

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

In the Matter of the Application of Union            )  
Electric Company, d/b/a Ameren Missouri,         )  
and Three Rivers Electric Cooperative,            )  
for an Order Approving a Territorial Agreement )  
in Cole and Osage Counties, Missouri            )

**File No. EO-2020-0315**

**STAFF RECOMMENDATION**

**COMES NOW** the Staff of the Missouri Public Service Commission, through counsel, and states:

1. On May 27, 2020, Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) and Three Rivers Electric Cooperative (“Three Rivers”) (collectively “Joint Applicants”), pursuant to §§ 394.190 and 394.312, RSMo and 20 CSR 4240-2.060, 20 CSR 4240-3.130(1), 20 CSR 4240-3.140(1), and 20 CSR 4240-10.105(1), filed a joint *Application for Authority to Sell or Transfer Assets and Application for Approval of a Territorial and Exchange Agreement* (“Application”).

2. Ameren Missouri is an electric corporation subject to Commission jurisdiction, as specified by §§ 386 and 393, RSMo.

3. Three Rivers is organized under § 394, RSMo to provide electric service to its members located in various Missouri counties, including Cole and Osage Counties. Rural electric cooperatives, such as Three Rivers, are subject to the Commission’s jurisdiction under § 394.312, RSMo.

4. In their Application, Joint Applicants request approval of a *Territorial and Exchange Agreement* (“Territorial Agreement”) between Ameren Missouri and Three Rivers to serve areas in Cole and Osage Counties. The Territorial Agreement is attached

to the Application as Appendix 1. Exhibit B to Appendix 1 designates by metes and bounds the boundaries of the exclusive electric service area to be transferred to Three Rivers from Ameren Missouri. Exhibits D1 through D4 designate by metes and bounds the boundaries of the exclusive electric service area to be transferred to Ameren Missouri. These areas are depicted in maps, attached to Appendix 1 as Exhibits E1 through E5.

5. On July 17, 2020, in its *Response to Order Directing Notice and Filing*, Staff stated that Ameren Missouri will not need a new certificate of convenience and necessity, because the territory it seeks to acquire is within its exclusive service territory in Cole and Osage Counties.<sup>1</sup> These areas are included within Ameren Missouri's current tariff.<sup>2</sup>

6. On July 17, 2020, the Commission ordered Staff to file its recommendation by September 18, 2020.

7. Joint Applicants state in their Application that approval of the Territorial Agreement is in the public interest, as required by § 394.312.3, RSMo, 20 CSR 4240.3.130(1)(D), and 20 CSR 4240-3.140(1)(G), because it establishes exclusive service territories for both electric suppliers; provides certainty for current customers, future customers, and the electric suppliers; minimizes duplication of utility facilities; promotes economic efficiencies; benefits public safety and community aesthetics; and reduces the possibility of future disputes.<sup>3</sup>

8. If the Commission approves the Territorial Agreement, 258 Ameren Missouri customers will be transferred to Three Rivers, and 270 Three Rivers members

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<sup>1</sup> See *Order Approving Tariffs*, In the Matter of the Application of Union Electric Company, Case No. EA-87-159 (Aug 9, 1991).

<sup>2</sup> See MO. P.S.C. Schedule No. 6, Original Sheet No. 13 and MO. P.S.C. Schedule NO. 6 Original Sheet No. 35.

<sup>3</sup> Application at ¶¶ 14, 18.

will be transferred to Ameren Missouri. Ameren Missouri customers to be transferred to Three Rivers are listed in Exhibit A2, attached to Appendix 1. Three Rivers members to be transferred to Ameren Missouri are listed in Exhibit C, attached to Appendix 1. Paragraph 15 of the Application describes the notice and customer outreach Ameren Missouri and Three Rivers conducted to prepare customers and members for this transition.

9. According to the terms of the Territorial Agreement, property will be exchanged and Ameren Missouri seeks an order authorizing it to sell, transfer, and otherwise dispose of a portion of its franchise, works, or system to Three Rivers. Ameren Missouri facilities to be transferred to Three Rivers is described in Exhibit A1, attached to Appendix 1. Property that Ameren Missouri will retain is described in Exhibit F.

10. Joint Applicants state that the asset transfer is not detrimental to the public interest, pursuant to 20 CSR 4240-10.105(1)(D), because it will promote a more seamless transition of customers from one electric supplier to another and for the same reasons approval of the Territorial Agreement is not detrimental to the public interest.<sup>4</sup>

11. Regarding the not detrimental to the public interest standard, the Commission has stated:

In considering whether or not the proposed transaction is likely to be detrimental to the public interest, the Commission notes that its duty is to ensure that [a utility company] provides safe and adequate service to its customers at just and reasonable rates. A detriment, then, is any direct or indirect effect of the transaction that tends to make the [provision of that utility's service] less safe or less adequate or which tends to make rates less just or less reasonable. The presence of detriments, thus defined, is not conclusive to the Commission's ultimate decision because detriments can be offset by attendant benefits. The mere fact that a proposed transaction is not the least cost alternative or will cause rates to increase is

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<sup>4</sup> Application at ¶¶ 21, 24.

not detrimental to the public interest where the transaction will confer a benefit of equal or greater value or remedy a deficiency that threatens the safety or adequate of the service.<sup>5</sup>

12. As further explained in its Exhibit A to this pleading, Staff finds that the Territorial Agreement will prevent future duplicative service, will allow electric service customers in the areas to know with certainty their supplier, and allow Applicants to plan for future growth. Applicants have sufficient facilities to provide reliable electric service within their respective exclusive service territories, as described in the Territorial Agreement, and to serve additional customers or members in their respective proposed exclusive service areas.

13. For these reasons, approval of the Territorial Agreement is not detrimental to the public interest, and Staff recommends that it be approved.

14. Additionally, Staff finds that Ameren's transfer of assets to Three Rivers is not detrimental to the public interest and recommends that it be approved.

15. Staff conducted no analysis of how this transfer will affect Ameren Missouri's rates. For this reason, Staff recommends that the Commission take no position at this time regarding ratemaking and order that any affect this transaction has on rates will be considered in Ameren Missouri's next general rate case.

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<sup>5</sup> *Report and Order*, In the Matter of the Application of Confluence Rivers Utility Operating Company, Inc. for Authority to Acquire Certain Water and Sewer Assets and for a Certificate of Convenience and Necessity, Case No. WA-2019-0299 (Aug 26, 2020), P. 19 (quoting *Order On Rehearing*, In the Matter of the Application of Union Electric Company, Doing Business as AmerenUE, for an Order Authorizing the Sale, Transfer and Assignment of Certain Assets, Real Estate, Leased Property, Easements and Contractual Agreements to Central Illinois Public Service Company, Doing Business as AmerenCIPS, and, in Connection Therewith, Certain Other Related Transactions, Case No. EO-2004-0108 (Feb 10, 2005), P. 48-49).

16. In their Application, Applicants request a waiver of the 60-day notice requirement of 20 CSR 4240-4.017(1).<sup>6</sup> Applicants verified that in the prior 150 days they had no Commission communication regarding any issue likely to be substantive in this case. Staff does not oppose Applicants' request for this waiver.

**WHEREFORE**, Staff recommends that the Commission approve the Application of Ameren Missouri and Three Rivers as well as their Territorial Agreement.

Respectfully Submitted,

**/s/ Karen E. Bretz**

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**CERTIFICATE OF SERVICE**

I certify that a copy of the foregoing was served via e-mail on counsel for the parties of record to this case on this 18th day of September, 2020.

**/s/ Karen Bretz**

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<sup>6</sup> Application at ¶ 11.

## MEMORANDUM

**TO:** Missouri Public Service Commission Official Case File  
Case No. EO-2020-0315

**FROM:** Alan J. Bax, Associate Engineer, Engineering Analysis Department

/s/ Claire M. Eubanks, PE 9/18/2020      /s/ Karen Bretz 9/18/2020  
Engineering Analysis Manager / Date      Staff Counsel's Office / Date

**SUBJECT:** Staff Memorandum Recommending Approval of Application

**DATE:** September 18, 2020

### STAFF RECOMMENDATION

The Staff of the Missouri Public Service Commission (“Staff”) recommends that the Missouri Public Service Commission (“Commission”) approve the Joint Application (“Application”) of Union Electric Company d/b/a Ameren Missouri (“Ameren Missouri”) and Three Rivers Electric Cooperative (“Three Rivers”), referenced together as the Applicants, authorizing a Territorial and Exchange Agreement (“TEA”) between Ameren Missouri and Three Rivers in Cole and Osage Counties, Missouri, concluding that approval of the TEA is not detrimental to the public interest pursuant to 20 CSR 4240-2.060, 20 CSR 4240-3.130-(1)(A) to (E), 20 CSR 4240-3.140-(1)(A) to (I), 20 CSR 4240-10.105-(1)(A) to (F) and Sections 393.106.2, 393.190.1, 394.312 and 394.315.2, RSMo (2016). The Application includes a request to approve an exchange of customers/members between the Applicants, as well as an associated sale, transfer or otherwise disposition of assets between the Applicants. In Staff’s opinion, the proposed TEA is not detrimental to the public interest as it enhances the use and efficiency of existing facilities of both Ameren Missouri and Three Rivers in the affected areas identified in the Application. The TEA also will allow for improved planning of the installation of facilities associated with the

anticipated future growth to be constructed in the affected areas. This results in a reduction in the duplication of electrical facilities in these areas, which will reduce the Applicants' future operation and maintenance expenses and also provide an additional level of safety to current and prospective customers/members.

### **OVERVIEW**

On October 9, 2019, Ameren Missouri filed a sixty day notice, per 20 CSR 4240-4.017(1), in Case No. EO-2020-0101, of its intent to submit a joint application with Three Rivers requesting approval of a territorial agreement for electric service provided to certain customers in Cole County, Missouri. The Commission closed this case on April 7, 2020 because more than 180 days passed since Ameren Missouri filed its sixty day notice. The Commission opened a new docket, which is Case No. EO-2020-0315.

On May 27, 2020, the Applicants filed their *Application for Authority to Sell or Transfer Assets and Application for Approval of a Territorial and Exchange Agreement* ("Application") in Case No. EO-2020-0315. In the Application, Ameren Missouri seeks an order authorizing it to sell, transfer, and otherwise dispose of a portion of Ameren Missouri's franchise, works, or system to Three Rivers. The Applicants jointly seek an order authorizing transfer of 270 Three Rivers members to Ameren Missouri and transfer of 258 Ameren Missouri customers to Three Rivers. Additionally, the Applicants seek an order establishing exclusive service territories for themselves in portions of Cole and Osage Counties in Missouri.

In support, Ameren Missouri asserts, in part, that the Application establishes exclusive service territories within this geographic area that will prevent further duplication of electric service facilities, will result in economic efficiencies and reduce future operations and maintenance

expenses, as well as improve public safety and community aesthetics. In addition, Ameren Missouri believes that the equipment identified to be exchanged between the Applicants will promote a more seamless exchange of the customers/members identified to be transferred and the resultant value of the exchanged equipment will be relatively equal.

On June 11, 2020, the Commission issued an *Order Directing Notice and Filing* in which it established a deadline of July 10, 2020 for intervention<sup>1</sup> and ordered Staff to provide a date by which it would file a Recommendation by July 17, 2019. Staff was to also address whether a new Certificate of Convenience and Necessity (“CCN”) would be required.

On July 17, 2020, Staff filed its response indicating that the Staff Recommendation would be filed by September 18, 2020. Staff also stated that a new CCN would not be necessary as the legal description of the areas identified in the Application were verified as being currently included within the exclusive service territory of Ameren Missouri in Cole and Osage counties.<sup>2</sup> Additionally, these areas are reflected in Ameren Missouri’s current Schedule for Rates of Electricity tariff by the Public Land Survey System designations.<sup>3</sup>

Ameren Missouri is a Missouri corporation that provides electric and gas utility service to approximately 1.2 million electric service customers and approximately 130,000 gas service customers in Missouri. Ameren Missouri is current on all assessment fees and annual report filings. The Staff is not aware of any other matter before the Commission that affects or is affected

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<sup>1</sup> No Applications to Intervene were received.

<sup>2</sup> See *Order Approving Tariffs*, In the Matter of the application of Union Electric Company, Case No. EA-87-159 (Aug 9, 1991).

<sup>3</sup> MO. P.S.C. Schedule No. 6, Original Sheet No. 13 and MO. P.S.C. Schedule No. 6 Original Sheet No. 35.



by this filing; nor is Staff aware of any pending or final unsatisfied decisions against Ameren Missouri for any state or federal court involving customer service or rates within the last three years of the date of filing this Application.

Three Rivers is a rural electric cooperative that provides electricity and related services to approximately 21,000 members in Cole, Miller, Franklin, Gasconade, Maries, Moniteau, and Osage Counties located in Missouri. As a rural electric cooperative, Three Rivers is not required to file annual reports or pay assessment fees.

## **DISCUSSION**

### **CUSTOMER/MEMBER OUTREACH EFFORTS**

The Applicants communicated with the customers/members identified to be transferred in various forums. A copy of the Applicants' customer/member notices were included with the Application in Appendix 7. Included in these notices was an invitation to potentially affected customers/members to participate in an upcoming meeting in which the Applicants would more thoroughly explain the anticipated completion of the terms contained in a prospective territorial agreement and a time frame to file this document with the Commission. In this meeting, held February 12, 2020, current customer/members of the Applicants who would likely be affected by the Application were shown maps that illustrated the geographic areas that the Applicants intended to designate as exclusive service areas and displayed the current facilities that were anticipated to be purchased, assigned or otherwise transferred between the Applicants in conjunction with the associated proposed list of customers/members identified to switch electric service providers. The existing duplication of facilities was highlighted by the Applicants.

Also at this meeting, each interested customer/member proposed to be switched was provided the opportunity to seek a summary of their billing from up to the last twelve billing cycles along with an estimated calculation of the expected charges they would have incurred if receiving service by the other electric service provider during the billing periods analyzed. Potential rate impacts will vary depending on individual customer/member usage patterns along with other factors. As an example, an Ameren Missouri customer might see a bill of \$100 dollars in the summer or \$80 dollars in the winter while the same Three Rivers customer might see a bill of approximately \$75 during both periods. However, neither bill example includes a complete bill analysis, which includes other charges such as the customer charge, Missouri Energy Efficiency Investment Charge, Fuel Adjustment Charge, etc. Nearly all current members of Three Rivers attending this meeting expressed their opposition to any agreement that included their transfer to Ameren Missouri. Alternatively, few current Ameren Missouri customers expressed a desire to stay with Ameren Missouri, regardless of the resultant estimates provided concerning a comparison of bill charges.

Another letter was circulated on July 10, 2020 to potential customers/members identified to be transferred. This letter noted the previous letters distributed in October 2019 and again in January/February 2020 in addition to the meeting held in February. The Applicants reiterated their encouragement for customers/members to contact them and to file Public Comments with the Commission if desired. The Applicants also again communicated why they were seeking approval for such an agreement having filed the TEA with the Commission.

The Applicants encouraged their customers/members to provide feedback to the Commission. Most public comments received are from current members of Three Rivers who

oppose being transferred to Ameren Missouri. Three Rivers members widely anticipate higher rates if transferred to Ameren Missouri and are concerned about losing their “local voice” along with losing certain benefits offered by Three Rivers, such as college scholarships and capital credits. Despite the Applicants’ assertion that approval of the TEA will result in improved reliability, current Three Rivers members also expressed anxiety that transfer to Ameren Missouri would mean receiving less reliable electric service.

### **TERRITORIAL AND EXCHANGE AGREEMENT**

The predominant areas of focus were the Village of Wardsville and the nearby vicinity (“Wardsville”) and the Rock Ridge/Frog Hollow area (“Frog Hollow”) located in Cole County.<sup>4</sup> A goal of the Applicants was to equalize the load associated with the proposed list of customers/members to be transferred, along with reducing the duplication of facilities that exists in these two areas. The current load split in the Wardsville area is approximately 60% served by Three Rivers and 40% served by Ameren Missouri. Three Rivers is currently the dominant electric service provider in Wardsville, and its facilities in this area are capable of providing a greater level of reliability in the future as compared to the current Three Rivers’ facilities in Frog Hollow. This led to the Applicants’ suggesting a transfer of the existing Three Rivers members in the Frog Hollow area in exchange for the current Ameren Missouri customers in the Wardsville area and further to propose identifying the Wardsville area as being an exclusive service of Three Rivers and the Frog Hollow area as an exclusive service territory of Ameren Missouri.

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<sup>4</sup> The Rock Ridge/Frog Hollow Area encompasses the area along and on either side of State Hwy 179 near Mission Drive, an area that includes the new Capital City High School and Saint Mary’s Hospital.

Regarding the Frog Hollow area, Ameren Missouri currently has three substations in the greater area and Three Rivers has one. In contemplating the expected growth in the Frog Hollow area in the coming years, Three Rivers would need to infuse a significant investment in the existing infrastructure to enable serving the anticipated load growth in this area. With only one substation, Three Rivers is disadvantaged in preparing plans for this forecasted growth as compared to Ameren Missouri.

Moreover, given Ameren Missouri's franchise agreement with the City of Jefferson, and the anticipation that the expected new load growth in the Frog Hollow area could be annexed into the city limits, Three Rivers may not be able to provide electric service to the new load even if it made the necessary capital investments in upgrading its Frog Hollow facilities. Hence, the Applicants subsequently determined that it would be advantageous for Three Rivers to transfer its existing members and facilities in this area to Ameren Missouri, not only to reduce the duplication of facilities that exist currently, but also to eliminate duplication of capital investments that would be needed to address the anticipated load growth. Thus, in proposing the exclusive service territories as defined in the TEA, along with the accompanying transfer of existing customers/members and associated facilities, the Applicants will more efficiently use their existing systems. The Applicants' proposal will also improve their effectiveness of future planning of anticipated growth in these areas, such as the Applicants' noting their expectation of experiencing a reduction in future operation and maintenance expenses, and will result in reducing an otherwise additional level of duplication of electric facilities.

As noted previously, the Applicants have continually maintained that the proposed exchange of assets included in the Application, and as more distinctly described in the Responses

to Staff Data Request Nos 1 and 2, will be essentially equal in value when the customer/member transfer is completed. The list of assets includes associated poles, conductors, transformers, fusing, and switching equipment that is utilized in the Applicants' provision of electric service currently being provided to the corresponding customers/members. An exact list of assets will not be known until the actual transfer of customers/members occur. The Applicants also included a projected impact of the tax implications of the forecasted exchange of assets in conjunction with its filing of the TEA.

Additional feedback provided to the Commission was in conjunction with current net metering customers of Ameren Missouri. In their respective responses to Staff Data Requests No. 7 and 9, Ameren Missouri and Three Rivers acknowledge that there are currently four Ameren Missouri customers on net metering proposed to be transferred to Three Rivers. No current Three Rivers members identified for transfer to Ameren Missouri participate in net metering or other program. Three Rivers has indicated it will honor any credits associated with these four customers and will not assess any initial meter charges upon transfer.

### **CONCLUSION**

Staff recommends the Commission determine that the Application, requesting approval of the "Territorial and Exchange Agreement" between Ameren Missouri and Three Rivers, is not detrimental to the public interest, pursuant to 20 CSR 4240-2.060, 20 CSR 4240-3.130-(1)(A) to (E), 20 CSR 4240-3.140-(1)(A) to (I), 20 CSR 4240-10.105-(1)(A) to (F) and Sections 393.106.2, 393.190.1, 394.312 and 394.315.2, RSMo (2016). Therefore, Staff further recommends that the Commission approve Ameren Missouri and Three Rivers request to establish exclusive electric service areas in Cole and Osage Counties in Missouri, as described in the Application, along with

the transfer of certain existing customers/members and associated sale, transfer or otherwise disposition of a portion of their assets. This Agreement will make the best use of existing facilities in the locations affected and allow removal of duplicative electrical facilities as a result. This should improve reliability in the affected areas and reduce the Applicants' future operation and maintenance expenses as proffered by Applicants. Staff did not conduct an analysis of how this transfer of customers/members and associated assets will affect Ameren Missouri's rates. Staff recommends the Commission include in its Order that no rate-making treatment is being requested or analyzed in approving this transaction and that any effect this transaction may have on Ameren Missouri's rates will be considered within the context of the next general rate case proceeding.

