

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. EO-2007-0104, Transfer of Electric Service for Wakonda State Park

FROM: Dan Beck, Engineering Analysis Section of the Energy Department

/s/ Warren Wood 10-20-06 /s/ Nathan Williams 10-20-06
Utility Operations/Date General Counsel's Office/Date

SUBJECT: Staff Recommendation

DATE: October 20, 2006

On September 15, 2006 Union Electric Company, d/b/a AmerenUE (AmerenUE) and Lewis County Rural Electric Cooperative Association (Cooperative) filed a Joint Application for change of electric service provider for the Wakonda State Park (Park) which is located in Northeast Missouri near LaGrange.

The Park has several structures that are currently served by AmerenUE. This Park is located in the service territory of the Cooperative as defined by the territorial agreement between AmerenUE and the Cooperative in Case No. EO-2000-0630. However, since the Park was an existing customer of AmerenUE prior to the territorial agreement, AmerenUE continued to serve the existing customers in the Park. However, the Missouri Department of Natural Resources now desires for new facilities to be added and therefore the Parties have proposed to make the Cooperative the supplier for both the existing customers and any new customers in the Park.

The Application states that AmerenUE will sell part of the distribution system that is located in the Park to the Cooperative but AmerenUE will maintain possession of the transformers and revenue meters. The Application states several benefits that will result from this including avoiding duplicative facilities, cost savings by the Cooperative reusing part of the distribution system that it will purchase from AmerenUE, having a single supplier to the Park which could reduce confusion during an emergency and possible improvements in reliability of service to the Park since it is currently radially fed but will be integrated into the Cooperative's system.

This Application would ultimately result in an exchange of assets. AmerenUE's existing distribution system is made up of both overhead and underground lines and poles would not be reused by AmerenUE, even if these items were removed and removal would require additional man-hours to remove and then reinstall new lines in the exact same place for part of the area in question, which would be an extra cost to both AmerenUE and the Cooperative. AmerenUE's additional cost for removal would not be offset by any salvage value of the lines and poles. Transformers and meters, on the other hand, are often reused and therefore should be retained by AmerenUE. Staff maintains that the Commission should explicitly recognize the transfer of these assets but no ratemaking treatment should be determined at this time.

Section 393.3106.2, RSMo. states that a change of supplier should be granted for reasons other than rates. The Staff has reviewed the application and recommends approval of the change of electric service provider. With a change in electric supplier, the Park will be served by the Cooperative and this should provide these customers with service that is both safe and reliable. It is the opinion of the Staff that authorizing a change of the electric supplier is in the public interest. However, Staff also requests that the Commission explicitly recognize the transfer of the existing assets from AmerenUE to the Cooperative and state that no ratemaking treatment is determined at this time. The Staff has verified that AmerenUE has filed its annual report and is not delinquent on any assessment. Staff is not aware of any other matter before the Commission that affects or is affected by this filing.