

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 24th day
of June, 2008.

In the Matter of the Joint Application of Union Electric)
Company, d/b/a AmerenUE, and Pemiscot-Dunklin)
Electric Cooperative, Inc. for an Order Approving the)
Change in Electric Supplier for Certain Customers,)
Authorizing the Sale, Transfer and Assignment of)
Certain Electric Distribution Facilities and Easements)
from AmerenUE to Pemiscot-Dunklin Electric)
Cooperative and Approving the Territorial Agreement)
Between AmerenUE and Pemiscot-Dunklin Electric)
Cooperative in Dunklin County, Missouri.)

Case No. EO-2008-0310

**REPORT AND ORDER APPROVING JOINT
APPLICATION AND UNANIMOUS STIPULATION AND
AGREEMENT REGARDING THE JOINT APPLICATION**

Issue Date: June 24, 2008

Effective Date: July 4, 2008

Syllabus:

This order approves the Joint Application filed by Union Electric Company d/b/a AmerenUE ("AmerenUE") and Pemiscot-Dunklin Electric Cooperative, Inc. ("PDEC"). It also approves the Unanimous Stipulation and Agreement Regarding the Joint Application filed by AmerenUE, PDEC, the Staff of the Commission ("Staff"), and the Office of the Public Counsel ("OPC").

Procedural History:

On March 28, 2008, AmerenUE and PDEC submitted to the Commission a Joint Application. The joint applicants want to transfer approximately 2,700 Dunklin County structures from AmerenUE to PDEC. To accomplish such a transfer, the joint applicants

seek Commission approval of their request for a change in the electric supplier for those structures, approval for the sale of certain AmerenUE assets to PDEC, and approval of a territorial agreement between the applicants.

The Commission issued an Order and Notice on April 1 that gave proper persons until April 21 to request intervention. The Commission received no intervention requests.

On June 11, Staff filed a Recommendation. Staff recommends that the Commission approve the application without a hearing, with two conditions. The first condition would be that AmerenUE file new tariffs to reflect the changes in its service territory. The second condition would be that the Commission order that the Joint Application has no effect, explicitly or implicitly, on current rates, and any impact of the Joint Application on AmerenUE's rate base will be determined in AmerenUE's current rate case, Case No ER-2008-0318. AmerenUE, PDEC, Staff and OPC also filed a Unanimous Stipulation and Agreement Regarding the Joint Application on the same day.

Commission Rule 4 CSR 240-2.080(15) allows parties ten days to respond to pleadings. No party responded to Staff's Recommendation or to the Unanimous Stipulation and Agreement.

Findings of Fact:

Change of Supplier

The Commission has reviewed the pleadings and verified statements and finds that it would be in the public interest for a reason other than a rate differential to allow the change of suppliers. The portion of AmerenUE's territory being transferred to PDEC is an "island" for AmerenUE; it is not directly connected to AmerenUE's system. This "island," however, is completely encircled by PDEC's territory. Also, while AmerenUE does not have

a local workforce to respond to power outages, PDEC does, and is therefore more capable of timely responding to power outages. Further, the overwhelming majority of participants at a local public hearing testified that they would prefer to be served by PDEC instead of AmerenUE. Moreover, PDEC plans to construct a new substation to allow it to tap a 69 kV transmission network in the region, and to construct additional feeder circuits from the substation, which will improve the reliability of the electric service to those customers. This evidence shows that PDEC would be able to provide better customer service for these Dunklin County structures than AmerenUE would, and is a reason other than a rate differential that the transfer is in the public interest.

Asset Sale

To serve these new customers, PDEC wishes to purchase AmerenUE's entire works and system needed to serve the approximately 2,700 structures AmerenUE currently serves in Dunklin County. The value of these assets, which include some 92.61 miles of subtransmission and distribution lines, distribution systems and support equipment, is approximately \$4,100,000. The tax impact upon the school districts in Dunklin County would be approximately \$86,175. But notwithstanding the loss of tax revenue, the transaction would not be detrimental to the public interest because of the increased electrical reliability and customer service these customers would receive from PDEC.

Territorial Agreement

PDEC is a Chapter 394 electric cooperative, with its principal office at Highway 412 West, Post Office Box 657, Hayti, Missouri. It is engaged in the retail sale and distribution of electricity in rural areas in Pemiscot, Dunklin and New Madrid Counties in Missouri.

AmerenUE is an electrical corporation subject to the jurisdiction of the Commission pursuant to Chapters 386 and 393, RSMo. AmerenUE owns, operates and maintains an electric distribution system in portions of Missouri, including Dunklin County. Its principal place of business is located at One Ameren Plaza, 1901 Chouteau Avenue, St. Louis, Missouri.

In their joint application, AmerenUE and PDEC submitted a territorial agreement for the Commission's approval. The territorial agreement specifically designates the boundaries of the exclusive electric service area of PDEC, and states that AmerenUE would relinquish its service territory in Dunklin County that lies south of the City of Kennett. It further provides that the agreement does not in any way affect current or future service territories or customers served by a municipality in Dunklin County.

The Commission finds that the territorial agreement will allow AmerenUE and PDEC to avoid wasteful duplication of electric services within the affected service area. The territorial agreement will also allow customers to know with certainty the supplier of their electric service. The Commission finds that the territorial agreement is in the public interest.

Conclusions of Law:

Change of Supplier

The Commission has authority to order a change of suppliers on the basis that it is in the public interest for a reason other than a rate differential.¹ Based on the facts found by the Commission, the Commission concludes that it would be in the public interest for a reason other than a rate differential to allow the change of suppliers.

¹ Sections 393.106, 394.312 RSMo 2000.

Transfer of assets

Before AmerenUE may sell the assets it wishes to sell to PDEC, the Commission must first authorize AmerenUE to do so.² The Commission will authorize the transaction if it is not detrimental in the public interest to do so.³ Based on the facts found by the Commission, the Commission concludes that the sale of the assets listed in the application would not be detrimental to the public interest.

Territorial Agreement

The Commission has jurisdiction over territorial agreements between electric cooperatives and electrical corporations.⁴ The Commission may approve such a territorial agreement if the agreement is in the public interest. Based on the facts found by the Commission, the Commission concludes that the territorial agreement is in the public interest.

The statutory requirement to hold a hearing to determine whether a territorial agreement is to be approved is met when the opportunity for hearing is provided and no proper party requests the opportunity to present evidence.⁵ No party requested a hearing in this matter and, in fact, all parties explicitly waived their right to a hearing; thus, no hearing is necessary.

² Section 393.190, RSMo 2000.

³ Commission Rule 4 CSR 240-3.110(1)(D).

⁴ Section 394.312 RSMo 2000.

⁵ *State ex rel. Deffenderfer Enterprises, Inc. v. Public Service Comm'n of the State of Missouri*, 776 S.W.2d 494 (Mo. App. W.D. 1989).

Decision

The Commission shall approve the Joint Application with the conditions requested by Staff, and shall approve the Unanimous Stipulation and Agreement Regarding the Joint Application.

IT IS ORDERED THAT:

1. Union Electric Company d/b/a AmerenUE is authorized to sell the assets described in Exhibit B of Exhibit 1 of the Joint Application to Pemiscot-Dunklin Electric Cooperative, Inc..

2. The requested change in electric supplier for the approximately 2,700 structures in Dunklin County, Missouri, from Union Electric Company d/b/a AmerenUE to Pemiscot-Dunklin Electric Cooperative, Inc., as described in Exhibit A (Highly Confidential) of Exhibit 1 of the Joint Application is approved.

3. The designated electric service areas of Union Electric Company d/b/a AmerenUE and Pemiscot-Dunklin Electric Cooperative, Inc., as set forth in the Territorial Agreement, attached to the Joint Application as Exhibit 2, and the Territorial Agreement itself, are approved.

4. Union Electric Company d/b/a AmerenUE and Pemiscot-Dunklin Electric Cooperative, Inc., may construct, operate and/or maintain facilities in the electric service territory of the other as described in the Territorial Agreement approved in paragraph 3.

5. The Territorial Agreement shall not impair the certificates of convenience and necessity of Union Electric Company d/b/a AmerenUE, except as specifically limited by the Territorial Agreement approved in paragraph 3.

6. Union Electric Company d/b/a AmerenUE is authorized to perform in accordance with the terms of the Territorial Agreement approved in paragraph 3 and the contract for the sale of assets approved in paragraph 1, and is authorized to enter into and execute all other documents reasonably necessary and incidental to the performance of the transactions which are the subject of that contract and the Joint Application.

7. The Unanimous Stipulation and Agreement Regarding the Joint Application is approved.

8. The statutory requirement for a hearing for approval of a territorial agreement is waived by consent of all the parties.

9. Union Electric Company d/b/a AmerenUE shall file updated tariff sheets reflecting the changes to its certificated service territory no later than July 24, 2008.

10. Approval of the Joint Application has no effect, explicitly or implicitly, on the current rates of Union Electric Company d/b/a AmerenUE, and any impact of approval of the Joint Application on the rate base of Union Electric Company d/b/a AmerenUE shall be determined in the pending rate case of Union Electric Company d/b/a AmerenUE, which is Case No. ER-2008-0318.

11. This order shall become effective on July 4, 2008.

(S E A L)

BY THE COMMISSION



Colleen M. Dale
Secretary

Davis, Chm., Murray, Clayton,
Jarrett, and Gunn, CC., concur.

Pridgin, Senior Regulatory Law Judge