

Exhibit No.:  
Issues:  
Witness: Vernon W. Strickland  
Sponsoring Party: Intercounty Electric Cooperative  
Type of Exhibit: Rebuttal Testimony  
Case No.: EA-2000-308

INTERCOUNTY ELECTRIC COOPERATIVE ASSOCIATION

SUPPLEMENTAL REBUTTAL TESTIMONY

OF

VERNON W. STRICKLAND

November 2000  
Licking, Missouri

Exhibit No. 15  
Date 12-4-00 Case No. EA-2000-308  
Reporter KF

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of the Application of the City of )  
Rolla, Missouri, for an Order Assigning Exclusive )  
Service Territories and for Determination of Fair ) Case No. EA-2000-308  
and Reasonable Compensation Pursuant to )  
Section 386.800, RSMo 1994 )

AFFIDAVIT OF VERNON W. STRICKLAND

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF TEXAS )

I, Vernon W. Strickland, of lawful age, being duly sworn, do hereby depose and state:

1. My name is Vernon W. Strickland. I am presently the General Manager of Intercounty Electric Cooperative Association, a party in the referenced matter.
2. Attached hereto and made a part hereof for all purposes is my supplemental rebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my personal knowledge, information and belief.

Vernon W. Strickland  
Vernon W. Strickland

Subscribed and sworn to before me, a Notary Public, this 9<sup>th</sup> day of November, 2000.

My Commission expires:

Susan L. Parish  
Notary Public

12-9-01

SUSAN L. PARISH NOTARY PUBLIC  
State of Missouri  
County of Texas  
My Commission Expires Dec. 9, 2001

1                                    **TESTIMONY OF VERNON W. STRICKLAND**

2                                    **INTRODUCTION**

3            Q.     What is your name, title and business address?

4            A.     Vernon W. Strickland, General Manager of Intercounty Electric Cooperative Association.

5                   My business address is 102 Maple Avenue, Licking Missouri, 65542.

6            Q.     Are you the same Vernon W. Strickland who submitted written rebuttal testimony on behalf  
7                   of Intercounty Electric Cooperative Association as part of this proceeding?

8            A.     Yes, I am.

9            Q.     What is the purpose of this supplement to your testimony?

10          A.     My purpose in presenting this supplement to my original rebuttal testimony is threefold. The  
11                  first is to supplement my response concerning the question "Will RMU be able to meet the  
12                  needs of current members and future growth in the area?" The second is to identify an  
13                  additional cost for which the members of Intercounty would be responsible if the transfer of  
14                  facilities and members in the annexed area is approved by the Public Service Commission.  
15                  And the last is to address a statement made by Mr. Watkins in his surrebuttal testimony  
16                  concerning the annexation Plan of Intent.

17          Q.     Will RMU be able to meet the needs of current members and future growth in the area?

18          A.     This question is still difficult to answer even after my review of RMU's supplementary  
19                  responses to Intercounty's data requests. RMU asserted objections to several of Intercounty  
20                  data requests that concerned the trailer-mounted generation equipment which RMU intends

1 to lease. I understand that the Commission will be asked to rule on those objections.  
2 Intercounty has not yet reviewed RMU's new wholesale power contract or wheeling  
3 arrangements, and therefore cannot evaluate the costs or conditions under which RMU will  
4 be acquiring its base load power in the future. Intercounty has sent another series of data  
5 requests to RMU, which are now pending, to acquire copies this information.

6  
7 To determine if RMU will be able to meet the needs of current members and the future  
8 growth in the area, Intercounty would need to review information which typically would be  
9 included in an electric supplier's business plan for electric distribution services. For RMU,  
10 that information would include: cost projections of fuel costs to operate the "leased"  
11 generators, the terms and conditions of the lease/purchase agreement (including costs/buyout  
12 price, term, default, etc.), hours of operations, location of operations, ability of generation  
13 units to synchronize with the RMU grid, expertise in operating the generators, projected  
14 schedules of operations, cost/benefit analysis, analysis of the spot market conditions that  
15 RMU would expect and what type cost verses benefits they could expect, the capabilities of  
16 RMU's "new" sole requirements provider to meet their base load requirements, contract  
17 terms for purchase/sale of peaking power, staffing changes to include a power sales/purchasi-  
18 ng/contracting individual, etc. RMU has objected to disclosure of its business plan even  
19 under the restrictive conditions of the Commission's protective order in this case. The  
20 contents of a business plan, like the one I have described, are critical to answering the

1           question.

2  
3       Q.     Have you identified any additional costs which Intercounty would incur that are associated  
4           with transfer of this territory?

5       A.     Yes, I have. The loss of 286 members will translate into an additional cost to Intercounty  
6           for wholesale power.

7       Q.     Why was this cost not included in your original rebuttal testimony?

8       A.     Confirmation of the potential impact on the wholesale power cost was not received from our  
9           supplier until after the testimony was filed.

10      Q.     Why would Intercounty incur additional costs for wholesale power if the members are  
11           transferred and what would the cost be?

12      A.     The sole-requirements contract Intercounty has with Show Me Power Cooperative, its energy  
13           provider, has a three year average demand feature whereby any financial impact for a change  
14           in peak demand is spread over three years. In Mr. Nelson's testimony on page 4, line 10 he  
15           estimates the potential loss of 2.5 MW in capacity if the members are transferred from  
16           Intercounty to RMU. Sho-Me Power Cooperative has determined that the loss of 2,500 kW  
17           and 286 members, under Intercounty's contract would cause the remaining members to  
18           experience the following additional cost with no corresponding sales from the transferred  
19           members to offset them. The first year following the transfer Intercounty would be required  
20           to pay Sho-Me \$185,550 in demand costs with no sales revenues to offset. In the second and

1           third years the cost would be \$123,700 and \$61,850 a year respectively. The cost  
2           experienced by the remaining members for the three years would be \$371,100. Intercounty  
3           would expect that this cost would be considered by the Commission for reimbursement from  
4           RMU to Intercounty as part the transfer costs.

5  
6       Q.     At page 15, lines 14-18 of his surrebuttal testimony, Mr. Watkins of the City of Rolla states  
7           that

8                     “the City had already met with Intercounty to discuss issues like  
9                     franchise agreements, services supplied without charge, and payments  
10                    in lieu of taxes at the time the Plan of Intent was written. There was  
11                    an understanding reached with the City that Intercounty would  
12                    voluntarily provide services and make contributions to the City  
                      similar to what RMU does. It was only after the annexation when the  
                      City discovered the ‘understanding’ it had was not to be honored,  
                      which left the City no recourse but to utilize the provisions of  
                      386.800 RSMo.”

13           Was such an understanding reached between Intercounty and the City of Rolla?

14       A.     No, absolutely not. There were only two meetings that I can remember where Intercounty  
15           and the City met to discuss territorial issues. The first meeting was approximately six  
16           months prior to the City starting the annexation attempt and the second was before the  
17           second re-write of the City’s Plan of Intent. Intercounty’s position has always been that a  
18           discussion of a franchise fee was possible only in the context of a territorial agreement, and  
19           uniformity of any such fee for all electric utilities providing service in the City. Since the  
20           City had no interest in discussing a territorial agreement with Intercounty, there was no

1 formal discussion or "understanding" about a franchise fee.

2 At no time prior to the annexation election, or during the negotiation process after the  
3 election, was there an "understanding" or agreement reached concerning franchise fees,  
4 payment in lieu of taxes, or for providing services at no cost to the City. As noted in my  
5 rebuttal testimony, this would have put Intercounty in a position of agreeing to pass through  
6 a cost, or a "backdoor" tax on behalf the City of Rolla, on our members. This is not the  
7 manner in which Intercounty does business. None of these supposed alternatives had been  
8 discussed with the City prior to the annexation or identified in the City's Plan of Intent.

9 The concept of a franchise fee was only raised formally between Intercounty and the City  
10 during the year long negotiation. The negotiation process began after Intercounty was  
11 notified, two weeks after the annexation election, that RMU intended to acquire our members  
12 in the annexed area.

13 Q. Does this conclude the addition to your rebuttal testimony?

14 A. Yes, it does at this time.

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