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FILED

JAN 24 2005

Missouri Public
Service Commission

December 27, 2004

FILED

DEC 27 2004

EUGENE E. ANDERECK (1923-2004)

GREGORY C. STOCKARD (1904-1993)

PHIL HAUCK (1924-1991)

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

Missouri Public
Service Commission

Re: In the Matter of the Application of Gascosage Electric Cooperative and Three Rivers Electric Cooperative for Approval of a Written Territorial Agreement Designating the Boundaries of Each Electric Service Supplier within Camden, Cole, Franklin, Gasconade, Maries, Miller, Moniteau, Osage, Phelps, and Pulaski Counties, Missouri
Case No EO-2005-0122

Dear Secretary:

Enclosed for filing please find an original and eight copies of the Surrebuttal Testimony of John Greenlee 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: Steve Dottheim, Staff
John Coffman, OPC
Bill Bobnar, AmerenUE
Walt Ryan, Three Rivers
John Greenlee, Gascosage

Exhibit No. 5
Case No(s). EO-2005-0122
Date 1-7-05 Rptr tu

FILED³

JAN 24 2005

**Missouri Public
Service Commission**

Exhibit No.:

Issues:

**Three Rivers Electric
Cooperative / Gascosage
Territorial Agreement -- All**

Witness:

John Greenlee

Type of Exhibit:

Surrebuttal Testimony

Sponsoring Party:

Gascosage Electric Cooperative

Case No.:

EO-2005-0122

Date Testimony Prepared:

FILED

DEC 27 2004

**Missouri Public
Service Commission**

SURREBUTTAL TESTIMONY

OF

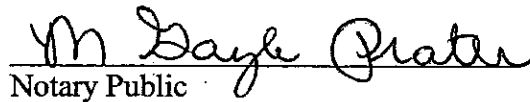
JOHN GREENLEE

JEFFERSON CITY, MISSOURI

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John W. Greenlee, of lawful age, on his oath states that he has participated in the preparation of the following Surrebuttal Testimony, in question and answer form, consisting of 9 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.

Subscribed and sworn to before me this 21st day of December, 2004.



(seal)  February 8, 2008
My commission expires: 2-8-2008

1 **Q. Please state your name.**

2 A. John Greenlee

3 **Q. Are you the same John Greenlee who previously submitted direct testimony in**
4 **this case?**

5 A. Yes, I am.

6 **Q. Have you reviewed the pre-filed Rebuttal Testimony of Missouri Public Service**
7 **Commission Staff witness Alan J. Bax in this case?**

8 A. Yes, I have.

9 **Q. At page 4, line 17, Mr. Bax raises an issue about Camden County. Do you have**
10 **a response?**

11 A. Yes. Mr. Bax points out that the Joint Application inadvertently omitted Camden
12 County from the list of counties that Gascosage serves. This was simply an oversight. The parties
13 were certainly not trying to misrepresent the area served by Gascosage. Camden is listed as one of
14 the affected counties in the caption of this matter. In addition, Camden is listed on page two of the
15 Joint Application as one of the service territory counties as more particularly described in the
16 territorial agreement. Mr. Bax acknowledges that he knows Camden is one of the counties served by
17 Gascosage. (p.4, lines 7-8.) In fact, the Territorial Agreement, which is what we are seeking
18 approval of, does list on page one, paragraph A under Recitals, Camden as one of the counties
19 served by Gascosage. While it is unfortunate that Camden was inadvertently omitted in that one
20 paragraph of the Joint Application, the omission should not be material to approval of the Territorial
21 Agreement which clearly sets forth Camden as one of the counties served by Gascosage.

22 **Q At page 4, lines 18-22, Mr. Bax raises an issue about the metes and bounds**
23 **description in Phelps county. Do you have a response?**

1 A. Yes. I believe Mr. Bax is incorrect in his assertion that the description is wrong. The
2 description was taken from section 46.130 RSMo.

3 **Q. Do you have any concern about Mr. Bax's comments on page 9, lines 16-20,**
4 **pertaining to Gascosage's capability to provide electric service to the customers in what would**
5 **be their respective service area described in the Territorial Agreement?**

6 A. Yes. Mr. Bax's testimony is unclear. It appears that he is saying Gascosage is
7 capable of serving customers under the terms of the Territorial Agreement *only* in Miller and Maries
8 Counties. If that is his testimony, then I must take exception. Gascosage has been in business since
9 1945. Gascosage services approximately 9,526 consumers with 1,504 miles of electric
10 distribution line in the counties of Camden, Phelps and Pulaski as well as Maries and Miller.
11 The Cooperative presently has 30 full time employees along with adequate equipment and main
12 office facilities in Dixon. We have an "all powers" contract with Show-Me Electric Power
13 Cooperative that enables us to acquire all of the electric energy supply we need through
14 Associated Electric Cooperative, Inc. to meet the needs of our existing members as well as any
15 new structures within our service area.

16 **Q. Mr. Bax states at page 4, lines 11 through 13 that the boundaries within Miller**
17 **and Maries Counties seem to be the true area of concern. Did Mr. Bax get that right?**

18 A. No. In my discussions with Mr. Bax, he did emphasize the competition between
19 Gascosage and Three Rivers along the borders of Miller and Maries Counties. While the Territorial
20 Agreement is designed to address development in that area with respect to new structures, it is only
21 one aspect of the Territorial Agreement. I discussed the big picture purpose of the Territorial
22 Agreement with Mr. Bax, however, based on his testimony it appears that he is still focused on only
23 one aspect of the Territorial Agreement. In our discussions, I emphasized that this Territorial

1 Agreement is designed to address more than just border competition. Gascosage does not want to
2 compete with Three Rivers in its back yard, and the same is true for Three Rivers -- they do not
3 want to compete with Gascosage in their back yard. To my knowledge, there are no legal barriers to
4 Three Rivers serving in the area currently served by Gascosage, and vice versa. I understand that
5 the only way to displace competition between our two electric cooperatives is to enter into a
6 Territorial Agreement and get it approved by the Missouri Public Service Commission. This
7 Territorial Agreement addresses those concerns so that each Cooperative can make long-term plans
8 without having to adjust for the uncertainties of competition with the other.

9 **Q. Is the process of negotiating a Territorial Agreement a quick and simple**
10 **matter?**

11 Certainly not. This negotiation has been in the works for years. It has involved countless
12 hours of analysis and negotiation. These agreements are time-consuming and costly, but deemed
13 worthwhile and in the public interest when they help establish the parameters for each cooperative's
14 long term planning and thereby keep costs down long-term. This particular Territorial Agreement
15 has been especially difficult to finalize. It has previously been before the Commission, but was
16 withdrawn due to intervention by AmerenUE. We took out language that AmerenUE expressed
17 concern over, our counsel provided AmerenUE's counsel with a draft of the agreement and
18 discussed whether AmerenUE had any additional concerns that needed to be addressed before we
19 refiled this agreement. I understand this latest issue was not raised by AmerenUE until after the
20 agreement was filed on November 2, 2004.

21 **Q. Is the Territorial Agreement between Gascosage and Three Rivers designed to**
22 **meet only current issues, or is it also designed to address potential future issues too?**

1 A. Gascosage and Three Rivers have worked hard to negotiate an agreement that will
2 be to the benefit of each cooperative and its members over the long-term. The Territorial Agreement
3 is designed to address who is to serve new structures along the borders of Miller and Maries
4 Counties, but it also addresses the much broader, long-term issues of competition with Three Rivers
5 within the Gascosage service area, and vice versa. Gascosage is not predominantly in Miller and
6 Maries counties, and I expect Mr. Ryan would say the same thing with respect to Three Rivers. We
7 took the time to negotiate a more comprehensive Territorial Agreement to address competition as
8 between our two cooperatives throughout our service territories so that we would not have to soon
9 renegotiate our Territorial Agreement. That would not be time or cost efficient.

10 **Q. Does setting forth the service area of both Three Rivers and Gascosage Electric**
11 **Cooperatives meet each cooperative's objective of ensuring that it can make long term plans**
12 **without concern of the other cooperative extending into its current service area as reflected in**
13 **this Territorial Agreement?**

14 A. Yes.

15 **Q. In the Territorial Agreement between Gascosage and AmerenUE, did**
16 **Gascosage and AmerenUE designate similar electric service areas?**

17 A. Yes, very similar. Not exactly the same.

18 **Q. Why?**

19 A. Because it was time and cost efficient for Gascosage to negotiate a broad 'service-
20 area wide' Territorial Agreement with AmerenUE so that we will not soon have to renegotiate the
21 terms of our Territorial Agreement. I believe AmerenUE understood that the Territorial Agreement
22 was in their long-term interest as well. Such agreements allow each company to simplify their

1 planning, engineering, and operational decisions, and investments do not need to be driven by
2 competition for new loads as between our two companies.

3 **Q. Mr. Bax requested clarification of Articles 5.2(B) and 5.4(B) of the**
4 **Territorial Agreement at page 9, lines 1-4. Can you clarify these two provisions?**

5 A. Yes, I think so. With respect to one Cooperative purchasing, merging or
6 otherwise acquiring any other Electric Power Provider's facilities, the Cooperatives agree to
7 retain cities with populations greater than 1500 within the exclusive service areas defined in the
8 Territorial Agreement. Sections 5.2(B) and 5.4(B) freeze in place the electric service by the
9 purchasing Cooperative to its existing customers in cities with populations greater than 1500.
10 Articles 5.2(B) and 5.4(B) do not grant either Cooperative the legal ability to serve in cities with
11 populations greater than 1500. Each Cooperative remains subject to and must comply with all
12 Missouri laws pertaining to the provision of electric service.

13 **Q. Mr. Bax appears to recommend at page 10, lines 1-4, that the Territorial**
14 **Agreement be limited to Maries and Miller Counties. Do you have a response?**

15 A. Mr. Bax has focused on only one issue that this Territorial Agreement was designed
16 to address. We talked about the broader scope of the Territorial Agreement. In our discussions, Mr.
17 Bax indicated that he felt this was a simple Territorial Agreement that is in the public interest.
18 Through conversations with Mr. Bax, it was implied that if the Territorial Agreement were limited
19 to Maries and Miller counties, then AmerenUE would no longer have its concern over this
20 Territorial Agreement. This Territorial Agreement was negotiated between and for the benefit of
21 Gascogage and Three Rivers. It is my understanding that only the parties to a Territorial Agreement
22 are affected by its terms. I also understood that the Commission determines whether Territorial
23 Agreements should be approved or disapproved based on the agreement that is filed, and that they

1 should be approved as long as the Territorial Agreement *in total* is not detrimental to the public
2 interest.

3 **Q. Do you agree with Mr. Merry's recommended changes to the Territorial**
4 **Agreement as set forth at pp. 8-9 of his testimony?**

5 A. No. I believe the Territorial Agreement should be approved as filed. I believe the
6 comments in Mr. Merry's testimony are directed primarily at Three Rivers, thus I intend to let Mr.
7 Ryan address the comments in his Surrebuttal Testimony. However, I do want to stress that I am in
8 agreement with Mr. Ryan that this agreement does not affect non-parties, and that the proposed
9 language could limit the parties' current ability to serve its members.

10 **Q. What is the significance of the absence of a Territorial Agreement?**

11 A. An approved Territorial Agreement is the only way two electric service providers
12 can displace competition as between them. We cannot define a competition-free area with Three
13 Rivers Electric Cooperative unless we have a Missouri Commission approved Territorial
14 Agreement. If there is no approved Territorial Agreement, then either Cooperative can serve where
15 it decides, which makes long-term planning as between the two cooperatives much more
16 challenging, increases the costs to each cooperative and its members, and increases the risk for
17 duplication of services within each cooperative's service territory.

18 **Q. Do you believe that this Territorial Agreement in total is not detrimental to the**
19 **public interest?**

20 A. Yes, I do. I do not believe there was anything in the testimony of Mr. Bax or Mr.
21 Merry that establishes sufficient facts to show that the agreement is harmful to existing or potential
22 member consumers of either Cooperative. The agreement does not affect AmerenUE or any other
23 electric service provider as provided in the statute. Furthermore, this Territorial Agreement

1 establishes parameters for each cooperative, and ensures both that the other will not serve new
2 loads in the territory of the other. Such assurances enable our planning, engineering, and
3 operational decisions to be simplified and our investments to not be driven by competition for
4 new loads. This is a cost benefit to each cooperative and their respective members.

5 **Q. Does that conclude your testimony?**

6 **A. Yes.**

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