

Receipt

Exhibit No.:
Issues: Existing Intercounty Infrastructure
Public Interest
Effects of Loss of Service on Intercounty
Fair and Reasonable Compensation
Transfer of Service
Other related issues
Witness: Brian Nelson
Sponsoring Party: Intercounty Electric Cooperative
Type of Exhibit: Rebuttal Testimony
Case No.: EA-2000-308

INTERCOUNTY ELECTRIC COOPERATIVE ASSOCIATION

REBUTTAL TESTIMONY

OF

BRIAN NELSON

FILED

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Missouri Public
Service Commission

July 2000
Licking, Missouri

Exhibit No. 10
Date 12-1-00 Case No. EA-2000-308
Reporter KS

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) Case No. EA-2000-308
and Reasonable Compensation Pursuant to)
Section 386.800, RSMo 1994)

AFFIDAVIT OF BRIAN L. NELSON

STATE OF MISSOURI)
) ss.
COUNTY OF TEXAS)

I, Brian L. Nelson, of lawful age, being duly sworn, do hereby depose and state:

1. My name is Brian L. Nelson. I am presently the Manager of Engineering for Intercounty Electric Cooperative Association, a party in the referenced matter.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my personal knowledge, information and belief.


Brian L. Nelson

Subscribed and sworn to before me, a Notary Public, this 14 day of July, 2000.

My Commission expires:


Notary Public

12-9-01

SUSAN L. PARISH NOTARY PUBLIC
State of Missouri
County of Texas
My Commission Expires Dec. 9, 2001

TESTIMONY OF BRIAN NELSON

INTRODUCTION

1

2 Q. Please state your name for the record.

3 A. Brian Nelson

4 Q. By whom are you employed?

5 A. Intercounty Electric Cooperative Association

6 Q. In what capacity are you employed?

7 A. I am the Manager of Engineering.

8 Q. What are your job duties as Manager of Engineering?

9 A. I am in charge of the functions performed within the Engineering Department at
10 Intercounty. A brief and partial listing of the work responsibilities of my department are
11 as follows:

- 12 ◦ Work Order Design
- 13 ◦ System Improvement Design
- 14 ◦ Line Maintenance
- 15 ◦ Right of Way Maintenance
- 16 ◦ Material and Equipment Purchasing
- 17 ◦ Warehousing
- 18 ◦ Voltage regulation and control

19 Q. To whom do you report?

20 A. I report directly to the General Manager, Mr. Vernon Strickland.

21 Q. Briefly explain your educational background and experience.

22 A. I received a Bachelors of Science degree in Electric Engineering in 1986 from the

1 University of Missouri Rolla. After graduation, I was employed by the Department of the
2 Army at Fort Leonard Wood, MO. During this time I served as an electrical design and
3 quality assurance engineer for the Directorate of Public Works from 1986 until 1998
4 when I accepted my current position with IECA. At the time of my resignation from
5 civilian service I was the senior electrical design engineer for the installation. I am a
6 registered engineer in the State of Missouri (since 1991).

7 Q. What is the purpose of your testimony in this matter.

8 A. The primary emphasis of my testimony before the Commission will be the technical
9 issues relating to the City of Rolla's (Rolla) application in this matter. As an overview to
10 my testimony I would like to provide an outline of the areas to be discussed. The outline
11 of the issues to be covered in my testimony is as follows:

12 Existing Intercounty Infrastructure

13 Public Interest

14 Fair and Reasonable Compensation

15 System Inventory

16 Revenue Listing

17 System Reintegration

18 Service to Stranded Members

19 Feeder and Tie Line Relocation

20 Transfer of Service Issues

21 ***EXISTING INTERCOUNTY INFRASTRUCTURE***

22 Q. Since a large portion of the City of Rolla's (City) application is associated with Intercounty's

1 existing facilities, which serve the annexed area (Area) described by Mr. Watkins in his
2 testimony, please provide an overview of Intercounty's facilities, which currently serve the
3 Area.

4 A. Intercounty presently uses four (4) three phase feeder circuits which originate from three (3)
5 Sho Me Electric substations to provide electrical service to the Area. In addition to these
6 three phase circuits single phase taps or circuits are extended throughout the Area to serve
7 existing Intercounty members.

8 Q. Please provide information as to the system capacity of substations and feeder circuits which
9 currently serve the Area.

10 A. As noted above, Intercounty utilizes feeder circuits from three (3) Sho Me Electric
11 substations to feed the Area. In addition to these circuits all three substations have other
12 feeder circuits which feed Intercounty territory in and around the Rolla area. The Intercounty
13 designations for these facilities are the East Rolla, South Rolla and Dry Fork substations.
14 The East Rolla substation is a 10 MVA sub which is located within the city limits of Rolla
15 on Forum Drive. Intercounty has two (2) three phase circuits (Feeders 5 and 6) that feed
16 south from this substation and provide service into the Area. The South Rolla substation (10
17 MVA) is located approximately 2.5 miles southwest of the annexed city limits of Rolla along
18 US Highway 63 and normally serves the western portion of the annexed area from a single
19 three phase feeder (Feeder 1).

20 The Dry Fork substation is a 7.5 MVA facility located on Highway F approximately
21 3 miles east of the southeastern corner of the annexed city limit. From this facility a single
22 three phase circuit designated Feeder 7 serves the southeastern portion of the annexed area.

1 With regard to substation capacity you will find a table, labeled BN-1, at the end of
2 my testimony which shows peak substation loading for each substation for the past two (2)
3 years and in addition the percent loading of each substation at these peaks. This table shows
4 that the Intercounty system, and in particular, the substations which serve the Area currently
5 have significant capacity for growth and have been constructed and located to provide
6 adequate capacity to serve the current and future needs of the Area.

7 The loss of service to the Area would be most significant to the South Rolla and Dry
8 Fork substations which are located in closest proximity to the Area. I would estimate the
9 peak Intercounty load in the Area to be around 2.5 MW with the load distribution by
10 substation to be South Rolla (50%), East Rolla (30%) and Dry Fork (20%).

11 ***PUBLIC INTEREST***

12 Q. How do you define the term public interest?

13 A. I am not qualified to provide a legal definition of the term "public interest;" however much
14 of my testimony will be based on an interpretation of this term. Therefore, I will describe
15 how I defined the term "public interest" in preparing my testimony. I define the word
16 "public" to mean those most directly affected by the resolution of this issue. Those parties
17 would be:

- 18 ○ The current Intercounty members located in the annexed area.
- 19 ○ The members of Intercounty who are located outside the Area.
- 20 ○ The citizens of Rolla and the customers of RMU.

21 I realize that the issues involved in this case may affect a much larger group than simply
22 those which I have listed, but I also feel that these parties are the ones who will be the most

1 directly affected by the outcome of this decision.

2 Q. What public interest factors should be considered by the Commission in this case.

3 A. The factors the Commission should consider are:

- 4 ◦ Investment in Facilities. City witness Mr. Watkins has indicated there is no
5 difference in the electricity provided by RMU or Intercounty. I do not disagree with
6 this statement; however I would strongly state that only Intercounty has the facilities
7 in place at this time. The cost of these investments have been made by Intercounty
8 and therefore our members who are located within the annexed area as well as
9 throughout our service territory.

10 In order to serve the Area I am sure that RMU, and ultimately RMU's
11 ratepayers, will invest significantly to acquire existing Intercounty facilities and/or
12 construct new redundant facilities within the Area. The majority of this construction
13 and/or conversion of existing facilities will be necessary to duplicate Intercounty's
14 substation and distribution facilities which are already present.

- 15 ◦ Electrical Rates. Mr. Strickland's testimony will deal with this issue in more detail.
16 In evaluating rates it is important to look at all the factors that pertain to the amount
17 of money which a member or customer would pay to a utility for electrical service.
18 Among these factors are deposits and fees, line extension fees and rebates. All of
19 these factors must be considered because they represent the bottom line cost which
20 a customer or member pays for electrical service. I believe when all factors are
21 considered, that the rates paid by our members are comparable to those paid by
22 RMU's customers.

- 1 ◦ Reliability of Service. At Intercounty we keep detailed records and statistics on
2 outages experienced by our members. These statistics break down the average hours
3 per year which Intercounty members experience an outage. In addition to this
4 average figure statistics are maintained on the causes of these outages such as loss
5 of power supply, right of way, equipment damage or failure, etc. On a yearly basis
6 we are required to submit these statistics to the Rural Utilities Service (RUS) to
7 ensure that we are maintaining an acceptable level of reliability. I have included a
8 copy of these statistics for the proceeding three years at the end of my testimony
9 label as EXHIBIT BN-2.

10 Q. Does RMU maintain similar annual statistics on the extent and causes of outages?

11 A. None of which I am aware. During the data request process Intercounty requested this
12 information and in response the City advised that records of outages would be inspected at
13 its office. I later had the opportunity to review the outage files which are maintained by
14 RMU in the offices of RMU. They do maintain files on outages that identify when outages
15 occurred, the duration of the outages with a brief explanation of the cause of the outage. But
16 during my review of this information, I did not find any information comparable to the
17 Intercounty statistics that would allow comparison of the reliability of our respective
18 systems.

19 Q. In your opinion, do you feel that the transfer of electrical service of the Area from
20 Intercounty to RMU will benefit the public?

21 A. No, I do not, and there is a simple premise for my response: I know that Intercounty has in
22 place the transmission and distribution facilities to provide the highest level of service

1 necessary to meet not only the present needs of our members within the Area but also the
2 future needs of those who will require electrical service within the Area. From what I know
3 about RMU's electrical system, I believe that additional facilities such as substations would
4 be required to expand the existing capacity of its system in order to serve the load in the Area
5 with the comparable level of service which Intercounty currently provides.

6 Obviously, Intercounty is capable of serving the current load within the Area, but just
7 as important, our substation and feeder capacity is more than adequate to serve the future
8 electrical needs which would be anticipated.

9 If the transfer is to take place, RMU will be required to construct new redundant
10 facilities such as substations and feeder circuits required to duplicate our facilities which are
11 already located within the Area. This is clearly evident from a review of Appendix C to the
12 Application in this case in its entirety. Not only will this construction be necessary to
13 provide initial electrical service to the Area, RMU will be required to invest substantially for
14 the conversion of existing substations to standardize RMU's system voltage in order to
15 provide the same level of reliability provided by Intercounty's existing system.

16 The costs of reproducing Intercounty's facilities and system will be undoubtedly paid
17 by RMU and its ratepayers by expenditures of existing cash reserves, loans or potential rate
18 increases.

19 Q. Other than the loss of the facilities in the annexed Area, how will the transfer of facilities
20 impact Intercounty?

21 A. The existing Intercounty and Sho Me Electric substations and main feeders currently serving
22 the Area will be significantly under-utilized for the function for which they were originally

1 designed and constructed if the Commission approves the applied for transfer of service.
2 These facilities represent a significant investment to the cooperative. Although it is hoped
3 that development around the new city limits would grow to the point of replacing the current
4 load, that development will undoubtedly take several years. During this time our current
5 transmission and distribution facilities will remain under utilized and therefore result in
6 higher operating costs for our members. In addition, to the current ratepayers of RMU the
7 construction, conversion and acquisition costs incurred by RMU may be particularly
8 detrimental to current Intercounty members within the annexed area who may be required
9 to pay for the construction of a redundant RMU electric system comparable to the one
10 currently in place. This would hardly seem in the interest of these members of the public
11 who have invested in the current Intercounty system which will be duplicated by RMU.

12 I cannot see how RMU's acquisition of Intercounty facilities benefits any of those
13 groups which I would consider to be included in the term "public."

14 ***EFFECTS OF LOSS OF SERVICE TERRITORY TO INTERCOUNTY***

15 Q. City witnesses Mr. Watkins and Mr. Borne both testified that the loss of the 286 metered
16 sites located within the Area is largely insignificant based on the overall size of Intercounty's
17 membership. Do you agree?

18 A. No. During the past three years the membership of the Cooperative has increased on an
19 average of 732 members per year. The loss of 286 meter locations within the annexed area
20 would amount to nearly 39.1% of Intercounty's recent annual growth. If, under normal
21 circumstances, Intercounty's load growth dropped by an amount such as this it would
22 certainly not be considered insignificant and certainly the same would apply in this case. We

1 are also dealing with an area where the infrastructure necessary to serve these members has
2 already been developed. In terms of new load growth there is a larger cost investment made
3 in new construction at the time when these new members are added which does not exist in
4 the case of the services located within the Area.

5 Furthermore, the state of development and load density of the annexed Area makes
6 the loss of this particular area more significant to Intercounty and its members.

7 In Mr. Watkins' testimony RMU has estimated that approximately 75% of the Area
8 is currently undeveloped or rural in nature. If that is the case, Intercounty would have
9 expected a much higher load growth within this currently undeveloped portion of the
10 annexed area based on the typical load density which is normally experienced elsewhere
11 within Intercounty's service territory.

12 Q. You have mentioned the term load density. Could you please provide a brief definition of
13 this term and explain its importance to this case?

14 A. The briefest definition of load density which I can give is based on electrical load or number
15 of services/meters served per mile of line. The Cooperative serves an extremely large land
16 area and although it has pockets of high load density within the system, its service territory
17 is predominantly rural in nature therefore its system wide density is low, slightly more than
18 more than five (5) meters per mile of line.

19 Within an area such as the one in question in this case, I estimate that our current
20 density is closer to twenty (20) services per mile. Loss of such an area would lower the
21 overall load density of the cooperative and raise overall operating and maintenance costs to
22 the remaining Intercounty members. Certainly over time Intercounty would grow to replace

1 the members lost within the Area if service were transferred to RMU. However, it is likely
2 that the bulk of this growth would be replaced at a load density more in line with
3 Intercounty's typical load density. This means that Intercounty's construction and
4 maintenance costs would be escalated by a factor of 3 to 4 times its current costs to serve the
5 same number of members. This is one of the primary reasons why I believe that the loss of
6 these services and corresponding service territory will be particularly detrimental to
7 Intercounty and its members.

8
9 Q. Previously you stated that substations and feeder circuits which presently serve the Area will
10 be under utilized by loss of the service territory within the Area. Would you not expect
11 future growth to replace this loss over time?

12 A. Yes, I would. However, based on the estimate that 75% of the annexed area is currently
13 undeveloped I would expect that it will take many years before the growth necessary to
14 replace the load which Intercounty currently serves will reach the area outside of the new city
15 limits. In the meantime Intercounty will be left with a significant investment in system
16 capacity and distribution which will not be fully utilized. Also, during this time Intercounty
17 will continue to incur maintenance costs necessary on this infrastructure.

18 ***FAIR AND REASONABLE COMPENSATION***

19 Q. Has Intercounty performed an inventory of the Intercounty facilities which are located within
20 the annexed Area?

21 A. Yes.

22 Q. When was the inventory prepared?

1 A. During July 1998.

2 Q. Describe how this inventory was prepared.

3 A. Over a period of several weeks Intercounty employees performed an on site inventory of our
4 facilities which are located in the Area. During this inventory all of the Intercounty facilities
5 were identified and recorded on staking sheets. Upon completion of the inventory the results
6 were entered on a staking sheet software program which allowed us to itemize and group
7 materials by type and quantity.

8 Q. Based on the inventory of Intercounty's facilities within the Area, was a cost value estimated
9 by the Cooperative for the facilities in the annexed Area?

10 A. Yes. Upon completion of the inventory, the material lists were sorted so that material
11 quantities could be sorted and grouped by type. The estimate for the construction materials
12 was based on the current cost of these types of materials currently purchased by Intercounty
13 for ongoing construction. In addition to the material costs, a labor cost was assigned for the
14 facilities listed in the inventory. The labor cost was based on contract labor costs incurred
15 by Intercounty and other utilities for recent pole replacement contracts.

16 Q. In the testimony of City witness Mr. Bourne, a depreciated cost was assigned to
17 Intercounty's facilities. Do you agree with these calculations?

18 A. I do not agree with either the methodology or the calculated value provided in Mr. Bourne's
19 testimony. Mr. Bourne used an estimated construction date based on a "spot check" of some
20 of our facilities within the Area. I am not sure what process RMU used to determine what
21 facilities were to be "spot checked." However, I do not feel that their results calculated based
22 on this method provide a fair and reasonable depreciated value of our facilities included in

1 the inventory.

2 As I understand Mr. Bourne's testimony, he estimated that 30% of our current
3 system within the Area is 24 years in age or older and the remaining 70% of our system is
4 constructed of components which are in excess of 35 years in age. There are flaws in these
5 assumptions and, therefore, there are flaws in the validity of the calculations.

6 ○ There are 286 services currently in the Area, over half (144) were either constructed,
7 revamped or had a transformer change performed since 1980. These figures do not
8 include meter changes at individual locations in this time frame.

9 ○ Maintenance efforts have been made to the facilities in the area since the time of
10 original construction. In accordance with RUS guidelines, some of these costs have
11 been capitalized. This includes the replacement of complete facilities or components
12 of individual facilities which are damaged or have failed in service, such as poles,
13 crossarms, transformers, etc.

14 For these reasons, Intercounty's system wide depreciation rate should be used since
15 it more accurately estimates the typical state of depreciation of the facilities which comprise
16 our system. This depreciating rate can be calculated from the financial report that is required
17 to be submitted to our mortgage holders, RUS and the National Rural Utilities Cooperative
18 Finance Corporation (CFC), a copy of which has been provided in Mr. Strickland's
19 testimony.

20 Q. Rodney Bourne testified that Intercounty's response to an RMU data request included a
21 present day reproduction cost of the facilities in the Area. Do you agree?

22 A. No. The costs provided by Intercounty to RMU were based on the City's Data Request nos.

1 3 through 14. Those data requests were for the material and labor cost directly associated
2 with our system inventory of the annexed area. The Data Requests did not ask for
3 Intercounty's, RUS's, or CFC's cost to reproduce these facilities. In order to estimate the
4 "reproduction cost," the following additional items should be included:

5 B. Administrative: There are administrative costs which should be added to the labor
6 estimate in order to reflect the burdened labor rate.

7 C. Engineering and Design: The engineering and design efforts are separate costs which
8 should also be considered in the calculation of any reproduction cost.

9 D. Easements: Although it is not Intercounty's normal practice to buy or pay for
10 easement rights granted to the Cooperative the costs associated with identifying and
11 locating property owners in order to obtain easements is substantial.

12 E. Right of Way Clearing: Another cost which should be included in this area is the
13 cost of right of way clearing. The costs required to clear and provide adequate right
14 of way for line construction in my opinion are appropriate costs in determining the
15 reproduction cost associated with our current facilities within the Area.

16 Mr. Bourne and RMU do not take these additional costs into account when considering the
17 amount of "replacement costs."

18 Q. Did Intercounty provide a revenue listing as part of the data request process?

19 A. Yes

20 Q. In the listing which was originally provided to RMU are there any corrections which should
21 be made?

22 A. Yes. During the review of RMU's testimony in this matter I noticed that several locations

1 that were listed on Intercounty's original data request response were actually Intercounty
2 services located within the pre-annexation city limits. These locations were listed because
3 they are part of the same map and section number of Intercounty services which are located
4 within the Area and were therefore incorrectly grouped into the revenue listing originally
5 provided. Upon review of these locations, they have been removed from our revenue list and
6 an amended revenue listing was prepared and will be provided as part of Mr. Strickland's
7 testimony. The "CT Farm and Country Store" and the "Moreland" property are two (2)
8 locations which were omitted from the revenue listing provided in RMU's testimony. These
9 locations should remain on the list. In both of these cases, RMU claims that since the
10 facilities no longer exist that they should not be included in the revenue projection. The
11 statute refers to a gross revenue stream that covers a specified twelve-month period, and the
12 locations omitted by RMU are part of the revenue Intercounty received in the application
13 twelve-month period. The revenue for these locations is therefore valid and should be
14 included in Intercounty's revenue listing.

15 Q. Please describe what work necessary to restore (reintegrate) Intercounty's existing system
16 if RMU is given exclusive rights to provide electrical service to the Area.

17 A. The work necessary to reestablish the Cooperative's existing system integrity can be broken
18 into three distinct phases which are:

- 19 ○ Relocation of existing distribution facilities necessary to serve Intercounty members
20 within the pre-annexation city limits that Intercounty would continue to serve.
- 21 ○ Relocation of facilities necessary to serve "stranded" members outside of the Area.
- 22 ○ Relocation of existing feeders and tie lines which are currently located within the

1 Area to Intercounty service territory outside of the Area.

2 Q. Does Intercounty have an estimate for the work which is necessary to reintegrate its system
3 if RMU is granted exclusive rights to service the Area?

4 A. Yes, these estimates have been prepared and are included in the testimony provided by Mr.
5 James Ledbetter of Ledbetter, Toth and Associates.

6 Q. Would it not be possible to leave the existing three phase tie lines within the Area as a means
7 of maintaining the existing integrity of your system?

8 A. In my opinion certainly not. The basis for my opinion is that the primary purpose of
9 Intercounty distribution circuits is to provide electrical service. In areas such as our service
10 territory in and around Rolla where Intercounty has numerous substations and corresponding
11 feeder circuits the Cooperative will construct tie lines to interconnect feeder circuits which
12 originate from different substations or circuits. The decision to construct these tie lines is
13 primarily based on the load density of the area being served and also the proximity to other
14 circuits to which tie lines could be constructed. When these factors are present Intercounty
15 will make a technical decision to construct a tie line in order to provide a redundant source
16 of power to an area of significant density to increase the overall reliability of the system and
17 the level of service which Intercounty provides to its members. In the case of the feeder
18 circuits which serve the Area , the Commission should recognize that they have multiple
19 service roles. For example, the purpose of Feeder 1 out of Intercounty's South Rolla
20 substation is not simply to provide a tie to Feeder 6 out of the East Rolla substation, but its
21 primary purpose is to provide service to Intercounty members located north of the substation
22 facility. This includes Intercounty members within the western and southwestern portions

1 of the Area. Based on the load density within this immediate area and its proximity to
2 Feeder 6 out of East Rolla a three phase tie line was constructed.

3 Q. Mr. Bourne states in his direct testimony that Intercounty's existing tie lines could simply
4 be relocated on new RMU poles. Would this arrangement present any potential safety or
5 maintenance issues which the Commission should consider?

6 A. Yes, it does. RMU proposes to address this matter by relocating Intercounty's tie lines
7 above RMU distribution circuits within the Area. First of all, this configuration will not
8 maintain Intercounty's existing system integrity for the reasons which I earlier outlined.
9 With regard to safety, this proposal needlessly creates many safety and maintenance
10 problems for Intercounty as well as RMU personnel who would perform maintenance and
11 repair work on these joint use circuits. The proposal would also leave Intercounty with
12 several miles of three phase tie lines which would no longer serve any current or future load
13 within the Area. Although the usage of the line for current or future loads would be limited,
14 Intercounty would still be responsible for maintenance costs of these circuits. This proposal
15 would leave Intercounty with a situation where circuits are underutilized for the express
16 purpose for which they were originally designed and constructed. Also, the acceptance of
17 RMU's proposed duplication and overlaying of facilities would create needless safety
18 hazards for personnel of both Intercounty and RMU. When working on joint use circuits
19 employees from both parties would be required to work around energized conductors fed
20 from another power source operated by another party. In addition to the safety issues, the
21 proposal would create maintenance concerns for Intercounty regarding access to its circuits.
22 If implemented, the proposal would mean raising an Intercounty circuit several feet. In

1 addition to the increased vertical heights, additional reach on maintenance equipment would
2 be necessary to work above and around RMU circuits located below. Recently,
3 Intercounty's members experienced unnecessary outages due to current RMU construction
4 which, in my estimation, did not meet the clearance requirements of ANSI C2, National
5 Electrical Safety Code (NESC). Intercounty has notified RMU in writing of the problem
6 that occurred, and as of the date of this testimony RMU's only response is that the situation
7 was being evaluated. A copy of RMU's most recent correspondence on this incident is
8 attached as EXHIBIT BN-3.

9 Q. Are you suggesting that joint use construction should never be utilized by RMU and
10 Intercounty?

11 A. No. I certainly believe that joint use construction is necessary at points of crossing or
12 conflict, and the NESC provides adequate rules and minimum clearances necessary to
13 provide safe construction. Even though the NESC provides minimum clearance rules for
14 joint use situations, that should not justify or encourage the creation of unnecessary joint use
15 situations which is what I believe the RMU proposal does. Nonetheless, joint use
16 construction is preferable to the current situation which exists between RMU and Intercounty
17 where circuits are constructed above existing circuits without joint attachment to a common
18 structure at the point of crossing in order to ensure adequate clearances. My point is that
19 joint use situations should be utilized out of necessity and not convenience. I feel that the
20 current construction of new circuits being performed by RMU where circuits are being
21 extended above and near existing Intercounty lines without a point of common attachment
22 presents an unnecessary safety and maintenance risk to the personnel of both Intercounty and

1 RMU and also presents a reliability issue for our members/customers who may be adversely
2 effected.

3 Q. Is RMU's proposal a form of "reintegration" contemplated by the statute?

4 A. Based on my understanding of this proposal I do not believe it would meet the statutory
5 requirement for reintegration of Intercounty's system. The only advantage to this proposal
6 is that it would significantly lower the "fair and reasonable compensation" which RMU
7 would be required to provide Intercounty. If the Commission decides that it should be part
8 of this transaction, it is my hope that the Commission will include a joint use agreement
9 which will be of benefit to both Intercounty and RMU and correct this situation.

10 Q. Is it your testimony that the City intended to create safety problems for Intercounty by
11 proposing the joint use arrangement?

12
13 A. No. I feel certain that RMU's did not intend to create safety hazards of the employees of
14 either party by making this proposal. I am sure that RMU's concern for safety is no less
15 sincere than ours. However, in evaluating the proposal I feel that it does create operational
16 and safety risks which are unnecessary.

17
18 Q. Could you describe the type of easements which are normally obtained by Intercounty for
19 line construction.

20 A. The vast majority of easements obtained by Intercounty are "blanket easements". These
21 easements are given to Intercounty by property owners to allow line construction within the
22 property. These easements do not define specific corridors or segments of the property on

1 which Intercounty is allowed to locate lines, however it is the Cooperative's practice to
2 notify and seek approval of property owners before new lines are constructed. This allows
3 Intercounty to locate and construct new lines in a manner that will result in the minimal
4 amount of intrusion to those property owners who have granted Intercounty easement rights.

5 Q. RMU witness Rodney Bourne testifies that there are problems with the Intercounty
6 easements. Do you know why, in their existing form, these easements would be considered
7 problems?

8 A. I am assuming that the easements normally obtained by RMU are much more specific and
9 formal than many of the easements normally obtained by Intercounty. In terms of
10 specificity, I mean that typically utility easements in more urban areas are much more
11 defined in terms of property description and specified boundaries. In terms of formality I
12 would assume that a large majority if not all of these easements are surveyed and recorded.
13 Although Intercounty has easements within its system which are similar, the majority of
14 Intercounty's easements, as I mentioned earlier, are the "blanket" type. I assume that if
15 RMU is to perform new line construction into the Area that it could obtain easements in
16 whatever manner it determines to be necessary based on its normal business policies or
17 practices. As far as Intercounty's easements are concerned, they have proven to be cost
18 efficient and reliable. Intercounty does not foresee any problems with them and considers
19 them a valuable asset of the Cooperative.

20 Q. Has RMU constructed any electrical lines into the Area since the annexation vote?

21 A. Yes, they have.

22 Q. What type of easements were utilized for this construction?

1 A. I do not know.

2 Q. Does Intercounty interpret its blanket easements to allow the Cooperative to construct new
3 lines or facilities on the covered property without advance approval of the landowner?

4 A. Even if Intercounty's blanket easement form could be interpreted to allow this, Intercounty
5 has not followed such a practice. The main reason that landowners are willing to grant
6 Intercounty these type of easements is because they have a high degree of confidence that
7 Intercounty will not abuse the rights which have been given. If Intercounty were to build and
8 construct lines without consultation with and approval of property owners within our service
9 territory it is highly likely that these same property owners would not be willing to grant the
10 easement rights which we currently have for our facilities.

11 Q. Mr. Bourne also states in his testimony that RMU would incur significant costs associated
12 with obtaining, surveying and recording of easements necessary for RMU to serve the Area.
13 Do you feel that these costs should be considered as part of the resolution of this Case?

14 A. No. I would not pretend to tell another utility how and what practices it should follow
15 regarding easements. Intercounty has served the customers in the Area with the current
16 easements without difficulty and Intercounty should not be obligated to fund the costs of
17 RMU's preferences in the manner of obtaining, surveying and recording easements for the
18 same area. I can say confidently that the original easements obtained by Intercounty were
19 not done so with the intent of aiding or hindering the expansion of RMU's service territory
20 into the Area. However, the extent of condemnation which RMU could utilize for supplying
21 service in the Area may be a detriment to the public interest and should be considered by the
22 Commission.

TRANSFER OF SERVICE ISSUES

Q. If the Commission decides to assign exclusive territorial rights for electrical service within the Area to RMU, are there costs associated with the transfer of service for which Intercounty should be compensated?

A. Yes. If the existing Intercounty members within the Area are transferred to RMU, Intercounty will incur significant transition costs for which it should be compensated by RMU.. A breakdown of these costs is included in the testimony provided by Mr Strickland and Mr. Ledbetter. In addition to the costs mention earlier in my testimony, I believe that Intercounty is entitled to reimbursement for transfer and demolition costs for removal of connection facilities within the Area that would not be used by Intercounty. These efforts would require coordination with RMU during its construction to ensure that the disruption of service to the affected parties would be minimized. Also it would be necessary for Intercounty to be present to disconnect and remove its facilities at the time and place when new RMU facilities are available to transfer service. This step will require a dedicated crew. Based on Intercounty's current maintenance and construction workload, it would not be economically feasible to utilize one of our existing crews. The nature of this work would cause crews to constantly relocate in and out of the Area to perform this work in addition to their current maintenance and construction work necessary in our service territory outside of but near the Area. I suggest that Intercounty obtain a contract for this type of work and that RMU be ordered to reimburse Intercounty on a cost basis. This solution is the most cost effective for both RMU and Intercounty for the work associated with the transfer of service.

1 Q. Are there any other issues the Commission should consider if it decides that the existing
2 Intercounty facilities should be transferred to RMU?

3 A. Yes. The majority of the issues deal with liability associated with the transfer. The
4 primary issue would be for PCB (polychlorinated byphynals) contamination and clean-
5 up. I do not know of any PCB contaminated equipment within the Area; however, as
6 indicated during the discovery phase of this case, Intercounty has not tested every piece
7 of equipment such as transformers, capacitors, and regulators within the Area. I am not a
8 legal expert on this issue but I do not believe that the transfer of ownership would
9 eliminate our responsibility should a PCB related issue arise on equipment for which
10 ownership was transferred. As a means of eliminating the issue, I would recommend that
11 RMU be required to test any equipment prior to transfer of ownership. If the equipment
12 were found to be contaminated with PCBs Intercounty would maintain ownership and
13 therefore the responsibility for disposal. RMU would be responsible for the replacement
14 of any such equipment. With regard to the ownership of remaining hardware such as
15 poles, hardware, meters, offices, etc. RMU should accept possession on an "as is - where
16 is" basis and therefore any future liability for these materials. This condition would apply
17 to any materials, easements and/or facilities which RMU were to acquire as part as the
18 resolution of this matter.

19 Q. Does this conclude your rebuttal testimony?

20 A. Yes.

21

EXHIBIT BN-1

**CURRENT
INTERCOUNTY
SUBSTATION LOADING
SUMMARY**

**CURRENT
INTERCOUNTY
SUBSTATION LOADING
SUMMARY**

	East Rolla		South Rolla		Dry Fork	
	Peak Load in KW	Percent Capacity	Peak Load in KW	Percent Capacity	Peak Load in Kw	Percent Capacity
June 98	6,843	68.4	7,174	71.7	2,984	39.8
July 98	7,560	75.6	7,766	75.7	7,776	103.7
Aug 98	7,344	73.4	7,595	76.0	2,955	39.4
Sep 98	6,964	69.6	6,443	64.4	2,868	38.2
Oct 98	5,210	52.1	4,933	49.3	2,195	29.3
Nov 98	6,186	61.9	6,048	60.5	2,477	33.0
Dec 98	9,284	92.8	8,150	81.5	3,300	44.0
Jan 99	10,282	102.8	8,582	85.8	3,819	50.9
Feb 99	7,988	79.9	7,209	72.1	2,995	39.9
Mar 99	7,392	73.9	6,791	67.9	2,984	39.8
Apr 99	6,074	60.7	5,210	52.1	2,298	30.6
May 99	4,186	41.9	4,392	43.9	1,716	22.9
June 99	6,540	65.4	6,676	66.8	2,684	35.8
July 99	8,329	83.3	7,860	78.6	3,364	44.9
Aug 99	7,888	78.9	7,612	76.1	3,133	41.8
Sep 99	6,722	67.2	6,978	69.8	2,627	35.0
Oct 99	5,880	58.8	5,835	58.4	2,321	30.9
Nov 99	6,705	67.1	6,512	65.1	2,586	34.5
Dec 99	8,774	87.7	7,880	78.8	3,370	44.9
Jan 00	8,942	89.4	8,433	84.3	3,439	45.9
Feb 00	8,705	87.1	7,972	79.7	3,485	46.5
Mar 00	6,247	62.5	6,160	61.6	2,460	32.8
Apr 00	5,892	58.9	5,950	59.5	2,379	31.7
May 00	6,519	65.2	7,001	70.0	2,494	33.3

EXHIBIT BN-2

**INTERCOUNTY
ANNUAL OUTAGE REPORT
SUMMARY**

1997 thru 1999

**INTERCOUNTY
ANNUAL OUTAGE REPORT
SUMMARY**

1997 thru 1999

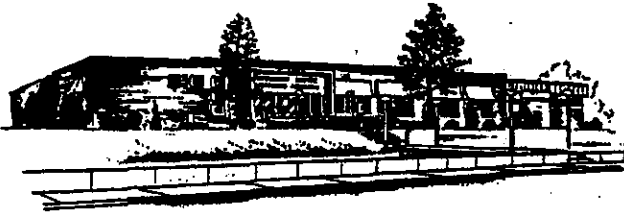
<u>Outage Cause</u>	<u>Average Outage Hours per Service per Year</u>
1997	
Power Supply	0.11
Scheduled	0.02
Right-of-Way	0.32
Lightning	0.16
Broken Line	0.01
Transformer	0.04
Other	0.33
Major Storm	0.00
1998	
Power Supply	0.09
Scheduled	0.01
Right-of-Way	0.31
Lightning	0.10
Broken Line	0.01
Transformer	0.02
Other	0.40
Major Storm	0.06
1999	
Power Supply	0.11
Scheduled	0.02
Right-of-Way	0.35
Lightning	0.06
Broken Line	0.01
Transformer	0.07
Other	0.58
Major Storm	0.44

EXHIBIT BN-3

**INTERCOUNTY
CORRESPONDENCE
WITH RMU**

Intercounty Electric Cooperative Association

P.O. BOX 209, LICKING, MISSOURI 65542-0209 / (573) 674-2211 / FAX (573) 674-2888



March 20, 2000

Rodney P. Bourne, P.E.
Rolla Municipal Utilities
P.O. Box 767
102 West Ninth Street
Rolla, MO 65402

Dear Mr. Bourne:

On two occasions on the afternoon of March 8, 1999, IECA experienced outages in the Line-Barnitz area of Rolla. IECA crews responded to the initial outage call at 12:50 p.m. An inspection of the line revealed no permanent fault or obvious cause of the outage. Shortly after this inspection, the line was re-energized. Once again, at approximately 3:00 p.m. IECA received outage calls from this area and responded. During the subsequent line inspection, it was determined that our primary circuit had come in contact with an adjacent secondary lightning circuit installed by RMU. Our visual inspection of the location would indicate that the separation distance of your circuit did not meet the specified clearances as required by the National Electrical Safety Code (NESC).

On a prior occasion, IECA raised concerns regarding proximity and clearance of new RMU construction to existing IECA circuits. The initial issue involved RMU construction along Rolla Street within the recently annexed portion of South Rolla. In particular, the issue dealt with a new circuit which was constructed over an existing IECA circuit. At that time IECA suggested that the preferred method for this situation would be for the two circuits to be attached on a common structure at the point of crossing, to ensure that proper clearances were maintained. In your response you indicated that since there existed no joint use agreement between IECA and RMU, this suggestion was not feasible. As of the date of this letter I am unaware of any change in your original position.

Mr. Rodney P. Bourne, P.E.

Page 2


March 20, 2000

Although the most recent situation did not involve a line crossing, but rather line construction adjacent to existing lines, the issue of clearances is once again raised. Based on the proximity of our existing circuits to your new construction within the area, the likelihood of clearance issues (such as these) arising is increased.

Based on the new construction which I assume will continue in the most recently annexed portion of South Rolla, it is imperative that the clearance requirements of the NESC be followed. I would like to reiterate that we will work with you on issues related to clearances which arise during your new construction. The goal of these efforts would not only be to ensure the reliability of service to our members/customers, but most importantly to provide safety to both our personnel who will construct and maintain our systems. I am sure that this minimum goal is one on which both parties can agree.

As was previously stated, based on my understanding of the situation which resulted in the outages experienced on March 8, the situation was created by inadequate clearances which existed due to new RMU construction. Inasmuch, we feel that the costs incurred by IECA for these outages should be borne by RMU. Our estimate of these costs is \$325.18. Please consider this letter a request for payment. If any of our members suffered damages and report so to us, they will be sent to RMU's insurance carrier. Please let me know if your understanding of these issues is contrary to those represented in this letter. Thank you for your attention to this matter.

Sincerely,



Brian Nelson, P.E.

Manager of Engineering

th

cc: John Butz

Intercounty Electric Cooperative Association

P.O. BOX 209, LICKING, MISSOURI 65542-0209 / (573) 674-2211 / FAX (573) 674-2888



May 11, 2000

Rodney Bourne, P.E.
Rolla Municipal Utilities
P.O. Box 767
Rolla, MO 65402

Dear Mr. Bourne;

On March 20, 2000 correspondence was mailed to you regarding outages experienced by IECA members on March 8 of this year. The letter included discussion of clearance issues which have arisen in the past and may occur again in the future. As of the date of this letter, I have received no response. In a conversation approximately two weeks ago I had an opportunity to speak with you about this issue. At that time you indicated that a response was forthcoming. Please provide information on the status of this response.

Sincerely,

Brian Nelson, P.E.
Manager of Engineering

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