STATE OF MISSOURI PUBLIC SERVICE COMMISSION JEFFERSON CITY

August 13, 1997

CASE NO: EO-97-493

Patrick A. Baumhoer, Victor S. Scott, Andereck, Evans, Milne, Peace & Baumhoer, 305 E. McCarty St., P.O. Box 1438, Jefferson City, MO 65102-1438

William B. Bobnar, Attorney at Law, Union Electric Company, 1901 Chouteau, P.O. Box 149 (MC 1310). St. Louis, MO 63166

Ronald W. Loesch, District Manager, Union Electric Company, P.O. Box 38, Mexico, MO 65265

Enclosed find certified copy of ORDER in the above-numbered case(s).

Sincerely,

Cecil I. Wright
Executive Secretary

Ceil July 10

Uncertified Copy:

Office of the Public Counsel, P.O. Box 7800, Jefferson City, MO 65102

Byron L. Jahn, General Manager, Consolidated Electric Cooperative, P.O. Box 540, Mexico, MO 65265

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI



In the Matter of the Application of Union Electric Company and Consolidated Electric Cooperative for Approval of a Written Territorial Agreement Designating the Boundaries of Each Electrical Service Supplier Within Portions of Audrain, Monroe and Randolph Counties, Missouri.

Case No. E0-97-493

REPORT AND ORDER

Issue Date:

August 13, 1997

Effective Date:

August 26, 1997

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

| In the Matter of the Application of Union Electric Company and Consolidated Electric Cooperative for Approval of a Written Territorial Agreement Designating the Boundaries of Each Electrical Service Supplier Within Portions of Audrain, Monroe and Randolph Counties, Missouri. |))) Casa No. E0-97-493)) |
|---|------------------------------|
| Counties, Missouri. |) |

APPEARANCES

William B. Bobnar, Attorney, and Ronald K. Evans, Attorney, Union Electric Company, 1901 Chouteau Avenue, Post Office Box 66149 (MC 1310), St. Louis, Missouri 63166, for Union Electric Company.

<u>Victor S. Scott</u>, Andereck, Evans, Milne, Peace & Baumhoer, 301 East McCarty Street, Post Office Box 1280, Jefferson City, Missouri 65102, for Consolidated Electric Cooperative.

<u>Lewis R. Mills, Jr.</u>, Deputy Public Counsel, Office of the Public Counsel, Post Office Box 7800, Jefferson City, Missouri 65102, for the Office of the Public Counsel and the public.

<u>David Woodsmall</u>, Senior Counsel, Missouri Public Service Commission, Post Office Box 360, Jefferson City, Missouri 65102, for the staff of the Missouri Public Service Commission.

ADMINISTRATIVE

LAW JUDGE:

Gregory T. George.

REPORT AND ORDER

Procedural History

On May 7, 1997, Union Electric Company (UE) and Consolidated Electric Cooperative (Cooperative), hereinafter referred to jointly as Applicants, filed a joint application under Sections 394.312 and 416.041.3,

RSMo 1994, requesting approval of a territorial agreement between UE and Cooperative. Specifically, Applicants request that the Commission find that the electric service areas designated in the agreement are not detrimental to the public interest. Applicants further request that the Commission authorize them to perform in accordance with the terms and conditions of the territorial agreement and that the Commission find that the territorial agreement shall not impair UE's certificates of convenience and necessity except as specifically limited by the agreement.

On May 15, the Commission issued an Order and Notice which included notice provisions for the areas affected and an intervention date of June 2. No one filed an application to intervene. The Commission held an evidentiary hearing on July 18. The territorial agreement filed on May 7 and submitted as Exhibit 3 at the hearing on July 18 is attached to this order as Attachment A, and the exhibits described in the territorial agreement are incorporated by this reference as if fully set out.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact.

Mr. Ronald Loesch, manager of the Little Dixie and Green Hills Districts of Union Electric Company, filed direct testimony and surrebuttal testimony on behalf of UE. Mr. Byron Jahn, General Manager for Consolidated Electric Cooperative, filed direct testimony and surrebuttal testimony on behalf of the Cooperative. Mr. B.J. Washburn filed rebuttal

¹ All statutory references are to the Revised Statutes of Missouri, 1994, unless otherwise indicated.

testimony on behalf of the Staff of the Missouri Public Service Commission (Staff). All parties to this case, including the Office of the Public Counsel (Public Counsel), support approval of the application and territorial agreement which sets forth the exclusive service territories of UE and Cooperative in portions of Audrain, Monroe and Randolph Counties.

UE witness Mr. Ronald Loesch recommended approval of the application and territorial agreement. He testified the agreement will prevent duplication of facilities by UE and Cooperative, it will promote more efficient use of existing resources through improved planning, it will provide the public with more certainty as to service issues, and it will promote safe service at reasonable cost. According to Mr. Loesch, the agreement provides for the electric service area of UE as all of Randolph County, the portion of Monroe County described in Exhibit 3 to the agreement, and the portion of Audrain County described in Exhibit 5 to the agreement. He stated that each party to the agreement is permitted to construct appropriate facilities wherever necessary to provide reliable electric service to their respective areas.

Mr. Loesch emphasized the territorial agreement does not provide for the exchange of any customers or facilities. Each party shall have the exclusive right to furnish electric service to all of the new structures located in its respective service area, and each party shall have the right to continue to serve those existing structures located in the electric service area of the other party which it is serving on the effective date of the agreement. Mr. Loesch outlined the agreement's list of exceptions to the exclusive service areas: the cooperative will continue to serve existing structures and the expansion of existing structures located completely on the properties of Spartan Light Metal Products, Cerro Copper,

and eight listed subdivisions or developments. UE will continue to serve the three subdivisions listed in the agreement.

Mr. Loesch further testified the agreement sets forth the procedure for establishing a service area boundary in the event, albeit remote, that the incorporated communities of Paris or Monroe City should cease to operate their municipal electric systems and if UE should purchase those systems. He confirmed that the territorial agreement does not affect other electric suppliers which are not parties to the agreement, so the boundary lines are not impacted by boundaries of territorial agreements made between other parties.

Cooperative witness Mr. Jahn recommended approval of the territorial agreement which provides for existing customers to remain with their current suppliers. Mr. Jahn testified the agreement advances the public interest by avoiding wasteful duplication of facilities, by providing the public with more certainty as to which service provider they should call for service issues, and by promoting the safety of both the public and the employees of the service providers. He testified this agreement, like other territorial agreements, will have no effect on the service rights of other electric providers which are not parties to the agreement. Therefore, since Consolidated has agreed not to serve in any portion of Randolph County, Consolidated is not concerned about territorial agreements between UE and other providers which contain different boundary lines and which limit UE to specified portions of Randolph County.

According to Mr. Jahn the new structure addendum procedure provided in the agreement is similar to other addendum procedures approved by the Commission. The addendum procedure stated in the agreement allows the parties to agree on a case-by-case basis to allow a new structure to

receive service from one party even though the structure is located in the service area of the other party. Section 9 of the agreement provides that if no pleading in opposition to the addendum is filed with the Commission, then the addendum is deemed approved by the Staff and by Public Counsel. If a pleading in opposition to the addendum is filed, then the case will proceed to an evidentiary hearing similar to other cases decided by the Commission.

Staff Witness Washburn recommended approval of the application and territorial agreement which he believes will lessen future duplication of facilities and allow both suppliers to plan their distribution systems in a rational manner. Mr. Washburn testified that although the territory of the agreement overlaps with boundary lines in agreements between other parties, this overlap does not present a problem because this agreement will have no effect on the service rights of other providers in the area which are not parties to this agreement pursuant to Section 394.312.5. He testified the maps and metes and bounds description of the agreement specifically designate the boundary between UE and Consolidated.

Applicants' addendum procedure is similar to the procedure approved by the Commission in <u>Union Elec. Co. and Black River Elec. Coop.</u>

Inc., Case No. EO-95-400 (Report and Order, Mar. 22, 1996) and in <u>Grundy Elec. Coop.</u>, Farmers Elec. Coop., and Northwest Mo. Elec. Coop., Case No. EO-96-188 (Report and Order, Mar. 19, 1996). Section 9 of Applicants' proposed territorial agreement provides the parties may agree on a case-by-case basis by addendum filed with the Commission to allow a structure to receive service from one party although the structure is located in the service area of the other party. Nevertheless, if neither Staff nor Public

Counsel submits a pleading objecting to the addendum within forty-five (45) days, the addendum is deemed approved by the aforesaid parties.

Based on the evidence, the Commission finds that Applicants' territorial agreement in total is not detrimental to the public interest because it will prevent duplication of facilities, it will promote efficiency and safety, it will reduce customer confusion, and it will allow both suppliers to plan their distribution systems in a rational manner. The Commission finds that the Applicants' territorial agreement should be approved. The Commission further finds that the territorial agreement shall not impair UE's certificates of convenience and necessity except as specifically limited by the agreement.

Conclusions of Law

The Missouri Public Service Commission has reached the following conclusions of law.

The Missouri Public Service Commission has jurisdiction over the matters at issue in this application pursuant to Sections 394.312 and 416.041.3.

The Commission may approve a territorial agreement if the agreement in total is not detrimental to the public interest. § 394.312.4.

Pursuant to Section 394.312.5, Commission approval of a territorial agreement does not affect or diminish the rights and duties of any supplier not a party to the agreement or electrical corporation authorized by law to provide service within the territory designated in the territorial agreement.

IT IS THEREFORE ORDERED:

- 1. That the territorial agreement filed by Union Electric Company and Consolidated Electric Cooperative on May 7, 1997, and submitted at the hearing on July 18, 1997, be, and is hereby, approved, and the Applicants are authorized to perform in accordance with the terms and conditions of the territorial agreement attached to this Report and Order as Attachment A, with the exhibits to the territorial agreement incorporated by this reference as if fully set out.
- 2. That this Report And Order shall become effective on August 26, 1997.

BY THE COMMISSION

Cecil July 10

Cecil I. Wright
Executive Secretary

(SEAL)

Zobrist, Chm., Crumpton, Drainer, Murray and Lumpe, CC., concur.

Dated at Jefferson City, Missouri, on this 13th day of August, 1997.

Exhibit No.:

Issues: Territorial Agreement

Witness: Ronald Loesch

Type of Exhibit: JOINT

Sponsoring Party: Union Ele

Union Electric Co. and Consolidated Electric

Cooperative

Case No.: E0-97-493

TERRITORIAL AGREEMENT

between

UNION ELECTRIC COMPANY

and

CONSOLIDATED ELECTRIC COOPERATIVE

April 25, 1997

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(this 1/18/91 Case No. 60-97-493

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Attachment A
Page 1 of 14 pages

TERRITORIAL AGREEMENT

THIS AGREEMENT is entered into between Union Electric Company, hereinafter referred to as "Company", and Consolidated Electric Cooperative, hereinafter referred to as "Cooperative".

WHEREAS, Company is authorized by law to provide electric service within the State of Missouri, including portions of Audrain, Monroe, and Randolph Counties; and

WHEREAS, Cooperative is authorized by law to provide electric service within the State of Missouri, including portions of Audrain, Monroe, and Randolph Counties; and

WHEREAS, Section 394.312 RSMo. authorizes electrical corporations and rural electric cooperatives to enter into written territorial agreements; and

WHEREAS, Company and Cooperative desire to promote the orderly development of the retail electric service within portions of Audrain, Monroe, and Randolph Counties, Missouri, to avoid wasteful duplication and to minimize disputes which may result in higher costs in serving the public.

NOW, THEREFORE, Company and Cooperative, in consideration of the mutual covenants and agreements herein contained, agree as follows:

- 1. <u>Definitions</u> As used in this Agreement:
- (a) "Company" shall mean Union Electric Company and any subsidiary or other corporate entity owned or controlled by Union Electric Company.
 - (b) "Cooperative" shall mean Consolidated Electric

Cooperative and any subsidiary or other corporate entity owned or controlled by Consolidated Electric Cooperative.

- (c) "Customer" includes any natural person, firm, association, partnership, business trust, public or private corporation, political subdivision or any agency, board, department or bureau of the state or federal government, or any other legal entity which has requested or is receiving electric service. Any customer who has requested or is receiving electric service at one structure shall be a new and different customer at each structure at which electric service has been requested.
- defined agricultural, is as an (d) "Structure" residential, commercial, industrial or other building or a mechanical installation, machinery or apparatus at which retail electric energy is being delivered through a metering device which is located on or adjacent to the structure and connected to the lines of an electrical supplier. "Structure" shall include any contiguous or adjacent addition to or expansion of an existing "Structure" shall not include a metering device or structure. customer-owned meter wiring.
- (e) "Existing Structure" shall mean any structure which receives electric energy from either party prior to the effective date of this Agreement. "Existing Structure" shall also mean any replacement of a previously existing structure, if the previously existing structure is totally removed and replaced by a structure used for the same purpose. Purpose shall be defined using the categories used in Section 1(d) above -- agricultural, residential,

commercial, and industrial.

- (f) "New Structure" shall mean any structure which did not receive electric energy from either party prior to the effective date of this Agreement. "New Structure" shall also mean any replacement of a previously existing structure that does not satisfy the definition of "Existing Structure" set forth herein.
- 2. Exclusive Right to Serve Each Party shall be entitled to continue serving those structures it was serving as of the date of this agreement, wherever those structures may be located. the effective date of this Agreement, as between the parties hereto, each shall have the exclusive right to furnish electric service to all new structures located within its respective electric service area described in paragraphs 3 and 4 of this the size of the load the regardless of Agreement, characteristics of the customer's requirements. Except as provided expressly herein, neither party may furnish, make available, render or extend electric service to new structures or for use within the electric service area of the other party, either directly, indirectly or through a subsidiary corporation or other entity controlled by the party.
- 3. Exclusive Service Area of Company The electric service area of Company under this Agreement shall be all of Randolph County as is described in Exhibit 1 to this Agreement and as shown on the map marked Exhibit 2 to this Agreement, that portion of Monroe County as is described in Exhibit 3 to this Agreement and as illustrated by the line as shown on the map marked Exhibit 4 to

this Agreement, and that portion of Audrain County as is described in Exhibit 5 to this Agreement and as illustrated by the line as shown on the map marked Exhibit 6 to this Agreement, all exhibits being incorporated herein by reference and made a part of this Agreement as if fully set out verbatim. The Company may serve within municipalities that are located in the Company's service area, pursuant to this agreement.

- 4. Exclusive Service Area of Cooperative The electric service area of Cooperative under this Agreement shall be that portion of Monroe County outside the Company's territory under this Agreement and as illustrated by the line as shown on the map marked Exhibit 4 to this Agreement, and that portion of Audrain County as is described in Exhibit 5 to this Agreement and as illustrated by the line as shown on the map marked Exhibit 6 to this Agreement, all exhibits being incorporated herein by reference and made a part of this Agreement as if fully set out verbatim. The Cooperative may serve within municipalities that are located in the Cooperative's service area, pursuant to this agreement.
- 5. <u>Non-exclusive Service Territory</u> In Audrain County, the Territorial Agreement establishes exclusive service territories for Company and Cooperative within the areas described in Exhibits 5 and 6, respectively. The Territorial Agreement has no impact on those portions of Audrain County outside the areas described in Exhibits 5 and 6.
- 6. Exceptions to Exclusive Service Territories Company and Cooperative agree to the following exceptions to exclusive service

areas set forth in Sections 3 and 4 above.

A. Company and Cooperative are supplying electric service to subdivisions, trailer parks, and developments that will be located in the other supplier's exclusive service area under this Agreement. These subdivisions, trailer parks and developments are listed in Exhibit 7 and depicted in Exhibits 7A through 7J to this Agreement, which are incorporated herein by reference and made a part of this Agreement as if fully set out verbatim. The supplier providing electric service to these subdivisions, trailer parks and developments, as designated in Exhibit 7, as of the effective date of this Agreement, shall have the exclusive right to serve any new structures located in the subdivisions, trailer parks, and developments depicted in the drawings making up Exhibit 7. Existing Structures within these subdivisions, trailer parks, and developments shall be served in accordance with the terms of this Agreement.

B. Cooperative shall have the exclusive right to serve the existing structures, any expansion of the existing structures, and any new structures located completely within the property boundaries described in Exhibit 8, for the businesses of Spartan Light Metal Products or its subsidiary, successors and assigns, and Cerro Copper or its subsidiary, successors and assigns. The Cooperative's right to serve facilities within the property boundary of the above facilities shall continue to exist regardless of the owner, so long as the facilities are used for industrial purposes, and regardless of whether the property is abandoned,

provided the property is not abandoned for over ten (10) years. For the purpose of this section, "Abandoned" shall mean the elimination of all industrial or commercial activities on the above described property.

- C. The Cooperative's exclusive right to serve as described in Section 6B shall not apply to any portion of property described in Exhibit 8 once it is sold or leased for either agricultural or residential purposes.
- 7. Location of a Structure The location of a structure for purposes of this Agreement shall be the geographical location at which electric power and energy is used, regardless of the point of delivery. The first owner of a new structure located on or crossed by any boundary line described in paragraphs 3 and 4 describing the electric service territories of the parties shall be permitted to choose either party for permanent electric service, provided that the customer's meter is installed within that party's service area. Thereafter, that party shall exclusively serve that structure.
- 8. <u>Municipally Owned Electric Facilities</u> The electric service area of the Cooperative as defined in paragraph 4 above includes incorporated communities of Paris and Monroe City, each of which operates and maintains municipally owned electric facilities. Should any of these municipalities cease to operate and maintain municipally owned electric facilities and sell such facilities to the Company, notwithstanding this Agreement, Company may serve within the incorporated boundaries of such municipality as it

exists on the date the municipality and Company agree on a sale of the municipality's facilities to Company ("the Sale Date") pursuant to the following conditions and agreement. Company shall, notwithstanding this Agreement, have the power to serve the structures being served by the municipality on the Sale Date. Following the purchase by Company and the receipt of all required regulatory approvals, Company and Cooperative shall agree on an amendment to this Agreement which excludes from the exclusive territory of the Cooperative under this Agreement, a portion of the territory lying within the incorporated boundaries of municipality whose facilities were purchased by Company. This territory shall be added to the exclusive territory of Company. Boundaries of the area to be excluded from the exclusive service territory of the Cooperative shall be that portion of the incorporated limits of the municipality as it exists on the effective date of this Agreement plus such portion of any territory annexed by the municipality after the effected date of this Agreement which territory is closer to the facilities acquired by Company from the municipality than to the facilities of Cooperative as both such facilities exist on the Sale Date. In the event the parties cannot agree on the boundaries defined above within six (6) months after the Sale Date, the parties shall submit the issue of the appropriate boundaries to determination by the Missouri Public Service Commission as provided in Section 394.312.2 RSMo. If the Commission is required to set the boundaries because the parties cannot agree, Company shall be entitled to serve all of the

structures served by the municipality prior to the purchase of the facilities by Company regardless of whether the structures are located in territory determined to be served by Company or Cooperative. The Cooperative shall be entitled to serve all of the structures it was serving prior to the purchase of the municipal system by Company regardless of whether the structures are located in territory deemed to be served by Company or Cooperative.

9. <u>Case-by-Case Exception Procedure</u> - The parties may agree on a case-by-case basis by an Addendum hereto to allow a structure to receive service from one party though the structure is located in the electric service area of the other.

Such Addendum shall be filed with the Executive Secretary of the Missouri Public Service Commission in the same manner as a motion or other pleading, with a copy submitted to the Office of Public Counsel. There will be no filing fee for these addenda.

Each Addendum shall consist of a notarized statement identifying the structure, the party to serve the structure, the justification for the Addendum, and indicating that the parties support the Addendum.

Each Addendum shall be accompanied by a notarized statement, signed by the customer to be served, which acknowledges such customer's receipt of notice of the contemplated electric service to be provided and that the Addendum represents an exception to the territorial boundaries approved by the Public Service Commission and shall indicate the customer's consent to be served by the service provided contemplated by the Addendum.

If the Staff or Office of Public Counsel do not submit a pleading objecting to the Addendum within forty-five (45) days of the filing thereof, the Addendum shall be deemed approved by the aforesaid parties. Each Addendum shall contain a statement in bold uppercase typeface indicating that the Staff or Office of Public Counsel have forty-five (45) days to oppose the Addendum or else the Addendum shall be deemed approved by the aforesaid parties.

Each party, pursuant to an executed Addendum, shall have the right to provide temporary service, as defined in Section 393.106 RSMo., until the Commission approves or disapproves the Addendum. No party shall be required to remove any facilities installed pursuant to an Agreement until the effective date of an Order of the Commission or a court regarding the removal of same.

- undertake all actions reasonably necessary to implement this Agreement. Company and Cooperative will cooperate in presenting a joint application showing this Agreement, in total, not to be detrimental to the public interest. Company and Cooperative will share equally in the costs assessed by the Public Service Commission for seeking of administrative approval of this Agreement. All other costs will be borne by the respective party incurring the costs.
- 11. Modification Procedure Except as expressly provided herein, neither the boundaries described by this Agreement nor any term of this Agreement may be modified, repealed or changed except by a writing mutually approved by the respective parties and

by the Missouri Public Service Commission.

- 12. Agreement Binding on Successors and Assigns This Agreement shall be binding on the parties and all subsidiaries, successors, assigns and corporate parents or affiliates of Company and Cooperative.
- 13. Effective Date, Term, and Conditions This Agreement shall become effective upon approval by the Missouri Public Service Commission pursuant to Section 394.312, RSMo. (1994). The term of this Agreement shall be perpetual. Performance of the parties is contingent upon all of the following having occurred no later than December 31, 1997;
- (a) All required approvals of the Cooperative's Board of Directors.
- (b) Approval of the transaction by the Public Service Commission of Missouri, including but not limited to a finding that this Agreement, in total, is not detrimental to the pullic interest.
- 14. Areas Outside the Scope of the Agreement Both of the parties to this Agreement have service territories outside of the areas covered by this Agreement. For service outside of the areas described by this Agreement, each party will continue to operate without regard to this Agreement. The principles of law, rules and regulations applicable to the business of retail sales of electricity shall apply without regard to this Agreement.
- 15. <u>Parties Right to Construct Needed Facilities</u> This Agreement shall in no way affect either party's right to construct

such electric distribution and transmission facilities within the designated electric service area of the other as that party deems necessary, appropriate or convenient to provide electric service to its customers not inconsistent with the terms of this Agreement and as otherwise allowed by law.

- 16. Metes and Bounds Description Shall Govern In the event that any boundary shown on a map incorporated as an exhibit to this Agreement, differs from the description in a metes and bounds exhibit to this Agreement, the metes and bounds description shall govern.
- 17. <u>Dispute Resolved</u> As part of this Agreement, the parties agree to resolve the dispute concerning electric service to a residential structure located at 1328 Onie Street, Mexico, Missouri. The parties agree that the Cooperative shall have the right to continue serving the structure.
- 18. <u>Headings</u> The headings in this Agreement are provided for informational purposes and the convenience of the parties and shall not be used to construe the terms of the Agreement.
- entire agreement between the parties relating to the allocation of service rights in the territory described herein. If the Public Service Commission of Missouri does not approve this Agreement or fails to approve or rejects any portion of this Agreement, then the entire Agreement shall be nullified and of no legal effect. Further, if any part of this Agreement is declared invalid or void

by a Court or other agency with competent jurisdiction, then the whole Agreement shall be deemed invalid and void.

IN WITNESS WHEREOF, the parties have executed this Agreement this 25^{th} day of 1997.

UNION ELECTRIC COMPANY

BY William San

Title: Vice Président

ATTEST:

Secretar

CONSOLIDATED ELECTRIC COOPERATIVE

By James H Dyc

Title: President

ATTEST:

Fichauf & Millie Secretary

| ALI/Sec'y: 2 corge / Page |
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| 8-7 60-97-493 Date Circulated CASE NO. |
| Zobrist, Chalgman -> |
| Crumpton Commissioner |
| Murray, Commissioner |
| Lumpe, Commissioner |
| Drainer, Vice-Chair |
| S-13 Agenda Date |
| Action taken: 5-0,AS |
| Must Vote Not Later Than |

STATE OF MISSOURI OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson City, Missouri, this 13th day of AUGUST, 1997.

Cecil I. Wright Executive Secretary