

Exhibit No.
Issue: Bad Debt Expense, Rate Case
Expense, Dues and Donations, EEI Dues,
Meter Treater Revenues
Witness: Jayna R. Long
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Empire District Electric
Case No. ER-2010-0130
Date Testimony Prepared: April 2010

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

Rebuttal Testimony

of

Jayna R. Long

April 2010

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OF
JAYNA R. LONG
ON BEHALF OF
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION

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REBUTTAL TESTIMONY
OF
JAYNA R. LONG
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2010-0130

1 **INTRODUCTION**

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

3 A. My name is Jayna R. Long and my business address is 602 Joplin Street, Joplin,
4 Missouri.

5 **POSITION**

6 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

7 A. I am employed by The Empire District Electric Company (“Empire” or
8 “Company”), as a Regulatory Analyst.

9 **Q. ARE YOU THE SAME JAYNA R. LONG THAT EARLIER PREPARED**
10 **AND FILED DIRECT TESTIMONY IN THIS RATE CASE BEFORE THE**
11 **MISSOURI PUBLIC SERVICE COMMISSION (“COMMISSION”) ON**
12 **BEHALF OF EMPIRE?**

13 A. Yes.

14 **PURPOSE**

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

16 A. My rebuttal testimony will discuss issues raised by the Missouri Public Service
17 Commission Staff (“Staff”) in this rate case in their direct case filings.
18 Specifically, I will address the following:

- 19 • Bad Debt Expense

- 1 • Rate Case Expense
- 2 • Meter Treater Revenue
- 3 • Dues and Donations
- 4 • Edison Electric Institute (“EEI”)

5 **BAD DEBT EXPENSE**

6 **Q. HAVE YOU REVIEWED THE STAFF ADJUSTMENT TO BAD DEBT**
7 **EXPENSE?**

8 A. Yes. I have reviewed the adjustment to bad debt expense discussed at pages 83-84
9 of the Staff’s Cost of Service Report and reviewed the supporting workpapers
10 provided by Staff.

11 **Q. DO YOU AGREE WITH THE STAFF ADJUSTMENT?**

12 A. No.

13 **Q. WHY?**

14 A. The Staff adjustment to uncollectible expense did not take into account the level of
15 bad debt expense associated with the Staff’s recommended increase in revenue.

16 **Q. WHAT PROCESS DID THE STAFF USE TO ADJUST BAD DEBT**
17 **EXPENSES?**

18 A. The Staff adjustment incorporates a five-year history of bad debt activity to arrive
19 at an effective uncollectible rate. This rate was then applied to the annualized
20 revenue produced by the current rates to arrive at a normalized level of bad debt
21 expenses for purposes of the overall jurisdictional revenue requirement. This part
22 of the process used by Staff is acceptable to Empire. What is missing from the
23 analysis is the application of the effective uncollectible rate to the recommended

1 increase in rates.

2 **Q. HOW SHOULD THE STAFF'S UNCOLLECTIBLE RATE BE APPLIED**
3 **TO THE PROPOSED RATE INCREASE?**

4 A. It should be applied in the same manner that is used to reflect the additional income
5 taxes associated with the rate increase. For example, if \$10,000,000 of additional
6 revenue is recommended this will need to be increased by the effect of the Staff's
7 bad debt factor to arrive at the overall required net increase of \$10,000,000. Using
8 the Staff's effective bad debt rate of 0.515269%, this calculation would result in an
9 overall increase of \$10,051,527. The net result is a \$10,000,000 increase after
10 deducting the \$51,527 in additional bad debts that will be incurred.

11 **Q. HAS THIS ISSUE PREVIOUSLY BEEN BROUGHT BEFORE THE**
12 **COMMISSION?**

13 A. Yes. The Report and Order issued in Docket no. ER-2006-0314 posed the
14 following question: "Should the bad debt percentage be applied to reflect the total
15 revenues, including any rate increase in Missouri jurisdictional retail revenues
16 awarded in the proceeding?" The Commission found the bad debt percentage
17 should be applied to total revenues, including any rate increase allowed in the
18 pending proceeding. That same principle should be applied in this case.

19 **RATE CASE EXPENSE**

20 **Q. DO YOU AGREE WITH STAFF'S ADJUSTMENT FOR RATE CASE**
21 **EXPENSE AS DESCRIBED IN THE COST OF SERVICE REPORT PAGES**
22 **79-80?**

23 A. In part. Empire agrees with Staff that the Company should continue to update the

1 rate case expense for this case throughout the proceeding. However, Empire has
2 incurred expenses in past cases that have not been recovered as a result of
3 continuing expenses after the last update of that rate case. Empire has also
4 experienced costs associated with the rate case appeals process.

5 **Q. DID EMPIRE ADDRESS THESE COSTS IN DIRECT TESTIMONY IN**
6 **THIS RATE CASE?**

7 A. Yes. Also, Empire has requested a Rate Case Expense Recovery Rider ("RCER")
8 as explained in my Direct Testimony, pages 12-13. Staff stated in the Cost of
9 Service Report for Rate Design, it does not support the proposal for the RCER.

10 **Q. IF EMPIRE DOES NOT RECEIVE THE RCER, SHOULD AN**
11 **ADJUSTMENT BE MADE TO EMPIRE'S TEST YEAR EXPENSES FOR**
12 **THE UNRECOVERED RATE CASE EXPENSE?**

13 A. Yes. As described in my direct testimony in this case, Empire would prefer a
14 RCER. However, in order to make Empire whole, the rate case costs in this case
15 should be increased by \$369,773.

16 **Q. HAS THE COMMISSION AGREED WITH SIMILAR ADJUSTMENTS IN**
17 **PAST RATE CASES?**

18 A. Yes. The Commission agreed with similar rate case expense adjustments in GR-
19 2006-0422 and in GR-2004-0209.

20 **METER TREATER REVENUE**

21 **Q. WHAT IS METER TREATER REVENUE?**

22 A. As described in the direct testimony of Empire witness Kelly Emanuel, the Meter
23 Treater program required installation of a surge suppressor product to the customer

1 meter and further requires the unit be replaced every ten years. In addition, the
2 program provides insurance for damages to motor driven appliances. Over the last
3 five years, there have been no claims. Instead of continuing the program, which
4 would cause additional time and capital to replace the surge protectors, Empire is
5 requesting the program be discontinued.

6 **Q. DO THE OTHER PARTIES AGREE WITH EMPIRE'S REQUEST TO**
7 **DISCONTINUE THE PROGRAM?**

8 A. It is unclear because none of the other parties to the case discussed the Meter
9 Treater Program in their direct testimony. If the program is discontinued, the
10 revenue associated with the program should be removed, decreasing revenue by
11 \$10,000.

12 **DUES AND DONATIONS**

13 **Q. PLEASE BRIEFLY DESCRIBE THE DUES AND DONATIONS PROPOSED**
14 **TO BE EXCLUDED BY STAFF.**

15 A. In Staff's Cost of Service Report, page 80, Staff describes its decision to exclude
16 dues and donations Staff believes do did not provide a direct benefit to ratepayers
17 and that were not necessary for the provision of safe and adequate electric service.

18 **Q. DO YOU AGREE WITH STAFF'S BELIEF THAT THESE COSTS DO NOT**
19 **PROVIDE A DIRECT BENEFIT TO RATEPAYERS?**

20 A. No.

21 **Q. WHY?**

22 A. For two reasons. First, Staff improperly allocated a portion of Missouri only costs
23 to other jurisdictions, but disallowed the allocation of other jurisdiction's expenses

1 in Missouri. This causes other jurisdictions to share a portion of Missouri's
2 expenses, while Missouri does not share in any of the other jurisdiction's expenses.

3 Second, Staff failed to recognize the importance of Empire's participation in
4 several organizations, such as the U.S. Chamber of Commerce. This organization
5 is issue-oriented seeking to apprise its members of items such as environmental,
6 safety, work force and tax issues. This information is vital in the Company's
7 efforts to control costs associated with each of these issues. In addition, Staff
8 proposes to exclude dues for membership in the Institute of Electrical and
9 Electronic Engineers ("IEEE"). The IEEE provides best practices, standards
10 guidelines for construction, and information on current technologies. Staff also
11 proposes to disallow dues for the Home Builders Association and Tri-State
12 Contractors. Organizations such as these allow the Company to remain in direct
13 contact with the contractors installing Empire's equipment and extending services.
14 These Organizations are also necessary as part of our Energy Efficiency Programs
15 in Missouri. Other organizations provide Empire with the opportunity to partner
16 with communities in developing economic development plans. The financial well
17 being of the region benefits all of Empire's customers, both directly and indirectly.

18 **Q. WHAT WAS THE AMOUNT OF STAFF'S DISALLOWANCE?**

19 A. In the reconciliation provided by Staff, there is a Missouri jurisdictional difference
20 of \$17,347. For Empire to remain a good corporate citizen and continue providing
21 safe and adequate service, we believe the Company should be allowed to recover
22 these costs through rates.

1 **EDISON ELECTRIC INSTITUTE**

2 **Q. HAVE YOU REVIEWED THE STAFF ADJUSTMENT TO REMOVE EEI**
3 **DUES FROM TEST YEAR EXPENSE?**

4 A. Yes. I have reviewed the adjustment to remove EEI dues from test year expense,
5 which is discussed at page 81 of the Staff's Cost of Service Report.

6 **Q. DO YOU AGREE WITH THE STAFF'S PROPOSED ADJUSTMENT TO**
7 **ELIMINATE 100 PERCENT OF THE EEI MEMBERSHIP FEES PAID BY**
8 **EMPIRE?**

9 A. No. Staff appears to rely solely on a Kansas City Power & Light rate case from the
10 early 1980's as support for its adjustment. There is nothing in the direct testimony
11 that indicates that the Staff found Empire's membership fees to be imprudent or
12 ineffective. The Staff simply recommended elimination based upon a past rate case
13 that is over twenty years old. Furthermore, Staff does not rely on the Commission
14 findings in the more current Case No. GR-1996-0285 that allowed for recovery of
15 the American Gas Association dues incurred by Missouri Gas Energy.

16 **Q. WHAT IS EEI?**

17 A. EEI is a trade association for U.S. investor-owned electric companies, which also
18 serves international affiliates and industry associates worldwide. EEI provides
19 advocacy, authoritative analysis, and industry data to its members, government
20 agencies, the financial community, and other audiences. EEI provides forums for
21 member company representatives to discuss issues and strategies to advance the
22 industry and the positions of its members. EEI provides information to its members
23 regarding business operations and news, consumer and educational resources, energy

1 policy, environmental matters, finance and accounting, utility infrastructure, retail
2 energy services, statistics and other reference tools.

3 **Q. IS THE COMPANY'S MEMBERSHIP IN EEI BENEFICIAL FOR EMPIRE**
4 **AND ITS CUSTOMERS?**

5 A. Yes, Empire, and ultimately its customers, enjoys substantial benefits as a result of
6 the Company's membership. Due to its size, Empire is not able to employ or
7 contract with experts in all areas of its business. The
8 Company must, therefore, rely heavily on EEI for training, guidance and industry
9 statistics. In addition, EEI's Mutual Assistance Program provides Empire access to
10 other utilities during natural disasters. Empire has used this program during the
11 recent ice storms and upon multiple occasions after tornadoes. Schedule JRL-1 is
12 an Organizational Profile Report listing the main committees and reports used by
13 Empire. Below is a list of EEI Committees including subcommittees:

- EEI Board of Directors
- Executive Committee
- Membership and Budget Committee
- Nominating Committee
- CEO Policy Committee on Public and Governmental Affairs
- Federal Affairs EAC
- External Affairs EAC
- State/Regional Government Relations
- CEO Policy Committee on Energy Delivery
- Distribution
- Metering
- Security
- Transmission
- Energy Delivery Public Policy EAC
- Reliability EAC
- CEO Policy Committee on Energy Services and Efficiency
- Retail Energy Services EAC
- Customer Services
- Rates and Regulatory Affairs
- Fleet Management and Policy
- Supplier Diversity
- CEO Policy Committee on Energy Supply

- Energy Supply EAC
- CEO Policy Committee on Environment
- Environment EAC
- CEO Policy Committee on Finance
- Accounting EAC
- Accounting Standards
- Corporate Accounting
- Internal Auditing
- Property Accounting and Valuation
- Finance EAC
- Budgeting and Financial Forecasting
- Finance
- Risk Management
- Taxation
- CEO Policy Committee on Strategic Issues
- Strategic Issues
- Other Committees Supporting Business Units
- Claims
- Economics
- Labor and Employee Relations
- Legal
- Occupational Safety & Health
- Ad Hoc Groups on Industry Issues
- Clean Air Strategy Group
- Electric Light and Power (EL&P) Task Force to the National Electric Code (NEC)
- Emergency Planning and Community Right-To-Know Act (EPCRA)
- Employment Testing
- Environmental Health & Safety Auditing Task Force
- Fire Protection
- Global Climate Change (GCC) Subcommittee
- NARUC Working Group
- Research and Library Services
- Standards
- Technology Advisory Council
- Transmission Policy

1 Absent EEI membership, the Company would incur significant additional costs to
2 replace the services offered to the Company through its membership in EEI.

3 **Q. DOES EEI CHARGE ITS MEMBERS FOR LEGISLATIVE LOBBYING**
4 **COSTS?**

5 A. Yes, and the lobbying costs are accounted for below-the-line and are not included
6 in the Company's regulated cost of service. Approximately fourteen percent of the

JAYNA R. LONG
REBUTTAL TESTIMONY

1 EEI dues paid during the year ended 2008 were charged below-the-line. Empire
2 believes the remaining eighty-six percent of the dues should be included in the cost
3 of service.

4 **Q. DOES THIS COMPLETE YOUR REBUTTAL TESTIMONY?**

5 **A. Yes, it does.**

