

Exhibit No.:
Issues: Late Payment Charge
Witness: William L. McDuffey
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
Case No.: ER-2004-0570
Date Testimony Prepared: November 24, 2004

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

WILLIAM L. MCDUFFEY

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2004-0570

**Jefferson City, Missouri
November 2004**

FILED³

DEC 28 2004

Missouri Public
Service Commission

Exhibit No. 61
Case No(s) ER-2004-0570
Date 12-08-04 Rptr XF

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 WILLIAM L. MCDUFFEY

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

William L. McDuffey, of lawful age, on his oath states: that he has participated in the preparation of the following Surrebuttal Testimony in question and answer form, consisting of 3 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


William L. McDuffey

Subscribed and sworn to before me this 22nd day of November, 2004.


Notary Public

My commission expires _____
DAWN L. HAKE
Notary Public - State of Missouri
County of Cole
My Commission Expires Jan 9, 2005

Surrebuttal Testimony of
William L. McDuffey

1 payment charges would be detrimental to Empire and would increase arrearages because
2 customers may find it cheaper to constantly maintain arrearages than keep current with
3 their bill.

4 Q. Do you agree with Empire's position that its late payment charges should
5 not be reduced because it would be detrimental to Empire and would increase customer
6 arrearages?

7 A. No. In Empire's response to Staff Data Request No. 0280, they stated;
8 "After checking back 20 years I find that these rates have not changed in that time. I do
9 not have any idea when these rates were first used and have no documentation on the
10 reasoning for the late payment charge rate." Staff finds it interesting that Empire alleges
11 detriments and increases of arrearages in its rebuttal testimony of the proposed late
12 payment fee change, without performing any studies or computations that actually
13 assesses the impact on customer payment patterns of late payment fees.

14 Q. What is Staff's position relating to the late payment charge issue?

15 A. The Staff believes that the late payment charge should be set at 0.5% of a
16 customer's initial delinquent bill. The late payment fee should be more reflective of the
17 current short-term cost of money for Empire. Staff's recommendation of 0.5% per month
18 is much closer to the present money market than Empire's current charges. The present
19 monthly charges of 1.5% to 6% are compounded and are not reflective of the current
20 borrowing environment for short term debt. Staff is not aware of other utilities
21 compounding their late payment charges to their customers.

22 Q. Has the Staff studied the effects of the level of late payment charges on
23 arrearages?

Surrebuttal Testimony of
William L. McDuffey

1 Q. Has the Staff studied the effects of the level of late payment charges on
2 arrearages?

3 A. No.

4 Q. Are there other Missouri regulated electric utilities that have adopted the
5 Staff's recommended 0.5% late payment charge?

6 A. Yes. Aquila, Inc. has adopted the simple 0.5% late payment charge for its
7 electric, gas and steam services. Missouri Gas Energy has also adopted the simple 0.5%
8 late payment charge for its gas operations. Union Electric Company will adopt the
9 simple 0.5% late payment charges for both electric and gas service when its next electric
10 rate case is completed. This was agreed to in its last gas rate case so that the rate could
11 be applied to combination electric and gas customers at the same time.

12 Q. Mr. McDuffey, has your position regarding the late payment charges
13 changed from your direct testimony?

14 A. No, I will summarize my position:

- 15 1. Late payment charges should be 0.5% of the current month's
- 16 delinquent amount.
- 17 2. Late payment charges should not be assessed pending receipt of
- 18 energy assistance payments, and
- 19 3. Late payment charges should not be compounded.

20 Q. Does this conclude your surrebuttal testimony?

21 A. Yes, it does.