

**MISSOURI PUBLIC SERVICE COMMISSION  
STATE OF MISSOURI**

In the Matter of the Joint Application of Union Electric )  
Company and Callaway Electric Cooperative for an Order )  
Approving the Change in Electric Supplier for Certain )  
Customers for Reasons in the Public Interest; )  
Authorizing the Sale, Transfer, and Assignment of )  
Certain Electric Distribution Facilities and Easements )  
from Union Electric Company to Callaway Electric )  
Cooperative; and Approving the Territorial Agreement )  
between Union Electric Company and Callaway Electric )  
Cooperative in Audrain, Boone, Callaway, Montgomery, )  
and Warren Counties. )

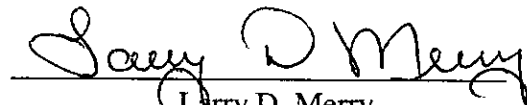
Case No. EO-2002-458

**AFFIDAVIT OF LARRY D. MERRY**

State of Missouri )  
 ) SS  
Cole County )

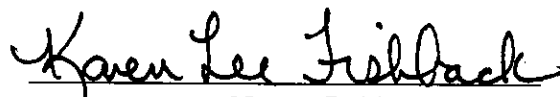
Larry D. Merry, being first duly sworn on his oath, states:

1. My name is Larry D. Merry. I work in the City of Jefferson City, Missouri, and I am District Manager of Capital and Lakeside Districts of Union Electric Company d/b/a AmerenUE.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony, consisting of pages 1 through 21, inclusive, all of which testimony has been prepared in written form for introduction into evidence in the above-referenced docket.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

  
Larry D. Merry

Subscribed and sworn to before me this 12 th day of June 2002.



  
Notary Public

KAREN LEE FISHBACK  
NOTARY PUBLIC STATE OF MISSOURI  
COUNTY OF COLE  
My Commission Expires Sept. 24, 2005

Exhibit No.:  
Issues: Union Electric Company  
d/b/a AmerenUE / Callaway  
Territorial Agreement- All  
Witness: Larry D. Merry  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Union Electric Company  
d/b/a AmerenUE  
Case No.: MPSC Docket No. EO-2002-458  
Date Testimony Prepared: June 13, 2002

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO. EO-2002-458**

**Direct Testimony**

**of**

**Larry D. Merry**

**Jefferson City, Missouri**



1 referred to as the "Joint Applicants") requesting that the Missouri Public Service Commission  
2 ("Commission") issue an order (1) approving a change in electric supplier for approximately 600  
3 structures from AmerenUE to CEC pursuant to Section 393.106 RSMo. 2000; (2) approving a  
4 change in electric supplier for approximately 800 structures from CEC to AmerenUE pursuant to  
5 Section 393.315 RSMo. 2000 (3) authorizing the sale, transfer, and assignment of certain  
6 substations and electric distribution facilities, easements, and other rights generally constituting  
7 AmerenUE's electric utility business associated with the structures it is transferring to  
8 Cooperative as set forth in the contract for purchase and sale of distribution facilities between  
9 Company and Cooperative dated March 22, 2002 (the "Contract") and approving the Contract  
10 pursuant to Section 393.190 RSMo. 2000; (4) approving a territorial agreement between  
11 Company and Cooperative dated March 22, 2002 (the "Territorial Agreement") pursuant to  
12 Section 394.312 RSMo. 2000; (5) approving a waiver of certain provisions of the Utility Billing  
13 and Practices Rule 4 CSR 240-13.010 et. seq.; (6) granting Company a Certificate of  
14 Convenience and Necessity authorizing it to own, control, manage, and maintain and electric  
15 power system for the public in certain portions of Audrain county pursuant to Sections 393.170  
16 RSMo. 2000; and (7) granting such other relief as deemed necessary to implement the sale,  
17 transfer of customers, and assignment of facilities, easements and other rights contemplated by  
18 the Joint Application.

19 **Q. HOW DID YOU BECOME FAMILIAR WITH THE SUBJECT MATTER OF**  
20 **THIS CASE?**

21 **A.** I along with Mr. Ron Loesch, the Manager of AmerenUE's Little Dixie/Green Hills  
22 District, negotiated the Contract and Territorial Agreement on behalf of AmerenUE.

1   **Q.     WHAT RELIEF ARE THE JOINT APPLICANTS IN THIS MATTER**  
2         **REQUESTING FROM THE COMMISSION?**

3   A.     AmerenUE and CEC are requesting that the Commission issue an order (1) approving a  
4   change in electric supplier from CEC to AmerenUE for approximately 600 structures as in the  
5   public interest for reasons other than rate differential; (1) approving a change in electric supplier  
6   from AmerenUE to CEC for approximately 800 structures as in the public interest for reasons  
7   other than rate differential; (3) authorizing AmerenUE to sell, transfer, and assign to CEC certain  
8   substations and electric distribution facilities, easements, and other rights generally constituting  
9   AmerenUE's electric utility business associated with said structures, as more particularly  
10   described in the Contract, which is attached as **Schedule 1** hereto, and approving the Contract;  
11   (4) finding that the designated electric service areas of AmerenUE and CEC as set forth in the  
12   Territorial Agreement, which is attached as **Schedule 2** hereto, are not detrimental to the public  
13   interest, and approving the Territorial Agreement; (5) finding that the Territorial Agreement shall  
14   not impair AmerenUE's certificates of public convenience and necessity, except as specifically  
15   limited by the Territorial Agreement; (6) approving AmerenUE's change to its tariffs as shown in  
16   its Illustrative Tariffs, which are attached as **Schedule 3** hereto; (7) finding that AmerenUE's  
17   request for a Certificate of Convenience and Necessity for land sections in which it is acquiring  
18   new facilities from Cooperative, Township 50 North, Range 9 West, Sections 31 & 32, is in the  
19   public interest and granting said certificate; (8)authorizing AmerenUE to perform in accordance  
20   with the terms of the Territorial Agreement and the Contract, and to enter into and execute all  
21   other documents reasonably necessary and incidental to the performance of the transactions  
22   which are the subject of the Contract, the Territorial Agreement, and the Joint Application; and

(7) granting such other relief as deemed necessary to accomplish the purposes of the Joint Application.

**II. THE CONTRACT**

**Q. ARE YOU FAMILIAR WITH THE CONTENTS OF THE CONTRACT?**

A. Yes, as I stated earlier I negotiated the Contract for AmerenUE. I have attached as **Schedule 1** to my testimony, a copy of the Contract between AmerenUE and CEC.

**Q. WHAT IS THE PURPOSE OF THE CONTRACT?**

A. In the Joint Application, AmerenUE and CEC are requesting that the Commission issue an order approving a change in electric supplier from AmerenUE to CEC for approximately 800 structures and from CEC to AmerenUE for approximately 600 structures as in the public interest for reasons other than rate differential. The transferred structures and associated customers are identified in Exhibits A and B to the Contract. The Contract also provides for an orderly method of transferring said structures between the Joint Applicants and it is the legal instrument that sets forth the terms and conditions under which a Joint Applicant sells, transfers, and assigns to the other, electric distribution facilities, easements, and other rights generally constituting each Joint Applicant's electric utility business associated with the transferred structures. The specific facilities to be transferred are identified in Exhibits C and E to the Contract, and those assets specifically not included in the transfer are identified in Exhibits D and F to the Contract.

**Q. DOES THE CONTRACT EXCHANGE ANY STRUCTURES?**

A. No, it does not. Section 393.106.2 2000 permits a change in electrical supplier to a structure permanently served by an electrical corporation only by order of the Commission on the basis that it is in the public interest and for a reason other than rate differential. Likewise Section

1 394.315.2 permits a change in electrical supplier to a structure permanently served by a rural  
2 electric cooperative only by order of the Commission on the basis that it is in the public interest  
3 and for a reason other than rate differential. In fact, one of the conditions precedent in Article III  
4 of the Contract is receipt of an order from the Commission authorizing the change in supplier for  
5 approximately 1400 structures within and around the communities of Holts Summit, Mokane,  
6 New Florence, New Bloomfield, Kingdom City, Williamsburg, Hams Prairie, Stephens,  
7 Auxvasse, Lindberg, and Fulton. Thus, the actual transfer of the structures and their associated  
8 customers, if approved by the Commission, will be accomplished by a Commission order.  
9 Nevertheless, the Contract identifies the structures to be transferred in Exhibits A and B of the  
10 Contract, outlines the method of customer transfer in Article V, and defines the responsibility of  
11 the parties for interim operation in Article VI.

12 **Q. BRIEFLY DESCRIBE THE METHOD OF STRUCTURE/CUSTOMER**  
13 **TRANSFER.**

14 A. After receipt of Commission approval and completion of all work necessary to support  
15 the transfer, the structures and associated customers shall be transferred simultaneously. The  
16 actual transfer will be accomplished when a customer's structure is physical removed from its  
17 existing electric power provider's electrical distribution system and subsequently connected to its  
18 new electric power provider's system. This physical process is referred to as a "cutover." This  
19 method of transferring customers is flexible; it permits customers to be transferred in defined  
20 groups, and it permits the Joint Applicants to cutover the electrical distribution facilities by line  
21 segments over time. At the time of the customer's transfer, the customer's existing electric  
22 power provider shall read the Customer's meter and it shall issue to the customer a final bill,

1 reduced by any applicable deposit. If the deposit exceeds the amount of the final bill, a check for  
2 the excess amount will be sent to the customer.

3 **Q. WILL THE TRANSFERRED CUSTOMER FROM CEC TO AMERENUE BE**  
4 **REQUIRED TO PAY A DEPOSIT TO OBTAIN SERVICE?**

5 A. No, AmerenUE will not require the customers transferred from CEC to pay a deposit.

6 **Q. PLEASE BRIEFLY DESCRIBE THE PRINCIPAL TERMS OF THE CONTRACT**  
7 **RELATED TO THE SALE, TRANSFER AND ASSIGNMENT OF FACILITIES.**

8 A. The Contract provides for the sale of the AmerenUE's facilities listed in Exhibit C of the  
9 Contract, and their associated easements and other property rights ("the Assets"), in return for  
10 those CEC facilities listed in Exhibit E a purchase price that is stated in a letter from Thomas W.  
11 Howard to Larry D. Merry dated March 1, 2002, which is attached hereto as **Schedule 4**. The  
12 Assets are being sold "AS IS" with no warranty of any kind. The Contract expressly identifies  
13 AmerenUE facilities and equipment, which presently are used to serve the structures and  
14 customers listed in Exhibit C of the Contract who would be transferred to CEC from AmerenUE,  
15 are not part of the sale to CEC (See Exhibit D for a list of those facilities and equipment).

16 **Q. BRIEFLY DESCRIBE THE FACILITIES THAT ARE BEING SOLD TO CEC.**

17 A. The facilities to be transferred to CEC include approximately 68.49 pole miles of 12 kV  
18 distribution facilities that are presently used to serve the structures that AmerenUE is transferring  
19 to CEC under the Contract. These facilities consist of numerous poles, insulators, cross-arms,  
20 conductors, transformers, and other hardware. As I stated earlier, a more detailed breakdown of  
21 the circuits can be found in Exhibit C of the Contract.



1 **Q. BRIEFLY DESCRIBE THOSE FACILITIES AND EQUIPMENT THAT ARE NOT**  
2 **BEING SOLD TO CEC AND THEREFORE ARE BEING RETAINED BY AMERENUE.**

3 A. The AmerenUE facilities and equipment that will not be sold to CEC include revenue  
4 meters with all associated automatic meter reading (“AMR”) equipment. In addition, AmerenUE  
5 will retain all necessary distribution facilities in the area required to serve its customers not  
6 transferred under the Contract.

7 **Q. HOW WILL THE TRANSFERRED CUSTOMER’S ELECTRIC METERS BE**  
8 **READ?**

9 A. At cutover AmerenUE will install AMR equipment and their meters will be read  
10 automatically.

11 **Q. HAS AMERENUE REQUESTED A WAIVER OF THE UTILITY BILLING**  
12 **PRACTICES RULE, 4 CSR 240-13.010 ET SEQ. ?**

13 A. Yes, it has. The Contract contains a provision that appoints AmerenUE to act as  
14 collection agent for CEC to assure payment of CEC’s final bill for customers transferred to  
15 AmerenUE. In the event that any CEC member transferred to AmerenUE fails to pay his final  
16 bill, the Joint Applicants desire that AmerenUE would have the ability to disconnect electric  
17 service to any such member without having to comply with the provisions of the Utility Billing  
18 Practices Rule, 4 CSR 240-13.010 et seq., which would prohibit AmerenUE from discontinuing  
19 service for a customer’s failure to pay a delinquent account owed to CEC.

20 **Q. DO THE JOINT APPLICANTS HAVE GOOD CAUSE FOR THIS REQUEST?**

21 A. The Joint Applicants have good cause for this request. Company is the only electrical  
22 cooperation affected. The waiver is limited, since it will only affect the members transferred

1 from Cooperative to Company. Without the waiver, the Cooperative will have no effective  
2 method of collecting its overdue accounts. It should be noted that the Commission has granted  
3 waivers of the Billing Practices Rule in other cases. See Case No. EO-96-6.

4 **III. THE TRANSFER OF THE STRUCTURES AND ASSOCIATED CUSTOMERS IS**  
5 **IN THE PUBLIC INTEREST?**

6 **Q. WHY DID AMERENUE ENTER INTO THE CONTRACT?**

7 A. AmerenUE entered into the contract with CEC because the transfer of structures and  
8 associated customers along with the Territorial Agreement provides benefits to all parties  
9 involved: the transferred customers, AmerenUE and CEC. The customers benefit from improved  
10 reliability and better quality of service. CEC benefits because the customer transfer increases  
11 their membership and eliminates duplication of facilities. Finally, AmerenUE benefits because  
12 the transfer permits AmerenUE to prudently employ its capital resources, improves the reliability  
13 of AmerenUE's system, and eliminates duplication of facilities.

14 **Q. WHAT ECONOMIC ANALYSIS HAS BEEN DONE TO ANALYZE THE**  
15 **IMPACT OF THE SALE OF FACILITIES ON AMERENUE?**

16 A. I analyzed the sale of facilities using AmerenUE's EVA EVALUATE program, version  
17 2000.02. The results of the EVA EVALUATE show a positive benefit to AmerenUE during the  
18 first five (5) years after the transfer of the facilities and customers without crediting any benefit  
19 attributable to generation savings, which is AmerenUE's internal acceptance criteria for entering  
20 into a transaction of this type.

21 **Q. WHY IS THE TRANSFER OF THE STRUCTURES AND ASSOCIATED**  
22 **CUSTOMERS IN THE PUBLIC INTEREST?**

1 A. I believe that it is in the public interest to transfer the structures and customers in question  
2 from AmerenUE to CEC at this time, because the transfer (i) would improve electric service to  
3 the transferred customers, (ii) will result in a more compact AmerenUE service area, and (iii)  
4 permits AmerenUE to prudently employ its capital resources.

5 The transfer of customers and their related electrical distribution facilities  
6 would improve the reliability of electric service. Presently, the communities of Williamsburg  
7 and Stephens are served by AmerenUE through long radial lines. After the transfer, CEC will  
8 serve these communities from sources closer to the communities by short lines, which should  
9 improve reliability. In and around Holts Summit, the customers transferred to AmerenUE will  
10 also be served by short lines, which will be interconnected with AmerenUE's existing system,  
11 which should improve reliability and service quality

12 In addition, the resulting AmerenUE service territory will be more consolidated  
13 and compact, which will enable AmerenUE to better serve its customers. After the transfer of  
14 customers between the Joint Applicants is complete and the Territorial Agreement is approved,  
15 AmerenUE will have a more densely populated service area and a less far-flung distribution  
16 system, eliminating service areas far from our works headquarters and bulk substations.  
17 AmerenUE has works headquarters in Jefferson City, Mexico and Montgomery City. Our  
18 resultant service territory will be consolidated into areas around Jefferson City, nearby Holt  
19 Summit, Mexico, Kingdom City, and New Florence such that the most distant customer from a  
20 works headquarters will see improved response time during an outage. AmerenUE will be more  
21 efficient in its maintenance and operation of this more compact service territory, thus allowing it  
22 to improve customer service and reliability and reduce expenses. This more compact service

1 territory should reduce the call-out, dispatch, patrolling and switching times required for service  
2 restoration.

3           The transfer would also allow AmerenUE to efficiently employ its capital. Holt  
4 Summit, the city we are obtaining customers from CEC, is located in our Capital District.  
5 Likewise, New Florence and Kingdom City, cities we are obtaining customers from CEC, are  
6 located in our Little Dixie District. Both districts include both rural and urban areas. The  
7 Callaway and Montgomery Counties areas in which we are transferring customers to CEC, such  
8 as in and around Mokane, are rural in nature and have a low customer density. AmerenUE also  
9 expects to see future growth in an around Holt Summit, New Florence, and Kingdom City.  
10 Capital spending necessary to support this growth and improve the existing infrastructure can  
11 also be justified because of the greater customer density. One the other hand, increased capital  
12 spending for low customer density areas like Mokane are difficult to justify. Therefore, the  
13 transfers of customers envisioned by the Contract permits the AmerenUE to employ its capital in  
14 areas where its has the greatest effect and benefits the most customers.

#### 15 **IV. CUSTOMER NOTIFICATION**

16           **Q. IN THE REPORT AND ORDER ON REHEARING FOR CASE NO. EO-98-**  
17 **511 ET AL., THE COMMISSION OPINED THAT, IN THE FUTURE, ELECTRIC**  
18 **SUPPLIERS WHO ENTER INTO TERRITORIAL AGREEMENTS INVOLVING**  
19 **EXCHANGE OF CUSTOMERS SHOULD PROVIDE AFFECTED CUSTOMERS WITH**  
20 **A PROCESS FOR DIRECT INPUT INTO THE TRANSACTION. WHAT EFFORTS**  
21 **HAVE AMERENUE AND CEC TAKEN TO PROVIDE FOR DIRECT INPUT FROM**  
22 **ITS CUSTOMERS AFFECTED BY THE TERRITORIAL AGREEMENT?**

1           A.     Both AmerenUE and CEC agree that it is desirable to obtain direct input from the  
2 potentially affected customers early in the process. By soliciting input early, the customers'  
3 concerns can be identified, questions can be answered, and the terms of the Territorial Agreement  
4 or Contract modified, as required.

5           **Q.     PLEASE DESCRIBE THE PROCESS USED TO INVOLVE AFFECTED**  
6 **CUSTOMERS?**

7           A.     Both AmerenUE and CEC notified affected customers of this proposed transfer on or  
8 about November 9, 2001. Enclosed with the notification letter were brochures explaining the  
9 proposed exchange and providing information about the Company and Cooperative. The  
10 notification letters invited customers to meet representatives of the Joint Applicants on  
11 November 27, 2001, from 3 to 7 p.m. at Callaway Electric Cooperative's Community Room in  
12 Fulton and on November 29, 2001, from 5 to 7 p.m. at Montgomery High School in Montgomery  
13 City. **Schedule 5** to my testimony is a copy of a typical notification letter mailed to an  
14 AmerenUE customer. On the same day the letters were to be mailed, a joint news release was  
15 issued to inform everyone in the combined service area of the Joint Applicants of the proposed  
16 Territorial Agreement and customer exchange. While each company was responsible to notify its  
17 customers/members, both companies cooperated in the development of the notification letter and  
18 brochure.

19                 Next, AmerenUE and CEC held customer information meetings on November 27,  
20 2001, from 3 to 7 p.m. at CEC's Community Room in Fulton and on November 29, 2001, from 5  
21 to 7 p.m. at Montgomery High School in Montgomery City. Both AmerenUE and CEC felt that

1 customer input would be maximized by face-to-face meetings. During the meeting, personnel  
2 from AmerenUE and CEC were available to answer customer questions.

3 **Q. DID YOU PERSONALLY ATTEND ANY OF THE MEETINGS?**

4 A. I attended the public meeting in Fulton along with Ron Loesch and several of our  
5 associates. Ron Loesch attended the public meeting in Montgomery City along with his  
6 associate, David Allen. Representatives from CEC were also present at the meeting.

7 **Q. HOW WERE QUESTIONS FROM THE PUBLIC HANDLED?**

8 A. During the customer meeting, personnel from AmerenUE or CEC provided  
9 answers to each of the customer's/member's questions.

10 **Q. DID YOU FEEL THAT THE MEETINGS WERE WORTHWHILE?**

11 A. Yes, I felt the meeting was helpful in relieving some of the apprehensions and  
12 anxieties of changing electrical suppliers. The meeting also gave AmerenUE customers an  
13 opportunity to talk to CEC representatives and vice versa.

14 **Q. DID THE JOINT APPLICANTS SEND ANY OTHER LETTERS TO**  
15 **THEIR CUSTOMERS AFFECTED BY THE PROPOSED CUSTOMER EXCHANGE?**

16 A. Yes. As a matter of fact, at the request of the Office of the Public Counsel, the  
17 Joint Applicant notified affected customers of this proposed transfer by letter on or about May 6,  
18 2002. The May 6, 2002 letter provided contact persons both at the Commission Staff or the  
19 Office of the Public Counsel whom the affected customers could call with questions or concerns  
20 regarding the proposed transfer. **Schedule 5** to my testimony also includes a copy of this second  
21 notification letter mailed to AmerenUE customers.

1 **VI. THE TERRITORIAL AGREEMENT**

2 **Q. IDENTIFY FOR THE RECORD SCHEDULE 2 TO YOUR TESTIMONY.**

3 A. **Schedule 2** is the Territorial Agreement between AmerenUE and CEC, without Exhibit  
4 A, the maps, because they have been previously filed with the Commission. The required metes  
5 and bounds descriptions of the electric service areas of AmerenUE and CEC are contained in the  
6 Exhibits B and C to the Territorial Agreement, respectively.

7 **Q. ARE YOU FAMILIAR WITH THE CONTENTS OF THAT TERRITORIAL**  
8 **AGREEMENT?**

9 A. Yes, as I stated earlier I and Ron Loesch negotiated the Territorial Agreement for  
10 AmerenUE.

11 **Q. PLEASE BRIEFLY DESCRIBE THE PRINCIPAL FEATURES OF THE**  
12 **TERRITORIAL AGREEMENT.**

13 A. The Territorial Agreement defines exclusive service areas as between AmerenUE and  
14 CEC in Audrain, Boone, Callaway, Montgomery, and Warren counties. Exhibit B to the  
15 Territorial Agreement is a metes and bounds description of AmerenUE's exclusive service area.  
16 Exhibit C to the Territorial Agreement is a metes and bounds description of CEC's exclusive  
17 service area. Exhibit A is a series of maps showing the Joint Applicants exclusive service area.  
18 The Territorial Agreements does not limit construction of appropriate facilities wherever  
19 necessary to provide reliable electric service in the respective areas. The Territorial Agreement  
20 provided a method for dealing with odd cases such as new structure located precisely on the  
21 boundary line, as an arbitrary boundary line could lead to an impractical unreasonable result.

1 **Q. ARE THERE ANY EXCEPTIONS TO THE EXCLUSIVE SERVICE AREAS OF**  
2 **EITHER JOINT APPLICANT?**

3 A. Yes, there is an exception to AmerenUE's exclusive service area set forth in the  
4 Territorial Agreement. Article 7 of the Territorial Agreement grants CEC the exclusive right to  
5 serve the Existing Structures, any expansion of the Existing Structures, and any New Structures  
6 located completely within the boundaries of the properties owned by the following: Golden  
7 Village, Inc., Carl and Shirley Gastineau Trust U/T/A, and Gastineau Log Homes. CEC's right  
8 to serve facilities within the property boundary listed above shall continue to exist, regardless of  
9 the property owner or whether the property is abandoned, so long as the property's purpose is  
10 commercial, provided, however, if the property is abandoned for over ten (10) years,  
11 Cooperative's rights to serve within the property boundary shall be extinguished.

12 **Q. DOES THE TERRITORIAL AGREEMENT INCLUDE A PROVISION**  
13 **RELATED TO CERTAIN MUNICIPALLY OWNED ELECTRIC SYSTEMS?**

14 A. Article 6 of the Territorial Agreement deals with the hypothetical situation where the  
15 incorporated communities of Fulton, Columbia, Centralia, or Vandalia cease to operate their  
16 municipal electric systems and either AmerenUE or CEC purchases their facilities. . The section  
17 serves an important purpose -- it sets forth a procedure for establishing the UE/CEC exclusive  
18 service area boundary in and around the affected community in the event of such a purchase by  
19 either AmerenUE or CEC. I believe it is extremely remote that one of these cities would cease to  
20 operate their municipal systems, however, since the Territorial Agreement is perpetual, it is  
21 desirable to address this situation. Again, AmerenUE understands that the Territorial Agreement  
22 neither changes or limits the existing or future territorial rights or duties of these municipal



1 electric systems nor restrains their ability to provide electric service with the area covered by the  
2 Territorial Agreement.

3 **Q. DOES THE TERRITORIAL AGREEMENT AFFECT IN ANY WAY ANY**  
4 **OTHER ELECTRIC SERVICE SUPPLIER?**

5 A. The Territorial Agreement only establishes electric service territories for the Applicants  
6 in Audrian, Boone, Callaway, Montgomery, and Warren Counties; it does not affect, in any way,  
7 the rights of or the service area of any other electric service supplier. Section 394.312 RSMo,  
8 permits "territorial agreements to specifically designate the boundaries of the electric service area  
9 of each electric service supplier subject to the agreement...." Since only AmerenUE and CEC  
10 have signed the Territorial Agreement, they are to only electric service suppliers subject to the  
11 Agreement. AmerenUE recognizes that other electric suppliers serve in the counties covered by  
12 the Territorial Agreement. AmerenUE understands that the Territorial Agreement neither  
13 changes or limits the existing or future territorial rights or duties of these suppliers nor restrains  
14 their ability to provide electric service with the area covered by the agreement. If approved,  
15 AmerenUE promises it will not assert any rights arising out of the Territorial Agreement against  
16 any other electric supplier not subject to the agreement.

17 **Q. DOES THE TERRITORIAL AGREEMENT LIMIT THE CONSTRUCTION OF**  
18 **TRANSMISSION AND DISTRIBUTION FACILITIES?**

19 A. The Territorial Agreement does not limits either company's right to construct  
20 transmission and distribution facilities wherever necessary, including but not limited to, the  
21 electric service area of the other company, as the companies see fit in order to provide electric  
22 service in their respective areas.

1 **Q. WILL AMERENUE MAINTAIN FACILITIES IN THE SERVICE TERRITORY**  
2 **OF CEC?**

3 A. Yes, The Territorial Agreement permits and AmerenUE will continue to have facilities in  
4 its service territory beyond the boundaries of the Territorial Agreement. As I have already  
5 mentioned, AmerenUE will continue to serve customers in CEC's service territory for which it must  
6 maintain distribution facilities. AmerenUE may also have to construct additional facilities  
7 through CEC service territory to serve new loads beyond the area of the Territorial Agreement.

8 **Q. HOW LONG DOES THE TERRITORIAL AGREEMENT REMAIN IN EFFECT?**

9 A. The Territorial Agreement's term is perpetual and this provision is not effected by the  
10 Territorial Agreement.

11 **Q. WILL AMERENUE REQUIRE ANY ADDITIONAL FRANCHISES AS A**  
12 **RESULT OF ENTERING INTO THE TERRITORIAL AGREEMENT?**

13 A. Yes we will. At closing AmerenUE will assign its Mokane franchise to CEC.

14 **Q. WILL AMERENUE TRANSFER ANY FRANCHISES TO CEC PURSUANT TO**  
15 **THE TERRITORIAL AGREEMENT?**

16 A. No.

17 **Q. WHAT OTHER FINDINGS AND ORDERS WILL THE JOINT APPLICANTS**  
18 **REQUIRE FROM THE COMMISSION?**

19 A. AmerenUE and CEC will still have occasion to construct, operate and maintain facilities  
20 in the exclusive service area of the other as described in the Territorial Agreement. AmerenUE  
21 will continue to have service responsibilities beyond the boundaries of the Territorial Agreement,  
22 unaffected by the terms of the Territorial Agreement. As stated in the Territorial Agreement,

1 each Applicant will have the right to serve existing customers within the exclusive service area  
2 of the other for the indefinite future. In general, Applicants will need the authority to construct,  
3 operate and maintain facilities throughout the electric service area of the other. In particular,  
4 AmerenUE requires a finding of the Commission that the Territorial Agreement will not impair  
5 the AmerenUE's certificates of convenience and necessity, except as specifically limited by the  
6 Territorial Agreement.

7 **Q. ARE TARIFF CHANGES REQUESTED?**

8 A. Yes. AmerenUE is also requesting that the Commission approve changes to the service  
9 area shown in the company's tariffs. Illustrative tariff sheets showing the requested changes are  
10 attached hereto as **Schedule 3**. It should be noted that in the illustrative tariffs for Callaway  
11 County, U.S. surveys are being replaced with their corresponding land sections. Since  
12 AmerenUE is already certificated for these land areas and the change is administrative in nature,  
13 AmerenUE is not requesting a Certificate of Convenience and Necessity from the Commission

14 **Q. DOES AMERENUE REQUIRE ANY OTHER CHANGES TO ITS CERTIFICATE**  
15 **OF PUBLIC CONVENIENCE AND NECESSITY?**

16 A. Under Certificates of Convenience and Necessity issued by the Commission, AmerenUE  
17 generally has authority over the majority of the area to provide electric service pursuant to the  
18 Territorial Agreement. However, as part of the facility exchange provided for under the  
19 Contract, AmerenUE will be receiving facilities that are beyond the area of its present  
20 certificates. Specifically, AmerenUE now requests a certificate of public convenience and  
21 necessity for Township 50 North, Range 5 West, Sections 31 & 32 in Audrain County. Since  
22 CEC's facilities will become AmerenUE's facilities pursuant to the Contract, we will need

1 certificate authority to serve customers through these facilities in these two land sections.

2 AmerenUE requires no additional municipal franchises to serve within the two land sections

3 sought to be certificated. AmerenUE has a county franchise in accordance with the legal

4 requirements of Audrain County.

5 **Q. HAS AMERENUE REQUESTED THE COMMISSION TO WAIVE ANY OF ITS**  
6 **REGULATIONS WITH REGARD TO AMERENUE'S REQUEST FOR A CERTIFICATE**  
7 **OF CONVENIENCE AND NECESSITY?**

8 A. Yes, in the Joint Application, AmerenUE requested that the Commission waive its  
9 regulations requiring submission of a feasibility study and plans for future construction and  
10 financing of new electrical systems (4 CSR 240-2.060(4)(A)5) as it did in Case Nos. EA-94-278  
11 and EO-95-400 et al.

12 **Q. WHY IS THIS REQUEST FOR A WAIVER JUSTIFIED?**

13 A. A feasibility study and plans for future construction and financing of new electrical systems  
14 are not needed in this case. CEC has electric service facilities in the two land sections for which  
15 AmerenUE seeks a certificate. Pursuant to the Contract, AmerenUE will acquire these facilities  
16 and would continue to provide the same service through these facilities as it does in its other  
17 certificated service areas.

18 **VI. TERRITORIAL AGREEMENT IS IN THE PUBLIC INTEREST**

19 **Q. WHY IS THE TERRITORIAL AGREEMENT IN PUBLIC INTEREST?**

20 A. The principal advantage of the Territorial Agreement is that it prevents duplication of  
21 facilities in the affected areas. The Territorial Agreement and customer exchange will remove  
22 extensive duplication of facilities now existing between AmerenUE and CEC predominately in

1 Callaway and Montgomery Counties. In the future, there will no longer be lines built by a  
2 second party that are redundant and wasteful. With the end of destructive competition, each  
3 electric supplier will be able to focus its efforts on efficiently using its resources to better serve  
4 its customers.

5 The resulting service areas will also be exclusive. The benefits of exclusive service areas are  
6 many. Presently, because of the extensive duplication of facilities between the Joint Applicants,  
7 emergency personnel are confused and do not know which company they need to contact during  
8 an emergency. After approval of the Territorial Agreement and customer exchange, emergency  
9 personnel will have certainty in contacting either AmerenUE or CEC. The public will have more  
10 certainty in whom to call for service and service issues. AmerenUE's system planning ability  
11 will be improved. By knowing that AmerenUE will be serving all the customers in our area, we  
12 can better plan substation locations and sizes and feeder routes and sizes. All in-place facilities  
13 can be utilized to serve new customers and reinforce the systems. New customers can be served  
14 from the acquired facilities. Therefore, AmerenUE will not be an impediment to industrial and  
15 residential development and all facilities will be utilized to their fullest based on the load in the  
16 area.

17 In addition to the benefit of the exchange resulting in a more consolidated service  
18 territory, UE will be getting the areas with higher growth rates, which in the long run will  
19 amplify those benefits, as the areas population and load density increases much more than the  
20 rural areas traded away ever would have.

21 **Q. HAS ANY PARTY INTERVENED IN THIS CASE**

22 **A. No.**

1   **Q.    ARE YOU ASKING THAT THE COMMISSION APPROVE THE CONTRACT,**  
2   **TERRITORIAL AGREEMENT AND THE TARIFF CHANGES AS PRESENTED?**

3   **A.    Yes.**

4   **Q.    ARE YOU ASKING THAT THE COMMISSION GRANT AMERENUE THE**  
5   **REQUESTED CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY?**

6   **A.    Yes.**

7   **Q.    DOES THIS CONCLUDE YOUR TESTIMONY?**

8   **A.    Yes, it does.**

9

## **LIST OF SCHEDULES**

- Schedule 1**    Contract for the Purchase and Sale of Distribution Facilities between Union Electric Company and Callaway Electric Cooperative
- Schedule 2**    Territorial Agreement to the Territorial Agreement between Union Electric Company and Callaway Electric Cooperative
- Schedule 3**    Illustrated Tariffs
- Schedule 4**    Letter from Thomas W. Howard to Larry D. Merry dated March 1, 2002 (Highly Confidential)
- Schedule 5**    Typical Customer Notification Letters