



The total after-tax cost to serve this 13 lot subdivision is estimated to be \$21,648. Company has used its 'EVALUATE' program to establish the maximum investment in facilities necessary to support the new customers' anticipated annual revenues. Yearly after-tax net revenues have been determined to be \$11,410. Staff has not analyzed Company's 'EVALUATE' program because of the complexity of the 'EVALUATE' program, Staff would need to commit significant resources to make an appropriate analysis.

Pursuant to the Commission's decision in UE's Case No. EO-91-386, the Commission determined that allowing waivers as an incentive to encourage rural electric cooperatives to enter into territorial agreements is in the public interest and overrides the concerns Staff may have with the 'EVALUATE' program. This filing is consistent with those directions to encourage territorial agreements and to afford equitable treatment between UE and TRC. Therefore, Staff recommends approval of this application. Staff also recommends the ultimate disposition of the expenditures incurred pursuant to this waiver be addressed in the Company's next rate case.

This case arises in the context of a competitive environment between UE and TRC. In this case, a letter from Byron Baker, the developer, to John Propst, of UE, was filed as Exhibit 2 with UE's application. The letter strongly implied that a commitment for free underground facility installation has been obtained by Mr. Baker from TRC. However, UE subsequently stated that there is no agreement between TRC and Mr. Baker specific to this area. Thus, the Staff has not been given evidence of prior conduct of TRC upon which to infer TRC's likely position on the free underground facilities issue. Based on this evidence, it is reasonable to infer that TRC would provide installation of underground electric facilities at no charge to the residential area involved in this case. The intervention of TRC in this case is not necessary to form the basis of its recommendation and TRC's assertions do not alter Staff's recommendation.

In summary, Staff recommends UE continue its efforts to reach a territorial agreement with TRC, and the Commission approve UE's application. If Commission approval is received, Staff recommends that the Commission order UE to file a revised Tariff Sheet No. 203 modifying the unregulated competition waiver to include Cedar Park Place.

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