

Exhibit No.:
Issues: *Generator Inspections; Tree Trimming*
Witness: *Leasha S. Teel*
Sponsoring Party: *MoPSC Staff*
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Case No.: *ER-2004-0570*
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

SURREBUTTAL TESTIMONY

OF

LEASHA S. TEEL

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

Jefferson City, Missouri
November 2004

****Denotes Highly Confidential Information****

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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In The Matter of the Tariff Filing of The Empire)
District Electric Company to Implement a)
General Rate Increase for Retail Electric)
Service Provided to Customers in its Missouri)
Service Area.)

Case No. ER-2004-0570

AFFIDAVIT OF LEASHA S. TEEL

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Leasha S. Teel, being of lawful age, on her oath states: that she has participated in the preparation of the following surrebuttal testimony in question and answer form, consisting of 6 pages to be presented in the above case; that the answers in the following surrebuttal 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.


Leasha S. Teel

Subscribed and sworn to before me this 23rd day of November 2004.




Notary

TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004

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TABLE OF CONTENTS
SURREBUTTAL TESTIMONY OF
LEASHA S. TEEL
EMPIRE ELECTRIC COMPANY
CASE NO. ER-2004-0570

ANNUAL GENERATOR INSPECTIONS..... 1

ENERGY CENTER 3 AND 4 TWENTY-YEAR INSPECTIONS 3

TREE TRIMMING..... 4

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1 generator inspection a year in the future to ensure reliable operation of its generating units.
2 However, the Company has not followed the original equipment manufacturer's
3 recommended inspection interval in the past and there is no assurance that it will do so in the
4 future. The Company has not scheduled an inspection for the last two years, and two of the
5 Company's units are currently overdue for an inspection, based on the original equipment
6 manufacturer's recommended inspection interval.

7 Q. Has the Staff examined the history and frequency of generator inspections?

8 A. Yes. As I discussed in my rebuttal testimony, this history shows that
9 generator inspections have not occurred with any regularity that would suggest that this item
10 is a normal ongoing annual expense.

11 Q. Should the commission place any value in Mr. Mertens' statements regarding
12 the occurrence or cost of future generator inspections?

13 A. No. These speculative statements on the part of Mr. Mertens should not be
14 the basis for increasing the cost of service. Mr. Mertens states that the Staff's filed position
15 of zero dollars is not an accurate representation of the level of costs Empire will incur
16 relating to generator inspections in future years. In fact, in the Staff's opinion, no accurate
17 representation is available. The Company has not scheduled inspections in 2004, the year
18 following the test year, 2003, the test year, or 2002. It is currently unknown whether any
19 inspections will occur in 2005 or what the cost will be. Mr. Mertens' statement is also
20 incorrect, as he has pointed out in his direct testimony; inspection costs related to the Asbury
21 inspection is included in the Staff's cost of service. This inspection cost was incurred and is
22 being amortized.

1 Q. Why didn't the Staff include any costs associated with the inspections of
2 Energy Center units 3 & 4 that occurred during the test year?

3 A. In Mr. Mertens' testimony he states that the inspections were incurred at no
4 cost to Empire during the test year, since the units were under warranty. He then states that
5 Empire made an adjustment to the test year to include these expenses on an annual basis.
6 The Company has made an adjustment to include an expense that was not incurred on its
7 books. The Staff can only recognize annual inspection costs for these units if the Staff
8 believes that the inspections are likely to actually occur annually. The Company's inspection
9 history is sporadic, and it is not following any formal schedule. The Staff does not believe
10 these inspections are likely to occur annually in light of the Company's previous actions. No
11 inspections of Energy Center units 3 & 4 were scheduled in 2004 and these units have not
12 been scheduled for 2005.

13 **ENERGY CENTER 3 AND 4 TWENTY-YEAR INSPECTIONS**

14 Q. Please briefly explain this issue.

15 A. Empire is requesting that the Staff include two types of inspection costs for
16 the Energy Center units 3 & 4. The first type of inspection is an annual inspection, which is
17 discussed above, and the second type, which is discussed in this section of my testimony, is
18 an inspection that is expected to occur twenty years in the future. The Company
19 recommends that the ratepayer fund accruals for the next twenty years to pay for this
20 inspection. The Staff believes that this type of inspection is projected so far into the future
21 that its occurrence or the estimate of the related cost is not known and measurable and does
22 not provide a basis for increasing the cost of service in this case.

TREE TRIMMING

Q. Please briefly describe the issue.

A. The Staff elected to use a five-year average to determine the annual level of tree trimming expense after examining historical tree trimming costs and meeting with Empire staff member Martin Penning. The data showed that tree trimming expenses had fluctuated historically. The test year included a tornado and proved to be the highest expense level in the past five years that the Staff had examined. The meeting with Mr. Penning revealed that the Company would be bidding new tree trimming contracts early in 2005 and were currently focusing on the structure of the tree trimming department.

Q. What is the Company's position regarding tree trimming?

A. Company witness Michael E. Palmer states in his testimony page 2 lines 4 through 7 regarding the Staff's position:

This approach ignores the very nature of this work and disregards the increased emphasis that NERC, as well as Staff itself, places on tree trimming efforts and reliability reporting as evidenced by Staff comments related to Ameren tree trimming related outages in the summer of 2004.

Mr. Palmer's testimony goes on to state that rainfall will increase tree trimming expense and that the Staff has ignored the increasing cost of gasoline.

Q. Does the Staff agree with the Company's position?

A. No.

Q. Do you believe that tree trimming expenses will decrease in the future?

A. Yes. Shade Tree negotiated a new contract with their workers during the test year and labor costs decreased. As a result, the rates charged to Empire decreased. I believe if the Company renegotiated all of its contracts based on competitive bids, Empire will be

Surrebuttal Testimony of
Leasha S. Teel

1 able to further reduce its costs. This process should occur when Empire renegotiates its
2 contracts in 2005, to deal with recognized deficiencies.

3 Q. ** _____
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5 A. ** _____
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8 Q. ** _____ **
9 A. ** _____

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20 Q. What factors in support of increased tree trimming expenses does the
21 Company cite?

22 A. The Company cites an increase in the amount of rainfall and in the cost of
23 gasoline and diesel fuel as causes of higher tree trimming expenses. The Company continues

Surrebuttal Testimony of
Leasha S. Teel

1 to state that the Staff has ignored these factors. As I discussed previously in this testimony,
2 the level of fuel charges is a concern in the current contract and is a cost that will likely be
3 addressed in the future. The occurrence of rainfall in any specific year can be managed by
4 annual inspection of the transmission/distribution lines. The Company's current vegetation
5 management policy requires annual inspection of lines. The Company should enlist its
6 lineman to observe the lines, and report hot spots for trimming. This would lead to the Shade
7 Tree crews being dispatched to an area to trim, instead of having the additional cost of the
8 trimmers out inspecting the lines and trimming if necessary. The current vegetation
9 management policy, which requires annual inspections of lines and trimming hot spots, does
10 not reinforce a basis of consistency for establishing a level of tree trimming expense. The
11 Staff has nothing but the historical dollars to use and examine. Furthermore, the Staff has no
12 benchmarks or comparisons to utilize in the analysis of tree trimming.

13 Q. Has the Company provided any arguments, which change the Staff's opinion?

14 A. No. The Staff continue to recommend that the Commission accept the five-
15 year average for tree trimming costs, as proposed by the Staff. Until the Company makes
16 changes in its tree trimming programs and restructures its contracts through competitive
17 bidding, the Staff believes that a historical average is the best indicator of the ongoing level
18 of costs.

19 Q. Does this conclude your testimony?

20 A. Yes, it does.