Exhibit No.:	
Issue:	*Examination of Agreement in Future Rate Proceedings*
Witness:	*STEPHEN M. RACKERS*
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 SERVICES DIVISION

REBUTTAL TESTIMONY

OF

STEPHEN M. RACKERS

UNION ELECTRIC COMPANY
d/b/a, AMEREN UE and
GASOSAGE ELECTRIC COOPERATIVE

CASE NO. EO-2002-178

Jefferson City, Missouri
December 2001

REBUTTAL TESTIMONY

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CASE NO. EO-2002-178

Q. Please state your name and business address.

A. My name is Stephen M. Rackers and my business address is 815 Charter Commons Drive, Suite 100B, Chesterfield, Missouri 63017.

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

A. I am employed by the Missouri Public Service Commission (Commission) as a regulatory Auditor V in the Accounting Department.

Q. Please describe your educational background.

A. I graduated from the University of Missouri at Columbia, Missouri in 1978, from which I received a Bachelor of Science degree in Business Administration, majoring in Accounting. I have passed the Uniform Certified Public Accountant examination and am currently licensed in the state of Missouri.

Q. What has been the nature of your duties while in the employ of the Commission?

A. Under the direction of the Manager of Accounting, I have supervised and assisted in audits and examinations of the books and records of public utility companies

operating within the state of Missouri. I have listed cases in which I have previously filed testimony on Schedule 1 (attached).

Q. What is the purpose of this rebuttal testimony?

A. The purpose of this rebuttal testimony is to address the direct testimonies of Union Electric Company (UE), d/b/a AmerenUE witness Larry D. Merry and Gascosage Electric Cooperative (GEC) witness John Greenlee regarding the approval of the First Amendment to the Territorial Agreement (Agreement) to transfer customers and facilities from UE to GEC. My testimony will address the treatment of the Agreement in future rate proceedings involving UE.

Q. Will the Agreement result in the loss of revenues for UE?

A. Yes. On page 2 of his testimony, Mr. Merry states that approximately 1,200 structures will be transferred to GEC. On page 5 of Mr. Greenlee's testimony he equates these structures with approximately 1,200 customers. Also on page 8 of his testimony Mr. Greenlee describes the revenue from these structures/customers as "ample" in comparison to the cost of providing service to the area.

Q. Has UE performed an analysis of this annual loss in revenue?

A. Yes. As stated on page 7 of his testimony, Mr. Merry states that that UE has used the Economic Value Added (EVA) model to analyze the economic benefits of the Agreement.

Q. What are the results of UE's EVA analysis?

A. As discussed in Mr. Merry's testimony on page 7, the Agreement produces a positive benefit to UE. This benefit, as Mr. Merry states on page 6 of his testimony, results from UE's belief that the cost of providing service in the area

addressed by the Agreement does not allow for an acceptable financial return for shareholders.

Q. Does the Staff have concerns with the method UE has used to justify the loss in annual revenue?

A. Yes. While the model may show positive results for the shareholder, the Staff is concerned that the effect may be an increase in revenue requirement for the rate payors. This increase in revenue requirement may harm the UE ratepayers, for example, by reducing the Missouri jurisdictional revenues used in determining the revenue requirement in a rate increase or excess earnings/revenues complaint case. Reducing the amount of revenues may increase the revenue requirement and as a result, increase the rates paid by the remaining UE customers, after the transaction. Under such circumstances, adjustments to book earnings may be required to appropriately reflect the effects of this Agreement on the determination of revenue requirement. Such adjustments were made as part of Staff's current complaint case involving UE, Case No. EC-2002-1.

Q. Has the Commission previously addressed the affect of lost revenues resulting from territorial agreements, on remaining UE customers?

A. Yes. The loss of revenues as a result of territorial agreements and the effect this situation had on customer credits was considered during the UE's Experimental Alternative Regulation Plan (EARP). In the third year of the first EARP, the Commission accepted the Staff's adjustments to eliminate the effect of lost revenues, as a result of territorial agreements, on the amount of credits received under the EARP by remaining UE customers.

Q. What is the Staff's recommendation with regard to the effect of lost revenues as a result of the Agreement in this case?

A. While the Staff is recommending approval of the Agreement, Staff further recommends that the Commission, in any Order approving the Agreement, state that it reserves the right to consider the rate-making treatment to be afforded this transaction in any subsequent rate increase case, excess earnings/revenue complaint case, and/or alternative regulation plan.

Q. Why is this condition necessary for Commission approval of the Agreement?

A. Approval of this condition will assure that the Agreement meets the standards of "in the public interest" and "not detrimental to the public interest", by providing for the examination of the effects this transaction will have on the revenue requirement and resulting rates in future rate making proceedings.

Q. Does this conclude your rebuttal testimony?

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 Gasosage Electric Cooperative for an Order Approving a Change in Electric Supplier for Reasons in the Public Interest; Authorizing the Sale, Transfer, and Assignment of Certain Electric Distribution Facilities, Substations, and Easements from Union Electric Company and Approving the First Amendment of the Union Electric Company and Gasosage Electric Cooperative Territorial Agreement.	)	Case No. EO-2002-178

AFFIDAVIT OF STEPHEN M. RACKERS

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Stephen M. Rackers, being 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 4 pages 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 and correct to the best of his knowledge and belief.

Stephen M. Rackers

Subscribed and sworn to before me this 17th day of December 2001.

D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21,2004

RATE CASE PROCEEDING PARTICIPATION

STEPHEN M. RACKERS

Company	Case Number
Bowling Green Gas Company	GR-78-218
Central Telephone Company	TR-78-258
Empire District Electric Company	ER-79-19
Fidelity Telephone Company	TR-80-269
St. Louis County Water Company	WR-80-314
Union Electric Company	ER-81-180
Laclede Gas Company	GR-81-245
Great River Gas Company	GR-81-353
Union Electric Company	ER-82-52
Laclede Gas Company	GR-82-200
St. Louis County Water Company	WR-82-249
Union Electric Company	ER-83-163
Union Electric Company	ER-84-168
Arkansas Power and Light Company	ER-85-20
Kansas City Power and Light Company	ER-85-128
Arkansas Power and Light Company	ER-85-265
Union Electric Company	EC-87-114
Union Electric Company	GR-87-62
Southwestern Bell Telephone Company	TC-89-14
St. Louis County Water Company	WR-89-246
Laclede Gas Company	GR-90-120
Missouri Cities Water Company	WR-91-172
St. Louis County Water Company	WR-91-361
Laclede Gas Company	GR-92-165
Missouri Pipeline Company	GR-92-314
St. Louis County Water Company	WR-92-204

Company	Case Number
St. Louis County Water Company	WR-94-166
St. Louis County Water Company	WR-95-145
Union Electric Company	ER-95-411
St. Louis County Water Company	WR-96-263
St. Louis County Water Company	WR-97-382
Laclede Gas Company	GR-99-315
Missouri-American Water Company	WR-2000-281 et al
St. Louis County Water Company	WR-2000-844
Union Electric Company d/b/a AmerenUE	EC-2002-1