

Exhibit No.:

Issues:

Miscellaneous Tariff  
Items, Customer  
Deposit Interest Rate,  
Rider EASE

Witness:

Jennifer K. Sochinski

Sponsoring Party:

MoPSC Staff

Type of Exhibit:

Direct Testimony

Case No.:

ER-97-81

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-97-81**

**DIRECT TESTIMONY**

**OF**

**JENNIFER K. SOCHINSKI**

*Jefferson City, Missouri  
February 1997*

**FILED**  
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**MISSOURI**  
**PUBLIC SERVICE COMMISSION**

1 **DIRECT TESTIMONY**

2 **OF**

3 **JENNIFER K. SOCHINSKI**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

5 **CASE NO. ER-97-81**

6 **Q. Ms. Sochinski, please state your name and address.**

7 A. Jennifer K. Sochinski, P. O. Box 360, Jefferson City, Missouri 65102.

8 **Q. By whom are you employed and in what capacity?**

9 A. I am employed by the Missouri Public Service Commission (MoPSC or  
10 Commission) as a Regulatory Auditor II of the Energy Department in the Commission's  
11 Utility Operations Division.

12 **Q. How long have you been employed by the Commission?**

13 A. I began my employment with the Commission in March 1996.

14 **Q. Please describe your educational background and work experience.**

15 A. I received a Bachelor of Arts degree in Economics and a Bachelor of Music  
16 degree in Theory and Composition from Drury College of Springfield, Missouri, in May of  
17 1991. Prior to my joining the Commission, I was employed by Central Bank in Jefferson City,  
18 Missouri since October 1993. As the InvestorServices® Relations Representative, I provided  
19 brokerage services, communicating financial market status and product performance to both  
20 institutional and retail clients. My participation in product and service development required  
21 a working knowledge of compliance regulations. Analyzing bond accounting and service

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1 charge reports, I provided performance presentations to not only Central Bank's  
2 management, but also for specific institutional managed accounts.

3 My current duties with the Commission consist of reviewing tariff filings, cost and  
4 feasibility studies, applications for certificates, investigating customer complaints, and  
5 preparing MoPSC Staff (Staff) recommendations and testimony which result from these  
6 reviews.

7 **Q. Have you testified previously before this Commission?**

8 A. Yes. I have presented testimony in Case Numbers GR-96-285, GC-96-402  
9 and ER-97-82.

10 **Q. What is the purpose of your testimony in this Case?**

11 A. The purpose of my testimony is to determine the general adequacy of The  
12 Empire District Electric Company's (Empire's or the Company's) proposed tariff, identify  
13 and evaluate miscellaneous tariff changes and provide recommendations to the Commission  
14 relating to these areas. Also, I will provide recommendations regarding Empire's Action to  
15 Support the Elderly (Rider EASE) and the Company's rate of interest paid on residential and  
16 non-residential customer deposits.

17 **Miscellaneous Tariff Items**

18 **Q. In your review of Empire's proposed tariff sheets, did you identify any**  
19 **miscellaneous tariff changes?**

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1           A.     Yes, I did. My testimony will address the following tariff modifications  
2 proposed by Empire:

3           ①Section A, Sheet 1 ..... Table of Contents;  
4           ②Section 1, Sheet 1 ..... Winter Season kWh rates;  
5           ③Section 3, Sheet 1 ..... Municipal Street Lighting Service - Discount;

6           **Q.     What are the changes proposed in the Table of Contents?**

7           A.     There are two additions in the proposed Table of Contents. The Table of  
8 Contents is in Section A of Empire's proposed tariff on Sheet No. 1. The Table of Contents  
9 is then broken into Sections as well. In the Table of Contents Section 4, which includes tariff  
10 sheets describing the Riders, item numbers 13 and 14 have been added to reference the  
11 Electric Interim Rider, (Rider INT), on Sheet Number 20 and the Rider EASE, on Sheet  
12 Number 21.

13                     If the Commission does not approve Rider INT in Case No. ER-97-82,  
14 Empire's interim rate case, then this item should be deleted from the Table of Contents.  
15 Additionally, if the Commission denies the Rider EASE in this rate case, (Case No. ER-97-  
16 81), the item 14 in Section 4 of the Table of Contents should be eliminated. In the event the  
17 Riders are approved, the proposed Table of Contents is adequate and I would recommend the  
18 Commission approve Empire's proposed tariff modifications in this area.

19           **Q.     Ms. Sochinski, will you specifically address the tariff modifications in**  
20 **Section 1, Sheet No. 1 with respect to the Winter Season Monthly Rate?**

21           A.     Yes, I will. Per conversation with Ms. Dee Lynn Davey, Empire's Regulatory  
22 Analyst, on January 21, 1997, Ms. Davey confirmed that the Winter Season Monthly Rate for

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the first 600-kWh, per kWh and the Additional kWh, per kWh were incorrectly filed. The correct proposed rates are as follows:

|                                 | <u>Winter Season</u> |
|---------------------------------|----------------------|
| The First 600-kWh per kWh ..... | \$0.0681             |
| Additional kWh, per kWh .....   | 0.0401               |

**Q. Do you support this rate and other rates Empire has proposed in the filed tariff sheets?**

**A. No. My testimony merely identifies Empire's typographical error.**

**Q. What Winter Season rates for Residential Service, (Schedule RG), did Staff utilize when calculating the revenue requirement?**

**A. Staff utilized \$0.0681 and \$0.0401.**

**Q. What Winter Season rates for Residential Service, (Schedule RG), did Empire utilize when calculating the revenue requirement?**

**A. Empire utilized \$0.0681 and \$0.0401.**

**Q. Since you have testified that both Staff and Empire calculated the revenue requirement utilizing \$0.0681 and \$0.0401 as rates for Winter Season Residential Service, would you agree that it is not necessary to adjust the revenue requirement as its calculation by Staff and the Company was not altered by the typographical error?**

**A. Yes.**

**Q. Will you please identify the proposed changes to the Municipal Street Lighting Service Schedule SPL,(Schedule SPL)?**

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1           A.     Yes. In addition to the proposed increases in the Annual Street Light  
2 Charge(s), Empire has eliminated the Discount segment of Schedule SPL. In its Report and  
3 Order filed in Case No. ER-95-279, the Commission adopted the Stipulation and Agreement  
4 that states the following:

5           6.     Empire agrees that in its next general electric rate case filing it will  
6 propose the complete elimination of the ½% discount as provided by  
7 Municipal Street Lighting Service Schedule SPL.

8 In my opinion, the proposed tariff modification to eliminate the ½% discount in Schedule SPL  
9 complies with the Stipulation and Agreement and I recommend that it be approved.

10                           **Customer Deposit Interest Rate**

11           **Q.     How does the Company propose to change the interest rate it pays on**  
12 **customer deposits?**

13           A.     On the filed Tariff Sheet No. 5 in Section 3, Empire proposes to decrease the  
14 interest rate paid upon return of a customer deposit from 9% to 5%.

15           **Q.     Ms. Sochinski, do you believe that Empire's Commission approved Tariff**  
16 **Sheet Nos. 27-30, (Schedule 1), apply the same criteria for residential and non-**  
17 **residential customers when requiring a Customer deposit as a condition of new service**  
18 **and a condition of continued service?**

19           A.     Yes, I do.

20           **Q.     Would the interest rate apply to both residential and non-residential**  
21 **customers?**

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1           A.     In my opinion, yes. On Empire's current Section 5, Tariff Sheet Nos. 27  
2 through 30, attached as Schedule 1-1 through 1-4, Empire has titled Chapter V, Section C,  
3 "DEPOSITS AND GUARANTEE OF PAYMENT 4 CSR 240-13.030," that I believe applies  
4 to both residential and non-residential customers.

5           **Q.     In your opinion, does Commission regulation 4 CSR-240-13.030 apply**  
6 **to both residential and non-residential customers?**

7           A.     No. Item (1) and (2) of Commission regulation 4 CSR-240-13.030 state the  
8 following:

9           (1)     A utility may require a deposit or other guarantee as a condition of  
10 new **residential** service if - ...

11           (2)     A utility may require a deposit or guarantee as a condition of  
12 continued **residential** service if-... (Emphasis added)

13           Commission regulation 4 CSR 240-10.040 titled, "Service and Billing Practices for  
14 Commercial and Industrial Customers of Electric, Gas, Water and Steam Heat Utilities", item  
15 (4), states the following:

16           (4) Each utility may require from any customer at any time a cash deposit or,  
17 at its option, a personal guarantee of a responsible person provided that the  
18 amount of any such deposit or guarantee so required shall not exceed an  
19 estimated bill covering one (1) billing period plus thirty (30) days. A cash  
20 deposit shall bear interest at a rate specified in the utility's tariffs, approved  
21 by the commission...The rate of interest of the cash deposit shall be only three  
22 percent (3%) per annum if the utility keeps the cash deposit in a separate and  
23 distinct trust fund and deposited as such in some bank or trust company and  
24 not used by the utility in the conduct of its business.

25           On Tariff Sheet Nos. 27-30, (Schedule 1), Empire does not separate residential and  
26 non-residential customers and refers to "The Customer" when establishing deposit

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1 requirement criteria for new service and as a condition of continued service. On Section 5,  
2 Sheet No. 2, Empire's current tariff defines "Customer" as follows:

3 Customer means a person, or legal entity responsible for payment for  
4 service(s) supplied by the Company, except one denoted as a guarantor;

5 On Tariff Sheet No. 28, (Schedule 1-2), Empire does distinguish between residential  
6 and non-residential customers when establishing an acceptable credit rating. Residential  
7 customers must meet the criteria as stated in Commission regulation 4 CSR-240-13.030 while  
8 the non-residential customers are required to supply the following:

- 9 (a) References from previous utility  
10 (b) Banking references  
11 (c) Financial statements  
12 (d) Reports from commercial credit sources

13 In addition, the Company has the right to request additional information from the non-  
14 residential customer if there are questions about what has been provided.

15 **Q. In your opinion, does 4 CSR-240-10.040 require the Company to pay a**  
16 **fixed 3% interest rate on non-residential customer deposits?**

17 A. No. Commission regulation 4 CSR 240-10.040 only requires the payment of  
18 3% interest if the Company does not use cash deposits in the conduct of its business, and  
19 keeps the cash deposit in a separate and distinct trust fund deposited in a bank or trust  
20 company. If the funds are not maintained in such a manner, then the interest rate paid will be  
21 specified in the utility's tariff.

22 **Q. Does Empire maintain non-residential customer cash deposits in a**  
23 **separate and distinct trust fund, deposited in a bank or trust company?**

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1           A.     No. Neither Empire's current tariffs nor its proposed tariffs state that non-  
2     residential cash deposits will not be used by the utility in the conduct of its business or be  
3     deposited in a separate and distinct trust fund.

4           **Q.     In your opinion, do Empire's Commission approved Tariff Sheet Nos. 27-**  
5     **30, (Schedule 1), meet the minimum requirements from 4 CSR-240-13.030 and 4 CSR**  
6     **240-10.040 regarding security deposits for both residential and non-residential**  
7     **customers respectively?**

8           A.     Although Empire applies the same deposit criteria for residential and non-  
9     residential customers, I believe that the minimum requirement from 4 CSR-240-13.030 and  
10    4 CSR 240-10.040 are met. Additionally, since Empire does not separate residential from  
11    non-residential customers when applying security deposits, it is my opinion that the same  
12    interest rate should be paid upon return of both residential and non-residential customers.

13          **Q.     Do you support the 5% interest rate, as proposed by Empire, paid upon**  
14    **return of a residential or non-residential customer (Customer) deposit?**

15          A.     No.

16          **Q.     What Customer deposit interest rate do you recommend?**

17          A.     I recommend that the Company pay an interest rate equal to one and a quarter  
18    percentage points below the prime lending rate (Prime rate) as published in **The Wall Street**  
19    **Journal** on the last business day of the year. This would result in the interest rate being fixed  
20    on an annual basis, varying over time with other market interest in general.

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Specifically, I propose that Empire modify the tariff language currently on Schedule  
CA, Credit Actions Fees, as follows:

Interest rate paid upon return of deposit, per annum, compounded  
annually (per Rules and Regulations, Chapter V, C4-b) . . . . . 7.00%\*

\*Interest paid on Customer deposit shall equal one and a quarter percentage  
points below the prime lending rate as published in **The Wall Street Journal**  
on the last business day of the year. To annually update the interest rate, the  
Company will file a 30 day tariff filing no later than the tenth (10th) business  
day in January of the following year. The updated rate will become effective  
upon Commission approval of the 30 day filing.

**Q. Are any electric or natural gas companies regulated by the Commission  
utilizing a customer deposit interest rate equal to one and a quarter percentage points  
below the Prime rate?**

A. No. Over half of the electric and natural gas companies still utilize a 9%  
interest rate. Approximately 30% of the companies pay 6% interest. The customer deposit  
interest rates currently effective for all Commission regulated electric and natural gas  
distribution companies are listed in the charts below:

| Name of Electric Company         | Interest Rate on<br>Customer Deposits | Date Effective |
|----------------------------------|---------------------------------------|----------------|
| Citizens Electric                | 6% per annum                          | 10/11/94       |
| Kansas City Power & Light        | 9% per annum                          | 10/07/94       |
| Missouri Public Service          | 9% per annum                          | 11/04/94       |
| St. Joseph Light & Power         | 6% per annum                          | 10/12/94       |
| Union Electric                   | 9% per annum                          | 10/18/94       |
| Empire District Electric Company | 9% per annum                          | 02/09/95       |

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| Name of Natural Gas Company   | Interest Rate on Customer Deposits | Date Effective |
|-------------------------------|------------------------------------|----------------|
| Associated Natural Gas        | 9% per annum                       | 01/17/95       |
| Fidelity Natural Gas          | 6% per annum                       | 10/19/94       |
| Greeley Gas                   | 9% paid annually                   | 10/14/94       |
| Laclede Gas Company           | Prime rate plus 1%                 | 09/01/94       |
| Missouri Gas Energy           | 9% per annum                       | 11/04/94       |
| Missouri Public Service       | 9% per annum                       | 10/12/94       |
| St. Joseph Light & Power      | 6% per annum                       | 10/12/94       |
| Southern Missouri Gas Company | 3% per annum                       | 10/11/94       |
| United Cities Gas             | 6% per annum                       | 10/06/94       |
| Union Electric Company        | 6% per annum                       | 10/07/94       |

**Q. Are you aware of any other utility companies regulated by the Commission that pay an interest rate equal to one percentage point plus Prime?**

**A. Yes.** The St. Louis County Water Company, Raytown Water Company and United Telephone Company of Missouri currently pay one percentage point above the Prime rate for residential deposits.

**Q. Are you opposed to leaving Empire's Customer deposit interest rate at 9%?**

**A. Yes.** In St. Louis County Water Company's Case No. WR-94-166, the Commission stated the following in its **REPORT AND ORDER** :

**The Commission has reviewed the Stipulation agreed to by the parties and finds that its provisions are reasonable except for the 9 percent interest rate for customer deposits. The Commission is aware that there have been periods of significant fluctuation in interest rates within the past 10**

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1 years. The Commission also notes that deposits are required by St. Louis  
2 County from customers prior to the provision of water service and would not  
3 be considered an issue in which the parties have equal bargaining power.  
4 Rather, in an instance where a security deposit is demanded by the company,  
5 it would appear that the potential customer must succumb or go without a  
6 basic service. **The Commission is of the opinion, therefore, that St. Louis**  
7 **County should pay an interest rate on security deposits which bears**  
8 **some relationship to current interest rates on an ongoing basis.** Thus, the  
9 Commission will authorize an interest rate which is equal to one percent  
10 above the prime lending rate as published in the **Wall Street Journal.**  
11 (Emphasis added)

12 **Q. Ms. Sochinski, are you opposed to Empire's Customer deposit interest**  
13 **rate being set at one percentage point above the Prime rate?**

14 A. Yes, I am.

15 **Q. Why do you believe that an interest rate of 1¼ percentage points below**  
16 **prime is more appropriate than the 5% interest rate proposed by Empire, the existing**  
17 **9% interest rate or the one percentage point above Prime previously authorized by the**  
18 **Commission for some other utilities?**

19 A. In my opinion, the interest rate should achieve the following criteria:

- 20 ① Bear some relationship to current interest rates on an ongoing  
21 basis;  
22 ② Be high enough to deter the company from utilizing Customer  
23 deposits as a source of cash working capital, and;  
24 ③ Be low enough to avoid causing those ratepayers that do not  
25 pay a security deposit from subsidizing a substantially higher  
26 than market level rate of return to those customers receiving  
27 interest on a security deposit.

28 In order to accomplish item ①, the Commission has authorized a customer  
29 deposit interest rate based on the Prime rate. I concur that utilizing the Prime rate will

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1 accomplish item ① and also propose to tie the Customer deposit interest rate to the Prime rate  
2 on an annual basis. In addressing item ②, I considered Empire's issuance of short-term debt  
3 a reasonable alternative choice providing a source of cash working capital. Therefore, the  
4 Customer deposit interest rate should be higher than Empire's short-term debt rate cost. As  
5 provided in Data Request No. 3502, Empire's average monthly short-term debt rate cost from  
6 January 1, 1994 through December 31, 1996 was 5.00%. The average Prime rate during the  
7 same time period was 8.00%.

8 **Q. Why do you consider Empire's issuance of short-term debt a reasonable**  
9 **alternative choice that will provide a source of cash working capital?**

10 A. Typically, short term debt is the least expensive source of funds to obtain in  
11 instances of cash flow shortfalls in the cash working capital. Please refer to the testimony of  
12 Staff witness David Broadwater for historical market trend analysis. The Company's  
13 response to Data Request No. 3502 shows that Empire has historically issued short term debt.  
14 So long as the cost of collecting Customer deposits is higher than the cost of Empire's  
15 issuance of short-term debt, short term debt is a more reasonable alternative.

16 **Q. In your opinion, is the 5% interest rate proposed by Empire high enough**  
17 **to encourage Empire to issue short-term debt when funding the cash working capital**  
18 **rather than utilizing customer deposits?**

19 A. No, I do not believe a 5% interest rate would meet criteria ②. As noted  
20 earlier, Empire's average short-term debt rate cost over the last three years averaged 5.00%.  
21 Empire's proposed 5% customer deposit rate is exactly the same figure. I believe that Empire

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1 would be more likely to select the Customer deposit money to fund cash working capital, (to  
2 the extent that deposit funds were available), than to incur any extra expense when securing  
3 short-term debt. That is why my criteria item ② states that the interest rate be high enough  
4 to deter the company from utilizing Customer deposits as a source of cash working capital.

5 **Q. How does your proposal meet the criteria specified in item ③?**

6 A. Item ③ compares the rate of return from investment options such as savings  
7 accounts, insured money market accounts and one year Certificates of Deposits to the  
8 Customer deposit interest rate. Currently the aforementioned investment options earn an  
9 annual percentage rate of approximately 3.00-5.50%, while the Prime rate effective December  
10 31, 1996 was 8.25%. Utilizing the 12/31/96 Prime rate of 8.25% to calculate a Customer  
11 deposit interest rate equal to 1¼ percentage points below the Prime rate would set the rate  
12 at 7.00%.

13 **Q. Ms. Sochinski, would you please summarize how your proposal meets the**  
14 **three criteria you mentioned earlier in your testimony?**

15 A. Yes, I will. Staff's proposed Customer deposit rate would bear a relationship  
16 to current interest rates. Based upon a 12/31/96 Prime rate, it would be 2 percentage points  
17 higher than Empire's three year averaged short term rate cost and an approximate 1.50-4.00  
18 percentage points above other reasonable investment options. Additionally, utilizing a  
19 resultant 7.00% interest rate versus the existing 9.00% Customer deposit interest rate  
20 decreases Empire's revenue requirement by approximately \$50,000.

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1           **Q.     Is 1¼ percentage points below the Prime rate the only rate that will meet**  
2 **all three criteria listed and if not, please explain?**

3           A.     No. In my opinion, incorporating a specific point below the Prime rate within  
4 the range of 1 to 2½ percentage points would meet all three criteria.

5           **Q.     Why did you select 1¼ percentage points below the Prime rate?**

6           A.     I believe that a Customer deposit interest rate equal to 1¼ percentage points  
7 below the Prime rate meets the three criteria and is fair to Empire and it's ratepayers.  
8 Additionally, in order for the revenue requirement to be calculated, the Staff's Accounting  
9 Department needed to incorporate a specific Customer deposit interest rate.

10          **Q.     Are you opposed to a Customer deposit interest rate that incorporates**  
11 **a specific point below the Prime rate within the range of 1 to 2½ percentage points?**

12          A.     No, I am not.

13          **Q.     Would your proposal create an interest rate higher than Empire's**  
14 **current 9%?**

15          A.     Yes, it could. If the Prime rate is higher than 10.25%, the interest rate that I  
16 have proposed would be higher than the existing rate. However, market trends indicate that  
17 short-term debt, the Prime rate and the investment options such as savings accounts, insured  
18 money market account and Certificates of Deposits, are correlated and generally move in the  
19 same direction. Once again, please refer to the testimony of Staff witness David Broadwater  
20 for historical market trend analysis.

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A. According to Empire's Tariff Sheet No. 29, (Schedule 1-3), any accrued interest on a Customer deposit "shall be credited annually upon the account of the Customer or paid upon the return of the deposit, whichever occurs first." Therefore, the interest earned will not accrue past one year before it is paid or returned to the Customer as a credit item on the Customer's bill.

**Q. In your opinion, what is the purpose of Rider EASE as proposed on tariff**

**Sheet No. 21 in Section 4?**

**Q. What constitutes an elderly or disabled Empire customer?**

A. With respect to Rider EASE, any currently served Empire customer sixty (60) years old or older qualifies as an elderly customer. Rider EASE defines a disabled customer

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1 to be one who is unable to leave his or her premises without assistance. When registering  
2 for Rider EASE, customers authorize the Company to request verification documents needed  
3 to establish the customer's eligibility for the program.

4 **Q. What special concessions would Rider EASE offer Empire's elderly and**  
5 **disabled customers?**

6 **A.** As stated on the proposed Section 4, Tariff Sheet No. 21, Rider EASE plans  
7 the following concessions:

- 8 ① The late payment charge on these accounts would be waived.  
9 ② No new security deposit will be required as long as a reasonable attempt is  
10 made to keep electric bills paid.  
11 ③ Third party notification at customer's request.  
12 ④ Customer may choose a preferred payment date to make payments more  
13 convenient.

14 **Q. Do you support the Rider EASE plan as stated on the proposed tariff**  
15 **sheet?**

16 **A.** In theory and concept, I support the plan. However, I believe the proposed  
17 tariff language needs modification. In my opinion, concession item ② previously identified  
18 is vague and too subjective. I recommend that Empire define payment parameters that  
19 constitute "a reasonable attempt" that must be made by the qualifying customers to pay their  
20 electric bills.

21 **Q. In your opinion, what, if any, customer payment practices would Empire**  
22 **consider a "reasonable attempt(s)"?**

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1           A.     I am not aware of all specific customer payment practices that the Company  
2 would consider a "reasonable attempt(s)." However, in a faxed memorandum dated January  
3 30, 1997, Ms. Davey, stated the following:

4           The Customer Service Coordinator and the Manager of Credit and Collections  
5 and I spent some time together discussing the reasonableness question on the  
6 EASE program. They explained that the EASE program is there to help  
7 elderly that most often can't pay on time for one reason or another and that  
8 many of them receive late notices and even shut-off notices every month. This  
9 program allows them to pay these bills without a penalty...The **only reason**  
10 they felt the Company would ever require a deposit is if the EASE customer  
11 would be disconnected for non-payment. If this occurs, they would be  
12 required to make a deposit in order to be reconnected.

13           Ms. Davey also noted that, to date, there has only been one case where a customer  
14 demanded being on EASE without a deposit and refused several times to pay, leading to  
15 discontinuance.

16           **Q.     Is Rider EASE a Company program already in existence?**

17           A.     Per conversations with and the memorandum from Ms. Davey, it is my  
18 understanding that the Company currently implements a program called Empire's Action to  
19 Support the Elderly, Neighbors Helping Neighbors that has been in effect for approximately  
20 15 years. The Company has filed to include this current program as Rider Ease and include  
21 it in its tariff.

22           **Q.     Does the Company utilize the term "reasonable" elsewhere in its current**  
23 **tariff?**

24           A.     Yes. In the Rules and Regulations detailing the Settlement Agreements and  
25 Extension Agreements in Section 5, Tariff Sheet No. 40, the Company states:

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1 For purposes of determining reasonableness, the parties will consider the  
2 following: The size of the delinquent balance; the Customer's ability to pay;  
3 the Customer's payment history; the time that the debt has been outstanding;  
4 the reasons why the debt has been outstanding; and any other relevant factors  
5 relating to the Customer's service.

6 Again, I recommend that Empire either specify circumstances when a security deposit  
7 would be required from an EASE participant or provide language that states what factors will  
8 be considered by Empire when determining a "reasonable attempt". Unless Empire develops  
9 acceptable tariff language that specifies what customer payment practices constitutes  
10 "reasonable attempt", based upon Empire's current language found in Section 5, Tariff Sheet  
11 No. 40, I would recommend the following tariff language be added to item "2" under the  
12 "PLAN":

13 For purposes of determining reasonable attempt Empire will consider the  
14 following: Any delinquent balance and the size of the balance; the time that  
15 the debt has been outstanding and the reason why; the Customer's ability to  
16 pay; the Customer's payment history; and any other relevant factors relating  
17 to the Customer's service.

18 **Q. How would elderly or disabled Empire customers register for the**  
19 **assistance proposed in Rider EASE?**

20 **A.** The Company has developed a form, which is attached as Schedule 2-1 and  
21 2-2. Upon Commission approval, the Company would utilize this information to determine  
22 if the customer meets the qualifications for Rider EASE. As stated on the proposed tariff  
23 Sheet No. 21, the information provided by the form "may also list an agency or person the  
24 Company shall contact as required in the Cold Weather Rule".

25 **Q. Would you please summarize your recommendations?**

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1           A.     Yes. In this testimony, I have recommended the following:

2                   **Miscellaneous Tariff Items**

3           ①     Table of Contents: If the Commission denies either Rider INT or  
4                   Rider EASE, or both, I recommend that these items be deleted from  
5                   the Table of Contents. In the event that both of the Riders are  
6                   approved by the Commission, I recommend the Commission approve  
7                   Empire's tariff modifications as proposed on Section A, Tariff Sheet  
8                   1.

9           ②     Municipal Street Lighting Service - Discount: I recommend the  
10                  Commission approve Empire's tariff modification to eliminate the ½%  
11                  discount in Schedule SPL.

12                  **Customer Deposit Interest Rate**

13           ③     I recommend that the Company pay an interest rate on Customer  
14                  deposits equal to one and a quarter percentage points below the  
15                  Prime rate as published in **The Wall Street Journal** on the last  
16                  business day of the year. To annually update the interest rate, the  
17                  Company will file a 30 day tariff filing no later than the tenth (10th)  
18                  business day in January of the following year. The updated rate will  
19                  become effective upon Commission approval of the 30 day filing. I  
20                  also recommend that the Commission order the Company to  
21                  incorporate the tariff language that I suggested on Page 9 of this  
22                  testimony.

23                  **Rider EASE**

24           ④     Tariff language needs to be developed that specifies what customer  
25                  payment practices constitutes "reasonable attempt". Either Empire  
26                  should propose acceptable language or the Commission should require  
27                  the Company to incorporate the recommended tariff language  
28                  aforementioned in my testimony to item "2" under the "PLAN". I  
29                  also recommend that the Commission approve the Rider EASE  
30                  registration form submitted in this testimony as Schedule 2. With the  
31                  tariff language modification related to reasonableness, I recommend  
32                  the Commission approve Rider EASE.

33           **Q.     Ms. Sochinski, does this conclude your direct testimony?**

34           A.     Yes, it does.

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

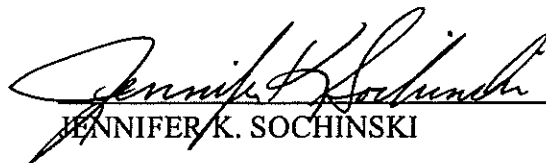
In the Matter of The Empire District Electric )  
Company for authorization to file tariffs )  
increasing rates for electric service provided to )  
customers in the Missouri service area of the )  
Company. )

**CASE NO. ER-97-81**

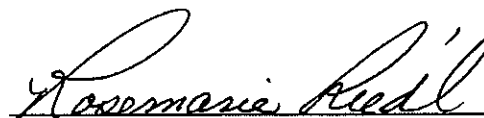
**AFFIDAVIT OF JENNIFER K. SOCHINSKI**

STATE OF MISSOURI     )  
                                  )     ss.  
COUNTY OF COLE     )

Jennifer K. Sochinski, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form consisting of 19 pages and 2 schedules to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.

  
JENNIFER K. SOCHINSKI

Subscribed and sworn to before me this 6<sup>th</sup> day of February, 1997.

  
Notary Public

My Commission Expires: June 1, 1997

## THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 5 3rd Revised Sheet No. 27  
Cancelling P.S.C. Mo. No. 5For ALL TERRITORYNo supplement to this rate schedule will be issued except  
for the purpose of cancelling this rate schedule.Sec. 5 2nd Revised Sheet No. 27  
Which was issued 08-20-90RULES AND  
REGULATIONS

12. During the billing period prior to any rate scheduled seasonal rate change, Company shall notify each affected Customer, on the bill or on a notice accompanying the bill, of the direction of the upcoming seasonal rate change and the months during which the forthcoming seasonal rate will be in effect.

13. Customer shall be charged a fee shown on Schedule CA, Credit Action Fees, for each bad check rendered to Company as payment of a bill.

## B. BILLING ADJUSTMENTS 4 CSR 240-13.025

1. For all billing errors, Company will determine from all related and available information the probable period during which such condition existed and shall make billing adjustments for the estimated period involved as follows:

- a. In the event of an overcharge, an adjustment shall be made for the entire period that the overcharge can be shown to have existed, not to exceed sixty (60) consecutive monthly billing periods calculated from the date of discovery, inquiry or actual notification to the Company, whichever comes first.
- b. In the event of an undercharge to a residential Customer, an adjustment shall be made for the entire period that the undercharge can be shown to have existed, not to exceed twelve (12) monthly billing periods calculated from the date of discovery, inquiry or actual notification of the Company, whichever comes first.
- c. In the event of an undercharge to a non-residential Customer, an adjustment shall be made for the entire period that the undercharge can be shown to have existed, not to exceed sixty (60) consecutive monthly billing periods, calculated from the date of discovery, inquiry or actual notification of the Company, whichever comes first.
- d. No billing adjustment will be made where the full amount of the adjustment is less than one dollar (\$1.00).
- e. Where, upon test, an error in measurement is found to be within the limits prescribed by Commission rules, no billing adjustment will be made.
- f. When evidence of tampering, diversion, unauthorized use or misrepresentation of the use of service by a Customer of any class is found, Company will calculate the billing adjustment period in accordance with the applicable statute of limitations for the prosecution of such claim after determining the probable period during which such condition existed from all related and available information. Company may also recover the cost of damages to the meter and costs associated with investigating the tampering or diversion, such as man-hours, truck hours and cost of documenting with photographs.
- g. Interest shall not be payable on undercharges or overcharges to Customers of any class under this section.

## C. DEPOSITS AND GUARANTEE OF PAYMENT 4 CSR 240-13.030

1. Company may require a deposit or other guarantee as a condition of new service if:

- a. The Customer has outstanding with Company or a utility providing the same type of service, an unpaid bill which accrued within the last five (5) years and at the time of the request for service remains unpaid and not in dispute, or

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MISSOURI

DATE OF ISSUE October 7, 1994  
ISSUED BY M. W. MCKINNEY, Vice President, Joplin, MODATE EFFECTIVE February 9, 1995

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION  
THE EMPIRE DISTRICT ELECTRIC COMPANY

P.S.C. Mo. No. 5

Sec. 5 3rd Revised Sheet No. 28  
Cancelling P.S.C. Mo. No. 5

For ALL TERRITORY

No supplement to this rate schedule will be issued except  
for the purpose of cancelling this rate schedule.

Sec. 5 2nd Revised Sheet No. 28  
Which was issued 12-16-88

RULES AND  
REGULATIONS

- b. The Customer had more than five (5) late payments within the last twelve (12) consecutive months of service; or
  - c. The Customer has, in an unauthorized manner, interfered with or diverted the service of the Company or a utility providing similar service situated on or about or delivered to the Customer's premises within the last five (5) years; or
  - d. The Customer is unable to establish an acceptable credit rating under standards contained in tariff sheets filed with and approved by the Commission.
    - (1) The residential Customer shall be deemed *prima facie* to have established an acceptable credit rating if the Customer meets any of the following criteria.
      - (a) Owns or is purchasing a home; or
      - (b) Is and has been regularly employed on a full-time basis for at least one year; or
      - (c) Has an adequate regular source of income; or
      - (d) Can provide adequate credit references from a commercial credit source.
    - (2) The non-residential Customer shall provide at least the following credit information: The Company has the right to request additional information if there are questions about what has been provided.
      - (a) References from previous utility
      - (b) Banking references.
      - (c) Financial statements
      - (d) Reports from commercial credit sources.
2. Company may require a deposit or guarantee as a condition of continued service if:
- a. The service of the Customer has been discontinued by Company for nonpayment of a delinquent account not in dispute; or
  - b. In an unauthorized manner, the Customer interfered with or diverted the service of Company situated on or about or delivered to the Customer's premises; or
  - c. A residential Customer has failed to pay an undisputed bill on or before the delinquent date for five (5) billing periods out of twelve (12) consecutive monthly billing periods; or
  - d. A non-residential Customer has failed to pay an undisputed bill on or before the delinquent date for two out of six (6) consecutive monthly billing periods; and

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MISSOURI  
Public Service Commission

DATE OF ISSUE October 7, 1994  
ISSUED BY M. W. MCKINNEY, Vice President, Joplin, MO

DATE EFFECTIVE February 9, 1995

## THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 5 3rd Revised Sheet No. 29  
Cancelling P.S.C. Mo. No. 5For ALL TERRITORYNo supplement to this rate schedule will be issued except  
for the purpose of cancelling this rate schedule.Sec. 5 2nd Revised Sheet No. 29  
Which was issued 12-16-88RULES AND  
REGULATIONS

- e. Prior to requiring a Customer to post a deposit under this subsection, Company has sent the Customer a written notice explaining Company's right to require a deposit or has included such explanation with the written discontinuance notice.
3. Deposits assessed to residential Customers under the provisions of section 2.a. (for discontinuance for nonpayment) or section 2.c. (for excessive late payments) of this rule during the months of November, December and January may be paid, if the Customer is unable to pay the entire deposit, by installments over a six (6) month period unless the Company can show a likelihood that the Customer does not intend to pay for continued service.
4. A deposit shall be subject to the following terms:
- a. It shall not exceed two (2) times the highest bill for utility charges actually incurred or estimated to be incurred by the Customer during the most proximate twelve (12) month period at the service premises, or, in the case of a new Customer who is assessed a deposit under subsection 1.d. (unable to establish an acceptable credit rating), one-sixth (1/6) of the estimated annual bill for utility charges at the requested service premises;
  - b. It shall bear interest at a rate specified in Schedule CA, Credit Action Fees, approved by the Commission, which shall be credited annually upon the account of the Customer or paid upon the return of the deposit, whichever occurs first. Interest shall not accrue on any deposit after the date on which a reasonable effort has been made to return it to the Customer. Records shall be kept of efforts to return a deposit. This rule shall not preclude the Company from crediting interest upon each service account during one (1) billing cycle annually;
  - c. Upon discontinuance or termination of service, other than for a change of service address, it shall be credited, with accrued interest, to the utility charges stated on the final bill and the balance, if any, shall be returned to the Customer within twenty-one (21) days of the rendition of the final bill;
  - d. Upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months, it shall be promptly refunded or credited, with accrued interest, against charges stated on subsequent bills. Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent, provided it is not in dispute. Payment of a disputed charge shall be satisfactory if made within ten (10) days of resolution or withdrawal of the dispute. Company may withhold refund of a deposit pending the resolution of a dispute with respect to charges secured by the deposit;
  - e. Deposits from non-residential Customers may be retained by the Company as a guarantee of payment of final bills;
  - f. Company shall maintain records which show the name of each Customer who has posted a deposit, the current address of the Customer, the date and amount of deposit, the date and amount of interest paid, and information to determine the earliest possible refund date;
  - g. Each Customer posting a deposit shall receive, in writing, at the time of tender of deposit or with the first bill, a receipt as evidence of deposit, unless Company shows the existence or nonexistence of a deposit on the Customer's bill, in which event the receipt shall not be required unless requested by the Customer. The receipt shall contain the following minimum information:

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MISSOURI  
Public Service Commission

## THE EMPIRE DISTRICT ELECTRIC COMPANY

Sec. 5 1st Revised Sheet No. 30  
Cancelling P.S.C. Mo. No. 5For ALL TERRITORYNo supplement to this rate schedule will be issued except  
for the purpose of cancelling this rate schedule.Sec. 5 Original Sheet No. 30  
Which was issued 12-16-88RULES AND  
REGULATIONS

- (1) Name of Customer;
- (2) Date of payment;
- (3) Amount of payment
- (4) Identifiable name, signature and title of the Company employee receiving payment; and
- (5) Statement of the terms and conditions governing the payment, retention and return of deposits;

- h. Company shall provide means whereby a person entitled to a return of a deposit is not deprived of the deposit refund even though s/he may be unable to produce the original receipt for the deposit; provided s/he can produce adequate identification to ensure that s/he is the Customer entitled to refund of the deposit;
  - i. No deposit or guarantee or additional deposit or guarantee shall be required by Company because of race, sex, creed, national origin, marital status, age, number of dependents, source of income, disability or geographical area of residence; and
  - j. Company shall provide means by which a residential Customer required to make a deposit may pay the deposit in installments unless the Company can show a likelihood that the Customer does not intend to pay for the service;
5. In lieu of a deposit, Company may accept a written guarantee. The limit of the guarantee shall not exceed the amount of a cash deposit.
6. A guarantor for a residential Customer shall be released upon satisfactory payment of all undisputed utility charges during the last twelve (12) billing months. Payment of a charge is satisfactory if received prior to the date upon which the charge becomes delinquent provided it is not in dispute. Payment of a disputed bill shall be satisfactory if made within ten (10) days of resolution or withdrawal of the dispute. Company may withhold the release of the guarantor pending the resolution of a matter in dispute involving discontinuance for nonpayment or tampering, diversion or unauthorized use or interference by the Customer.

## D. INQUIRIES 4 CSR 240-13.040

1. Company shall adopt procedures which will ensure the prompt and thorough receipt, investigation and where possible, resolution of inquiries. Company shall submit the procedures to the Commission and Company shall notify the Commission and the Public Counsel of any substantive changes in these procedures prior to implementation.
2. Company shall establish personnel procedures which, at a minimum ensure that:
  - a. Qualified personnel shall be available and prepared at all times during normal business hours to receive and respond to all Customer inquiries, service requests and complaints. Company shall make necessary arrangements to ensure that Customers unable to communicate in the English language receive assistance;
  - b. Qualified personnel responsible for and authorized to enter into written agreements on behalf of Company shall be available at all times during normal business hours to respond to Customer inquiries and complaints;

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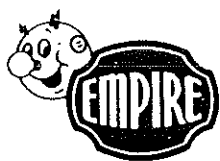
MISSOURI  
Public Service Commission

# ATTENTION ELDERLY AND HANDICAPPED CUSTOMERS

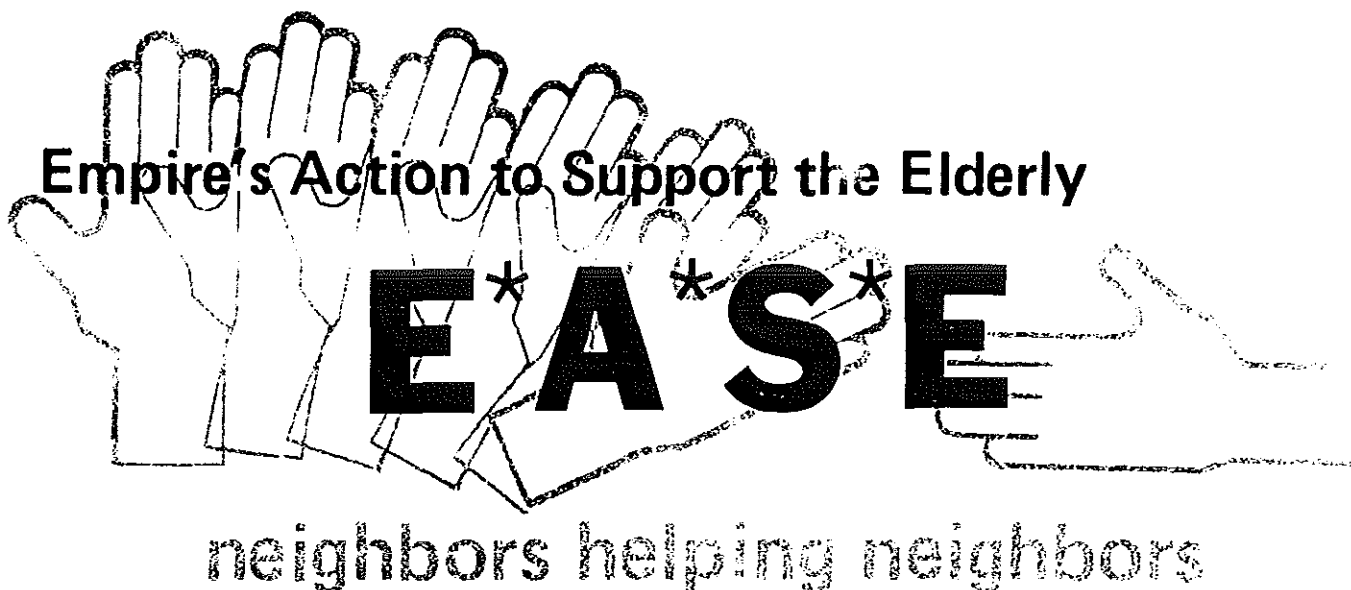
You may now register for Empire's E\*A\*S\*E Program. The E\*A\*S\*E Program offers these benefits to qualified customers:

- \*You will no longer be charged a late penalty if your electric bill is paid late.
- \*No new security deposit will be required as long as you make a good faith attempt to keep your electric bills paid.
- \*If you wish, third party notification will be arranged. This means that an assistance agency or a consenting individual will receive a copy of any delinquent notice sent to you. This does not relieve your obligation to pay for service used but is for your convenience to alert a third party that you may be in need of assistance.

If you would like to register for the E\*A\*S\*E Program, please fill in the registration blank on the reverse side of this form. If you have questions about E\*A\*S\*E, the folks at your nearest Empire office can help you.



**your electric  
company**



IF YOU WOULD LIKE TO REGISTER FOR THIS PROGRAM, PLEASE FILL IN THE FOLLOWING INFORMATION:

PLEASE PRINT

Account Number \_\_\_\_\_

Registrant's Name \_\_\_\_\_

Service Address \_\_\_\_\_

Mailing Address \_\_\_\_\_

Telephone No. \_\_\_\_\_ Social Security No. \_\_\_\_\_

I am registering as: ( ) Elderly – Any residential customer age 60 or older  
( ) Handicapped – To the extent that customer cannot leave home without assistance

I understand that verification documents may be required to establish my eligibility for this program.

\*\*\*\*\* OPTIONAL \*\*\*\*\* REGISTRATION FOR \*\*\*\*\* OPTIONAL \*\*\*\*\*  
\* THIRD PARTY NOTIFICATION \*  
\* I wish the following person or agency to receive a copy of any delinquent notices that are sent \*  
\* to me: \*  
\* Name \_\_\_\_\_ Telephone No. \_\_\_\_\_ \*  
\* Agency \_\_\_\_\_ \*  
\* Address \_\_\_\_\_ \*  
\* City, State, Zip \_\_\_\_\_ \*

I have read and understand this application, and I certify that the information furnished by me is true and correct.

\_\_\_\_\_  
(DATE)

\_\_\_\_\_  
(SIGNATURE)

For more information on the E\*A\*S\*E Program, call or visit your nearest Empire office.