

Exhibit No.  
Issues: Customer Service Operations,  
Economic Development Rider, Pay Station Fees  
Witness: Brent A. Baker  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Empire District Electric Co.  
Case No. ER-2012-0345  
Date Testimony Prepared: July 2012

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

**Direct Testimony**

**of**

**Brent A. Baker**

**July 2012**



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OF  
BRENT A. BAKER  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2012-0345

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DIRECT TESTIMONY  
OF  
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BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2012-0345

1 **INTRODUCTION**

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

3 A. My name is Brent A. Baker, and my business address is 602 Joplin Avenue, Joplin,  
4 Missouri.

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

6 A. I am presently employed by The Empire District Electric Company (“Empire” or  
7 “Company”) as Director of Customer Service. I have held this position since April 2011.

8 **Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND**  
9 **PROFESSIONAL EXPERIENCE.**

10 A. I graduated from Missouri University of Science and Technology (formerly, University  
11 of Missouri – Rolla) in 2002 with a Bachelor of Science degree in Civil Engineering. I  
12 began my employment with Empire in May 2002. I have held the position of Structural  
13 Engineer in Line Engineering. I also held the position of Manager of Distribution Design  
14 prior to assuming my present position.

15 **PURPOSE**

16 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY IN THIS**  
17 **PROCEEDING BEFORE THE MISSOURI PUBLIC SERVICE COMMISSION**  
18 **(“COMMISSION”)?**

1 A. I will discuss the improvements Empire is making to its customer service operations in  
2 the Call Centers, the Voice Over Internet Protocol (“VoIP”) system and Interactive Voice  
3 Response (“IVR”) system. In addition, I will support Empire’s request to implement an  
4 Economic Development Rider and to eliminate pay station fees.

5 **CALL CENTER IMPROVEMENTS**

6 **Q. WHY ARE THE IMPROVEMENTS TO EMPIRE’S CALL CENTER PHONE**  
7 **SYSTEM AND IVR NECESSARY?**

8 A. Our current phone (Nortel) system is based upon a version of software that will no longer  
9 be vendor supported as of December 31, 2012. In addition, maintenance on the current  
10 system expires on November 20, 2012. The system improvements were necessary due to  
11 the end of the existing systems useful life. In addition, the system changes enable Empire  
12 to gain efficiencies and to better manage the Call Center data.

13 **Q. PLEASE PROVIDE EXAMPLES OF THE BENEFITS GAINED BY**  
14 **IMPLEMENTING THE CHANGES TO THE SYSTEM.**

15 A. The VoIP phone system will improve Empire’s capabilities in many areas, including the  
16 Call Center. For example, in the Call Center, Empire will gain the capability to expand  
17 the number of agents taking calls in times of high call volume, such as a storm. This can  
18 be easily accomplished with the new VoIP system by assigning customer representatives  
19 to an escalated group whose phones will be part of the Call Center queue when needed.  
20 VoIP will also allow Empire the ability to have at-home representatives, which provides  
21 greater flexibility to handle peaks in call volumes. Workforce management and call  
22 recording are features that are also enhanced by making improvements to the phone  
23 system, which will provide greater workforce efficiency in Empire’s customer service

1 department. In addition to Call Center improvements, VoIP will enable Empire to  
2 improve efficiency with respect to phone moves when employees change offices,  
3 locations, etc. VoIP will also provide a more robust phone system, as well as an  
4 improved IVR. Another improvement associated with the change to VoIP will be the  
5 ability to make changes to the IVR scripting without the assistance of a third party  
6 vendor. This will allow us to quickly provide messages to our customers in emergency  
7 situations.

8 **Q. PLEASE PROVIDE EXAMPLES OF IMPROVEMENTS IN CUSTOMER**  
9 **SERVICE DUE TO THE CHANGE TO VOIP.**

10 A. By gaining the ability to cost effectively add remote agents, Empire will be able to better  
11 manage the peaks and valleys in call volume. The system will also provide better  
12 tracking of multi-media contacts for improved representative productivity and improved  
13 customer satisfaction. An outbound dialing tool is also a part of the new system, which  
14 will provide Empire with the ability to notify its customers of outages and outage  
15 recovery. The new IVR will also be more flexible and allow for more targeted self-  
16 service phone calls based on known customer drivers.

17 **Q. PLEASE PROVIDE EXAMPLES OF IMPROVEMENTS IN WORKFORCE**  
18 **EFFICIENCY DUE TO THE NEW SYSTEMS.**

19 A. VoIP will enable Empire to add modules covering workforce management, multi-media  
20 tracking and call recording, and Call Center managers will be able to better verify  
21 customer agent adherence to schedule and policies. It will also improve Empire's  
22 capability to forecast and schedule Call Center activities based on expected call volume.  
23 These features provide Empire's Call Center managers with the information needed to

1 increase productivity by providing targeted training and to adjust Call Center work  
2 patterns where necessary.

3 **Q. HOW WAS THE COST OF SERVICE ADJUSTED TO REFLECT THE VOIP**  
4 **AND IVR IMPROVEMENTS?**

5 A. The cost of service was adjusted to reflect the investment in VoIP by \$818,541 Missouri  
6 jurisdictional.

7 **ECONOMIC DEVELOPMENT TARIFF**

8 **Q. WHY IS EMPIRE PROPOSING AN ECONOMIC DEVELOPMENT RIDER?**

9 A. The purpose of the Economic Development Rider (“EDR”) is to encourage industrial and  
10 commercial business development in Empire’s Missouri service area. In addition to the  
11 economic impact of the downturn in the economy, the tornado that affected the Joplin  
12 region has had significant consequences to the local economy. Empire has proposed this  
13 tariff to encourage new customers to establish businesses in the region and to encourage  
14 existing customers to expand their operations to help boost the economy.

15 **Q. WHAT CUSTOMERS WILL BE ELIGIBLE TO RECEIVE ELECTRIC**  
16 **SERVICE UNDER THIS RIDER?**

17 A. As proposed, electric service under the EDR is only available in conjunction with local,  
18 regional and state governmental economic development activities where incentives have  
19 been offered and accepted by the customer to locate new facilities or expand existing  
20 facilities in the Company’s Missouri service area. For purposes of the EDR, new  
21 facilities are defined as a customer’s facility that has not received electric service in  
22 Empire’s Missouri service area within the last twelve (12) months. In addition, the rider  
23 is only available to an Empire customer otherwise qualified for service under Empire’s

1 GP, TEB, LP or ST rate schedules, and willing to enter into a contract for service for a  
2 minimum term of five (5) years. The availability of this rider shall be limited to  
3 industrial and commercial facilities not involved in selling or providing goods or services  
4 directly to the public.

5 **Q. WHAT CUSTOMER LOAD IS ELIGIBLE FOR SERVICE UNDER THE EDR?**

6 A. The EDR is applicable to new customer facilities or the additional separately metered  
7 customer facilities meeting the above availability criteria and the following two  
8 applicability criteria:

9 1. The annual load factor of the new customer or additional facility is reasonably  
10 projected to equal or exceed an annual load factor of fifty (50) percent within two  
11 (2) years of the date the customer first receives service under the EDR. The  
12 projected annual customer load factor shall be determined by the following  
13 relationship:

$$14 \quad \text{PAE} / \text{PCD} \times \text{HRS}$$

15 Where:

16 PAE = Projected Annual Energy (kWh)

17 HRS = Hours in year (8760)

18 PCD = Projected Customer Non-coincident Demand

19 If the above load factor criterion is not met, the Company may consider  
20 the following other factors when determining qualification for the rider:

21 The creation of seventy-five (75) or more new permanent full-time jobs;

1           2. The peak demand of the new or additional facility is reasonable projected to be  
2           at least three-hundred (300) kW within two years of the date the customer first  
3           receives service under this rider.

4           All requests for service under this rider will be considered by the Company. Sufficiently  
5           detailed information shall be provided by the customer, to enable the Company to  
6           determine whether a facility is qualified for the EDR. Service under this rider shall be  
7           evidenced by a contract between the customer and the Company, which shall be  
8           submitted to the Commission for informational purposes.

9           **Q. IS THERE AN INCENTIVE PROVISION INCLUDED IN THE PROPOSED**  
10           **EDR?**

11          A. Yes. During the first five years of service under the EDR, applicable charges will be  
12          reduced. The pre-tax revenues under this rider shall be determined by reducing otherwise  
13          applicable charges, associated with the GP, TEB, LP or ST rate schedules, by 30% during  
14          the first contract year, 25% during the second contract year, 20% during the third contract  
15          year, 15% during the fourth contract year, and 10% during the fifth contract year. After  
16          the fifth contract year, this incentive provision shall cease for the qualifying customer  
17          load. All other billing, operational and related provision of the aforementioned rate  
18          schedules shall remain in effect. Bills for separately metered service to existing  
19          customers, pursuant to the provision of the EDR, will be calculated independently of any  
20          other service rendered to the customer at the same or other locations.

21          **Q. CAN EXISTING CUSTOMERS APPLY FOR THE EDR?**

22          A. Yes, however, under the terms of the proposed EDR there are limitations. For example,  
23          for customers with existing facilities at one or more locations in the Company's Missouri



1 service area, the EDR shall not apply to the service previously provided at any other  
2 Company delivery point within the last twelve (12) months.

3 **Q. DID YOU PROVIDE A SAMPLE TARIFF?**

4 A. Yes, Schedule BAB-1 is the proposed tariff.

5 **PAY STATIONS**

6 **Q. WHY ARE YOU PROPOSING TO ELIMINATE THE PAY STATION FEES IN**  
7 **THE COST OF SERVICE?**

8 A. Historically, Empire has incurred the costs of the pay station fees in the cost of service.  
9 Rather than socializing these fees in the cost of service, Empire proposed the customer  
10 responsible for the pay station fee pay for it. This follows the theory of cost causation.

11 **Q. WHAT WAS THE ADJUSTMENT TO REMOVE THE PAY STATION FEES**  
12 **FROM THE COST OF SERVICE?**

13 A. An adjustment of \$61,548 to decrease Missouri jurisdictional expense was made to the  
14 test year.

15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 A. Yes.

P.S.C. Mo. No. 5 Sec. 4 Original Sheet No. 22

Canceling P.S.C. Mo. No. \_\_\_\_\_ Sec. \_\_\_\_\_ Sheet No. \_\_\_\_\_

**ECONOMIC DEVELOPMENT RIDER  
SCHEDULE EDR**

**Purpose:**

The purpose of the Economic Development Rider is to encourage industrial and commercial business development in Missouri.

**Availability:**

Electric service under this rider is only available in conjunction with local, regional and state governmental economic development activities where incentives have been offered and accepted by the Customer to locate new facilities or expand existing facilities in the Company's Missouri service area. For purposes of this rider, new facilities shall be defined as a Customer's facility that has not received electric service in the Company's Missouri service area within the last twelve (12) months. Electric service under this rider is only available to a Customer otherwise qualified for service under the Company's GP, TEB, LP or ST rate schedules, and willing to enter into a contract for service for a minimum term of five (5) years.

The availability of this rider shall be limited to industrial and commercial facilities not involved in selling or providing goods and services directly to the general public.

**Applicability:**

The rider is applicable to new facilities or the additional separately metered facilities meeting the above availability criteria and the following two applicability criteria:

1. The annual load factor of the new Customer or additional facility is reasonably projected to equal or exceed an annual load factor of fifty (50) percent within two (2) years of the date the Customer first receives service under this Rider. The projected annual Customer load factor shall be determined by the following relationship:

$$PAE / PCD \times HRS$$

Where:

- PAE = Projected Annual Energy (kWh)
- HRS = Hours in year (8760)
- PCD = Projected Customer Non-coincident Demand

If the above load factor criterion is not met, the Company may consider the following other factors when determining qualification for the rider:

- a. The creation of seventy-five (75) or more new permanent full-time jobs;
2. The peak demand of the new or additional facility is reasonable projected to be at least three-hundred (300) kW within two years of the date the Customer first received service under this rider.

All requests for service under this rider will be considered by the Company. Sufficiently detailed information shall be provided, by the Customer, to enable the Company to determine whether a facility is qualified for the Rider. Service under this rider shall be evidenced by a contract between the Customer and the Company, which shall be submitted to the Commission.

DATE OF ISSUE \_\_\_\_\_  
ISSUED BY Kelly S. Walters, Vice President, Joplin, MO

DATE EFFECTIVE \_\_\_\_\_

P.S.C. Mo. No. 5 Sec. 4 Original Sheet No. 22a

Canceling P.S.C. Mo. No. \_\_\_\_\_ Sec. \_\_\_\_\_ Sheet No. \_\_\_\_\_

**ECONOMIC DEVELOPMENT RIDER  
SCHEDULE EDR**

**Incentive Provisions:**

**1. Revenue Determination:**

The pre-tax revenues under this rider shall be determined by reducing otherwise applicable charges, associated with the GP, TEB, LP or ST rate schedules, by 30% during the first contract year, 25% during the second contract year, 20% during the third contract year, 15% during the fourth contract year and 10% during the fifth contract year. After the fifth contract year, this incentive provision shall cease. All other billing, operational and related provision of the aforementioned rate schedules shall remain in effect.

Bills for separately metered service to existing Customers, pursuant to the provision of this rider, will be calculated independently of any other service rendered to the Customer at the same or other locations.

**2. Shifting of Existing Load:**

For Customers with existing facilities at one or more locations in the Company's Missouri service area, this rider shall not apply to the service previously provided at any other Company delivery point within the last twelve (12) months. Failure to comply with this provision may result in termination of service under this rider.

**Termination:**

Failure of the Customer to meet any of the applicability criteria of this rider, used to qualify the Customer for acceptance on the rider, within two years of the date service under this rider begins, may lead to termination of service under this rider.

DATE OF ISSUE \_\_\_\_\_  
ISSUED BY Kelly S. Walters, Vice President, Joplin, MO

DATE EFFECTIVE \_\_\_\_\_

P.S.C. Mo. No. 5 Sec. 4 Original Sheet No. 22b

Canceling P.S.C. Mo. No. \_\_\_\_\_ Sec. \_\_\_\_\_ Sheet No. \_\_\_\_\_

ECONOMIC DEVELOPMENT RIDER  
SCHEDULE EDR

**Form of Contract:**

This Agreement is entered into as of this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_, by and between Empire District Electric Company (Company) and \_\_\_\_\_ (Customer).

Witnesseth:

Whereas, Company has on file with the Public Service Commission of the State of Missouri (Commission) a certain Economic Development Rider (Rider), and:

Whereas, Customer is a new Customer, or has acquired additional separately metered facilities within the Company's service territory, and;

Whereas, Customer has furnished sufficient information to the Company to demonstrate that its new facilities or additional separately metered facilities (Facilities) satisfied the Availability and Applicability provisions of the Rider, and:

The Company and Customer agree as follows:

1. Service to the Customer's Facilities located at (address) \_\_\_\_\_, (city) \_\_\_\_\_, (state) \_\_\_\_\_, (county) \_\_\_\_\_ shall be pursuant to the Rider, all other applicable tariffs, and the Company's General Rules and Regulations applying to electric service, as may be in effect from time to time and filed with the Commission.
2. Customer further acknowledged that this Agreement is not assignable voluntarily by Customer, but shall nevertheless inure to the benefit of and be binding upon the Customer's successors by operation of law.
3. Customer acknowledges that all information provided to the Company for the purpose of determining whether the Customer is eligible for service under the Rider shall be retained by the Company, and shall be subject to inspection and disclosure under Chapters 383 and 393, RSMo 2011, as amended from time to time. Should the Customer designate any of such information as proprietary or confidential, the Company shall notify Customer of any request for inspection or disclosure, and shall use good faith efforts to secure an agreement or Commission order protecting the proprietary or confidential nature of such information.
4. This Agreement shall be governed in all respects by the laws of the State of Missouri (regardless of conflict of laws provisions), and by the orders, rules and regulations of the Commission they may exist from time to time. Nothing contained herein shall be construed as divesting, or attempting to divest, the Commission of any rights jurisdiction, power or authority vested in it by law.

In witness whereof, the parties have signed this Agreement as of the date first above written.

Empire District Electric Company \_\_\_\_\_  
(Customer)

By \_\_\_\_\_ By \_\_\_\_\_

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE \_\_\_\_\_  
ISSUED BY Kelly S. Walters, Vice President, Joplin, MO

