

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

In the Matter of the Application of Osage Valley)
Electric Cooperative for Approval of a Change)
In Electric Suppliers for Austin Powder Central)
States, LLC.)

File No. EO-2012-0119

STAFF RECOMMENDATION TO APPROVE APPLICATION

COMES NOW the Staff of the Missouri Public Service Commission (“Staff”) and, for its recommendation on the application of Osage Valley Electric Cooperative that initiated the above case, states:

1. On October 18, 2011, Osage Valley Electric Cooperative (“Osage”) filed an application requesting that the Commission approve a change in electric supplier. The requested change would make Osage the electric supplier of Austin Powder Central States, LLC (“Austin” or “Austin Powder”), located in rural Henry County near Montrose, Missouri. Austin currently receives electric service from KCP&L Greater Missouri Operations Company (“GMO”).

2. On September 26, 2011, the Commission issued an Order directing its Staff to file a recommendation on the application no later than November 17, 2011.

3. In its Memorandum, attached hereto as Appendix A, Staff, for the reasons stated therein, recommends the Commission approve the application as being in the public interest. Osage, Austin, and GMO all agree that the proposed change in electric service providers allows for the provision of electric service in the manner best suited to all parties.

4. Sections 393.106.2 and 394.315.2, RSMo Supp. 2010, state that once an electrical corporation, such as GMO, or a rural electric cooperative, such as Osage, begins supplying electric service to a structure, the corporation or cooperative has the right to continue serving that structure. However, “the 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.”

5. As Staff relates in its Memorandum, GMO provides electric service to Austin by a primary 69 kV line and a 69 kV/34.5 kV substation. Just outside of this substation is a switch pole, which is the demarcation point between GMO and Austin Powder of ownership and responsibility for maintaining their respective electrical facilities. From this switch pole Austin Powder has approximately a half mile of primary 34.5 kV line, then a substation with associated transformer and lines distributing electricity to the structures on its site. Austin Powder has concerns with meeting federal safety standards, in particular Office of Safety and Health Administration (OSHA) regulations in operating and maintaining its electrical facilities. The current electrical facilities are designed to provide high-voltage, three-phase service to a mining operation. Austin Powder is not mining and needs only a lower-voltage, single-phase secondary line service. GMO has no other customers near Austin Powder; Osage is the predominant nearby electricity supplier, and has a nearby single phase overhead distribution line. It is more economical to tap Osage’s existing line than for GMO to change its transformer to provide secondary service. Further, GMO plans to remove the existing 69 kV/34.5 kV substation and other facilities over which it is currently serving Austin Powder. If Osage serves Austin Powder, Austin Powder will no longer

need to maintain the approximately half mile of primary 34.5 kV line, substation with associated transformer and high voltage lines on its site. Therefore, changing the supplier of electricity to Austin Powder's structures from GMO to Osage is in the public interest for a reason other than a rate differential.

6. Being a cooperative organized under Chapter 394 RSMo, Osage is not required to provide annual reports or assessments to the Commission. GMO has provided the required annual reports and assessments.

WHEREFORE, the Staff recommends that the Commission approve the Application for Approval of a Change in Electric Suppliers that changes Austin's electric service provider from GMO to Osage as being in the public interest.

Respectfully submitted,

/s/ Amy E. Moore

Amy E. Moore
Legal Counsel
Missouri Bar No. 61759

Attorney for the Staff of the
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102
(573) 751-4140 (Telephone)
(573) 751-9285 (Fax)
amy.moore@psc.mo.gov

CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed with first-class postage, hand-delivered, transmitted by facsimile or electronically mailed to all counsel of record this 17th day of November, 2011.

/s/ Amy E. Moore

MEMORANDUM

TO: Missouri Public Service Commission Official Case File - No.
EO-2012-0119, Application of Osage Valley Electric Cooperative
Requesting Authorization to Change Electric Service Providers

FROM: Alan J. Bax, Energy Unit – Engineering Analysis

<u>/s/ Daniel I. Beck 11/17/11</u> Energy Unit / Date	<u>/s/ Amy E. Moore 11/17/11</u> Staff Counsel's Department / Date
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SUBJECT: Staff Recommendation to Approve Application Requesting Authorization
to Change Electric Service Providers

DATE: November 17, 2011

OVERVIEW

On October 18, 2011, Osage Valley Electric Cooperative (Osage or Cooperative) filed an Application with the Missouri Public Service Commission (Commission) seeking approval to become the electric service provider to Austin Powder Central States, LLC, (Austin Powder), for reasons other than a rate differential, in accordance with Sections 393.106 and 394.315 RSMo 2000¹ and 4 CSR 240-2.060 and 4 CSR 240-3.140. Austin Powder, a commercial business located at 1340 SW 350 Road, Montrose, Missouri, currently receives electric service from KCP&L – Greater Missouri Operations Company (GMO). Austin Powder is located in rural Henry County, Missouri, near the city of Montrose, Missouri,. Austin Powder is GMO's only customer in this area; structures near Austin Powder receive electric service from the Cooperative. Austin Powder is a primary metered customer of GMO. Austin Powder owns, and is responsible for, maintaining and/or repairing much of the equipment currently utilized in providing electric service to structures on its premises, including a shop, an office building, fuel tanks and loading docks. Austin Powder desires to exchange its current primary metered arrangement for a

¹ All references to the Missouri State Statutes are from RSMo 2000 unless otherwise noted.

more traditional secondary voltage service and believes Osage is best equipped to provide such service. GMO is not opposing this request so long as GMO is not responsible for removing any equipment that it does not own.

The Cooperative is organized under Chapter 394, RSMo 2000, to provide electric service to its members located in all or parts of seven Missouri counties, including Henry County, where Austin Powder is located. Rural electric cooperatives, such as Osage, are subject to the jurisdiction of the Commission as specified in Chapter 394 and Section 386.800. For the purpose of this case, the Cooperative is subject to the jurisdiction of the Commission under Section 394.315.2².

GMO is an electrical corporation subject to the jurisdiction of the Commission as specified, in part, by Chapters 386 and 393. GMO is authorized to provide electricity in and around the area that is the subject of this Application.

On October 18, 2011, the Commission issued an Order directing the Staff of the Missouri Public Service Commission (Staff) to file a recommendation regarding this Application by November 17, 2011.

DISCUSSION

Originally, the property in question was the site of a mining operation. The arrangement of the current electrical system, namely a primary metering arrangement, was appropriate for such a business, which required three-phase service to operate much of its machinery. A primary metered customer owns, operates and maintains much of the electric facilities utilized in its operations. In the immediate case, GMO installed a 69

² Section 394.315.2 states, in relevant part, that "...The public service commission, upon application made by an affected party, may order a change of suppliers on the basis that is in the public interest for a reason other than a rate differential, and the commission is hereby given jurisdiction over rural electric cooperatives to accomplish the purpose of this section..."

kV/34.5 kV substation, which it retained ownership of and maintained over the years. Just outside of this substation is a switch pole, which marks the demarcation point of ownership of the electric service between GMO and Austin Powder. Downstream of this switch pole, the property owner is responsible for approximately a half mile line energized at 34.5 kV as well as a substation and associated transformer. Thus, upon acquiring the property, Austin Powder became responsible for these electric facilities downstream of the aforementioned switch pole.

A recent internal safety review of the Austin Powder complex revealed possible safety concerns regarding potential compliance with federal safety protocols. Austin Powder is concerned with its ability to meet likely applicable regulations of the Office of Safety and Health Administration (OSHA). In order to address these prospective violations, it would be necessary to hire employees specializing in high voltage electricity, obtain and maintain proper training, and purchase required associated equipment or, in the alternative, retain contractors with such skills. In lieu of taking these steps, and because three-phase service is not needed in its typical operation, Austin Powder would prefer the installation of a more traditional secondary voltage electric service to ensure a safe operation.

The attached sketch illustrates the anticipated method that the Cooperative would employ in its provision of electric service should this Application be approved. Unlike GMO, the Cooperative has a nearby single-phase overhead distribution line that the Cooperative will tap and route an associated service line as shown. The intent is to install two transformer poles. Each pole will have a meter and disconnecting device attached. The first transformer will be used in the provision of electric service to the barns and

some fueling stations and loading docks. The second transformer will be used in providing electric service to the office building and some other fueling stations and loading docks. The new service would be a more typical 120/240 Volt, 200 Amp, single-phase arrangement. The Cooperative would retain ownership and, thus, the responsibility of repair/maintenance of the new facilities installed.

GMO does not have a distribution line in this area, and it would not be economically feasible for GMO to retrofit the existing 69 kV-34.5 kV substation to accommodate a secondary service for this single customer. GMO would prefer to allow the Cooperative to provide electric service to Austin Powder and intends to remove its existing 69 kV-34.5 kV substation, associated conductors, and associated metering equipment installed on the switch pole. Austin Powder would be responsible for removal of any facilities downstream of the switch pole.

STAFF RECOMMENDATION

The Staff believes that the Application requesting a change in Austin Powder's electric service providers from GMO to the Cooperative should be approved as being in the public interest for reasons other than a rate differential as required in Sections 393.106.2 and 394.315.2, and 4 CSR 240-3.140 (1) (G). The day-to-day operation of Austin Powder does not require three-phase power or the higher power demands for which this property was initially developed. Being a primary metered customer was advantageous in the operation of a mine. However, the question of safety and/or cost in replacing, repairing, and maintaining the associated equipment utilized in the provision of service is not beneficial to either Austin Powder or GMO. It is much more desirable to have a more typical secondary service installed and utilized for the provision of electric

service. This new secondary service is most advantageously supplied in this case by the Cooperative as GMO does not have a single-phase distribution line in the area. Austin Powder, GMO and the Cooperative have all supplied notarized documents expressing their approval of the Cooperative becoming Austin Powder's electric service provider. Hence, the Staff recommends that the Commission issue an order approving the Application authorizing a change in Austin Powder's electric service providers from GMO to the Cooperative.

The Cooperative is not required to file annual reports or pay assessment fees with the Commission. Further, it does not have pending or final unsatisfied decisions against it from any state or federal court involving customer service or rates within three years of the date of this filing.

GMO is current on its required annual report filings and assessment fees. The Staff is not aware of any other matter before the Commission that affects or is affected by this filing.

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AFFIDAVIT OF ALAN J. BAX

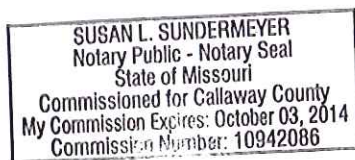
STATE OF MISSOURI)	
) ss	
COUNTY OF COLE)	

Alan J. Bax, of lawful age, on oath states: that he participated in the preparation of the foregoing Staff Recommendation in memorandum form, to be presented in the above case; that the information in the Staff Recommendation was given by him; that he has knowledge of the matters set forth in such Staff Recommendation; and that such matters are true to the best of his knowledge and belief.



Alan J. Bax

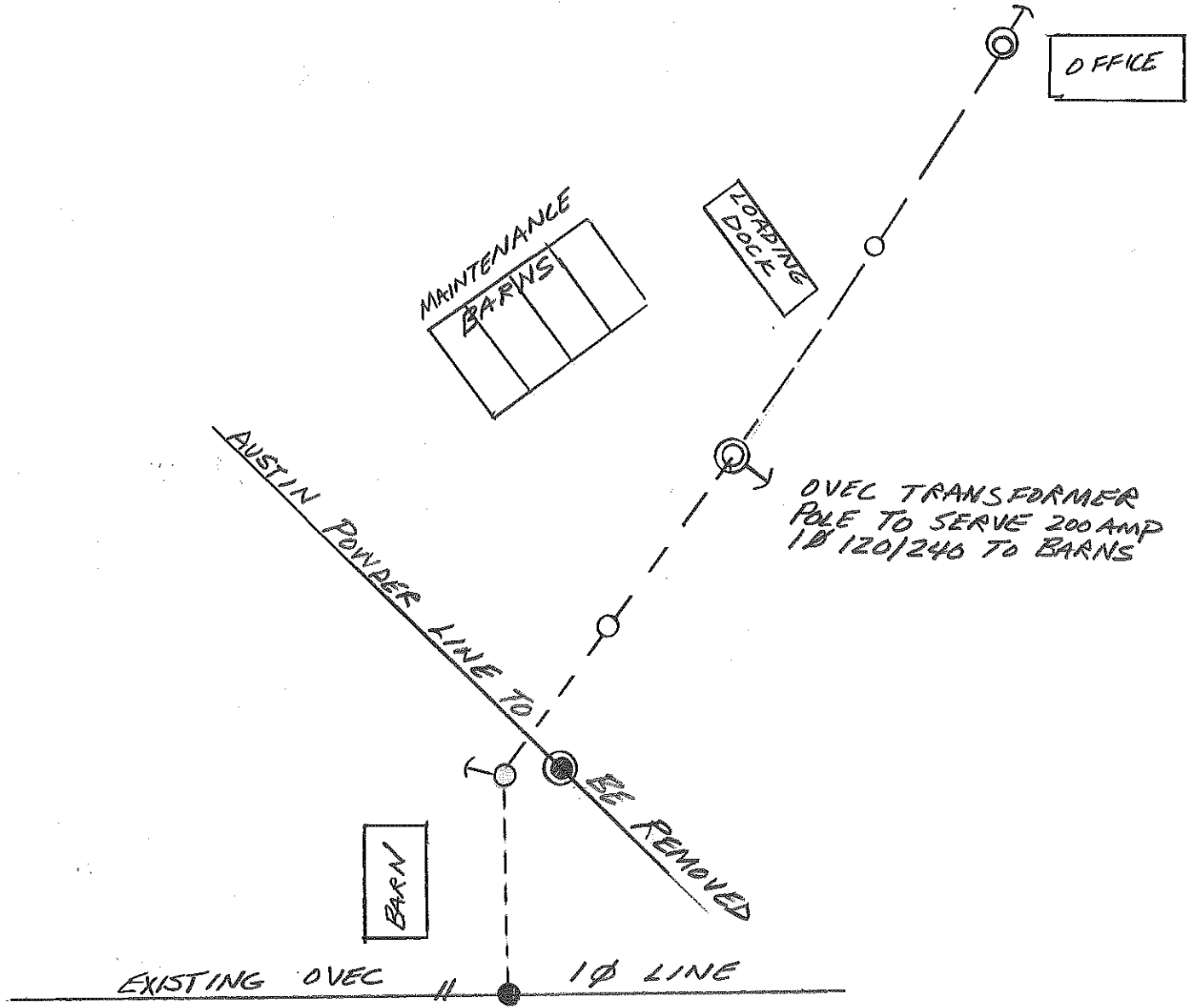
Subscribed and sworn to before me this 17th day of November, 2011.





Notary Public

PROPOSED ROUTE MAP



LEGEND

- NEW OVEC POLE
- ⊙ NEW OVEC TRANSFORMER POLE
- EXISTING POLE
- PROPOSED ROUTE
- └ GUY & ANCHOR

10/25/11
 DWG. BY DELBERT BYBEE
 NOT TO SCALE