

No Standing News

Since we have no standing, we stand with those left standing

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RMU's not-quite full disclosure letter

RMU will charge us 10¢ per kWh for the same "juice" they're selling to Memphis, Tennessee for 7¢ per kWh!

We can just hear it. You're saying that just can't be true. RMU couldn't be selling electricity to a town in some other state for less than they're charging us here. Welcome to the world of **MoPEP** control and the cost of not demanding accountability of your public officials. Here's how it happened.

The Memphis connection. In 2001, RMU's big noisy, smelly generators started showing up around town, but after all, RMU had promised they would give us a constant source of cheap power, cure the constant power failures and, as **Dan Watkins, RMU General Manager** told the Rolla City Council, they'd be able to "sell the excess power and make big profits." Well, maybe having generators that produced smelly carcinogenic fumes and noise would be worth it. In August 2003 the three-day blackout hit. It was blamed on UE but we learned that the reason our wonderful \$6 million diesel generators weren't used during the blackout was because they weren't even hooked up to our lines! When they did get the lines switched over we still couldn't have more than a little bit of power (for Wal-Mart but not for the hospital) because our generators were controlled by MoPEP's computers in Jefferson City and they wouldn't let us have our own emergency power from our own emergency generators. That's when we began to search the internet to find out more and we discovered that one of MoPEP's new customers was the city of *Memphis, Tennessee*. Not only was MoPEP supplying Memphis but other cities were also buying the power MoPEP members (that's us) were producing with our diesel generators. We sat in the dark for three days so MoPEP wouldn't have to interrupt the power they were selling to Memphis, Tennessee and other contract clients.

Today Memphis customers are only paying 7¢ per kWh for their MoPEP power. We're paying 9¢ now and in a few months will be paying 10¢ for our MoPEP power which is partially produced by RMU burning diesel fuel in our generators which MoPEP controls, sells to other customers like Memphis and sells back to us after they mark it up. MoPEP pays RMU for the diesel generated power with MoPEP Funny Money but we pay them in real money. How did we wind up on the short end of the MoPEP/RMU stick? It started with the MoPEP contract amendment in 2005. We all know how poorly Rolla comes out when City Hall is dealing with either non profit or for profit corporations. At the word "corporation" the city council rolls over to have their bellies scratched while the corporate burglars clean out the safe. This was no exception.

The MoPEP contract amendment. The council minutes show that on January 18, 2005, the council was told by **RMU board member Bill Jenks** that with the passage of Amendment 4,

municipalities could now own their own generation facilities. The contract amendment Jenks wanted them to pass changed RMU's original MoPEP contract – the one the council had passed without question (and without reading) in 2000. Jenks said "it would in no way obligate the City financially and the only way it (any MoPEP investments) could be paid was through utility rates." Jenks said that **"any utility rate increases would not be the result of the proposed ordinance."** On February 22, 2005, the council unanimously approved the contract amendment with no questions. We did read the contract amendment and it was easy to see that the Rolla City Council had promised something that had to do with a very big, very unspecified revenue bond investment. The contract, however, was deliberately vague about exactly what these revenue bonds were for. What wasn't at all vague in the contract was the provision that if Rolla ever wanted to quit MoPEP they had to give them a *five year advance notice of termination, plus RMU and the City of Rolla would still have to pay off whatever MoPEP revenue bond debts existed until they were paid off* even if they had quit MoPEP and were buying power elsewhere.

That must have been the "in no way obligate the City financially" part. A blindfolded blank check on the utility rate payers of Rolla - should have raised a storm of council questions. The answer, that they were committing the city to unknown debts in unknown amounts and would have nothing to say about it, should have shocked them into rejecting the amendment but it didn't because they hadn't read either the contract or the contract amendment so the council didn't have the slightest idea what RMU and MoPEP had just dragged us into. As a substitute for reading, some council members give testimonials declaring their child-like trust in the "experts" and that's what they did this time. We should go on red alert every time someone on the council says, "I don't need to read all this legal stuff 'cause I know you boys know what you're doin'." This touching demonstration of "trust" in the RMU board by our intellectually lazy elected officials is now going to cost all of us 10¢ per kilowatt hour and probably much more.

The council has some kind of phobia about contracts. That must be why they won't read them. **Message to council:** Contracts are simple, they only have three parts: 1. What I get out of the deal and how much it costs me, 2. What you get out of the deal and how much it costs you and, 3. What happens if one of us screws up. It's too bad you didn't read the painful "screwing up" part in this one. The Rolla City Council isn't the only town council that takes pride in not reading what they're voting on. The Gallatin City Council recently considered selling their municipal utility to Farmers Electric Cooperative but were informed by a MoPEP official that they had agreed in their

MoPEP contract amendment - which they also didn't read - to give MoPEP a five-year advance notice of termination and 30-years of debt to pay off. Another "in no way an obligation of the city" MoPEP contract. It's hard to tell which is the bigger

problem, contract fraud by MoPEP or the abject stupidity of elected officials who are too lazy to do their duty to read and question what they're voting on.

Does the MoPEP bond issue explain our 10¢ kWh rate? Why is the Council taxing payments on MoPEP tax-free revenue bonds?

The secret Plum Point debt. The "routine" contract amendment was really a new agreement between MoPEP and RMU to enable MoPEP to sell revenue bonds so they could invest in the Plum Point \$1 BILLION coal-fired power plant in Osceola, Arkansas. MoPEP bought 22% of the project and that means they own 22% of the costs even if the cost runs over \$1 billion. Not only are we producing diesel-generated power that MoPEP takes and sells to places like Memphis for less than we're paying, **but the galloping multiple rate increases since we joined MoPEP now include the new MoPEP revenue bond debt we just started paying off this month.** RMU didn't tell us about this MoPEP bond debt, what it was for or what we would get out of it or even if we would get anything out of it other than a huge debt to pay off for the next 30 years.

RMU sent out a belated letter to customers on April 18, 2006 explaining their rate hikes. They vaguely mentioned some investments but didn't come clean about how the Plum Point bond debt is affecting our current bills. If you could read the tiny type, which they called "verbiage," they told you something without really telling you anything. When the Plum Point project

starts generating power and cash are we, as "investors" going to get a rollback of our outrageous rates? As 22% investors and shareholders of this privately-owned commercial facility do we get dividends when it starts making a profit? Did RMU or MoPEP negotiate for us to get investor/owner dividends, refunds or some kind of guaranteed rates for providing 22% of the financing for the \$1 BILLION Plum Point bonds for 30 years? Either we are investors buying a 22% share of a business and as such we're entitled to stockholder dividends or we're ignorant electric customers who have been suckered into paying for an investment but will receive no investor's rebates or benefits. Which is it?

RMU's letter didn't mention the Plum Point project but they do mention three others. Are we paying off bonds for all of them? It's time **RMU President Jim Stoffer** came clean about these MoPEP "investments" and how they're affecting our electric rates. Perhaps he could do some more of those colored graphs and charts. This was MJMEUC's (MoPEP) explanation in their April 2006 newsletter:

MJMEUC Buys Interest in Plum Point Project Seven Municipals To Share 147 MW

The Missouri Joint Municipal Electric Utility Commission has completed the purchase and initial financing of an approximately twenty-two percent share of the 665 megawatt Plum Point Energy Station being developed near Osceola, Arkansas. All critical permits for the coal-fired unit are in place, and construction has begun at the northeast Arkansas site. A formal groundbreaking ceremony is being scheduled for later this month.

Municipal participants through MJMEUC and their approximate megawatt allocations from the project are **North Little Rock (60 mw)**, Poplar Bluff, Kennett and Osceola (20 each), Carthage (12), Piggott (8), and Malden (7).

The agreements with the Arkansas cities of North Little Rock, Osceola, and Piggott are MJMEUC's first long term arrangements to supply power outside of Missouri. **Plum Point Energy Associates LLC**, an affiliate of LS Power, is the project's lead developer and majority owner. The Empire District Electric Company and East Texas Electric Cooperative will each own interests of about 50 mw, with Empire District buying another 50 mw of power from the project and the Municipal Energy Agency of Mississippi expected to purchase a 40 mw ownership share.

The plant will burn Powder River Basin coal and is expected to begin commercial operation in 2010. It is being constructed under a turnkey EPC contract with **Plum Point Energy Partners**, a joint venture of Zachry

Construction Corporation, Black & Veatch, and Gilbert Central Corporation, an affiliate of Kiewit Construction Company. (Duncan Kincheloe dkincheloe@mpua.org)

What the rating company has to say. Notice MoPEP's press spin doesn't say how many megawatts, if any, Rolla is allocated out of this deal. How solid is this investment we didn't know we were making? **Fitch Ratings**, the financial analysis service that rated MJMEUC's (MoPEP's) bonds, gave it an A- rating rather than A+ or AAA. They express reservations about the Plum Point project for the following reasons: **1. "This is one of the first coal-fired projects to be developed by this developer."** (Oh great, we're paying for a \$1 billion learning curve.) **2. A "step-up" provision in the deal requires MoPEP (that's us) and other investors to "step-up" their investment 200% in the event of a default by another participant.** (If that happens you'll think 10¢ per kWh is a bargain.) **3. "It also should be noted that while PPEA expects to enter into long-term power purchase agreements with buyers for its entire 418 MW (62.85%) share of the project, agreements are currently in place for only 90 MW of this amount."** (Only 90 out of 418 MW sold?) Fitch views the bond issue's security as "adequate for a transaction of this type." (Only "adequate"?) Then Fitch explains what RMU hasn't told us. **"Security provisions include a pledge of revenues derived from payments made by the participants under the unit power purchase contracts."**

There it is. We're the "payments made by participants under the unit power purchase contracts." That's the MoPEP amendment the council voted for without reading. RMU pledged *your utility payments to pay off the MoPEP revenue bonds* no matter what it may cost us for the next 30 years. That's why your

utility rates have suddenly doubled and why RMU didn't come clean about any of this.

Fitch Rating's primary concern is "the potential impact on the participating systems in the event of a delay in completion or a prolonged outage" such as a strike, a bankruptcy or no coal to burn. **"In either of these events,"** Finch says, **"the ability of each system, particularly the six smaller systems, (that's us) to meet both their Project obligations and to purchase power in the short-term market could be a concern. For the Arkansas participants, this concern is only minimally mitigated by the requirement of MJMEUC to provide replacement energy, as the participants are still exposed to market power cost uncertainty."** That sounds like we've also promised to provide the Arkansas participants with "replacement energy" so if anything at all goes wrong with this project - a project we have no control over - we'll be cranking up our diesel generators round the clock no matter what it costs us for the diesel fuel to run them. Start thinking 50¢ per kWh.

Then Fitch said: **"MJMEUC (MoPEP) is a joint-action agency providing wholesale energy to its participant utilities. MJMEUC's interest in the Plum Point Project will be used to meet its commitments under unit power purchaser contracts, providing power to seven of its retail electric distribution systems in Missouri (four) and Arkansas (three). The seven participants had total 2004 revenue of \$136 million and serve a diversified mix of over 68,000 customers."** Here's what it boils down to: Seven "participants," with a total annual revenue of only \$136 million, are investing in a \$1 billion power plant project run by guys who don't have "much experience" and who have only managed to sell 90 MW of the claimed 665 MW output. If anyone pulls out of this gamble we have to increase our bond payments by **200%** to cover the shortfall! Meanwhile everyone else in the Midwest is also building coal-fired plants and they're all figuring on getting their coal from the same Powder River strip mines where the Plum Point company doesn't have long-term, fixed-price supply contracts. What do you think will happen to our electric rates when supply and demand from all these new plants hit Peabody Coal at about the same time? Keep your eye out for a pot-belly stove.

MoPEP "slave cities" have highest rates. RMU keeps excusing their rate increases by saying their costs are going up because wholesale rates are going up and all energy rates are rising like ours. That's obviously not true but RMU can tell the council anything because the council never demands proof of anything RMU claims. Yes, rates have gone up a little but if all utility rates in Missouri had doubled in less than a year there would have been non-stop screaming headlines in every media in the state. State government would be in melt-down. There haven't been rate increases like ours all over the state so we started checking the rates of other Missouri towns and cities. We found **NO OTHER UTILITY RATES AS HIGH AS OURS EXCEPT** in some other municipalities who are also enslaved by the same MoPEP contract amendment for MoPEP 30-year revenue bond debt. Those other MoPEP slave cities have also suddenly had huge increases in their electric rates - many up to 9¢ per kWh and their rate shock increases have been explained with the same vague excuse RMU gives us - "costs are going up everywhere." If the only reason our power rates are "going up" is because of market based wholesale rates and it's happening everywhere,

why aren't all utility rates shooting up as high and as fast as ours? Could it be because MoPEP's diesel generator Ponzi Scheme didn't work so to keep their little MoPEP municipal consortium from collapsing they've jumped into investing with a company that doesn't have much experience in building coal-fired plants? Does the RMU board know what they're doing or are they just going along with whatever the MoPEP boys tell them to do because they've gotten us in too deep to get out?

Taxing tax-exempt revenue bond payments? Only in Rolla. How much of our 10¢ per kWh rate is for paying off the MoPEP debt? Is it 1¢, 3¢ or more? RMU will immediately claim that it's not possible to separate their operational revenue from their payments to the MoPEP bond assessment. If that's true, RMU and MoPEP are more amateurish than they already appear to be. This is a huge bond debt the voters of Rolla didn't approve and didn't even know about, nevertheless, the gullibility and carelessness by the council and the RMU board it is bond debt rate payers will have to pay off for the next 30 years.

If we are stuck with this RMU blunder there's no excuse for the city council to pile on their 5% for the part of our electric rate that is designated to pay off a tax-free revenue bond debt we weren't told we were being saddled with. Guess why they're called "tax-exempt" revenue bonds? Because bond payments to retire debt incurred for capital investment *are not revenues* and cannot be taxed. The RMU board didn't want to tell us what was really causing our rates to increase so rapidly so they didn't separate the MoPEP bond payments on our bills. Because RMU and MoPEP didn't want to tell end-of-the-line customers the truth - that they had gone behind our backs and tricked us into a 30-year debt to pay off one or more \$1 BILLION coal-fired plants - when the city decided to put a 5% tax on all RMU's *gross revenues* they wound up taxing the bond payments along with RMU's gross revenues. Such a mess could only happen here in the Outlaw City.

By their own ordinance the city's lucrative new 5% backdoor tax on our utility payments can only be levied against RMU's "gross revenues" but the money buried in our kWh rate that goes to pay these bonds aren't "revenues" they're a "special assessment" to pay a bond debt. The feds don't let little greedy little towns levy taxes on *tax-free revenue bonds or on the payments to redeem those bonds*. That's why they're called *tax-free* bonds - get it? Even the IRS only taxes the interest *earned* by the bond-holders but nobody has ever been nuts enough to tax debtors for making their debt payments!

The phony excuse the city uses for taxing us for the sin of owning our own utility department is that RMU has to pay for the privilege of operating in Rolla (we won't go again into the flaming illogic of that particular fiction) with a franchise tax on "gross revenues" as if RMU were a private company - which they aren't, they're just a department of city government. But the city has no authority to levy any tax against MoPEP's capital investment bond payments.

The next time you pay your electric bill remember the RMU generators that are pumping cheaper kWh's to Memphis and other cities and ask yourself why Memphis is paying less for your kWh's than you are. Then ask yourself who did it to you.

Bax - Just barely hangin' on. "Rolla is barely hanging on to our position as the regional center of trade." This alarming

announcement was made by **RREC Director Elizabeth Bax** in a recent Chamber article. Our so-called position as the “regional center of trade” has always been more fiction than fact but Bax apparently bought the old Chamber propaganda and now her hair is on fire. Bax says that unless we give away more “incentives” to have more retail we will become little more “than a collection of little communities with a few stores and a few amenities.” She predicts this mall-less fate will happen “in our lifetime” because she declares, “No community stands still, cities are growing or dying.” Heavens to Betsy girl, take a breath.

Elizabeth says that the “economic development tools” we must use to “offset the costs of eliminating blight or (for) pioneering new land” are: **Tax Increment Financing (TIF)**, **Transportation Development District (TDD) taxes** and **Community Improvement District (CID) taxes** so we can offer more tax giveaways and subsidies to developers. Liz never mentions the “you will pay more taxes” part nor does she explain that these economic development “tools” involve chainsaw land seizures and sledgehammer taxes. Liz and her RREC/RCDC friends don’t believe in the power of the marketplace. They believe that the marketplace can’t function without government interference and mega-million dollar taxpayer subsidies. Bax needs to take a history class. The worst economic blunders in our history have happened when government decided to “stimulate” the market by meddling in it. Look at the mess we have right now with Globalism, outsourcing and the illegal alien invasion, all triggered by a government-mangled “free” trade myth – all “tools” for prosperity that our feckless, self-serving Washington politicians have aided and abetted to artificially “stimulate our economy.”

Earth to Liz: Relax, it’s not your fault, TIF was dead long before you got here. The so-called TIF II “revival” was just Morgan/Butz and RREC going down for the third time - they never could admit when they were wrong. We got such a chuckle out of the **Warren Dean/Charlotte Wiggins** huggin’ and grinnin’ photo op but it may have misled you because you don’t know Warren. He was just messin’ with her and all you desperate TIF-tool lovers. It was a classic Warren Dean payback for City Hall messin’ with him. Nobody likes being publicly vilified by a bunch of snot-nosed kids who were in diapers when Warren Dean was the *only* economic development there was in Rolla - and he didn’t use our taxes to do it either. Warren may not have all the spit and polish you kids think he should have but he’s kind of the arch-typical Ozarkian and we like the ornery old coot the way he is.

If you and the RREC boys think you’ve still got a shot at more TDD or CID taxes to give away to developers – take it. Go ahead and ask the council to pass more developer “incentives.” They’ll pass anything without reading the law to find out what it’s about but when people find out that *only certain rich landowners get to vote* to raise the taxes that we-the-people have to pay, TDD and CID will die with a moan and a whimper just like TIF and all your other central-planning economic development projects.

If TIF, TDD and CID are the only “tools” you’ve got you’d better throw away that outdated DED Economic

Development playbook you’ve been using and get some fresh ideas. When *everybody* is doing it, it’s smarter to do what everybody *isn’t* doing instead of tagging along behind the crowd.

Message to Wiggins about mowing for RCDC deadbeats: No Charlotte, city taxpayers *should not* enter into a contract to cut RCDC’s privately-owned grass growing on RCDC’s privately-owned property in RCDC’s privately-owned **Hy Point Industrial Park**. The rest of us pick up trash and cut our grass on our private property, why do you feel we taxpayers have to help RCDC clean up their private property at their privately owned industrial park? It’s just more welfare for another non profit corporation exactly like the pork you want to give the Chamber of Decorators. If you’re saying both RCDC and the private businesses out there at Hy Point aren’t keeping their property up, then why aren’t you having them cited for a violation of the city weed code that your fellow councilmember **Jimmy Dale Williams** keeps talking about? Oh that’s right, the city council only has “complaint-driven enforcement” because you won’t budget money to hire a couple of code inspectors to write tickets to make RCDC mow their own weeds. Complaint-based enforcement is a farce, a visible sign that city government is either so broke or so inept it can’t even keep weeds under control. If you want the whole town or just RCDC’s private property to look cleaner, hire a codes inspector and start handing out tickets. It will only take a few well-publicized \$250 fines for RCDC and several of our local slumlords to get the idea. Old Chinese proverb about incentives: “Must kill a few monkeys to scare the chickens.”

Mayor Jenks just asked all of us to mow and clean up our property so the town would look nice for Summerfest. Is Mayor Jenks – still a member of the RCDC board - going to make sure RCDC’s private property is cleaned up and mowed for Summerfest without *illegally* using city money, city equipment or city employees? This is sort of his first ethics test, isn’t it? By the way Charlotte, when you fill out your “citizen’s complaint” form to force RCDC to mow their private property be sure to list all the names of the RCDC owners of that property (see below) including **Mayor Jenks**, for their failure to comply with the city ordinance – that would be the same city that’s handed them all that free land and millions in cash and buildings over the last 38 years.

So Charlotte, if you and the Mayor are worried that we’ll look like a weedy hillbilly town for one weekend, we suggest you either start enforcing the laws you have in the city code book or get two lawnmowers and start pushing, but don’t even think of the city taxpayers or city employees helping RCDC do on their private property what the rest of us have to do for ourselves - at our own expense - on our own property.

*(RCDC board members in need of charity mowing on their private property are: Pres. **Jim Sowers**, Secretary **Ryan Morris**, (Mayor) **Bill Jenks**, **John Z. Williams**, **Bob Stoltz**, **Maurice Alfermann**, **Steve Bowles**, **Wayne Parry**, **Ron Calhoun**, **Ed Schmidt**, **Marshall Hagler**, **Larry Sherrell**.)