

Exhibit No.
Issue: Company Overview
Witness: Michael E. Palmer
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District
Case No.

FILED³

DEC 28 2004

**Before the Public Service Commission
of the State of Missouri**

Missouri Public
Service Commission

Direct Testimony

of

Michael E. Palmer

April 2004

Exhibit No. 3
Case No(s) EP-2004-0570
Date 12-06-04 Rptr KF

Exhibit No.
Issue: Company Overview
Witness: Michael E. Palmer
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District
Case No.

**Before the Public Service Commission
of the State of Missouri**

Direct Testimony

of

Michael E. Palmer

April 2004

DIRECT TESTIMONY OF
M. E. PALMER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO.

1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. Michael E. Palmer, 602 Joplin Street, Joplin, Missouri 64801.

3 **Q. WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?**

4 A. The Empire District Electric Company ("Empire" or "Company") is my employer. I hold
5 the position of Vice President – Commercial Operations.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

7 A. I hold a Bachelor of Science Degree in Construction Management Technology from
8 Pittsburg State University in Pittsburg, Kansas.

9 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL EXPERIENCE.**

10 A. I joined the staff at Empire in June 1986 as a Customer Service Consultant. I later served
11 as District Manager in Aurora and Director of Operations in Branson. My employment
12 with Empire has been continuous since 1986.

13 **Q. HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THIS OR ANY**
14 **OTHER REGULATORY BODY?**

15 A. Yes, I have testified before the Missouri Public Service Commission ("Commission").

16 **Q. MR. PALMER, WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

17 A. The purpose of my testimony is to provide the background regarding Empire's
18 relationship with its customers.

1 **Q. HOW DOES THIS RATE REQUEST IMPACT YOUR CUSTOMERS AS WELL**
2 **AS THE COMPANY AND ITS EMPLOYEES?**

3 A. I believe this rate increase is in the best interest of our customers, employees, and
4 shareholders. Keeping the Company financially healthy is important to all three of these
5 entities.

6 **Q. PLEASE EXPLAIN.**

7 I understand that customers never welcome a rate increase, but I believe that the rates we
8 are seeking are prudent and necessary to allow the Company to remain healthy and
9 ensure that the reliable, efficient service our customers have come to expect will
10 continue. With this increase, our rates will continue to be competitive and our stock will
11 remain a good investment. In addition, these rates will also allow us to provide stable
12 employment to our employees.

13 Empire is charged with the obligation to serve within our certificated area in a safe and
14 adequate manner. And, the Commission is charged with the responsibility of ensuring
15 that public utility consumers receive safe and adequate services at just and reasonable
16 rates that will provide the utility companies' shareholders the opportunity to earn a
17 reasonable return on their investment. I believe the rates Empire proposes in this case
18 provide that fair balance for customers and shareholders.

19 **Q. DO YOU MONITOR YOUR CUSTOMERS' SATISFACTION?**

20 A. Yes, we conduct a telephone customer opinion survey on an every-other-year basis,
21 completing 600 interviews each time. We contract with Central Surveys of Shenandoah,
22 Iowa, to complete the survey.

23 **Q. BRIEFLY, WHAT DO THE SURVEYS REVEAL?**

MICHAEL E. PALMER
DIRECT TESTIMONY

1 A. Overall, only 5% of our customers give us an unfavorable rating. This is consistent with
2 ratings we have been receiving in surveys dating back to the mid 1980's when we began
3 our survey initiative. Our surveys have also revealed that the strongest links to favorable
4 ratings are, as you might expect, "fair and reasonable rates" and "reliable and dependable
5 service" with customers consistently rating the Company favorably in these areas.

6 Because of these findings, we believe that keeping rates competitive and service reliable
7 are imperative to the health of the Company.

8 We also find that customers who are acquainted personally with an employee provide
9 more positive opinions and have a higher level of recall of Company information.

10 **Q. WHY DO YOU SAY EMPIRE RATES ARE COMPETITIVE?**

11 A. Empire's rates are below the national average. They are over one cent below the average
12 for both total retail rates and for residential rates. Our total retail rate in Missouri is 6.23
13 cents per kilowatt hour. This compares with a national average of 7.27 cents per kilowatt
14 hour. Our average Missouri residential rate now stands at 7.27 cents, about a cent and a
15 half lower than the national average of 8.75 cents per kilowatt hour.

16 When you take into consideration that we have a fairly rural service territory with our
17 customers dispersed requiring greater resources to serve each customer, we believe our
18 rates are reasonable and competitive.

19 **Q. WHAT ALLOWS YOU TO MAINTAIN THESE COMPETITIVE RATES?**

20 A. Our ever vigilant effort to increase productivity while maintaining superior customer
21 service has led us to the competitive rates our customers enjoy. And, we believe that
22 future improvements in productivity will come from the introduction of technologies that
23 will help us serve our customers "smarter."

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Q. HOW DO YOU MEASURE YOUR PRODUCTIVITY AND QUANTIFY
2 IMPROVEMENTS?

3 A. A measure of productivity that has long been our guide is the number of customers
4 served by each employee. At the beginning of 2004, we had approximately 157,000
5 customers and served these customers with 614 employees for a rate of 256 customers
6 per employee. In 1994, we served 203 customers (132,450/650) per employee; in 1984,
7 173 customers (103,900/600) per employee; and in 1964, 500 employees served 70,936
8 customers for a rate of 141 customers per employee. This continued improvement has
9 been made possible by advancements in equipment, procedures, tools, and technology.

10 Q. WHAT OPERATIONAL CHANGES AND ENHANCEMENTS HAVE ALLOWED
11 YOU TO MAKE THESE IMPROVEMENTS?

12 A. In 1995, we initiated call center technology and began closing local offices in several of
13 the communities we serve. We redeployed and reduced personnel as a result of these
14 closings. After the success of our first call center, we initiated a second call center in
15 2001, and closed additional offices. The closings not only gave us the additional call
16 center representatives needed to serve our ever increasing number of telephone
17 customers, but allowed us to establish another site which we believe important to our
18 operation in the case of a disaster.

19 Our customers' needs have changed drastically since our community offices were first
20 established. Today, the majority of our customers no longer have the time or the
21 inclination to visit a local office to do business, but prefer to make payments via mail or
22 electronically. Customers also appreciate being able to conduct business by phone on a
23 24-hour basis, rather than visiting an office that is only open from 8 to 5.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Q. HOW MANY CALLS ARE YOU HANDLING IN YOUR CALL CENTERS AND
2 WHAT IS YOUR RESPONSE TIME TO THESE CALLS?

3 A. In 2002, we responded to 473,771 calls, and in 2003, we responded to 488,676 calls. On
4 average, we responded to approximately 80 percent of the calls in 30 seconds or less. We
5 believe that our call centers are doing an admirable job of responding to our customers in
6 a timely manner, considering the response time includes calls received during outages
7 when our resources are stretched.

8 Q. WHAT OTHER TECHNOLOGIES ARE YOU EMPLOYING?

9 A. Last year we began a project to map our entire service territory identifying each
10 customer, their transformer, distribution circuit, etc. We have recently completed the
11 mapping and will now tie this information to an outage management system allowing us
12 to respond more quickly and efficiently to our customers. This improved technology
13 allows us to reduce our field staff by 10 percent while increasing safety, advancing
14 efficiency, and boosting productivity.

15 Q. YOU MENTIONED THAT RELIABILITY IS ALSO A DRIVER OF
16 SATISFACTION. HOW DO YOUR CUSTOMERS RATE YOUR RELIABILITY?

17 A. Our survey tells us that 96 percent of our customers rate us as favorable on reliability.
18 This number is also consistent with previous surveys. We believe that is a good rating,
19 but we are not satisfied; we are continually working to improve reliability.

20 In this day and age, when even a momentary blink can disrupt computers and electronic
21 clocks controlling many of our home appliances, we are acutely aware of the importance
22 of continuous service. Knowing that trees near power lines are often the cause for

MICHAEL E. PALMER
DIRECT TESTIMONY

1 outages and blinks, we have undertaken an increasingly aggressive campaign to clear
2 trees from our lines.

3 We have employed a Manager of Vegetation Control with a degree in forestry to assist us
4 in this area and have begun a program utilizing aerial spraying of our transmission lines.
5 We first used aerial spraying last summer, and expect to see the results as the trees begin
6 to leaf this spring. We are planning to begin a spraying program on parts of our
7 distribution system this spring.

8 **Q. LAST MAY YOUR SERVICE AREA EXPERIENCED A MASSIVE STORM**
9 **SYSTEM. PLEASE TELL US THE EXTENT OF THE STORM'S DAMAGE.**

10 A. On Sunday evening, May 4, 2003, what the National Weather Service described as three
11 tornadic supercell thunderstorms formed over southeast Kansas on the western edge of
12 our service territory and tracked east/northeast at 45 mph through the heart of our
13 company. The storm interrupted service to approximately 30,000 of our customers.
14 All totaled, we lost 170 transmission poles, three steel towers, seven plus miles of
15 transmission line, approximately 1,400 distribution poles, and about 50 miles of
16 distribution line. We suffered significant damage at two substations and had two
17 substations completely demolished.

18 **Q. HOW DID YOU RESPOND TO THIS STORM?**

19 A. As soon as the sirens ended on Sunday evening, our personnel began assessing the
20 damage. It quickly became apparent that we had widespread, catastrophic damage and
21 that the restoration would be a major undertaking. We implemented our Power Outage
22 Recovery Plan, established our team for managing the event, and went to work.

23 **Q. HOW DID YOUR TEAM MANAGE THE EVENT?**

MICHAEL E. PALMER
DIRECT TESTIMONY

1 A. Beginning Monday morning, May 5, and continuing throughout the week, we conducted
2 periodic, scheduled conference calls among our operations personnel to assess the status
3 of our recovery, determine manpower and material needs, and provide updated
4 information for customers. The Commission Staff ("Staff"), namely Jim Ketter, was able
5 to join us for some of these calls to gain a sense of how our recovery was progressing.
6 This communication along with a healthy dose of flexibility was paramount to this
7 successful recovery project.

8 Corporate Communications was included in our scheduled conference calls. After each
9 call, a news release with updated restoration information was issued via e-mail, and the
10 media was advised of the time of the next scheduled update. Safety and outage survival
11 tips, generator usage recommendations, and directions for ensuring customers who had
12 sustained damage were ready to receive service were also issued.

13 **Q. WITH A STORM OF THIS SIZE, DID ANY OF YOUR EMPLOYEES RECEIVE**
14 **DAMAGE TO THEIR HOMES?**

15 A. Yes, unfortunately our employees did not escape the wrath of this storm. We had one
16 employee who lost his home completely and several others who sustained major damage.
17 After ensuring the safety of their families, assessing the damage, and evaluating what
18 would need to be done to make repairs, the employees reported to their work locations
19 and insisted on working to help restore Empire's system. These employees showed great
20 dedication to our customers during this personally difficult time.

21 When all customers were taken care of and our operations were back to normal, our
22 employees held a fund-raiser to help the employees who had suffered damage from the

MICHAEL E. PALMER
DIRECT TESTIMONY

1 storm. This is just another example of the generosity of our employees to those who are
2 in need of support.

3 **Q. WHEN WAS SERVICE RESTORED?**

4 A. Service was restored to all customers who were able to receive service within a week.

5 **Q. DESCRIBE THE RESPONSE OF YOUR CUSTOMERS.**

6 A. Although customers were frustrated by the inconvenience of being without power, they
7 sensed that we were working as quickly as possible to get their lights back on. Our field
8 crews were treated with respect and many received personal "thank yous" and offers of
9 food and water as they made their way through powerless neighborhoods. We received
10 positive coverage by the local media and numerous letters, notes, e-mails, and calls from
11 customers thanking our employees for their dedication to restoring service.

12 **Q. PLEASE SHARE SOME CUSTOMER CORRESPONDENCE YOU RECEIVED**
13 **TO PROVIDE A SENSE OF THEIR RESPONSE TO EMPIRE'S HANDLING OF**
14 **STORM RESTORATION WORK.**

15 A. Dear Empire:

16 It is astonishing how dedicated your employees and other electric company personnel
17 have been to our needs in Stockton. They have worked tirelessly to complete the
18 electrical repairs. Extreme weather hasn't even stopped them. They are better than the
19 post office. Nothing stops them, not even several days of extreme weather. They
20 continued to work high above our heads to complete our service, no matter what the
21 weather brought them.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 We just wanted to tell them how very much we appreciate their efforts. We wish we
2 could give them each a handshake and a pat on the back. They, at the very least, deserve
3 a "JOB WELL DONE."

4 Thank you from the community of Stockton.

5 Ron and Nancy Divine

6 Stockton

7
8 Dear Empire:

9 A sincere thank you to every person at Empire for their expertise, work ethic, and
10 wonderful attitude in getting Carl Junction's power up. I can't tell you of the praise and
11 thanks that I hear about Empire being spoken of in the circles of friends that we have
12 been with these past days.

13 Empire has always been a good neighbor to schools, community, etc., but the level of
14 work and the smiles that we see from the linemen go above and beyond expectations.
15 Please let all of those putting in long hours away from their families know that their
16 exceptional work is not going unnoticed.

17 My husband, who is a teacher at Carl Junction High School, summed it up with
18 "Empire is quality!"

19 Thanks. Angela Neria

20
21 Dear Empire:

22 Saying that this past week has been quite a week is like saying Lake Michigan is quite
23 a pond. Words cannot express the appreciation we have for Empire's efforts since last

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Sunday night. Lance Burbridge and his crews, as well as the contractors you have in
2 here, pulled out all the stops to get Monett back in power so quickly. We all know how
3 fortunate we are to have had such minimal damage to our infrastructure here.

4 We know you still have a monumental task ahead before everything is back to normal.
5 If Monett can be of any assistance with men, equipment, or material please do not
6 hesitate to contact me.

7 Once again, our sincere thanks for a job superbly done.

8 Peter C. Raush, Utilities Superintendent, City Utilities, Monett, Missouri
9

10 Dear Empire Employees:

11 My family and I want to thank all the Empire employees working here in Carl Junction
12 for doing such a wonderful job getting our electricity back on. Our home didn't have any
13 damage, but we'd like to say thank you for helping those that did. I deliver the paper here
14 in Carl Junction and most of my neighbors are like my family. You all have taken such
15 good care of them and us.

16 Thank you for a job well done and keep up the good work!

17 Larry and Bernadine Tarrant

18 Carl Junction
19

20 Dear Empire Employees:

21 Thank you for your hard work and dedication in restoring electricity to Purdy and all
22 other towns following the tornadoes.

23 Also, thank you to Lorraine, for your care and concern.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Helen Bennett

2 Purdy

3

4 Dear Empire;

5 Thanks to the Webb City Line Department for getting my power back on after the
6 tornado. You did a great job. As a retiree from Southwestern Bell, "JOB WELL
7 DONE!"

8 Max Sweezy

9 Carthage

10

11 Dear Empire:

12 You all at Empire have done a fantastic job!

13 Joyce Rollins

14 Marionville

15

16 Dear Empire:

17 On behalf of Marionville First Baptist Church and our community, we appreciate all
18 the hard work you have done during the tornado disaster.

19 You have put your lives on the line to give us power, and many, many, many hours of
20 work are still ahead. Again a big THANK YOU to all involved.

21 Pastor Lee Miller

22 Marionville

23

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Dear Empire,

2 Thank you to all who helped restore power to our town after the May 4 tornado. We
3 were only out for four days, but it could have been much longer since the damage was so
4 severe. We appreciate all the hard work from Empire crews and all those others that
5 helped!

6 Michelle Heincker

7 Carl Junction

8
9 Dear Empire,

10 Thank you for the remarkably quick repairs to the electric lines after the tornado.
11 Your men were great and we appreciate you!

12 The McCoy's

13 Marionville

14
15 Dear Empire,

16 My vacation cabin on Badger Road in Galena was damaged by the May tornado. The
17 half-mile line that runs to the cabin was pulled loose and surrounded by downed trees.
18 Imagine my surprise when your crews had service back on within a week. Wow! Thank
19 you so much.

20 Roger Paige

21 Joplin

22
23 Dear Empire.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 As the administrator of Stockton Nursing Home, I am writing to express my sincere
2 thanks to your company for the incredible work performed in restoring electrical service
3 to our facility in the wake of the tornado that devastated our community on May 4.
4 Although we are fortunate to have a generator at our facility, having the power back on
5 was a tremendous relief to us.

6 Standing amid the rubble of our town that Sunday evening, if someone would have
7 told me would have power back by Wednesday night, I would have said it was
8 impossible. Your company did some amazing things under adverse conditions. You
9 should be proud of the work preformed by your crews.

10 Please share the letter with all of your employees as I know there are people I will
11 never meet who helped coordinate and support the workers in the field. Your company
12 rose to the occasion in our great time of need, and I am truly grateful for that. A lot of
13 companies promise to take care of you...your company delivered on that promise.

14 I also recognize the great loss your company experienced, and I hope that you quickly
15 recover from the widespread effects of the storm. I extend my sympathies to any of your
16 employees and their families that have been affected.

17 On behalf of the residents and staff of Stockton Nursing Home, I extend my heartfelt
18 thanks to your company for your outstanding service.

19 Sincerely,

20 Kevin Costello

21 Stockton Nursing Home

22
23 Dear Empire Family,

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Karen, Erick, and I thank you for the gift and card we received last Tuesday. Both are
2 symbolic of the compassion, care, and love that you have so freely given since May 4.
3 We may have lost a lot of temporal stuff, but in its absence, the brightness and beauty of
4 those things that are valuable and lasting shines with clarity. We thank you for the
5 strength given to us as we needed strength.

6 God Bless,

7 George, Karen and Erick Thullesen

8 (Empire's Director of Safety and Environment)

9
10 **Q. YOU MENTIONED POSITIVE COVERAGE BY THE MEDIA. COULD YOU**
11 **GIVE US AN EXAMPLE?**

12 **A.** The following editorial appeared on Thursday, May 8, in the Joplin Globe. In my
13 opinion, the Globe has historically been one of our harshest critics.

14 **RESTORING ELECTRICITY**

15 Denny Frieze, western district manager of substation operations for Empire District
16 Electric Company, faces the daunting task of rebuilding the substation on Ivy Road, just
17 east of Highway 171 near Carl Junction. The substation was reduced to a mass of twisted
18 metal by Sunday Evening's killer tornado, darkening all the lights in Carl Junction. Poles
19 carrying the feeder lines were snapped. Frieze's task is to rebuild the substation within
20 three days and begin the process of restoring power. It appears that will happen
21 sometime today, seven weeks faster than he has ever built one before.

22 You can't see the work going on at the substation. The road is virtually closed to all
23 except the trucks of Empire, the out-of-area utility companies that sent crews to help out

MICHAEL E. PALMER
DIRECT TESTIMONY

1 in the emergency and, briefly on Wednesday, a handful of newspeople. There are 150
2 workers at the site, with maybe a couple dozen trucks bringing in materials or stretching
3 new power lines in an effort to re-establish a transmission line that will feed the rebuilt
4 substation. The main power transformer was destroyed and has been replaced, along
5 with switching and protection devices. The cost to Empire of property damage is
6 estimated at roughly \$5 million.

7 How soon will residents of Carl Junction be able to flip on a switch and see their lights
8 come on? It will depend on the severity of the damage to their neighborhoods and their
9 homes. Empire must replace as many as 400 broken power poles. Lateral lines may be
10 down. Some residences may no longer have connections for electricity, meaning that
11 even when power is available they may have no way of using it.

12 But, if all goes well, some people will have electricity today.

13 The devastation following the tornadoes that struck Carl Junction, Pierce City and
14 Stockton left 30,000 people without power. That number has fallen to between 5,000 and
15 6,000. One gets a sense of organized urgency in watching the crews of Empire and other
16 utilities as they work to repair the substation and get power back on. Similar work goes
17 on in other communities. Getting power back to neighborhoods would help restore a
18 semblance of normalcy for folks who have been overwhelmed by tragedy.

19
20 **Q. DID YOU RECEIVE ANY NEGATIVE LETTERS OR PRESS IN ASSOCIATION**
21 **WITH THIS OUTAGE?**

22 **A.** Not to my knowledge.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Q. OTHER THAN THE LETTERS YOU RECEIVED FOLLOWING THE STORM,
2 DO YOU RECEIVE OTHER LETTERS FROM CUSTOMERS?

3 A. Yes.

4 Q. PLEASE PROVIDE EXAMPLES.

5 A. Dear Empire,

6 We wish to thank you for the prompt and efficient service we received from your
7 company today. We had a power surge followed by a brownout this morning and then
8 another this afternoon. After the second one, we called your Call Center (a courteous
9 Debbie, I believe) and she said she would send someone here to check things out. A
10 gentleman by the name of Stan Honey came, checked things out, replaced a connection,
11 and everything is as it should be.

12 Even though it was very cold and windy, Mr. Honey was courteous, thorough, and
13 indeed a gentleman – a great representative of your company. We just wanted you to
14 know how much we appreciated these folks and their courteous and prompt response to
15 our telephone call.

16 Tom and Diana Richards

17

18 Dear Bill,

19 Yesterday I was caught in traffic waiting impatiently for someone to allow me to turn
20 left. In the distance, I could see an Empire truck. I thought, "I'll bet he'll let me turn,"
21 and of course, sure enough, he did.

22 In Branson we've grown to expect kindness, respect, and leadership from Empire
23 folks. Why not? It's part of your culture!

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Jack Herschend

2 Branson, Missouri

3
4 Dear Empire,

5 I was one of the many who had damages during the May 4 tornado in Stockton.
6 Following the tornado, the area was consumed with "expert" roofers, electricians, heating
7 and cooling specialists, etc. Not having gone through this before, I fell victim to one of
8 the lesser heating and cooling experts. I had been dealing with them since last July with
9 no success. When the weather became extremely cold, to put it mildly, I was freezing.

10 Someone suggested that I call Empire to get advice. I called Tuesday, February 3, and
11 was forwarded to Shawn Pingleton in Branson. I can honestly say that, since the tornado,
12 I have not had anyone show so much concern. Within a few hours, Mr. Pingleton called
13 back to advise me that he and another representative (Stan Patterson) would be at my
14 home the next day. It was truly as though God had sent two angels.

15 I have never worked with two more concerned, kind, efficient people. I feel we are so
16 fortunate to have them as part of Empire District Electric. Please let them know how
17 very, very much I appreciate their help.

18 Also, a special thanks to you and your company for the hard work and efficiency in
19 restoring electricity to us following the May 4 tornado.

20 Sincerely,

21 Sharron O'Connor

22
23 Dear Empire,

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Thanks so much to all of your volunteers for helping at the Empire District/City of
2 Joplin Earth Day Tire Collection. We were able to send 1,078 tires to our friends at Tire
3 Energy Group in Odessa, Missouri.

4 On May 23-25 the city had a bulky items collection, and even though we did not
5 specifically mention tires, we ended up with over 600 tires! Tire Energy Group helped us
6 by picking up those tires within the week.

7 Sincerely,

8 Mary Anne Phillips

9 Recycling Coordinator

10 City of Joplin

11
12 Dear Empire,

13 On behalf of the Board of Directors for the Good Samaritan Boys Ranch, I would like
14 to thank you and your staff for their generous assistance in the removal of a donated
15 flagpole. We would not have been able to remove the pole without Empire's help. The
16 new flagpole will be used at our school and infirmary building located at the Ranch near
17 Brighton, Missouri.

18 We will be recognizing your assistance with a sign to be constructed at the pole
19 location, honoring your most generous donation of time and talent. Again, thank you for
20 remembering the Good Samaritan Boys Ranch.

21 Sincerely,

22 Kevin Killian, Executive Director

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Dear Empire,

2 We really appreciate everything that you do for the school. We are so grateful to have
3 such a great business partner.

4 A big thank you to Rick Stockton for coming and reading at Jefferson's Hat's Off to
5 Reading Night. You really helped make the evening a success.

6 Thank You,

7 The Parent Involvement Committee

8 Jefferson Elementary School

9 Joplin, MO
10

11 Dear Empire,

12 Just wanted to pass along a "job well done" to your service department. Power went
13 out in our neighborhood in Neosho about 2 a.m. on September 19. I waited about 20
14 minutes before calling to see if things would reset automatically. When I called, Evanna
15 answered and was very helpful. By 2:55 there was a truck running the lines and
16 transformers and by 3:15 power to the neighborhood was back on.

17 We appreciate the prompt service in the middle of the night.

18 John Dolence
19

20 Dear Empire,

21 As this year's United Way campaign chair, I want to thank you for the contributions
22 that you and your employees made to the United Way of Southwest Missouri. I

MICHAEL E. PALMER
DIRECT TESTIMONY

1 appreciate not only the direct financial assistance that was committed, but also your
2 overall promotion and support of the United Way.

3 United Way donation benefit programs that address critical health and human service
4 needs. Your involvement strengthens our community, making it a better place for people
5 in the greater Joplin, Webb City, and Carl Junction area to live and work.

6 Your dollars provide needed medical care and prescriptions, provide food and shelter,
7 prevent violence and abuse, treat chemical dependency, assist older adults and people
8 with disabilities, encourage positive role modeling for children and youth, and much
9 more.

10 Because of your generosity and support, the United Way of Southwest Missouri has
11 met its campaign goal this year. We are most appreciative of the support that your
12 business provided to us. Your donation of money and employees' time is more than a gift
13 – it is a sound investment in our community.

14 Again, thank you for seeing a need. Every dollar counts toward improving the quality
15 of life of those individuals who need a helping hand to become self-sufficient.

16 Together with United Way, we are making an impact on this community and that is
17 what matters.

18 Sincerely,

19 Fred Osborn, Commerce Bank

20 United Way Campaign Chair 2003-2004

21
22 **Q. YOU MENTIONED THAT CUSTOMERS WHO ARE PERSONALLY**
23 **ACQUAINTED WITH AN EMPLOYEE PROVIDE MORE POSITIVE**

1 RESPONSES TO YOUR SURVEY AND HAVE A BETTER RECALL OF
2 COMPANY INFORMATION; WHAT DOES EMPIRE DO TO FOSTER
3 EMPLOYEE COMMUNITY INVOLVEMENT?

4 A. Empire has a long-standing tradition of encouraging employee involvement in the
5 communities we serve. Today, that involvement is an integral part of our corporate
6 culture. We have employees that are active participants in nearly every civic and
7 community organization within our service territory including Rotary, Kiwanis,
8 Soroptimist, Lions, Masons, Shriners, Jaycees, Business and Professional Women,
9 Institute of Management Accounts, Missouri Society of Certified Public Accountants,
10 Joplin Area Business Club, American Business Women's Association, Springfield and
11 Southwest Missouri Home Builders Associations, National Society of Professional
12 Engineers, Habitat for Humanity, Joplin Area Heat Pump Association, Missouri Farm
13 Bureau, etc.

14 Q. IN WHAT OTHER COMMUNITY CAPACITIES DO EMPLOYEES SERVE?

15 A. As an example, I serve on the city council in Carl Junction, Missouri. Other employees
16 serve on the city council in Neosho, Missouri; on the Joplin school board; on the Joplin
17 School's foundation board; on the board of directors for the Chambers of Commerce in
18 Joplin, Aurora, Neosho, and Baxter Springs; on the board of directors for the Cherokee
19 County Rural Water Board; on the Main Street boards in Aurora and Joplin; on the
20 Aurora School to Careers board; as treasurer of the Aurora Chamber of Commerce; as
21 Chair of the Economic Development Committee of the Aurora Chamber; on the boards of
22 directors for the United Way of Southwest Missouri, the Boys and Girls Club, Lafayette
23 House, the Girl Scouts of the Ozarks, and the American Red Cross, Southwest Missouri

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Chapter; on the Thomas Hart Benton permanent exhibit board; on the Carl Junction
2 Special Road District board; on the Joplin Habitat for Humanity board, on the Economic
3 Security Division board; as chairman of the Joplin Chamber's Golden Apple Committee;
4 as president of the Monarch Springs Park board; and on the Strafford, Bolivar, Ozark and
5 Branson Community Betterment Associations. We also have employees who serve their
6 communities as volunteer firemen, reserve sheriff deputies, PTA and neighborhood watch
7 volunteers, and as coaches for soccer, softball, baseball, and football. You will also find
8 many employees heavily involved in their churches as elders, deacons, Sunday school
9 teachers, youth leaders, and choir members.

10 **Q. WHAT OTHER COMMUNITY INVOLVEMENT DO YOU HAVE?**

11 A. I will mention several examples of involvement that brings employees in contact with our
12 customers and their neighbors.

13 This past fall Empire employees made a record-setting \$142,145 contribution to area
14 United Ways, up 15 percent over the previous year. Other United Way involvement
15 includes employee volunteers on the allocations committees, the agency review team, and
16 as volunteers for the United Way Day of Caring that is held each year in early summer
17 when volunteers pitch in to help agencies with projects requiring manual labor. A few of
18 the projects Empire volunteers have helped with include painting cabins, working on
19 drainage problems and landscaping, and building docks on the lake at the Girl Scout
20 camp; painting the mess hall and barn and replacing the screens on the windows of the
21 mess hall at the Boy Scout camp; and completing landscaping at Lafayette House, a local
22 women's shelter.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Volunteers also lend their support to various business/education partnerships including a
2 partnership with Jefferson Elementary, in Joplin, where volunteers serve as mentors and
3 tutors. They also raise funds for the school by holding a soup/chili lunch, and this year
4 held a book fair that enabled the school to receive over \$1,000 in new books for their
5 library.

6 Also on the education front, employees donate time to school and community career
7 days, science fairs, and safety programs. We are a co-sponsor of the Joplin Chamber's
8 Golden Apple Award program that recognizes outstanding local teachers in kindergarten
9 through grade 12. We also help sponsor Newspapers in Education in Joplin and Bolivar.
10 This program puts newspapers into classrooms and provides training for educators to use
11 the newspaper as an educational resource.

12 Employees are participants in the March of Dimes Walk America, the American Cancer
13 Society's Relay for Life, the MS 150, the Ride for Diabetes, the Joplin Family Y
14 Corporate Challenge, the Big Brothers/Big Sister Bowl for Kids Sake, the MDA
15 Telethon, and the Children's Miracle Network run and bike ride. Employees also donate
16 blood through regular drives by the Community Blood Center of the Ozarks, deliver
17 meals to the homebound elderly, and serve as advisers for Junior Achievement.

18 In addition, employee volunteers are the driving force behind Empire's Christmas Elves
19 program that was started in 1987. The program links elderly adult customers who live
20 alone with customers who have plenty and wish to share their treasures during the
21 holiday season. Each year over 500 elderly customers are touched by this program that is
22 in cooperation with the Area Agencies on Aging.

23 **Q. HAS EMPIRE TAKEN ANY OTHER ACTION TO ASSIST LOCAL GROUPS?**

MICHAEL E. PALMER
DIRECT TESTIMONY

1 A. Yes, we have supported local not-for-profit groups and schools through the donation of
2 retired equipment. We have donated trucks to several local volunteer fire departments
3 and have donated retired computers to local schools and youth organizations such as the
4 Boys and Girls Club.

5 **Q. DOES EMPIRE HAVE ANY PROGRAMS THAT DIRECTLY HELP**
6 **CUSTOMERS WITH THEIR ENERGY-RELATED NEEDS?**

7 A. Our customers who are struggling to pay their electric bills may find assistance through
8 Project Help. This program, initiated by Empire in 1982, was designed to assist elderly
9 and disabled customers with emergency, energy-related expenses.

10 **Q. HOW DOES THE PROGRAM WORK?**

11 A. Empire customers may add \$1 each month to their payment or pledge a larger amount to
12 be stated on their bill each month. Funds collected are given each month to the American
13 Red Cross, Southwest Missouri Chapter, for distribution to qualified recipients. Last year
14 our customers donated over \$14,500 to the program.

15 **Q. DOES PROJECT HELP RECEIVE FUNDS FROM ANY OTHER SOURCE?**

16 A. Project Help received unclaimed funds from money collected by the Interim Energy
17 Charge which was authorized in our 2001 rate case and later refunded. This amounted to
18 about \$75,000.

19 **Q. HOW ARE THE ADMINISTRATION COSTS FOR THIS PROGRAM TAKEN**
20 **CARE OF?**

21 A. In the early days of the Project Help program, Empire established a trust fund that has
22 continued to generate the funds needed to cover the administrative expenses, allowing all
23 money donated by customers to go for assistance to those who are in need.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 **Q. WHAT OTHER PROGRAMS DOES EMPIRE HAVE TO ASSIST CUSTOMERS?**

2 **A.** During our last rate case, we took an additional step to lend support to those with energy
3 needs when we established the Experimental Low Income Program. This program has
4 476 customers enrolled at this time. We are working with Economic Security
5 Corporation ("ESC") and Ozarks Area Community Action Corporation ("OACAC") to
6 qualify customers for this assistance.

7 Our call center and customer service representatives work closely with a diverse group
8 of assistance organizations to help ensure that customers who are in need get the help
9 they require to maintain service. Besides ESC and OACAC, they work with the
10 American Red Cross, the Salvation Army, Crosslines Charities, and other community
11 resources.

12 In addition, when local National Guard troops were called up to serve in Iraq, we
13 issued a news release encouraging dependent families who had recently had members
14 called to serve in the military and who found themselves having difficulty paying their
15 electric bills to contact the Company for assistance.

16 In the release, I stated, "We recognize that many military dependents have suddenly
17 found themselves with changes in family income and increased demands on their
18 resources; some are possibly having trouble paying their bills. Our customer service
19 representatives are experienced in locating emergency assistance and working with
20 customers through difficulties, and we strongly encourage military families to contact us
21 as soon as they realize that a problem may exist. We will do what we can to help them
22 through this challenging time."

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Q. DOES EMPIRE HAVE ANY INITIATIVES TO ASSIST THE COMMUNITIES IT
2 SERVES?

3 A. Yes, we have a very active economic development program which works closely with all
4 communities in our area to identify and recruit new commercial and industrial customers.

5 Q. PLEASE GIVE SOME EXAMPLES OF ACTIONS TAKEN BY THE COMPANY
6 IN THE LAST SEVERAL YEARS TO ASSIST COMMUNITIES WITH
7 ECONOMIC DEVELOPMENT.

8 A. We donated a piece of unused land adjacent to our Neosho-Rocketdyne substation to
9 Neosho Land Development, Inc. The land is now being used, along with adjoining
10 property, for industrial economic development.

11 Upon receiving the land donation, Mr. Rudolph Farber, Chairman of Neosho Land
12 Development, Inc., stated, "This gift of land continues Empire District's dedication to the
13 support of economic development in our community. It is just one of the many ways
14 Empire helps Neosho and the surrounding area to continue to grow and develop."

15 Q. HAVE YOU CARRIED OUT SIMILAR DONATIONS IN OTHER
16 COMMUNITIES?

17 A. Yes, we recently donated a small tract of land to the city of Lanagan. This piece of land
18 in downtown Lanagan, Missouri, will be used as the site for a new fire station, which we
19 believe will help improve fire service for the community.

20 We were able to present the Pierce City volunteer fire department a donation of a small
21 piece of land with a single-door shell building to help them better serve their
22 community's emergency needs.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 We also assisted the city of Republic, Missouri, with a study to determine the feasibility
2 of a new business park.

3 **Q. PLEASE DESCRIBE OTHER ECONOMIC DEVELOPMENT ASSISTANCE**
4 **EMPIRE OFFERS AREA COMMUNITIES?**

5 A. Our employees, especially our Manager of Economic Development, routinely work with
6 communities to assist with issues that arise in preparing a community to actively pursue a
7 true economic development agenda. These activities include serving on TIF (Tax
8 Increment Financing) boards, industrial development boards, and economic development
9 committees. They also assist when local community leaders want to connect with staff
10 members from the State Department of Economic Development. Our employees
11 frequently participate as part of the 'host' team when prospects are visiting a community
12 to provide not only the technical expertise associated with our industry, but also to show
13 community support.

14 **Q. HOW IS EMPIRE RECEIVED BY THE COMMUNITIES IT SERVES?**

15 A. In the past few years, Empire has been named Industry of the Year by the Joplin Area
16 Chamber of Commerce and Business of the Month by both the Webb City Chamber of
17 Commerce and the Neosho Chamber of Commerce.

18 **Q. IS EMPIRE INVOLVED IN THE USE OF TIRE-DERIVED FUEL (TDF) AT ITS**
19 **ASBURY PLANT?**

20 A. Yes, since we began our TDF project, Empire and volunteer employees have participated
21 in two free community tire collections, one each in Joplin and Ozark, Missouri. In each
22 case, Empire worked with local officials to set up the event and inform the general public
23 through newspaper advertisements and messages on our bills regarding the collections.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 The Joplin collection took place in April, in conjunction with Earth Day, and the Ozark
2 collection took place in the fall.

3 **Q. WHAT PLANS DO YOU HAVE TO CONTINUE THESE COLLECTIONS?**

4 A. Collections will be held in Joplin, again in conjunction with Earth Day on April 23 and
5 24, and in a second community, as of yet unnamed, in the fall.

6 **Q. WHAT BENEFITS HAVE EMPIRE'S CUSTOMERS AND COMMUNITIES
7 RECEIVED FROM THIS PROGRAM?**

8 A. Utilizing TDF removes tires from the environment and alleviates the need for tire
9 landfills, reduces the amount of illegal tire dumping, reduces the mosquito-breeding
10 habitat thus reducing the mosquito population and the spread of the West Nile Virus, and
11 preserves natural resources by replacing coal, natural gas, and other fossil fuels.

12 **Q. WHAT BENEFITS DOES EMPIRE RECEIVE FROM THE PROGRAM?**

13 A. It has saved Empire and its customers due to the facts that the fuel price is slightly
14 cheaper in cost per million BTUs than blend fuel, it has a higher heat value than coal, and
15 it has allowed us to postpone the installation of selective catalytic reduction ("SCR")
16 equipment that is estimated to cost approximately \$20 million.

17 **Q. APPROXIMATELY HOW MANY TIRES DO YOU BURN EACH YEAR?**

18 A. In 2003, the first full year of the project, we burned 11,011.71 tons of TDF. Since each
19 passenger tire weighs approximately 20 pounds, our project removed about 1,101,171
20 waste tires from environment. By mid March, Asbury had burned approximately 1,800
21 tons of TDF this year, equivalent to about 180,000 passenger tires. Projecting this rate,
22 the plant should burn approximately 10,000 tons of TDF this year or 1,000,000 tires.

23 **Q. HAS EMPIRE BEEN RECOGNIZED FOR THIS PROGRAM?**

MICHAEL E. PALMER
DIRECT TESTIMONY

1 A. Empire was honored by Missouri Governor Bob Holden with three of his 2003
2 Environmental Excellence/Pollution Prevention Awards for the TDF project at the
3 Asbury Power Plant. The awards honor the state's top environmental stewards. The
4 awards presented to Empire include the Pollution Prevention Award, the Recycling
5 Award, and the Statewide Environmental Excellence/Pollution Prevention Award.

6 **Q. HAS THE COMPANY OR ITS EMPLOYEES BEEN RECOGNIZED WITH ANY**
7 **OTHER HONORS?**

8 A. Yes, the list is long. Here is a sample of the awards and honors received by both the
9 Company and its employees.

10 The National Safety Council presented a special award of recognition to the Hollister and
11 Branson work group for the completion of 300,000 man-hours without a lost-time injury.
12 This group included employees in Line Operations, Substation Maintenance,
13 Construction Design, and Stores.

14 The American Water Works Association presented Empire's Water Department its Award
15 of Excellence in recognition of the department's superior safety record. The phenomenal
16 safety record without a lost-time injury dates back to August 21, 1997.

17 The United Way of Southwest Missouri presented Empire and its employees their
18 Platinum Award in recognition of an employee participation rate of at least 80 percent
19 and an average gift of at least \$100.

20 **Q. WHAT INDIVIDUAL AWARDS HAVE EMPIRE EMPLOYEES RECEIVED**
21 **FOR THEIR COMMUNITY VOLUNTEER WORK?**

22 A. Marsha Wallace, Economic Development Manager, was selected as a counselor to the
23 Missouri Economic Development Council.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Keesa Stammer, Land and Land Rights, was presented the Civilian Service Certificate by
2 the Joplin Police Department for her heroism following a robbery and shooting at a local
3 drive-in restaurant.

4 Kelly Chenoweth, Senior Energy Service Representative, was recognized as Rotarian of
5 the Year for his outstanding leadership and distinguished accomplishments in the areas of
6 organ and tissue donation.

7 Chris Schafer, Environmental Coordinator, was named Volunteer of the Year by the
8 United Way of Southwest Missouri in recognition of his many hours of volunteer work,
9 which included serving as vice chairman and chairman of Day of Caring events and
10 Pacesetter campaigns, and as a member of the allocation committee and agency review
11 team.

12 Chris was also honored by the Missouri Jaycees as one of their Outstanding Young
13 Missourians for 2003 at the Jaycees' State Convention. Schafer has dedicated much of
14 his spare time to community service through his involvement in the Joplin Jaycees,
15 United Way, Knights of Columbus, National Society of Professional Engineers, and
16 numerous other special projects.

17 Jay Lewis, Water System Foreman, was named Water Operator of the Year by the
18 Missouri Water and Wastewater Association for his outstanding dedication, public
19 service, and achievement.

20 Rick Wallace, Manager of Line Operations, was named Chamber Member of the Year by
21 the Ozark Chamber of Commerce in recognition of his dedicated work to ensure the
22 success of the Christmas Lights of Ozark display.

MICHAEL E. PALMER
DIRECT TESTIMONY

1 Darryl Coit, Controller and Assistant Treasurer and Assistant Secretary, was named
2 Volunteer of the Year by the Ozark Soccer League for his leadership and work with
3 youth in the league.

4 These are just a sample of the honors and recognitions our employees have received.

5 **Q. IS THERE ANY FURTHER INFORMATION YOU WOULD LIKE TO SHARE?**

6 A. Keeping Empire financially sound is important to our customers, our shareholders, and
7 our employees. I believe the new rates we are seeking are in the best interest of all three
8 of these groups.

9 Anytime we seek an increase in rates, we know it will not be a popular idea with our
10 customers. But in order to continue the reliable, efficient service that our customers have
11 been receiving and to keep the Company financially sound enough to attract investors
12 and sources of capital for future needed expansion and improvements, we must ask for
13 new increased rates. The rates we are seeking are competitive, and I believe the increase
14 will be prudent for our customers as well as the Company and its employees.

15 Empire has the responsibility to provide customers with safe and adequate power. We
16 take this obligation seriously. We can only fulfill this charge with the help of the
17 Commission who has been given the responsibility to ensure that public utility consumers
18 receive safe and adequate services at just and reasonable rates that will provide the utility
19 companies' shareholders the opportunity to earn a reasonable return on their investment.

20 **Q. DOES THIS COMPLETE YOUR TESTIMONY?**

21 A. Yes.