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November 21, 2000

Mr. Dale Hardy Roberts  
Executive Secretary  
Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

RE: Case No. EA-2000-308

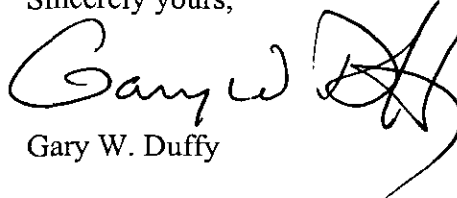
Dear Mr. Roberts:

Enclosed for filing in the above-referenced proceeding please find an original and eight copies of the City of Rolla's Position Statement.

A copy has been sent to counsel for all parties, and an electronic version sent to the Regulatory Law Judge.

If you have any questions, please give me a call.

Sincerely yours,

  
Gary W. Duffy

Enclosures  
cc w/encl:

Ruth O'Neill, Office of Public Counsel  
Dennis Frey, Office of General Counsel  
Mark W. Comley  
Michael R. Dunbar  
Judge Kevin Thompson (electronic)  
Dan Watkins

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NOV 21 2000

Missouri Public  
Service Commission

**BEFORE THE PUBLIC SERVICE COMMISSION  
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 and reasonable )  
compensation pursuant to section 386.800 )  
RSMo 1994. )

Case No. EA-2000-308

**FILED<sup>3</sup>**  
NOV 21 2000  
Missouri Public  
Service Commission

**POSITION STATEMENT OF  
CITY OF ROLLA/ROLLA MUNICIPAL UTILITIES**

Comes now the City of Rolla, Missouri, ("the City"), by and through Rolla Municipal Utilities ("RMU") and its counsel, and for its position statement on the List of Issues 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?**

RMU position: Yes.

**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)?**

RMU position: If the Commission does not grant RMU's application, RMU and Intercounty will have two separate overhead electrical distribution systems intermingled to serve residences in three separate subdivisions in the annexed area. This is because there are existing Intercounty customers in those subdivisions now being served by existing overhead Intercounty lines. There are also vacant lots in those subdivisions. If new homes are built on those vacant

lots, Intercounty cannot lawfully serve those structures, because it is no longer a rural area, so RMU will have to build distribution lines into the area to serve the new structures. There will also be other areas within the 1,350 acres of the annexed area where the two overhead electrical systems will be intermingled which presents at least the potential for safety problems in some areas.

**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?**

RMU position: Adding 286 customers to RMU's base of 7,800 electric customers is an increase of about three and seven tenths (3.7) percent. RMU does not foresee any changes to its operations, rates, or quality of service related to this small addition of customers and facilities.

**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?**

RMU position: As far as Intercounty's overall operations, rates for service and quality of service are concerned, there should be no measurable effect because, pursuant to the statute, Intercounty's system will be re-integrated and Intercounty will be fully reimbursed for that. Intercounty's rates should not have to change because it has historically added significantly more customers annually to its system (732) than it would lose in this single transaction. Intercounty will also be paid an amount equal to four (4) times the revenue it would lose from these 286 customers, which the statute indicates is fair and reasonable compensation for such.

**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?**

RMU position: The only identifiable and measurable effects will be one or two one-time outages of short duration to effectuate the transfer between the two systems, most of which will be less than an hour. As to effects of a more long-lasting or permanent nature, after the transfer,

the customers will not be required to make deposits for new service, they will experience lower rates for electric service, and there will be no deterioration in the quality of electric service. The customers may experience a loss of potential future "capital credit" refunds from Intercounty; however, the impact from this might not occur for several years and likely would be offset because these are refunds of amounts the customers have already paid to Intercounty. Since RMU's rates are lower, the customers should be economically either indifferent or better off with RMU.

**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?**

RMU position: No. RMU has a full-requirements contract for electric service.

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

RMU position: None. This is a spurious and invalid issue that has no bearing on this case.

**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?**

RMU position: To the extent that the Commission considers Intercounty's alleged reliance on language in the City's Plan of Intent, it should balance that with the positions taken by Intercounty regarding gross receipts taxes, payments in lieu of tax, and the provision of other services. Intercounty's allegations regarding the Plan of Intent should not be considered in a vacuum but rather as one aspect of a multi-faceted situation which has ultimately resulted in this case.

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

RMU position: It should not be considered because it is irrelevant. To the extent that the Commission nevertheless considers Intercounty's alleged reliance on language in the City's Plan of Intent, the Commission should balance that with the positions taken by Intercounty regarding gross receipts taxes, payments in lieu of tax, and the provision of other services. Intercounty's allegations regarding the Plan of Intent should not be considered in a vacuum but rather as one aspect of a multi-faceted situation which has ultimately resulted in this case.

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

RMU position: Yes. The statutes of this state contemplate and authorize a municipal electric utility to purchase the facilities of a rural electric cooperative after an annexation such as this. The Commission should assign the entire annexed area as RMU's exclusive service area in order to eliminate the need to construct duplicate electric distribution lines in the annexed area.

**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?**

RMU position: \$1,299,473.

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

RMU 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?**

RMU 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?**

RMU position: No. The office building is not something which should be included because it was not built solely to serve the annexed area and is not essential in providing electric service to the area. To the extent that the Commission considers Intercounty's alleged reliance on language in the City's Plan of Intent, it should balance that with the positions taken by Intercounty regarding gross receipts taxes, payments in lieu of tax, and the provision of other services. Intercounty's allegations regarding the Plan of Intent should not be considered in a vacuum but rather as one aspect of a multi-faceted situation which has ultimately resulted in this case.

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

RMU position: The approach should be the use of the straight-line method utilizing original installation dates for equipment, as has been calculated by RMU in its prepared testimony.

**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?**

RMU position: \$675,339, which is the result of RMU's application of the straight line method.

**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?**

RMU position: The total amount is \$465,867 which is made up of the following components: reintegration of Intercounty's distribution system, \$383,077; reintegrate stranded Intercounty customers, \$58,790; transfer of service, \$24,000.

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?**

RMU position: Yes, to the full extent that these costs are discussed in RMU's surrebuttal testimony.

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

RMU position: Yes, to the full extent that these costs are discussed in RMU's surrebuttal testimony.

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

RMU position: Yes, to the full extent that these costs are discussed in RMU's surrebuttal testimony.

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

RMU position: Yes, to the full extent that these costs are discussed in RMU's surrebuttal testimony.

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

RMU position: Yes, to the full extent that these costs are discussed in RMU's surrebuttal testimony. RMU is not aware of any additional facilities that are required to be "demolished."

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

RMU position: Yes, where Intercounty does not presently have existing power lines with associated land rights.

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

RMU position: Yes, if "maintain" means the cost to re-establish service to such customers, but no if "maintain" has a connotation of ongoing and future costs after reestablishment.

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

RMU position: With respect to the Intercounty district office building, with which these costs are associated, the answer is no.

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

RMU position: Yes, to the extent that Intercounty has previously identified such administrative costs as "overhead" in its calculations on reintegration presented in rebuttal testimony, which are also included in RMU's proposed amount of fair and reasonable compensation. To the extent there are additional "administrative" costs claimed by Intercounty which Intercounty did not specify in rebuttal testimony, the answer is no and it would therefore be improper for the Commission to consider them.

**2. If the Commission determines that an item listed in III-E. 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**

RMU position: The cost of items a), c) and f) together total \$383,077.

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

RMU position: The cost of items b), d) and e) together total \$24,000.

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



RMU position: The cost of items a), c) and f) together total \$383,077.

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

RMU position: The cost of items b), d) and e) together total \$24,000.

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

RMU position: The cost of items b), d) and e) together total \$24,000.

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

RMU position: The cost of items a), c) and f) together total \$383,077.

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

RMU position: \$58,790

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

RMU position: Not applicable, therefore, none.

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

RMU position: Administrative costs are already included in the \$383,077, \$24,000 and \$58,790 amounts listed above, so no additional amount is appropriate.

**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?**

RMU position: \$1,166,814

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

RMU position: All structures within the annexed area now in existence should be included, which would exclude the structures formerly located at or known as: Charles Moreland property and CT Farm & Country.

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

RMU position: Intercounty's revenue should be reduced to account for "discounts and patronage" returned to its members, which results in a lower gross revenue to Intercounty. There should not be any "normalization" with regard to whether a structure was occupied part time or full time during the 12 month period reviewed.

**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?**

RMU position: Yes. The Commission should deduct \$400,000 from the otherwise fair and reasonable compensation amount determined in this case to reflect the state of Intercounty easements in the annexed area and the associated potential litigation costs RMU may incur as a result of Intercounty's failure to follow normal business practices regarding easements.

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

RMU position: Yes. Intercounty should be ordered by the Commission to test its equipment in the annexed area prior to the transfer. The Commission should order that any Intercounty facilities that test positive for a regulated level of PCB's are to be replaced with certified PCB-free equipment prior to transfer.

**C. Should joint use fees collected pursuant to Intercounty's pole attachment**

**agreements be considered in the calculation of fair and reasonable compensation?**

RMU position: This is an invalid and improper issue and should be disregarded by the Commission because Intercounty did not present any rebuttal testimony regarding this claim.

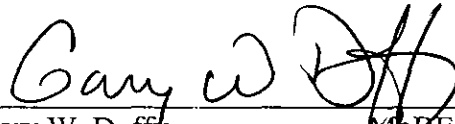
**D. Should the equity owed to the Intercounty members in the annexed area be considered in the calculation of fair and reasonable compensation?**

RMU position: No.

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

RMU position: This is an invalid and improper issue and should be disregarded by the Commission because Intercounty did not present any rebuttal testimony regarding this claim.

Respectfully submitted,

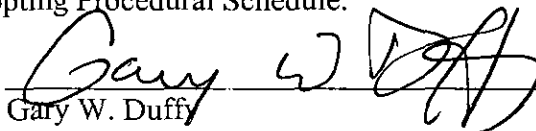


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ATTORNEYS FOR  
THE CITY OF ROLLA, MISSOURI

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing document was mailed or hand-delivered on November 21, 2000, to counsel for all parties of record as shown below, and a copy was electronically transmitted to the Regulatory Law Judge as directed by the Order Extending Time for Decision and Adopting Procedural Schedule.



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