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December 13, 2004

Secretary
Public Service Commission
P.O. Box 360
Jefferson City, Missouri 65102

FILED³
DEC 13 2004

Missouri Public
Service Commission

FILED³

JAN 24 2005

Missouri Public
Service Commission

Re: Case No. EO-2005-0122

Dear Secretary:

Enclosed for filing please find an original and eight copies of the Direct Testimony of Walter Ryan in the above referenced case.

If you have any questions, please contact me at the number listed above.

Sincerely,

Lisa Chase
Lisa Cole Chase

LCC:lw

Encl.

CC: Office of Public Counsel
General Counsel, PSC
Walt Ryan
John Greenlee

Exhibit No. 4
Case No(s). EO-2005-0122
Date 1-7-05 Rptr ru

Exhibit No.:
Issues: Three Rivers Electric
Cooperative / Gascoage
Territorial Agreement -- All
Witness: Walter R. Ryan
Type of Exhibit: Direct Testimony
Sponsoring Party: Three Rivers Electric Cooperative
Case No.: EO-2005-0122
Date Testimony Prepared:

FILED³

DEC 13 2004

DIRECT TESTIMONY

OF

Missouri Public
Service Commission

WALTER R. RYAN

FILED³

JAN 24 2005

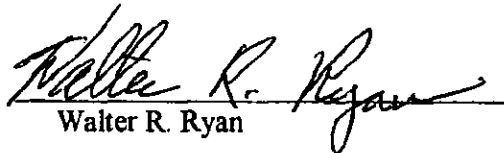
JEFFERSON CITY, MISSOURI

Missouri Public
Service Commission

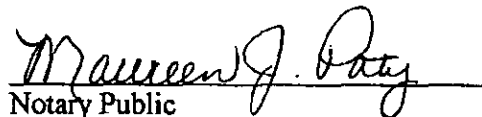
AFFIDAVIT OF WALTER R. RYAN

STATE OF MISSOURI)
) SS
COUNTY OF OSAGE)

Walter R. Ryan, of lawful age, on his oath states that he has participated in the preparation of the following Direct Testimony, in question and answer form, consisting of 8 pages to be presented in the above case; that the answers in the foregoing Direct 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.

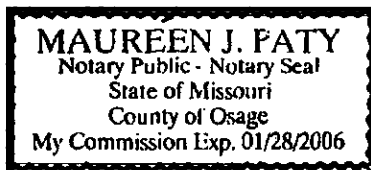

Walter R. Ryan

Subscribed and sworn to before me this 8th day of December, 2004.


Notary Public

(seal)

My commission expires:



1 Q. WHAT IS YOUR NAME?

2 A. Walter R. Ryan.

3 Q. BY WHOM ARE YOU EMPLOYED?

4 A. Three Rivers Electric Cooperative ("Three Rivers").

5 Q. IN WHAT CAPACITY ARE YOU EMPLOYED?

6 A. I am the General Manager.

7 Q. WHAT ARE YOUR JOB DUTIES AS GENERAL MANAGER?

8 A. I am in charge of daily operations of the cooperative. I am responsible for all
9 customer related activity within the service area of Three Rivers. This includes customer
10 service, office operations, line design, engineering, construction and maintenance of the
11 cooperative facilities.

12 Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?

13 A. I am a graduate of Eldorado Springs Missouri High School, Class of 1959. I
14 have attended Mineral Area Junior College, Flat River, Missouri and Drury University,
15 Springfield, Missouri.

16 Q. WHAT IS YOUR EMPLOYMENT HISTORY?

17 A. I have worked in the rural electric industry for approximately 37 years and have
18 been the General Manager for Three Rivers Electric Cooperative for 14 years.

19 Q. ARE YOU AUTHORIZED ON BEHALF OF THE COOPERATIVE TO FILE
20 TESTIMONY IN THIS MATTER?

21 A. Yes, I am.

22 Q. WHAT RELIEF ARE THE APPLICANTS IN THIS MATTER REQUESTING
23 FROM THE COMMISSION?

1 A. Gascosage Electric Cooperative ("Gascosage") and Three Rivers Electric
2 Cooperative ("Three Rivers") entered into a Territorial Agreement for which we are seeking
3 Commission approval. The Territorial Agreement seeks to establish exclusive service territory
4 of each Applicant in Camden, Cole, Franklin, Gasconade, Maries, Miller, Moniteau, Osage,
5 Phelps, and Pulaski Counties and does not require the transfer of any facilities or customers
6 between Applicants. This testimony is filed to support the Territorial Agreement and to
7 demonstrate that the Agreement is in the public interest and should be approved. Gascosage and
8 Three Rivers are asking the Commission to approve the Territorial Agreement.

9 Q. ARE YOU FAMILIAR WITH THE CONTENTS OF THE TERRITORIAL
10 AGREEMENT?

11 A. Yes. I was involved in the negotiation of the service areas covered by the
12 Territorial Agreement. I also assisted in the preparation and review of the application to the
13 Commission. It will also be my responsibility to see that the Territorial Agreement is followed.

14 Q. WHAT WERE THE CONSIDERATIONS THAT WENT INTO
15 ESTABLISHING THAT THE TERRITORIAL AGREEMENT?

16 A. The Territorial Agreement establishes boundary lines for both suppliers in
17 Camden, Cole, Franklin, Gasconade, Maries, Miller, Moniteau, Osage, Phelps, and Pulaski
18 Counties and will allow for greater reliability of service to new customers in the future.

19 Each Applicant will still be constructing, operating and maintaining facilities in the
20 service territory of the other as described in the Territorial Agreement.

21 Q. WHAT PUBLIC INTEREST BENEFITS ARE ADVANCED BY THE
22 TERRITORIAL AGREEMENT?

1 A. We believe that the Territorial Agreement will promote the orderly growth for
2 each Applicant within Camden, Cole, Franklin, Gasconade, Maries, Miller, Moniteau, Osage,
3 Phelps, and Pulaski Counties, provide a greater reliability of service for the customers of both
4 Applicants, and help eliminate costly duplication of facilities. Costly duplication is a major
5 concern of both Applicants considering the ever increasing cost of providing reliable electric
6 service to their customers. It would be fair to say that we are serving the public interest by
7 avoiding wasteful duplication and focusing our efforts on efficient use of existing resources. If
8 the Territorial Agreement is approved we believe that, because of better planning and more
9 reliability of service, the agreement will ultimately lead to lower costs for both suppliers, and in
10 turn lower rates for their customers.

11 Within our respective areas we will fulfill our duty of providing safe and adequate
12 electric service at just and reasonable rates. Our planning, engineering, and operational decisions
13 will be simplified and our investments will not be driven by competition for new loads.

14 Q. HOW LONG DOES THE TERRITORIAL AGREEMENT REMAIN IN
15 EFFECT?

16 A. The Territorial Agreement is perpetual, but may be terminated at any time by
17 Agreement of the parties.

18 Q. IS THIS THE BEST AGREEMENT THAT COULD BE REACHED BETWEEN
19 THE PARTIES?

20 A. This Territorial Agreement was the result of lengthy negotiations between the
21 parties with both sides making concessions. We feel the Agreement is fair to both parties and
22 will serve both Gascosage and Three Rivers well and be a benefit to customers of both
23 Applicants by allowing the Applicants to provide more reliable service.

1 Q. DOES THE TERRITORIAL AGREEMENT PROVIDE FOR THE EXCHANGE
2 OF ANY CUSTOMERS OR FACILITIES?

3 A. No.

4 Q. WHAT RESOURCES DOES THREE RIVERS HAVE THAT WILL PERMIT IT
5 TO PROPERLY AND EFFECTIVELY SERVE THE TERRITORY SET ASIDE TO IT IN THE
6 TERRITORIAL AGREEMENT.

7 A. Three Rivers services approximately 20,300 consumers with 3,848 miles of
8 electric distribution line. Three Rivers has been in business since 1939. The Cooperative
9 presently has 59 full time employees along with adequate equipment and main office facilities in
10 Linn, Missouri.

11 Q HOW WOULD YOU CHARACTERIZE THE TERRITORY COVERED BY
12 THIS AGREEMENT?

13 A It is the same area that Three River already serves. The average density is about
14 5.2 consumers per mile.

15 Q WHAT OTHER POWER SUPPLIERS HAVE ELECTRIC DISTRIBUTION
16 FACILITIES IN THE AREA COVERED BY THE TERRITORIAL AGREEMENT?

17 A. The other power suppliers in the area are Intercounty Electric Cooperative,
18 Laclede Electric Cooperative, CO-MO Electric Cooperative, and Union Electric Company d/b/a
19 AmerenUE. In addition, Herman, Newberg, Owensville, Richland, Rolla, St. James, and
20 Waynesville operate municipal electric supply systems within the area covered by the Territorial
21 Agreement.

22 Q. HAVE YOU NOTIFIED ANY OF THOSE POWER SUPPLIERS OF THE
23 PROPOSED TERRITORIAL AGREEMENT?

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1 A. Yes. I sent written notifications to the cities of Hermann and Owensville, and I
2 understand that John Greenlee, manager of Gascoage Electric Cooperative sent similar written
3 notifications to all of the other electric service suppliers listed above.

4 Q. HAS ANY PARTY INTERVENED OR OTHERWISE PARTICIPATED IN
5 THIS PROCEEDING.

6 A. Yes.

7 Q. WHAT PARTIES HAVE INTERVENED?

8 A. Union Electric Company, d/b/a AmerenUE.

9 Q. DOES THE TERRITORIAL AGREEMENT AFFECT AMERENUE?

10
11 R. No. AmerenUE is not a party to the Territorial Agreement. Under §394.312.5
12 RSMo, this territorial agreement cannot "affect or diminish the rights and duties of any supplier
13 not a party to the agreement...".

14 Q. WHAT WAS AMERENUE'S REASON FOR INTERVENING IN THIS
15 TERRITORIAL AGREEMENT?

16 R. AmerenUE complained of the following language located in Article 4 of the
17 Territorial Agreement: "Three Rivers may serve within municipalities that are located in Three
18 Rivers' Exclusive Service Area, pursuant to this Agreement." AmerenUE asserts its concerns that
19 Three Rivers may argue in the future that this language grants them the right to serve in any city
20 that exceeds 1500 inhabitants.

21 Q. WHAT IS YOUR POSITION WITH RESPECT TO AMERENUE'S
22 CONCERNS?

23 R. The issue raised by AmerenUE is actually more of a concern about competition
24 between Three Rivers Electric Cooperative and AmerenUE. Since AmerenUE is not a party to

1 this Territorial Agreement, and territorial agreements cannot affect non-parties, AmerenUE will
2 still have the right to serve Jefferson City, Eldon, and its other cities. What AmerenUE is really
3 suggesting is that it ought to be free from competition with Three Rivers Electric Cooperative in
4 non-rural areas. The parameters under which an electric cooperative may serve in a non-rural
5 area has been established by law. I am not an attorney, but if those laws are violated, I expect
6 AmerenUE would then have a legal issue they could bring before the Missouri Courts.

7 Q. DO YOU THINK THE COMMISSION SHOULD FIND THIS TERRITORIAL
8 AGREEMENT IS IN THE PUBLIC'S INTEREST?

9 R. Yes. The Territorial Agreement has been negotiated between Three Rivers
10 Electric Cooperative and Gascosage Electric Cooperative to promote the orderly growth for each
11 Applicant within Camden, Cole, Franklin, Gasconade, Maries, Miller, Moniteau, Osage, Phelps,
12 and Pulaski Counties, provide a greater reliability of service for the customers of both
13 Applicants, and help eliminate costly duplication of facilities. Avoiding wasteful duplication and
14 focusing on efficient use of existing resources through this agreement serves the public's interest.
15 While we appreciate AmerenUE's interest in being free from competition with Three Rivers in
16 non-rural areas, we believe that such competition is also in the public interest as it gives growing
17 communities a greater choice in choosing electric service providers when properly done pursuant
18 to the laws of Missouri.

19 Q. WHAT IS IT EXACTLY THAT YOU ARE ASKING THE COMMISSION TO
20 DO?

21 A. We are asking the Commission to approve the Territorial Agreement, authorizing
22 Applicants to perform in accordance with the terms of the Territorial Agreement.

1 Q. ARE YOU ASKING THAT THE COMMISSION APPROVE THE
2 TERRITORIAL AGREEMENT AS PRESENTED?

3 A. Yes.

4 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

5 A. Yes, it does.