

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

In the matter of the Joint Application of)
Union Electric Company and Lewis)
County Rural Electric Cooperative for an)
order approving the change in electric)
supplier for reasons in the public interest)
and authorizing the sale, transfer, and)
assignment of certain electric distribution)
facilities and easements from Union)
Electric Company to Lewis County Rural)
Electric Cooperative Association)

Case No. EO-2007-0104

STAFF RECOMMENDATION

COMES NOW the Staff of the Missouri Public Service Commission (Staff) and, for its recommendation the Commission to approve the application for change of electric supplier and sale, transfer, and assignment of certain assets from Union Electric Company d/b/a AmerenUE (AmerenUE) to Lewis County Rural Electric Cooperative Association, states:

1. On September 15, 2006 AmerenUE and Lewis County Rural Electric Cooperative Association (Applicants) filed a Joint Application for and order approving the change in electric supplier for reasons in the public interest and authorizing the sale, transfer, and assignment of certain electric distribution facilities and easements from Union Electric Company to Lewis County Rural Electric Cooperative Association.

2. On September 21, 2006, the Missouri Public Service Commission (Commission) issued its Order and Notice and Order Directing Filing ordering Staff to file a memorandum stating Staff's recommendation with regard to the change of supplier and its reasons therefore no later than October 20, 2006. Staff's Memorandum, attached

hereto as Appendix A, recommends approving the application to change suppliers and authorize the sale, transfer, and assignment of certain electric distribution facilities and easements from AmerenUE to Lewis County Rural Electric Cooperative Association.

3. Section 393.106.2, RSMo 2000, provides, in pertinent part, “[t]he public service commission, upon application made by an affected party, may order a change of suppliers on the basis that it is in the public interest for a reason other than a rate differential.” An applicant for a change of supplier must state “[t]he reasons a change of electrical suppliers is in the public interest.” 4 C.S.R. 240-3.140(1)(G).

4. The Missouri Department of Natural Resources (MDNR) operates Wakonda State Park (the Park) which has several structures that are currently served by AmerenUE. The Park is located in the service area of the Lewis County Rural Electric Cooperative as defined in the territorial agreement between AmerenUE and the Cooperative in Case No. EO-2006-0630. AmerenUE was serving the Park prior to the territorial agreement, and AmerenUE continues to serve the structures in the Park it served before the agreement.

5. The Missouri Department of Natural Resources (MDNR) wants to add new facilities in the Park. The parties have proposed to make the Cooperative the service provider for both the new facilities and the facilities currently served by AmerenUE. AmerenUE proposes to sell part of its distribution system located in the Park to the Cooperative. AmerenUE will maintain possession of the transformers and revenue meters. MDNR does not object to the change in suppliers to the Park.

6. Applicants have stated that the benefits that would result from the proposed service transfer and sale of assets include avoiding duplicative facilities and

cost savings for the Cooperative as a result of reusing part of the distribution system purchased from AmerenUE. Applicants have also stated that having a single supplier to the Park could reduce confusion during an emergency. Applicants have also stated that a service transfer could possibly result in improved service to the Park because power is currently fed to the Park radially, but would be integrated into the Cooperative's system following the service transfer.

7. For the reasons discussed in detail in the Memorandum labeled Appendix A, Staff believes that it is in the public interest to permit the change of supplier in this case, and that the reasons for the change are other than a rate differential.

8. The Staff agrees that the proposed sale and transfer of assets is reasonable and should be approved. AmerenUE's existing distribution system, including overhead and underground lines and poles would not be reused even if removed and removal would be costly. Removal of AmerenUE's lines would also result in new lines being installed by the Cooperative in the same location. Both Applicants would realize a cost saving by allowing the existing assets to be transferred. Staff recommends that the transfer of these assets should be explicitly recognized but that no ratemaking treatment should be determined at this time.

9. Section 393.190.1 RSMo (2000) requires a public utility to obtain Commission authorization prior to the sale or transfer of any of its assets that are "necessary or useful in the performance of its duties to the public." As discussed in Appendix A, the proposed transfer of assets should be authorized because the change of suppliers should be approved. Once the change of suppliers is approved, the assets will no longer be of value to AmerenUE in the provision of service to its customers.

WHEREFORE, for the foregoing reasons discussed in detail in the Staff's Memorandum, the Staff recommends the Commission issue an Order that (1) approves Applicants' request to transfer the electric service provider to the Park from AmerenUE to the Cooperative and (2) authorizes the sale and transfer of assets proposed by the Applicants.

Respectfully submitted,

/s/ Jennifer Heintz

Jennifer Heintz

Assistant General Counsel

Missouri Bar No. 57128

Attorney for the Staff of the

Missouri Public Service Commission

PO Box 360

Jefferson City, MO 65102

(573) 751-8701 (Telephone)

(573) 751-9285 (Fax)

jennifer.heintz@psc.mo.gov

Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or electronically mailed to all parties of record this 20th day of October 2006.

/s/ Jennifer Heintz