

Exhibit No.:

Issues: Change of Electric Supplier
Fair and Reasonable
Compensation

Witness: James L. Ketter

Sponsoring Party: MoPSC Staff

Type of Exhibit: Cross-Surrebuttal

Case No.: EA-2000-308

FILED³

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Missouri Public
Service Commission

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

CROSS-SURREBUTTAL TESTIMONY

OF

JAMES L. KETTER

CASE NO. EA-2000-308

Jefferson City, Missouri
October 2000

1 **CROSS-SURREBUTTAL TESTIMONY**

2 **OF**

3 **JAMES L. KETTER**

4 **CITY OF ROLLA FOR EXCLUSIVE SERVICE TERRITORY AND FOR**

5 **DETERMINATION OF FAIR AND REASONABLE COMPENSATION**

6 **CASE NO. EA-2000-308**

7
8 Q. Please state your name and give your business address.

9 A. James L. Ketter, P.O. Box 360, Jefferson City, Missouri 65102.

10 Q. Are you the same James L. Ketter that filed Rebuttal testimony in this
11 case?

12 A. Yes

13 Q. What is the purpose of your surrebuttal testimony?

14 A. I will address issues raised in the rebuttal testimony by witnesses for
15 Intercounty Electric Cooperative Association (Intercounty or Cooperative).

16 Q. In Mr. Strickland's rebuttal testimony on page 15 and Mr. Ledbetter's
17 rebuttal testimony on pages 4 and 5, the Intercounty system-wide accumulated depreciation
18 is used to calculate the percentage of existing plant that has not been depreciated. Mr.
19 Ledbetter then uses this value in determining the replacement cost of electric facilities in
20 the annexed area. What is your evaluation of the use of the system-wide depreciation to
21 determine the remaining life, and in turn, the replacement cost of the facilities subject to
22 transfer?

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1 A. This valuation of the depreciated plant is in response to the language
2 in the statute that specifies present-day reproduction cost, new, less depreciation computed
3 on a straight-line basis. Given that the Cooperative's records do not include specific
4 information on the in-service date of electric facilities, an estimate of the accumulated
5 depreciation is necessary to estimate the value of the facilities subject to transfer. In my
6 rebuttal testimony I outlined a method for determining the age of the facilities using in-
7 service information for distribution transformers serving customers in the annexed area.
8 My concern with Intercounty's approach is that it used too broad a pool to evaluate the
9 assets.

10 The system-wide average as computed by Mr. Strickland is representative
11 of Intercounty as a whole and reflects the combined effect of many individual depreciation
12 schedules for the various components of the Cooperative's plant in service. In particular,
13 the facilities subject to transfer are overhead and underground distribution facilities, and
14 service equipment necessary to deliver electricity to the homes in the area. These
15 components typically have useful lives of over 30 years. However, also included in
16 Intercounty's calculation are other general plant accounts that are part of the system-wide
17 accumulated depreciation, but are not subject to transfer. These include vehicles, offices
18 and office equipment, and other utility equipment. Thus, Intercounty's use of the system-
19 wide representation of the percentage of depreciated plant reflects the cooperative as a
20 whole, but is not representative of the facilities subject to transfer in the Southside Annex
21 area.

22 Q. In Mr. Strickland's rebuttal testimony on pages 15 and 16, he
23 proposes that the fair and reasonable cost necessary to transfer customers to Rolla

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1 Municipal Utilities should include other components, including the transfer to Rolla of the
2 Intercounty office located within the annexed area. What is your response?

3 A. The Intercounty office is located on Highway 63 in the western
4 portion of the annexed area. This local office can continue to be useful in meeting the
5 needs of other Cooperative members in and around Rolla. There are still approximately
6 113 Cooperative members inside the city limits of Rolla and others in this portion of
7 Intercounty's service area close to Rolla that can benefit from this facility. It is my
8 opinion that the transfer of the office is not tied to the transfer of electric customers of the
9 Southside Annex, and that the office has value to the remaining Intercounty members in
10 and around Rolla. These arguments also apply to Mr. Ledbetter's rebuttal testimony, page
11 9, concerning this transfer of the office to the City, where he sponsors the quantification of
12 the cost (\$1,000,229.16).

13 Another component that Mr. Strickland includes is \$53,000 for relocation of
14 communication and computer equipment in connection with the relocation of the office
15 building that is now located within the annexed area. Intercounty contends that this
16 building and land should be part of the transfer and subject to reimbursement from the
17 City. I do not support this addition to the compensation for transfer of Cooperative
18 members to the City. As stated previously, it is my opinion that this office can still be used
19 to meet the needs of both the cooperatives members inside the Rolla city limits and those
20 members in the general area.

21 Another component of the fair and reasonable costs proposed by Mr.
22 Strickland is the expense associated with final meter reading, final bills and service crews
23 necessary during this transition time. This expense was estimated at \$24,000. I agree that

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1 this is a legitimate expense for transfer of customers to the City. These costs would be
2 incurred because of the transition of customers from Intercounty to Rolla Municipal
3 Utilities and would not be incurred otherwise.

4 The last component proposed by Mr. Strickland in this portion of his
5 rebuttal testimony is an addition of \$402,649.39 for the retirement of the annexed
6 member's patronage obligation, or capital credits. Each member of a cooperative is
7 allocated a portion of the excess revenue that may accrue at the end of each fiscal year,
8 usually based upon the energy usage for the year. The extent, if any, to which capital
9 credits are retired, or refunded, in any given year is determined by action of the
10 cooperative board, based on the financial condition of the cooperative.

11 A transfer of customers under this statute creates a requirement that the
12 Cooperative address the matter of refunding capital credits attributed to the members
13 subject to transfer. Although this is an unusual requirement in the sense that it is being
14 triggered by an event outside the control of the Cooperative, the fundamental obligation to
15 compensate transferred members is the same as in the more typical cases involving
16 cooperatives, namely, those relating to territorial agreements involving transfer of
17 cooperative members. In such cases, the cooperative board decides whether the capital
18 credits are retired upon transfer or whether the transferred members would receive capital
19 credits on the same schedule as other cooperative members. This proceeding has not
20 changed Intercounty's fundamental obligation to the members in question. Accordingly, it
21 is my opinion that this is not a recoverable expense.

22 Q. Do you wish to address any other matters raised in Intercounty's
23 rebuttal testimony?

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1 A. Yes. On page 23 of Mr. Strickland's rebuttal testimony a reference is
2 made to the AmerenUE wholesale power contract, which will expire December 31, 2000.
3 In response to Staff data requests, the City indicates that it has contracted with the
4 Missouri Joint Municipal Electric Utility Commission to provide its wholesale electric
5 service.

6 Q. Does this conclude your surrebuttal testimony?

7 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

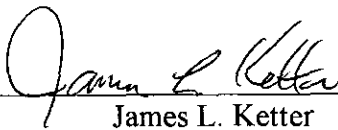
In the matter of the Application of the City)
of Rolla, Missouri, for an Order Assigning)
Exclusive Service Territories and for)
Determination of Fair and Reasonable)
Compensation Pursuant to Section)
386.800 RSMo 1994.)

Case No. EA-2000-308

AFFIDAVIT OF JAMES L. KETTER

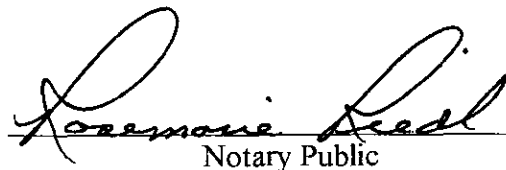
STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James L. Ketter, of lawful age, on his oath states: that he has participated in the preparation of the foregoing written testimony in question and answer form, consisting of 5 pages of testimony to be presented in the above case, that the answers in the attached written testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


James L. Ketter

Subscribed and sworn to before me this 18th day of October, 2000.

ROSEMARIE RIEDL
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXPIRES JUNE 1, 2001


Notary Public

My commission expires _____

Service List for
Case No. EA-2000-308
Revised: October 18, 2000 (lb)

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