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November 21, 2000

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The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

FILED³
NOV 21 2000 *rh*
Missouri Public
Service Commission

Re: Case No. EA-2000-308

Dear Judge Roberts:

Enclosed for filing in the referenced matter please find the original and eight copies of Intercounty Electric Cooperative Association's Statement of Position on the Issues.

Please contact me if you have any questions regarding this filing. Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By:

Mark W. Comley
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MWC:ab

Enclosure

cc: Office of Public Counsel
Denny Frey
Gary W. Duffy
Michael R. Dunbar
Vernon W. Strickland

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED³
NOV 21 2000 *ph*
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

INTERCOUNTY ELECTRIC COOPERATIVE ASSOCIATION'S
STATEMENT OF POSITION ON THE ISSUES

Comes now Intercounty Electric Cooperative Association and submits the following
statement on the list of issues filed in this matter:

LIST OF ISSUES

- 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?**

Position: No. The Commission should deny the City of Rolla's (Rolla) application.

- 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)?**

Position: Intercounty's distribution lines and main lines feeding its distribution system would remain intact, and service to Intercounty's members would not be interrupted. RMU would be required to build in, around and thru the existing Intercounty lines which serve the Area, in order to provide service to new structures/residents in the 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?**

Position: RMU's acquisition of the Intercounty facilities will significantly reduce its cash reserves. Expenditures made to acquire existing facilities, build redundant facilities and compensate Intercounty could have an adverse effect on RMU's future rates for service or its 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?**

Position: The loss of a significant number of members and sales would be the main impact. It would also mean the loss of a high density area (20 meters per mile of line compared to system wide density of 5 meters per mile of line). It would result in underutilized facilities (lines and substations) which currently serve the Area and in which all the members have vested interest. It would also mean higher operating losses by requiring more line to serve fewer members in the remaining system.

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?

Position: There would be negative effects on Intercounty's existing customers in that most of the members in the area oppose the application and prefer to remain Intercounty members. Additionally, because of RMU's history of outages, the quality of service to those members may not be at the same level. Moreover, there will be uncertainty about future rate stability.

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?

Position: Intercounty disputes that RMU's new wholesale service agreement, and any related wheeling arrangements, will have no effect on its rates or operations. As of the filing of this position statement RMU has not supplied, pursuant to data requests, its business plan, or copies of the wholesale power agreement or wheeling agreement for examination by the parties. Depending upon the terms and conditions of the wholesale power agreement and wheeling arrangements, there could be negative effects on customer rates and service reliability in the Area.

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

Position: As of the filing of this position statement, RMU has not supplied, pursuant to data requests, its business plan, or unredacted copies of the lease purchase agreement and other related documents for examination by the parties. Depending upon the terms and conditions of the lease purchase agreement and related documentation, there could be negative effects on customer rates and service reliability in the Area.

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?

Position: Rolla did not rely on Intercounty's position respecting gross receipts taxes, franchise fees or payments in lieu of taxes (PILOT) in the preparation of its Plan of Intent. The Commission should consider the legality and impracticality of Intercounty's payment of gross receipts taxes, franchise fees or payments in lieu of taxes as part of its

public interest consideration in this matter.

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

Position: Yes. Rolla's Plan of Intent and its several revisions represent the principle written communication made available to the public before the annexation election. The representations in the Plan and Revised Plan as to the electric service provider that would continue to provide service after annexation, and the public's reaction to those representations, should be considered by the Commission.

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

Position: Intercounty is opposed to any assignment of the annexed area which would mean the transfer of any Intercounty customers to RMU. Intercounty is not opposed to the limited transfer of some Intercounty facilities to prevent safety and duplication of services, but it is opposed to a Commission order that would assign any member from Intercounty to RMU.

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?

Position: The total of the "fair and reasonable compensation" due Intercounty is \$4,892,353.40. This represents the total found at page 16 of Mr. Vernon Strickland's rebuttal testimony (\$4,521,253.40) plus the amount of the wholesale power cost increases (\$371,100) explained at page 4 of his supplemental rebuttal testimony.

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

Position: The present day reproduction cost, new, of Intercounty's facilities, exclusive of its offices facilities at 1310 South Bishop Ave, is \$1,046,115.06. See, testimony of James E. Ledbetter, and his attached Exhibit JEL-2.

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?

Position: Yes it should be included. The office building is integral to the service provided to the members in the area. The amount to be included in the calculation is \$1,000,229.16, which represents the reproduction cost of the office, new, less depreciation. See, rebuttal testimony of James. E. Ledbetter, and his attached Exhibit JEL-2.

- 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?**

Position: Yes. Intercounty built the district office building in the area based upon the assurances in the City's Plan of Intent that the areas within the proposed annexation that were being served by Intercounty would continue to do so. Intercounty should not be penalized because of the City's change in position from its Plan of Intent.

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

Position: The Commission should adopt the system of depreciation which Intercounty uses for its facilities. Intercounty accounts for and depreciates its facilities in accord with regulations promulgated by Rural Utilities Services. The rate of depreciation employed should be a system wide depreciation rate. That rate more accurately estimates the age and physical state of Intercounty's facilities.

- 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?**

Position: The amount of depreciation to be deducted from the calculation of present day reproduction cost, new, of the properties and facilities, not including the district office, is \$296,155.20, leaving a value of those facilities at \$749,959.89.

- 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?**

Position: Intercounty calculates these costs as follows:

Relocation of Main Tie Lines	\$593,120.00
Maintaining Service to Stranded Customers	150,000.00
Transfer of facilities, including meter reading final bills and crew time	24,000.00
Reintegration of telephone, fiber optics, computers and communications	<u>53,000.00</u>
Total	\$820,120.00

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?**
 - b. **Intercounty's costs for detachment of its main tie lines?**
 - c. **Intercounty's costs of pole and line construction for reintegrated lines?**
 - d. **Intercounty's transfer of service costs, including final meter readings and crew time?**
 - e. **Intercounty's transfer of facilities costs and demolition costs for removal of facilities?**
 - f. **Intercounty's costs of acquiring and clearing right of way and obtaining right of way easements?**
 - g. **Intercounty's costs to maintain service to stranded customers by the erection of new facilities?**
 - h. **Intercounty's costs of reintegrating telephone, fiber optic, computers and communications systems?**
 - i. **Intercounty's administrative costs associated with the above?**

Position: Respecting the items of cost identified in Paragraph III. F. 1. and its subparagraphs, it is Intercounty's position that the reasonable costs of detaching Intercounty's facilities and reintegrating its system include each and every one identified.

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?**
 - a. **Intercounty's engineering costs related to the detachment of facilities and reintegration of the system?**
 - b. **Intercounty's costs for detachment of its main tie lines?**
 - c. **Intercounty's costs of pole and line construction for reintegrated lines?**

- d. **Intercounty's transfer of service costs, including final meter readings and crew time?**
- e. **Intercounty's transfer of facilities costs and demolition costs for removal of facilities?**
- f. **Intercounty's costs of acquiring and clearing right of way and obtaining right of way easements?**
- g. **Intercounty's costs to maintain service to stranded customers by the erection of new facilities?**
- h. **Intercounty's costs of reintegrating telephone, fiber optic, computers and communications systems?**
- i. **Intercounty's administrative costs associated with the above?**

Position: Intercounty's total of these costs, which Intercounty scheduled in its position statement under Paragraph III. F. above, contains generally or specifically all of the costs identified in Paragraph III. F. 1. and its subparagraphs. It is Intercounty's position that all of the amounts set out above should be included in the calculation of the reasonable costs of detaching Intercounty's facilities and reintegrating its system.

- 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?**

Position: Intercounty has calculated this figure using a twelve month period from July, 1997 to June, 1998, for a total of \$1,548,294.96 (\$387,073.74 [normalized revenue] x 4).

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

Position: Those members and structures which were receiving service from Intercounty during the twelve month period, should be included in the calculation. If a member or structure was receiving service at that time, the member or structure should not be removed from the calculation because of facts or circumstances which occurred subsequent to the twelve month period.

- b. **How should the gross revenue calculation be normalized to produce a representative usage?**

Position: A representative usage is set forth in Mr. James E. Ledbetter's testimony. Discounts and patronage capital should not be considered in the revenue total for the twelve month period.

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?**

Position: No. RMU is not entitled to a deduction from the calculation of fair and reasonable compensation because of the condition of Intercounty's easements. Like the facilities Rolla makes application to purchase, Intercounty's easements and rights of way are "where is" and "as is." Should RMU wish to adjust or otherwise modify these easements to meet its business policies it should make the changes at its expense.

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

Position: Yes, if the liability for these facilities were to remain with Intercounty following a transfer. Since Intercounty is under no current requirement to perform PCBs testing, the cost for such testing should be the responsibility of RMU. Having the transformers tested prior to transfer is not required by law, therefore any order requiring it to be done should be at RMU's expense.

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

Position: Yes.

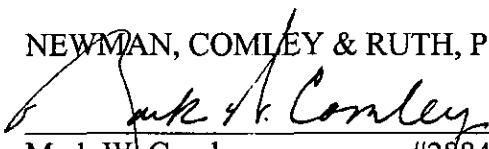
- D. Should the equity owed to the Intercounty members in the annexed area be considered in the calculation of fair and reasonable compensation?**

Position: Yes.

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

Position: Yes. Those costs are calculated to be \$371,100 as set out in Mr. Vernon Strickland's supplemental rebuttal testimony.

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Certificate of Service

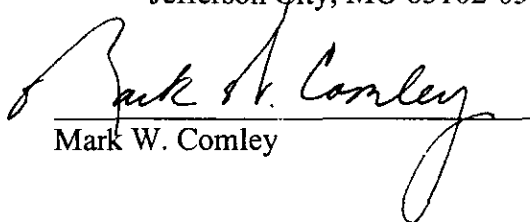
I hereby certify that a true and correct copy of the above and foregoing document was sent by U.S. Mail, postage prepaid, or hand delivered, on this 21st day of November, 2000, to:

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