable on Gascosage rates.

4 Q. What is the tax impact on agencies in the counties subject to the exchange  
5 of customers and electric facilities?

6 A. As a public utility, AmerenUE is taxed differently than a cooperative such  
7 as Gascosage. In general, the ownership of electric plant by a cooperative will mean less  
8 tax dollars to the local taxing agencies. School districts are recipients of tax dollars and  
9 this will impact the receipts of tax revenue.

10 The Superintendents of Miller County schools provided a summary of the loss of  
11 taxes if the transfer is approved. There are partial remedies for school districts to recover  
12 some of the lost tax revenue the following school year through the state foundation  
13 formula, but this source of funds is subject to state funding appropriations. Growth of the  
14 tax base in the counties may help to offset this loss in the future. Future construction in the  
15 area by Gascosage will increase the tax base, although at a lesser rate than facilities of a  
16 public utility.

17 Q. What is your recommendation concerning this amended territorial  
18 agreement and the transfer of electric customers and facilities from AmerenUE to  
19 Gascosage?

20 A. I recommend that the Commission approve the First Amendment to  
21 Territorial Agreement, the change of electric supplier and transfer of facilities. The  
22 transmission and distribution facilities that Gascosage has in its plan to serve this area  
23 should provide better service quality and reliability. A looped transmission source and the



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1 added three-phase distribution circuit through the center of the territory are facilities not  
2 provided by the existing AmerenUE distribution and transmission facilities.

3 The territorial agreement will allow Gascosage to integrate this new service  
4 territory into its system. The new customers will provide additional revenue to make the  
5 planned improvements and also benefit all of Gascosage members in the future. The  
6 agreement and change of supplier will allow one supplier and not allow duplication of  
7 facilities so that long-range plans can be made by each utility to serve their assigned  
8 territory.

9 In consideration of all these factors, Staff believes that the First Amendment to  
10 Territorial Agreement and change of electric supplier is in the public interest and not  
11 detrimental to the public interest. This recommendation is subject the conditions found in  
12 the Rebuttal Testimony of Staff Witness Stephen Rackers.

13 Q. Does this conclude your rebuttal testimony?

14 A. Yes, it does.

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

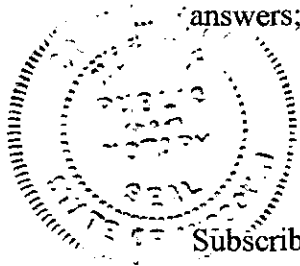
IN THE MATTER OF THE JOINT )  
APPLICATION OF UNION ELECTRIC )  
COMPANY AND GASCOSAGE ELECTRIC )  
COOPERATIVE FOR AN ORDER )  
APPROVING A CHANGE IN ELECTRIC )  
SUPPLIER FOR CERTAIN UNION )  
ELECTRIC COMPANY CUSTOMERS FOR )  
REASONS IN THE PUBLIC INTEREST; )  
AUTHORIZING THE SALE, TRANSFER, )  
AND ASSIGNMENT OF CERTAIN )  
ELECTRIC DISTRIBUTION FACILITIES, )  
SUBSTATIONS, AND EASEMENTS FROM )  
UNION ELECTRIC COMPANY TO )  
GASCOSAGE ELECTRIC COOPERATIVE; )  
AND APPROVING THE FIRST )  
AMENDMENT TO THE UNION ELECTRIC )  
COMPANY AND GASCOSAGE ELECTRIC )  
COOPERATIVE. )

Case No. EO-2002-178

**AFFIDAVIT OF JAMES L. KETTER**

STATE OF MISSOURI     )  
                                      ) ss  
COUNTY OF COLE     )

James L. Ketter, of lawful age, on his oath states: that he has participated in the preparation of the foregoing rebuttal testimony in question and answer form, consisting of 8 pages of rebuttal testimony to be presented in the above case, that the answers in the foregoing rebuttal testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



James L. Ketter

Subscribed and sworn to before me this 18<sup>th</sup> day of December, 2001.

**DAWN L. HAKE**  
Notary Public - State of Missouri  
County of Cole  
My Commission Expires Jan 9, 2005

Notary Public

My commission expires \_\_\_\_\_