



Missouri Public Service Commission

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November 21, 2000

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P. O. Box 360
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FILED³

NOV 21 2000

Missouri Public
Service Commission

RE: Case No. EA-2000-308

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF'S STATEMENT OF POSITIONS ON THE ISSUES**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Dennis L. Frey
Associate General Counsel
(573) 751-8700
(573) 751-9285 (Fax)

DLF:sw
Enclosure
cc: Counsel of Record

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³
NOV 21 2000

Missouri Public
Service Commission

In the Matter of the Application of the)
City of Rolla, Missouri, for an Order)
Assigning Exclusive Service Territories)
and for Determination of Fair and)
Reasonable Compensation pursuant to)
Section 386.800 RSMo 1994.)

Case No. EA-2000-308

STAFF'S STATEMENT OF POSITIONS ON THE ISSUES

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission"), and for its Statement of Positions on the Issues in the above-styled case, respectfully states as follows:

I. Is the City of Rolla's request for an assignment of the exclusive territory and transfer of Intercounty Electric Cooperative Association's ("Intercounty") facilities in the public interest?

Staff's Position: Yes. Assignment of exclusive service territory to the City of Rolla ("Rolla") will minimize duplication of electric facilities in the newly annexed area.

A. What effect will there be with regard to electric distribution lines in the annexed area if the Commission does not approve the application of Rolla Municipal Utilities ("RMU")?

Staff's Position: Unnecessary duplication of electric facilities will result, as RMU extends its facilities to serve new customers in the newly annexed area.

B. What effect, if any, will RMU's acquisition of the facilities within the annexed area have on its operations, rates for service and quality of service?

Staff's Position: RMU has electric facilities close to the area in question and will be capable of integrating this new area into its operations with no adverse impact on rates or quality of service.

C. What effect, if any, will RMU's acquisition of the facilities in the annexed area have on Intercounty's operations, rates for service and quality of service?

Staff's Position: No adverse impact is expected.

D. What effect, if any, will RMU's acquisition of the facilities in the annexed area have on Intercounty's existing customers in the annexed area?

Staff's Position: Customers expressed their desire to remain with Intercounty at the local hearing. Acquisition by RMU will allow a single supplier to serve the existing and new customers without duplicating facilities of another supplier.

E. Will RMU's new wholesale electric supplier agreement, and related wheeling agreements, if any, have any effect on customer rates or on service reliability?

Staff's Position: No adverse impact is expected.

F. What effect, if any, will RMU's lease/purchase of trailer mounted generation equipment have on customer rates, or service reliability?

Staff's Position: No adverse impact is expected.

G. Should Intercounty's position on payment of a gross receipts tax or payment in lieu of tax, and other services, and any reliance of the City of Rolla on Intercounty's position, be considered with respect to the interest of the public in this case?

Staff's Position: No.

H. Should the City's Revised Plan of Intent be considered with respect to the interest of the public in this case?

Staff's Position: Yes.

II. Should the Commission assign the annexed area, in whole or in part, to the City of Rolla as its exclusive territory?

Staff's Position: Yes. Staff supports this assignment of exclusive service territory to RMU in order to minimize duplication of facilities.

III. If the Commission determines that the annexed area, in whole or in part, should be assigned to the City of Rolla as its exclusive territory, what is the amount of "fair and reasonable compensation" to be paid Intercounty for its facilities?

Staff's Position: \$269,616

A. What is the present day reproduction cost, new, of Intercounty's properties and facilities, serving the annexed area?

Staff's Position: \$742,131.

B. Should Intercounty's district office building located at 1310 South Bishop Ave. (Highway 63), Rolla, Missouri, be included in the calculation of fair and reasonable compensation, and if so, in what amount?

Staff's Position: No.

C. Should Intercounty's reliance, if any, on the City's Plan of Intent be considered in determining whether Intercounty's district office building should be included in the calculation of fair and reasonable compensation?

Staff's Position: No.

D. What particular approach should be adopted by the Commission in order to calculate depreciation in this case?

Staff's Position: The calculation of depreciation for the facilities subject to transfer requires a determination of the overall annual depreciation rate, as well as estimates of the number of years in service and the reproduction cost (new) of those facilities. As set forth in its rebuttal testimony, Staff calculated depreciation based respectively upon: a) an annual depreciation rate of 2.8%, b) the age of transformers serving the Intercounty members in the annexed area as of June 8, 1998, and c) a present-day reproduction cost of \$742,131.

E. What is the amount of depreciation to be deducted from the calculation of present-day reproduction cost, new, of the properties and facilities serving the annexed area?

Staff's Position: \$472,515

F. What are the reasonable and prudent costs of detaching Intercounty's facilities in the annexed area, and what are the reasonable and prudent costs of reintegrating Intercounty's system outside the annexed area after detachment?

Staff's Position: The Staff believes that these costs should be estimated based upon competitive bids for lines necessary to reintegrate Intercounty's electrical system. In the event that Intercounty does this work itself, Staff supports recovery of the reasonable costs associated with activities 1-a) through 1-g) and 1-i), as reflected in section 1 below.

1. Should the reasonable and prudent costs of detaching the facilities and reintegrating the system include:

a) Intercounty's engineering costs related to the detachment of facilities and reintegration of the system?

Staff's Position: Yes.

b) Intercounty's costs for detachment of its main tie lines?

Staff's Position: Yes.

c) Intercounty's costs of pole and line construction for reintegrated lines?

Staff's Position: Yes.

d) Intercounty's transfer of service costs, including final meter readings and crew time?

Staff's Position: Yes.

e) Intercounty's transfer of facilities costs and demolition costs for removal of facilities?

Staff's Position: Yes.

f) Intercounty's costs of acquiring and clearing right of way and obtaining right of way easements?

Staff's Position: Yes.

g) Intercounty's costs to maintain service to stranded customers by the erection of new facilities?

Staff's Position: Yes.

h) Intercounty's costs of reintegrating telephone, fiber optic, computers and communications systems?

Staff's Position: No.

i) Intercounty's administrative costs associated with the above?

Staff's Position: Yes.

2. If the Commission determines that an item listed in III-F. 1. above should be included in the reasonable and prudent costs, then how much of the cost of each of the following items should be included?

Staff's Position: Because the Staff believes that estimates of the costs associated with the items in question should be based on competitive bids, Staff has not quantified the individual components listed immediately below. As noted earlier, if Intercounty does this work itself, Staff supports recovery of the reasonable costs associated with activities a) through g), as well as i).

a) Intercounty's engineering costs related to the detachment of facilities and reintegration of the system

Staff's Position: not quantified

b) Intercounty's costs for detachment of its main tie lines

Staff's Position: not quantified

c) Intercounty's costs of pole and line construction for reintegrated lines

Staff's Position: not quantified

d) Intercounty's transfer of service costs, including final meter readings and crew time

Staff's Position: The Staff concurs with Intercounty's estimate of \$24,000.

e) Intercounty's transfer of facilities costs and demolition costs for removal of facilities

Staff's Position: not quantified

f) Intercounty's costs of acquiring and clearing right of way and obtaining right of way easements

Staff's Position: not quantified

g) Intercounty's costs to maintain service to stranded customers by the erection of new facilities

Staff's Position: not quantified

h) Intercounty's costs of reintegrating telephone, fiber optic, computers and communications systems

Staff's Position: This item is associated with a sale and transfer of the Intercounty office building located in the annexed area. Staff opposes the ordering of such sale and transfer, and is therefore opposed to recovery by Intercounty for this item.

i) Intercounty's administrative costs associated with the above

Staff's Position: not quantified

3. What is 400% of Intercounty's gross revenue less gross receipts taxes, for the twelve-month period preceding the approval of the Rolla city council to begin negotiations with Intercounty for the exclusive territory and for transfer of the facilities?

Staff's Position: \$1,543,146

a) What customers or structures should be included/excluded in the calculation of same?

Staff's Position: All customers/structures present during the twelve-month period prior to annexation should be included.

b) How should the gross revenue calculation be normalized to produce a representative usage?

Staff's Position: The actual gross revenue is appropriate and therefore should not be adjusted.

IV. Other Costs/Issues Related to Calculating Fair and Reasonable Compensation

A. Should the condition of Intercounty's easements, or lack thereof, in the annexed area be considered in the calculation of fair and reasonable compensation, and if so, in what amount and manner?

Staff's Position: There should be no adjustments for existing easements, or the lack thereof.

B. Should the Commission order PCB testing of Intercounty's facilities in conjunction with the transfer, and if so, in what manner?

Staff's Position: No.

C. Should joint use fees collected pursuant to Intercounty's pole attachment agreements be considered in the calculation of fair and reasonable compensation?

Staff's Position: No.

D. Should the equity owed to the Intercounty members in the annexed area be considered in the calculation of fair and reasonable compensation?

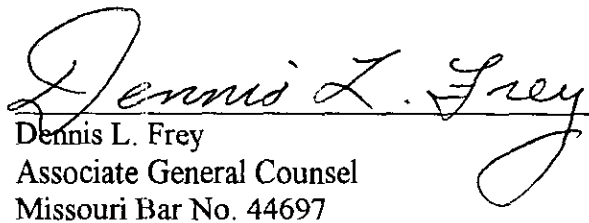
Staff's Position: No.

E. Should Intercounty's additional wholesale power costs be considered in the calculation of fair and reasonable compensation?

Staff's Position: Yes.

Respectfully submitted,

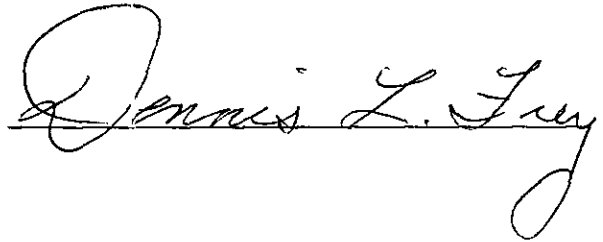
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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the attached service list this 21st day of November 2000.

A handwritten signature in cursive script, reading "Dennis L. Fry", is written over a horizontal line.

Service List for

Case No. EA-2000-308

Revised: November 21, 2000 (sw)

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