

Exhibit No.

Issue: Tree Trimming, DNR Proposal,
ELIP, Miscellaneous Customer Charges,
Reporting

Witness: Michael E. Palmer

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: Empire District

Case No. ER-2004-0570

Date Testimony Prepared: Nov 4, 2004

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

FILED³

DEC 28 2004

Missouri Public
Service Commission

Rebuttal Testimony

of

Michael E. Palmer

November 2004

Exhibit No. 4
Case No(s). ER-2004-0570
Date 12-06-04 Rptr KE

Exhibit No.
Issue: Tree Trimming, DNR Proposal,
ELIP, Miscellaneous Customer Charges,
Reporting
Witness: Michael E. Palmer
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District
Case No. ER-2004-0570
Date Testimony Prepared: Nov 4, 2004

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

Rebuttal Testimony

of

Michael E. Palmer

November 2004


AFFIDAVIT

STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 2nd day of November, 2004, before me appeared Michael E. Palmer, to me personally known, who, being by me first duly sworn, states that he is the Vice President – Commercial Operations of The Empire District Electric Company and acknowledged that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.


Michael E. Palmer

Subscribed and sworn to before me this 2nd day of November, 2004


Pat Settle, Notary Public

My commission expires:

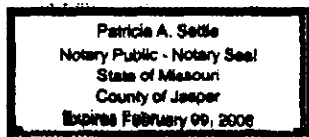


TABLE OF CONTENTS
OF
MICHAEL E. PALMER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

<u>SUBJECT</u>	<u>PAGE</u>
INTRODUCTION	I
TREE TRIMMING EXPENDITURES	1
DEPARTMENT OF NATURAL RESOURCES (DNR) PROPOSALS	4
EXPERIMENTAL LOW-INCOME PROGRAM (ELIP)	6
MISCELLANEOUS CUSTOMER CHARGES	8
CUSTOMER RELIABILITY REPORTING AND SERVICE REPORTING	9

REBUTTAL TESTIMONY
OF
MICHAEL E. PALMER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2004-0570

1 **I. Introduction**

2 **Q. PLEASE STATE YOUR NAME.**

3 A. Michael E. Palmer.

4 **Q. ARE YOU THE SAME MICHAEL E. PALMER THAT HAS PREVIOUSLY**
5 **FILED DIRECT TESTIMONY IN THIS CASE BEFORE THE MISSOURI**
6 **PUBLIC SERVICE COMMISSION ("COMMISSION")?**

7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. I will address in this testimony the tree trimming expenditures, proposals put forth
10 by the Department of Natural Resources (DNR), the Experimental Low-Income
11 Program (ELIP), miscellaneous customer charges and reporting.

12 **II. Tree Trimming Expenditures**

13 **Q. PLEASE EXPLAIN STAFF'S ADJUSTMENT TO TREE TRIMMING**
14 **EXPENSE.**

15 A. Staff's position was to use a five year average to represent a reasonable level of
16 ongoing tree trimming expense.

MICHAEL E. PALMER
REBUTTAL TESTIMONY

1 **Q. DO YOU AGREE THAT TEST YEAR TREE TRIMMING EXPENSES THAT**
2 **EXCEED THE FIVE YEAR AVERAGE SHOULD BE DISALLOWED AS**
3 **ADDRESSED IN STAFF WITNESS LEASHA TEEL'S TESTIMONY?**

4 A. No. This approach ignores the very nature of this work and disregards the increased
5 emphasis that NERC, as well as Staff itself, places on tree trimming efforts and
6 reliability reporting as evidenced by Staff comments related to Ameren tree
7 trimming related outages in the summer of 2004.

8 **Q. HOW DOES THE EXPENSE STAFF PROPOSES TO UTILIZE RELATE**
9 **TO EMPIRE'S TEST YEAR TREE TRIMMING EXPENSES?**

10 A. Staff's proposal would indicate that Empire should reduce tree trimming
11 expenditures by 17% from current levels. Staff proposes to utilize \$2.4 million.
12 Empire experienced tree trimming expenses of \$2.9 million in the test year.

13 **Q. DO YOU BELIEVE THAT TREE TRIMMING EXPENSES WILL**
14 **DECREASE OVER THE NEXT YEAR?**

15 A. No. Tree trimming efforts must increase as the population of trees increases and as
16 the length of transmission and distribution lines increase. As those efforts increase,
17 so must the expenses. Nature ensures that trees repopulate and the rate depends
18 greatly on the growing conditions. The amount of rainfall received is the most
19 important factor concerning tree growth. Average rainfall values, stated by
20 meteorologists, accurately state the amounts of rain received in a certain geographic
21 area over a period of years; however, as any farmer is quick to point out that doesn't
22 mean much to his current crop yields. The past year's growing conditions have
23 been extremely good for the trees, but not for the utilities that must deal with the

1 growth. A first hand visit by Staff to view our vegetation conditions, which I
2 understand has not occurred as a part of this process, would prove our need for
3 increased funding.

4 **Q. WHAT ADDITIONAL FACTOR HAS STAFF IGNORED?**

5 A. In addition to average rainfall amounts, average gasoline and diesel fuel prices
6 have also increased. And, just like the farmer, today's drivers seeking to fill their
7 fuel tanks would find a much different price at the pump than the five year average
8 amount. An increasingly significant cost associated with tree trimming is the fuel
9 for the many trucks traveling thousands of miles per year required by this work.

10 **Q. WHAT ARE THE DANGERS IF VEGETATION MANAGEMENT IS NOT**
11 **ADDRESSED SUFFICIENTLY?**

12 A. The primary cause of the 2003 Blackout was inadequate tree trimming. Both
13 NERC and this Commission believed this event was important enough to increase
14 the reporting requirements concerning tree trimming and reliability reporting.
15 Additionally, the Federal Energy Regulatory Commission was interested enough to
16 open a special docket (Docket No. EL04-52-000) and direct that all entities that
17 own, control or operate certain transmission facilities report on the vegetation
18 management practices they use for transmission lines and right of ways. I do not
19 believe that it is reasonable, in light of this increased emphasis on reliability, to
20 allow only a five year average spending level.

21 **Q. WHAT LEVEL OF RELIABILITY REPORTING IS STAFF SEEKING IN**
22 **THIS CASE?**

MICHAEL E. PALMER
REBUTTAL TESTIMONY

1 A. As an outcome of this case, Staff seeks to require monthly reliability reporting, not
2 a five year average reliability report. Staff wants a nearly real-time report
3 documenting the reliability of Empire's current electric service. The single most
4 important maintenance item affecting reliability is tree trimming. It follows that the
5 expense utilized for rate making as to the single most important maintenance item
6 affecting reliability — tree trimming — should be the current expense, not a five
7 year average.

8 **III. Department of Natural Resources (DNR) Proposals**

9 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR TESTIMONY?**

10 A. To respond to the proposals contained in the direct testimony filed on behalf of the
11 Missouri Department of Natural Resources (DNR).

12 **Q. PLEASE SUMMARIZE THE PROPOSALS.**

13 A. The DNR made the following proposals:

- 14 1. Provide funding through rates of \$181,250 to implement a low-
15 income residential weatherization assistance program consistent
16 with federal weatherization guide lines through local community
17 action agencies operating within Empire's service territory,
- 18 2. Join the ENERGY STAR program as a utility partner, and
19 provide annual funding through rates of \$35,000 to promote the
20 Change A light, Change the World program within the Aquila,
21 Inc. service territory.
- 22 3. Provide funding through rates in the amount of \$100,000 to
23 provide rebates to residential customers that purchase and install

MICHAEL E. PALMER
REBUTTAL TESTIMONY

high efficiency electric appliances and/or heating and cooling
equipment that have received the ENERGY STAR rating.

4. Fund through rates \$25,000 in annual costs for a commercial
energy audit program with incentives for implementation of
energy efficiency measures.

5. Provide funding through rates in the amount of \$80,000 to
conduct a wind energy assessment project.

**Q. HAS EMPIRE PARTICIPATED IN ANY SIMILAR PROGRAMS IN THE
PAST?**

A. Yes, Empire has the following tariffs in regard to conservation and energy
efficiency efforts:

1. The Residential Conservation Service that provides home energy audits for a first
time fee of \$15 and subsequent audits for \$62.00.
2. A Net Meter Service that allows customers to supply unused power.

Q. WHAT WERE THE RESULTS OF THESE PROGRAMS?

A. The Residential Conservation Service program has received minimal participation
and the Net Meter Service has at this time only one participant.

Q. PLEASE STATE EMPIRE'S RESPONSE TO THE DNR PROPOSALS.

A. With regard to the proposals put forward by the DNR, Empire's position is that they
may have merit and could be beneficial to the rate payers. The Company agrees
with Staff's position that the cost of these proposals should be paid for by the
beneficiaries, the rate payers.

MICHAEL E. PALMER
REBUTTAL TESTIMONY

1 Furthermore, Empire believes that if funds were to be provided for the Change a
2 Light, Change the World program, the funds should be allocated to the Empire
3 service territory rather than the Aquila territory. In addition, any funds provided for
4 these programs that are to be administered by Empire should take into consideration
5 any overhead cost incurred as a result of the program. Empire believes the funds to
6 be provided to participants should be reduced by these costs.

7 **IV. EXPERIMENTAL LOW-INCOME PROGRAM (ELIP)**

8 **Q. PLEASE EXPLAIN THE ELIP PROGRAM.**

9 A. The ELIP program was developed to make electric bills more affordable for low-
10 income customers. Participants with a household income of up to 50% of the
11 Federal Poverty level receive a credit of \$40 on their monthly bills. Participants
12 with a household income of 51% to 100% of the Federal Poverty level receive a
13 credit of \$20 on their monthly bill. The credits are available for up to twelve
14 months with the possibility of renewal after the reassessment of the participants'
15 financial status by administering agencies. The program is limited to a twenty-four
16 month trial basis.

17 **Q. PLEASE ADDRESS THE PROPOSALS RECOMMENDED BY BARBARA**
18 **MEISENHEIMER TO THE ELIP PROGRAM.**

19 A. In Barbara Meisenheimer's testimony, she recommended the following three
20 changes:

- 21 1. Reduction to the adders used to generate ratepayer contributions to the
22 \$150,000 level provided for in the Stipulation & Agreement in ER-2002-
23 424.

MICHAEL E. PALMER
REBUTTAL TESTIMONY

- 1 2. The use of surplus monies associated with "rounding" the adjusted adder
2 to the nearest penny to conduct outreach.
- 3 3. Lengthening of the eligibility of qualified customers conditioned on
4 voluntary agreement by the parties in this case that were signatories to the
5 Stipulation & Agreement in ER-2002-424.

6 **Q. WHAT IS THE COMPANY'S POSITION?**

7 A. Empire does not agree with the first two items. The amount to be collected from
8 the customers was not defined on a per customer basis. Page seven of the
9 stipulation agreement states "The Agreement provides that inasmuch as ratepayer
10 funding for this program is included in the agreed-to increase in the Company's
11 revenues and incorporated in the agreed-to rate design, there will be no surcharge
12 applied to customers' bills". Therefore, Empire does not support OPC's proposals
13 as there is no tariff supporting the per customer amounts to which OPC refers to in
14 their testimony.

15 **Q. DOES THE COMPANY SUPPORT THE THIRD ISSUE?**

16 A. In regard to the third recommendation by OPC, Empire proposes an adjustment to
17 the tariff sheet for ELIP. Empire recommends the following statement "The credit
18 may be extended for a participant past the twenty-four months contingent upon the
19 participant's continuation of meeting the ELIP eligibility requirements." Empire
20 does not propose any further changes until the program is reviewed by an
21 independent consultant at the conclusion of the evaluation period which is required
22 within thirty months after the initiation of the program.

1 **V. MISCELLANEOUS CUSTOMER CHARGES**

2 **Q. PLEASE DISCUSS THE MISCELLANEOUS CHARGE PROPOSALS BY**
3 **STAFF.**

4 A. In the Direct Testimony of William L. McDuffey, Staff, the following customer
5 miscellaneous charges were addressed:

- 6 1. Private Lighting Service, Transformer
- 7 2. Temporary Service Line
- 8 3. Insufficient Funds Check
- 9 4. Trip to collect Non-Payment Fee
- 10 5. Reconnection Fee, Normal Business Hours
- 11 6. Meter Treater
- 12 7. Late Payment Charge

13 **Q. DOES THE COMPANY AGREE WITH THESE PROPOSALS?**

14 A. Yes, with the exception of the late payment charges. Staff has proposed a reduction
15 in the rate applied to delinquent bills to a simple ½ percent per month on the
16 original net amount due on the delinquent bill. Currently Empire has in effect the
17 following rates:

18	Residential	1.5%
19	Commercial	5.0%
20	Small Heating	5.0%
21	General Power	2.0%/6.0%
22	Large Power	2.0%/6.0%
23	Electric Furnace Primary	2.0%/6.0%
24	Feed Mill and Grain Elevator	5.0%
25	Total Electric Building	1.5%
26	Private Lighting – Residential	1.5%
27	Private Lighting – Nonresidential	5.0%

MICHAEL E. PALMER
REBUTTAL TESTIMONY

1 The 1.5% and 5% rates from above are applied after 21 days; the 2% rates are
2 applied after 14 days and the 6% rates are applied after 60 days. Empire believes a
3 change to the current late payment rates would be detrimental and would increase
4 arrearages. If late payment charges are closer to current interest rates, as mentioned
5 in Staff's testimony, a customer may find it cheaper to constantly maintain
6 arrearages than keep current with their bill due to the cost of money. This is not a
7 direction we want to steer customers.

8 **VI Customer Reliability Reporting and Service Reporting**

9 **Q. PLEASE EXPLAIN STAFF'S RECOMMENDATION REGARDING**
10 **ADDITIONAL RELIABILITY REPORTING REQUIREMENTS.**

11 A. Staff witness Lena Mantle has recommended the Company file reports with Staff
12 monthly, including data for SAIFI, SAIDI and CAIDI in an electronic format, both
13 (1) unadjusted and (2) adjusted to exclude major storm events.

14 **Q. DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDATION?**

15 A. Yes. The Company agrees to provide the requested information as outlined in
16 Staff's testimony.

17 **Q. PLEASE EXPLAIN STAFF'S RECOMMENDATION REGARDING**
18 **ADDITIONAL CUSTOMER SERVICE REPORTING.**

19 A. Staff witness John Kiebel has recommended monthly Call Center Performance data
20 be provided to the Staff, including Average Abandoned Call Rate (ACR), the
21 Average Speed of Answer (ASA), the number of incoming calls, staffing levels (by
22 position) for both Call Centers, and the percentage of Commission complaints
23 responded to within three business days.

MICHAEL E. PALMER
REBUTTAL TESTIMONY

1 **Q. DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDATION?**

2 A. Yes, in part. The Company agrees to provide the information as outlined in attached
3 Schedule MEP-1.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes, it does.

Customer Service Reporting
October 29, 2004

Schedule MEP-1

Empire agrees to provide the following information monthly to the staff on a quarterly basis:

Information contained in DR 0369:

- Total calls answered
- Abandoned calls
- Total calls received
- Average % of calls answered in :30 or less
- Average wait before call was answered
- Total calls busy or disconnected
- Total calls answered at Ozark Call Center
- Total calls answered at Joplin Call Center

Information contained in DR 0370:

- Average time per shift agents are logged in to answer calls
- Average talk time per shift
- Average number of calls answered per shift
- Average time between calls agents are available and waiting
- Average time per shift that agents are not in ready mode

Empire will respond to inquiries from Staff's Consumer Services Department within three (3) business days, except for interruption of service issues, to which it will respond within one (1) business day.