

Exhibit No.:

Issue: Plant In Service; Reserve;  
Depreciation Expense; Cash  
Working Capital; Other  
Working Capital; Rate Case  
Expense; PSC Assessment  
Advertising; Dues, Donations  
and Contributions

Witness: Amanda C. McMellen

Sponsoring Party: MoPSC Staff

Type of Exhibit: Direct Testimony

Case No.: ER-2001-299

Date Testimony Prepared: April 3, 2001

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY SERVICES DIVISION**

**DIRECT TESTIMONY**

**OF**

**AMANDA C. MCMELLEN**

Exhibit No. 64

Date 5/29/01 Case No. ER-2001-299

Reporter KRM

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2001-299**

*Jefferson City, Missouri  
April 2001*

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22

**DIRECT TESTIMONY**  
**OF**  
**AMANDA C. McMELLEN**  
**THE EMPIRE DISTRICT ELECTRIC COMPANY**  
**CASE NO. ER-2001-299**

Q. Please state your name and business address.

A. Amanda C. McMellen, PO Box 360, Suite 440, Jefferson City, MO 65102.

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

A. I am a Regulatory Auditor for the Missouri Public Service Commission  
(Commission or PSC).

Q. Please describe your educational and employment background.

A. I graduated from DeVry Institute of Technology in June 1998 with a  
Bachelor of Science degree in Accounting. I commenced employment with the  
Commission Staff (Staff) in June 1999.

Q. What has been the nature of your duties while employed by the  
Commission?

A. I am responsible for assisting in the audits and examinations of the books  
and records of utility companies operating within the state of Missouri.

Q. Have you previously filed testimony before this Commission?

A. Yes, I submitted direct testimony in Case Nos. SR-2000-556 and  
WR-2000-557, Osage Water Company.

Q. Please describe your areas of responsibility in Case No. ER-2001-299.

1           A.     I am responsible for the areas of rate base, plant in service, depreciation  
2     expense and reserve, cash working capital (CWC), advertising expense, dues and  
3     donations expenses, PSC assessment and rate case expense.

4           Q.     Please describe what Accounting Schedules and adjustments you are  
5     sponsoring in this case.

6           A.     I am sponsoring the following Accounting Schedules:

7	Accounting Schedule 2 -	Rate Base
8	Accounting Schedule 3 -	Total Plant in Service
9	Accounting Schedule 4 -	Adjustments to Total Plant
10	Accounting Schedule 5 -	Depreciation Expense
11	Accounting Schedule 6 -	Depreciation Reserve
12	Accounting Schedule 7 -	Adjustments to Depreciation Reserve
13	Accounting Schedule 8 -	Cash Working Capital

14  
15           I am sponsoring the following adjustments:

16	Plant in Service	P-20.1
17		
18	Depreciation Reserve	R-17.1
19		
20	Advertising	S-74.1,S-85.4,S-89.3
21		
22	Promotional Giveaway	S-73.3,S-76.3,S-77.5,S-78.2
23		
24	Donations	S-74.2,S-77.3,S-80.3,S-89.4
25		
26	Dues	S-67.2,S-72.2,S-73.2,S-76.2,
27		S-77.4,S-80.4,S-89.5
28		
29	PSC Assessment	S-87.1
30		
31	Rate Case Expense	S-87.2
32		
33	Depreciation Expense	S-92.1,S-93.1, S-93.2

34     **ACCOUNTING SCHEDULES**

35           Q.     Please describe Accounting Schedule 2, Rate Base.

1           A.     This Accounting Schedule takes the Company's adjusted jurisdictional  
2     plant in service balance from Accounting Schedule 3, Total Plant in Service, and deducts  
3     the Company's adjusted jurisdictional depreciation reserve from Accounting Schedule 6,  
4     Depreciation Reserve, to compute the net plant in service. Added to net plant in service  
5     are amounts for cash working capital, materials and supplies, prepayments and fuel stock.  
6     Rate base deductions include the federal tax offset, state tax offset, interest expense  
7     offset, customer advances, customer deposits, injuries and damages reserve, amortization  
8     of electric plant and reserve for deferred income taxes. The mathematical total of these  
9     items is the Rate Base amount incorporated in the Gross Revenue Requirement  
10    recommendation shown on Accounting Schedule 1, Revenue Requirement, discussed in  
11    the direct testimony of Staff Accounting witness Phillip K. Williams.

12           Q.     Please describe the items added to net plant in service.

13           A.     Materials and supplies and prepayments are represented by thirteen-month  
14     averages. Due to the cyclical nature of these two items, thirteen-month averages are  
15     developed to smooth out seasonal variances.

16                 The Staff's calculation of the level of fuel stock inventory will be  
17     discussed in the direct testimony of Staff Accounting witness V. William Harris.

18           Q.     Please describe the items deducted from net plant in service.

19           A.     The customer advances computation is represented by a thirteen-month  
20     average. As described above, a thirteen-month average is used to smooth out cyclical  
21     variances in the account. The Staff's level of customer deposits is the year ending  
22     December 31, 2000 balance. Customer advances and customer deposits are discussed in  
23     the direct testimony of Staff witness Williams.

1           The Staff's calculation of the injuries and damages reserve is the per book  
2 balance of December 31, 2000, which is discussed in the direct testimony of Staff witness  
3 Williams. The Staff's calculation of the reserve for deferred income taxes is discussed in  
4 the direct testimony of Staff Accounting witness Cary G. Featherstone.

5           Q.     Are there any additional items that you are sponsoring on Accounting  
6 Schedule 2, Rate Base?

7           A.     Yes, I am sponsoring the amount for Amortization of Electric Plant.

8           Q.     Please explain this component of rate base.

9           A.     Amortization of Electric Plant is the Missouri jurisdictional balance of the  
10 accumulated amortization reserve as of December 31, 2000. Use of the balance for this  
11 item as of this date is consistent with the adjusted jurisdictional balance of net plant in  
12 service as of December 31, 2000.

13          Q.     Please explain Accounting Schedule 3.

14          A.     Accounting Schedule 3, Total Plant in Service, lists in column B Empire's  
15 total Company plant balances as of December 31, 2000. The total Company plant  
16 adjustments are listed in column C. Column D lists the Missouri jurisdictional plant  
17 allocation factors. Column F contains the Missouri adjusted jurisdictional plant in  
18 service balances.

19          Q.     Please explain Accounting Schedule 4.

20          A.     Accounting Schedule 4, Adjustments to Total Plant, details the Staff's  
21 individual adjustments to total Company plant in service, which are listed in column C of  
22 Accounting Schedule 3.

23          Q.     Please explain Accounting Schedule 5.

1           A.     Accounting Schedule 5, Depreciation Expense, lists in Column B the  
2 Missouri adjusted jurisdictional plant in service balances from Accounting Schedule 3,  
3 column F. Column C contains the depreciation rates proposed by Staff witness Paul  
4 Adam of the Commission's Engineering and Management Services Department. The  
5 rates in column C are then applied to the plant balances in column B to determine the  
6 annualized level of depreciation expense that appears in column D.

7           Q.     Please explain Accounting Schedule 6.

8           A.     Accounting Schedule 6, Depreciation Reserve, lists in column B Empire's  
9 total Company depreciation reserve balances as of December 31, 2000. Column D lists  
10 the Missouri jurisdictional depreciation reserve allocation factors. Column E lists the  
11 Staff's Missouri jurisdictional depreciation reserve adjustments and column F contains  
12 the Missouri adjusted jurisdictional depreciation reserve balances.

13          Q.     Please explain Accounting Schedule 7.

14          A.     Accounting Schedule 7, Adjustments to Depreciation Reserve, details the  
15 Staff's individual adjustments to total Company depreciation reserve, which are listed in  
16 column C of Accounting Schedule 6.

17          Q.     Please explain Accounting Schedule 8.

18          A.     Accounting Schedule 8 is Staff's calculation of cash working capital  
19 (CWC). The Staff used a lead/lag study to calculate the Company's CWC.

20       **CASH WORKING CAPITAL**

21          Q.     What is CWC?

22          A.     CWC is the amount of cash necessary for the Company to pay the day-to-  
23 day expenses incurred to provide electric service to Empire's customers.

1 Q. Is the method you used to calculate Empire's CWC requirement the same  
2 method the Staff has used in previous rate cases?

3 A. Yes, the method has been used by the Staff and adopted by the  
4 Commission in numerous rate proceedings dating back to the 1970's, including the  
5 Company's most recent rate cases (Case Nos. ER-94-174, ER-95-279 and ER-97-81).

6 Q. What is the purpose of a lead/lag study?

7 A. In our lead/lag study, we determined the amount of cash that is necessary  
8 on a day-to-day basis for the Company to provide electric service to its customers. We  
9 analyzed the cash flows related to the payments received by the Company from its  
10 customers for the provision of electric service and the disbursements made by the  
11 Company to its vendors.

12 In a lead/lag study we compare the number of days the Company has to  
13 make payments after receiving goods or services from a vendor, with the number of days  
14 it takes the Company to receive payment for the electric service provided to its  
15 customers. We also determine who provides CWC.

16 Q. What are the sources of CWC?

17 A. The shareholders and ratepayers.

18 Q. How do shareholders supply CWC?

19 A. When the Company spends cash to pay for an expense before the  
20 ratepayers provide the cash, then shareholders must provide the cash. This cash  
21 represents a portion of the shareholders' total investment in the Company. The  
22 shareholders are compensated for the CWC funds they provided by the inclusion of these

1 funds in rate base. By including these funds in rate base the shareholders earn a return on  
2 these funds they have invested.

3 Q. How do ratepayers provide CWC?

4 A. Ratepayers supply CWC when they pay for electric service they received  
5 before the Company pays the expenses it incurred to provide that service. Ratepayers  
6 are compensated for the CWC they provided by reducing rate base by the amount of  
7 CWC the ratepayers provide.

8 Q. How has the Staff determined the amount of CWC provided by both the  
9 ratepayers and shareholders?

10 A. By performing a lead/lag study.

11 Q. How does the Staff interpret the lead/lag study results?

12 A. A positive CWC requirement indicates that, in the aggregate, the  
13 shareholders provided the CWC for the test year. This means that, on average, the  
14 Company paid the expenses incurred to provide the electric service to the ratepayers  
15 before the ratepayers paid for the service cash.

16 A negative requirement indicates that, in the aggregate, the ratepayers  
17 provided the CWC during the test year. This means that, on average, the ratepayers paid  
18 for their electric service before the Company paid the expense incurred to provide that  
19 service.

20 Q. Please explain the components of the Staff's calculation of CWC which  
21 appear on Accounting Schedule 8.

22 A. The components of the Staff's calculation are as follows:



1           1)     Column A (Account Description): lists the types of  
2 cash expenses, which the Company pays on a day-to-day  
3 basis.

4  
5           2)     Column B (Test Year Expenses): the amount of  
6 annualized expense included in the cost of service. It  
7 shows the dollars associated with the items listed in  
8 Column A on an adjusted Missouri jurisdictional basis.

9  
10          3)     Column C (Revenue Lag): the number of days  
11 between the midpoint of the provision of service by the  
12 Company and the payment for the service by the ratepayer.  
13 The revenue lag addressed in this case is explained further  
14 on pages 8 and 9 of this direct testimony.

15  
16          4)     Column D (Expense Lag): the number of days  
17 between the receipt of and payment for the goods and  
18 services (i.e., cash expenditures) used to provide service to  
19 the ratepayer. The expense lags addressed in this case are  
20 explained further on pages 12 through 17 of this direct  
21 testimony.

22  
23          5)     Column E (Net Lag): results from the subtraction of  
24 the Expense Lag (Column D) from the Revenue Lag  
25 (Column C).

26  
27          6)     Column F (Factor): expresses the CWC lag in days  
28 as a fraction of the total days in the test year. This is  
29 accomplished by dividing the Net Lags in Column E by  
30 365.

31  
32          7)     Column G (CWC Requirement): the average  
33 amount of cash necessary to provide service to the  
34 ratepayer. This is computed by multiplying the Test Year  
35 Expenses (Column B) by the CWC Factor (Column F).

36       Q.     Please describe the revenue lag.

37       A.     The revenue lag is the amount of time between when the Company  
38 provides the service, and when it receives payment from the ratepayers for that service.  
39 The overall revenue lag in this case is the sum of three subcomponent lags. They are the  
40 following:

1) Usage Lag: The midpoint of average time elapsed from the beginning of the first day of a service period through the last day of that service period.

2) Billing Lag: The period of time between the end of the last day of a service period and the day the bill is placed in the mail by the Company.

3) Collection Lag: The period of time between the day the bill is placed in the mail by the Company and the day the Company receives payment from the ratepayer for services performed.

Q. Did the Company use the same three subcomponent lags discussed above in developing its total revenue lag?

A. Yes. The Company's and the Staff's subcomponent and overall results are compared below:

	<u>Company</u>	<u>Staff</u>
Usage Lag	15.21 days	15.21 days
Billing Lag	4.28 days	4.28 days
Collection Lag	<u>17.42 days</u>	<u>15.55 days</u>
Total	<u>36.91 days</u>	<u>35.04 days</u>

Source: Company and Staff workpapers

Q. Please explain how the parties calculated the usage lag.

A. The parties divided the number of days in a typical year (365) by the number of months in a year (12) to yield the average number of days in a month (30.42). They then divided this result by two to yield an average usage lag of 15.21 days. The parties used two as the divisor since the Company bills monthly, and the Staff assumed that service is delivered to the customer evenly throughout the month.

Q. Please explain how the Staff arrived at the billing lag it supports.

A. The Staff reviewed the calculations performed by the Company to determine the number of days between the end of the service period and the day the

1 Company mailed the bill for that service. Because there have been no significant changes  
2 in the Company's billing cycle since its last rate case, the Staff has adopted the  
3 Company's billing lag.

4 Q. Please explain the Staff's approach to determining the collection lag.

5 A. The collection lag is the average number of days that elapse between the  
6 day that the bill was mailed and the day when the Company receives payment for that  
7 bill. Therefore, the Staff took sample billings from over 1,000 residential accounts, over  
8 200 commercial accounts, over 300 industrial accounts and 30 level-pay customers.  
9 From these billings, the Staff calculated an average collection lag of 15.55 days.

10 Q. How does the Staff's total revenue lag of 35.04 days compare with the  
11 Staff's recommendation in the Company's previous rate case?

12 A. The usage and billing lags are the same. There is a significant change in  
13 the collection lag.

14 Q. What caused the significant change in the collection lag?

15 A. The Staff specifically analyzed customer accounts in this case, but has not  
16 done so in any recent rate cases for this Company.

17 Q. How did the Staff select the sample of customer accounts that it analyzed?

18 A. At the Staff's request, the Company provided a list of customers grouped  
19 by customer class and divided between regular and level-pay customers. After receiving  
20 that list, the Staff asked the Company to provide a list of regular billed residential  
21 customers starting with any customer numbered between 1 and 100 and continuing with  
22 every 1000<sup>th</sup> customer number thereafter. The Staff then obtained the billing records for  
23 each customer on that list starting with January for the first record, February for the

1 second record and so on, through December, and then repeating the cycle. These records  
2 made up the residential billing sample that the Staff analyzed. For each bill in the  
3 sample, the Staff collected the beginning and ending meter read dates, the amount billed  
4 and the date that the bill was paid. These steps were followed for each residential  
5 customer bill in the sample.

6 At the Staff's request, the Company provided a list of commercial and  
7 small commercial accounts starting with any customer numbered between 1 and 100, and  
8 continuing with every 100<sup>th</sup> customer number thereafter. Together with all of the  
9 industrial customer accounts, this made up the commercial and industrial customers, for  
10 which the Staff obtained the billing data that it analyzed. The Staff analyzed the  
11 commercial and industrial customer bills in the same way as it analyzed the sampled  
12 residential bills.

13 Q. What are level pay customers?

14 A. Level pay customers are those customers who have chosen to pay a fixed  
15 amount to Empire each month throughout the year. This fixed amount is based on past  
16 average billings. The payment pattern of level pay customers is considerably different  
17 than the payment patterns of regular billed customers. The Staff incorporated the results  
18 it obtained for level pay customers into the Staff's overall collection lag calculation.

19 Q. Please explain the sample taken for level pay customers, stated earlier in  
20 your testimony.

21 A. At the Staff's request, the Company provided bill records of level pay  
22 customers starting with any customer numbered between 1 and 100, continuing with  
23 every 500<sup>th</sup> customer thereafter. The Staff analyzed these billing records, which were

1 made up of 28 residential customers and 2 commercial customers. An analysis of level  
2 pay customers requires that the billing records for a full year be reviewed, incorporating  
3 twelve service periods. In addition, the Staff looked at the subsequent usage and when  
4 the Company received payment for each amount billed.

5 Q. What was the scope of the Staff's work in the calculation of expense lags  
6 in this case?

7 A. The Staff attempted to calculate expense lags in areas where significant  
8 expense dollars were involved, or in areas where significant changes in payment pattern  
9 occurred since previous rate cases.

10 Q. What expense lags did the Staff calculate?

11 A. The Staff calculated the following expense lags in this audit: (1) fuel (coal,  
12 gas and oil); (2) purchased power; (3) payroll expense; (4) federal, state and FICA taxes  
13 withheld; (5) employee and employer 401 (k) contributions; and (6) federal and state  
14 unemployment taxes.

15 Q. What expense lags, calculated by the Company, did the Staff accept  
16 because there have been no known statutory or payment date changes since the previous  
17 rate case?

18 A. The Staff accepted the following Company expense lags for those reasons:  
19 (1) medical care expenses; (2) property taxes; (3) gross receipts taxes; and (4) sales and  
20 use taxes.

21 Q. What other expense lags did the Staff accept from the prior case?

22 A. The Staff did not recalculate the expense lag for cash vouchers. The Staff  
23 believes that there were not sufficient changes to the accounts payable functions for

1 payments of these miscellaneous expenses to warrant the time and resources required to  
2 perform a full cash voucher expense lag analysis.

3 Q. Please describe the expense lag for Cash Vouchers as found on  
4 Accounting Schedule 8.

5 A. Cash vouchers are miscellaneous expenditures that do not coincide with  
6 other operations and maintenance (O&M) expense items, and that were not specifically  
7 examined elsewhere in the CWC analysis study (e.g., payroll, fuel, etc.). The Staff  
8 accepted the Company's calculation that cash voucher expense lag is 33.0649 days.

9 Q. Please explain the expense lag for Coal on Accounting Schedule 8.

10 A. The coal expense lag is the time lapse between the date the coal and/or  
11 freight services were received, and the date the Company paid for these goods and/or  
12 services. The Staff calculated the coal expense lag to be 18.9386 days.

13 Q. Please explain the expense lag for Natural Gas on Accounting Schedule 8.

14 A. The natural gas expense lag is the difference in days between the midpoint  
15 of the period when the Company received natural gas from its suppliers, and the date  
16 when the natural gas deliveries are paid. The natural gas expense lag is 36.3005 days.

17 Q. Please explain the expense lag for Oil on Accounting Schedule 8.

18 A. The oil expense lag is the time lapse between the date the oil services were  
19 received, and the date the Company paid for these goods and/or services. The oil  
20 expense lag is 28.3766 days.

21 Q. Please explain the Purchased Power expense lag as found on Accounting  
22 Schedule 8.

1           A.     The purchased power expense lag is the difference in days between the  
2 midpoint of the period when the Company received the purchased power, and the date the  
3 Company paid for the power. The purchased power expense lag is 34.9314 days.

4           Q.     Please explain the Payroll expense lag found on Accounting Schedule 8.

5           A.     The payroll expense lag is the time lapse between the midpoint of the  
6 period in which the employees earned wages, and the date the Company paid the wages.  
7 The Company pays all employees on the Friday following the two-week pay period,  
8 which ended on the previous Sunday. The payroll expense lag is 12.0071 days. This is  
9 seven days, to the midpoint of the 14-day period, plus five days between the end of the  
10 pay period and the Friday pay date.

11          Q.     Please explain the expense lag for FICA and Federal Income Withholding  
12 Taxes as found on Accounting Schedule 8.

13          A.     The expense lag for FICA and federal income withholding taxes relating  
14 to payroll taxes is the period of time between the midpoint of the pay period for which  
15 the taxes are withheld, and the date the tax withholdings must be paid to the taxing  
16 authorities. Payments for the employee's portion of FICA taxes and the employer's  
17 portion of FICA taxes are made at the same time. An employer must typically deposit  
18 the income tax withheld and the FICA taxes with an authorized commercial bank  
19 depository or Federal Reserve Bank on the Monday following the previous Friday  
20 payday. The FICA, federal withholdings and employer FICA were weighted by the total  
21 amounts paid and then averaged together. The tax lags are 15.0495 days. This includes  
22 the 12-day payroll expense lag, plus the weekend and Monday holidays.

1 Q. Please describe the expense lag for State Withholding Taxes as found on  
2 Accounting Schedule 8.

3 A. The expense lag for the state withholding taxes (Missouri, Oklahoma,  
4 Kansas and Arkansas) is the period of time between the midpoint of the pay period for  
5 which the taxes were withheld, and the date that the tax withholdings must be turned over  
6 to the taxing authorities. The lag for state withholding taxes is 19.5054 days.

7 Q. Please explain the expense lag for Medical Care expenses as found on  
8 Accounting Schedule 8.

9 A. The medical care expense lag represents the period of time between the  
10 midpoint of the service period, and the date the Company must pay for its health care  
11 expense. The Company utilizes a trustee and self-insured approach for its health care  
12 costs. The trustee estimates the payout for the month, and the Company deposits the  
13 corresponding estimated level of payout at the beginning of the month. The trustee  
14 informs the Company if the fund approaches a zero balance during the month and, if it  
15 does, the Company makes another deposit to the health care fund. Because there have  
16 been no known or statutory or payment date changes associated with health care expenses  
17 since the last rate case, the Staff accepts the Company's health care expense lag of a  
18 negative 12.29 days. The health care expense lag is negative due to the prepayments the  
19 Company makes for this item at the beginning of each month.

20 Q. Please describe the expense lag for Employee's 401 (k) Withholdings as  
21 found on Accounting Schedule 8.

22 A. 401 (k) withholdings relate to the voluntary contributions to a retirement  
23 plan made by the Company's employees. All employees with at least one year of



1 employment are eligible to contribute to the plan, which allows contributions through a  
2 payroll deduction of up to 15% of their compensation. The expense lag for 401 (k)  
3 withholdings represents the period of time these monies were withheld, and the date that  
4 the withholdings must be turned over to the trustee. Withholdings are typically deposited  
5 on the Monday following the bi-weekly Friday payday. As a result, this expense lag is  
6 the same as the FICA and federal withholding tax lags. The employee 401 (k) expense  
7 lag is 15.0495 days.

8 Q. Please explain the expense lag for Employers' 401 (k) Matchings as found  
9 on Accounting Schedule 8.

10 A. The employers' 401K matchings expense lag represents the period of time  
11 between the midpoint of the calendar year, and the dates the Company must pay its  
12 401 (k) matchings to the trustee. The Company will match fifty percent of the total  
13 salary deferred into the plan, up to a maximum of three percent of an employee's annual  
14 salary, for the employees who are with the Company at the end of each quarter. The  
15 company 401 (k) matchings are due by the first day of April, July, October and January.  
16 The Staff calculated the lag from each payment date to the midpoint of the calendar year.  
17 The lag is 41.6702 days.

18 Q. Please explain the federal and state unemployment tax lags as found on  
19 Accounting Schedule 8.

20 A. Federal and state unemployment taxes (FUTA and SUTA, respectively)  
21 are paid quarterly and are due at the end of the month following each quarter. The Staff  
22 calculated the FUTA and SUTA expense lags to be 75.1217 and 75.0673 days,  
23 respectively.

1           Q.     Please explain the expense lag associated with Property Taxes as found on  
2 Accounting Schedule 8.

3           A.     Property taxes for the Company are paid either once a year, due by  
4 December 31 in Missouri, or according to a payment schedule prescribed by the other  
5 three states in which the Company owns property (Arkansas, Kansas and Oklahoma).  
6 The Staff accepted the Company's lag of 207.0403 days.

7           Q.     Please explain the expense lags associated with Gross Receipts Taxes and  
8 Sales and Use Taxes as found on Accounting Schedule 8.

9           A.     Because there have been no known or statutory or payment date changes  
10 associated with gross receipts, and sales and use taxes since the last rate case, the Staff  
11 accepts the Company's expense lags 20.53 and 19.15 days, respectively.

12          Q.     Why do the revenue lags for gross receipts taxes and sales and use taxes  
13 differ from the revenue lags discussed earlier?

14          A.     The Company acts solely as an agent of the taxing authority in collecting  
15 sales and use taxes and gross receipt taxes from the ratepayer, and paying the proper  
16 institution on a timely basis. The Company has not provided any service to the ratepayer  
17 associated with the gross receipts and sales and use taxes. Therefore, in order to match  
18 the same time frames for these components, Staff adopted the collection lag and used it as  
19 the revenue lag. As explained earlier, the Staff calculated a 15.55 day collection lag, and  
20 used this number as the revenue lag for gross receipts and sales and use tax lags.

21          Q.     Are there components of CWC that do not directly appear in the Staff's  
22 Accounting Schedule 8?

1           A.     Yes, the Federal Income Tax Offset, State Income Tax Offset and Interest  
2     Expense Offset do not appear in the Staff's Accounting Schedule 8. These items appear  
3     as separate line items in the Staff's Rate Base Schedule, Accounting Schedule 2.

4           Q.     Why are the federal income tax offset, state income tax offset, and interest  
5     expense offset included in the Staff's Rate Base Accounting Schedule, rather than the  
6     Staff's CWC schedule, Accounting Schedule 8?

7           A.     The normalized Missouri jurisdictional expense component used for these  
8     offsets is tied directly to the computation of the revenue requirement. The Staff's  
9     revenue requirement computer program (EMS run) has the capability to extract these  
10    amounts from the Accounting Schedule 11, Income Tax. The computer program applies  
11    the CWC factor to each component, and places the CWC requirement directly in  
12    Accounting Schedule 2, Rate Base.

13          Q.     Please explain and describe the inclusion of taxes in the Staff's analysis of  
14    CWC.

15          A.     Unlike other line items reflected within the CWC Accounting Schedule,  
16    taxes are not considered as O&M expenses, but they are known and certain obligations of  
17    the Company with payment periods and payment dates established by statutes. Rates  
18    paid by customers to cover taxes payable represent a source of cash to the Company until  
19    passed on to the appropriate taxing authority.

20          Q.     Please explain the federal and state income tax offsets.

21          A.     The federal and state income tax expense lags represent the period of time  
22    between the midpoint of the tax/calendar year and the dates the income taxes must be  
23    paid to the federal and state taxing authority. Currently, 100% of the estimated federal

1 tax must be paid during the year in four installments, which are due by the 15<sup>th</sup> day of  
2 April, June, September and December. The state of Missouri requires that at least 90% of  
3 the Company's estimated tax liability be paid during the year in four equal installments,  
4 which must be paid by the 15<sup>th</sup> day of April, June, September and December. Unlike the  
5 estimated federal tax requirements, the remaining 10% tax liability is due by April 15<sup>th</sup>  
6 following the close of the tax year. Because there have been no known changes to these  
7 payment dates, the Staff accepted the Company's calculations of 37.5 and 62.55 days for  
8 the federal and state income tax lags, respectively. The CWC factor is placed in the Rate  
9 Base Accounting Schedule, and the Staff's computer program calculated the CWC  
10 requirement for income taxes.

11 Q. Please explain the interest expense offset.

12 A. Although not an O&M expense, interest expense is included in the Staff's  
13 lead/lag analysis because interest is a source of cash provided by the ratepayer and,  
14 therefore, properly considered in CWC. The Company has known and certain obligations  
15 to pay cash in the form of interest on its debt. The interest is pre-collected through rates  
16 from the ratepayer for the purpose of passing it on to the bondholder. The funds are a  
17 source of cash to the Company for use toward any purpose that it desires until they are  
18 passed on to the bondholder.

19 The expense lag for interest was computed by dividing the number of days in the  
20 year by four. All the Company's long-term debt bears semi-annual interest. The lag  
21 represents the period of time between the midpoint of the semi-annual period, and the  
22 date interest paid. The expense lag computed for interest is 91.25 days ( $365 / 4$ ). The

1 CWC factor was placed in the Rate Base Accounting Schedule and the Staff's computer  
2 program calculated the CWC requirement for interest.

3 Q. What was the overall result of the Staff's lead/lag calculation?

4 A. The lead/lag study performed by the Staff resulted in a negative CWC  
5 requirement. This means that the ratepayer has provided the CWC in the aggregate  
6 during the test year. Therefore, the ratepayer has been compensated for the CWC, which  
7 the ratepayer provides through a reduction to rate base. This is shown on Accounting  
8 Schedule 2, as an offset to rate base.

9 **PLANT IN SERVICE & DEPRECIATION RESERVE**

10 Q. Please explain Plant adjustment P-20.1.

11 A. The purpose of adjustment P-20.1 is to adjust test year ending total plant  
12 in service balances at December 31, 2000, to exclude plant that was previously retired  
13 and fully depreciated.

14 Q. Please explain Reserve adjustment R-17.1 .

15 A. The purpose of adjustment R-17.1 is to adjust test year ending total  
16 reserve balances at December 31, 2000, to exclude reserve for plant that was previously  
17 retired and fully depreciated.

18 Q. Please explain Income Statement adjustment S-92.1.

19 A. Adjustment S-92.1 adjusts book depreciation expense to an annualized  
20 level based on Missouri jurisdictional plant in service at December 31, 2000. Staff's  
21 annualized depreciation expense shown on Accounting Schedule 5 was calculated by  
22 multiplying the amount in each Missouri jurisdictional plant in service account by the  
23 annual depreciation rate for that account. The Staff compared the total annualized

1 depreciation expense, shown on Accounting Schedule 5, to the depreciation expense  
2 booked during the test year ended December 31, 2000. The difference between the two is  
3 the amount of the adjustment.

4 Q. Please explain adjustments S-93.1 and S-93.2.

5 A. Adjustment S-93.1 removes annualized depreciation expense associated  
6 with Accounts 392, Transportation Equipment and 396, Power Operator Equipment. The  
7 depreciation associated with these accounts must be removed from operating expense  
8 since the Company normally runs this expense through a clearing account. The amounts  
9 in the clearing account are then charged back to the various operating expense accounts  
10 and plant accounts as appropriate. This adjustment is necessary so that this expense will  
11 not be recovered twice. Adjustment S-93.2 removes annualized depreciation expense  
12 associated with Account 312.3, Unit Train-Asbury. This adjustment is necessary since  
13 this amount is charged to fuel.

14 **ADVERTISING EXPENSE**

15 Q. Please explain adjustments S-74.1, S-85.4 and S-89.3.

16 A. Adjustments S-74.1, S-85.4 and S-89.3 disallow certain advertising costs  
17 incurred by the Company.

18 Q. Please describe the past treatment of advertising expenses by the  
19 Commission.

20 A. As part of Re: Kansas City Power and Light Company, 28 Mo. P.S.C.  
21 (N.S.) 228 (1986) (KCPL), the Commission adopted an approach which classifies  
22 advertisements into five categories and provides separate rate treatment for each

1 category. The five categories of advertisements adopted by the Commission for purposes  
2 of this approach are:

- 3 1. General - informational advertising that is useful in the  
4 provision of adequate service;  
5
- 6 2. Safety - advertising which conveys the ways to use  
7 the Company's service safely and to avoid  
8 accidents;  
9
- 10 3. Promotional - advertising used to encourage or to promote  
11 the use of the particular commodity the  
12 utility is selling;  
13
- 14 4. Institutional - advertising used to improve the Company's  
15 public image; and  
16
- 17 5. Political - advertising which is associated with political  
18 issues.  
19

20 The Commission adopted these categories of advertisements because it  
21 believed that a utility's revenue requirement should include the reasonable and necessary  
22 cost of general and safety advertisements, should disallow the cost of institutional or  
23 political advertisements and should include the cost of promotional advertisements only  
24 to the extent that the utility can provide cost-justification for the advertisement (KCPL,  
25 pp. 269-271).

26 Q. What standard did the Staff use to evaluate the Company's advertising  
27 expense in this case and to develop the adjustments?

28 A. The Staff utilized the standards as initially established in KCPL, and  
29 utilized in subsequent cases, to determine the test year level of advertising expense for  
30 the general, safety, institutional, promotional and political categories of advertising. The  
31 Staff proposes to disallow advertisements that are institutional, promotional, unrelated to  
32 the electric industry or ask for charitable donations. The Staff allowed all general and

1 safety-related advertisements to the extent that they were related to the electric industry  
2 and beneficial to Missouri ratepayers.

3 Q. How did you apply the KCPL standard to your examination of advertising  
4 expense in this case?

5 A. I categorized all of the Company's advertisements on an ad-by-ad basis  
6 using the KCPL standard. I began by reviewing each advertisement to determine which  
7 of the following primary messages the advertisement was designed to communicate:

- 8 1. the promotion of a service or product (Promotional);
- 9
- 10 2. the dissemination of information necessary to obtain safe
- 11 and adequate electric service (General and Safety);
- 12
- 13 3. the promotion of the Company image (Institutional); or
- 14
- 15 4. the endorsement of a political candidate or any political
- 16 message (Political).
- 17

18 Once I determined the primary message, I classified the advertisement  
19 accordingly. Schedule 1, attached to this testimony, is my itemized analysis of the  
20 Company's advertising costs and a copy of all the Company's advertisements for the test  
21 year, as provided in the response to Staff Data Request No. 79.

22 Q. How did the Staff develop its advertising adjustments?

23 A. The Staff requested that the Company supply the cost of all  
24 advertisements on a per-ad basis. Based on its categorization, the Staff disallowed the  
25 expense associated with advertisements that it classified as institutional or promotional,  
26 as well as general ads unrelated to the electric industry or Missouri ratepayers.

27 Q. What media does the Company utilize to place its advertisements?

28 A. The Company uses the following media:



Direct Testimony of  
Amanda C. McMellen

1. Radio
2. Television
3. Print (Newspapers)
4. Other Print

Q. Describe the institutional advertisements which the Staff disallowed.

A. The Staff disallowed the following advertisements as institutional in nature: Christmas Elves, Public Television, Christmas Phones, Silver Inquirer and School Publication Safety ads. The Christmas Elves advertising program requests donations of items for elderly customers. The Public Television advertising program identified the Company as a sponsor for various local programs that were aired. The Christmas Phones advertising program invites each senior customer to come to their respective local Company office and place a free long distance telephone call. Silver Inquirer advertising program informs senior customers about the Company's historical museum and discusses changes in modern technology. The School Publication Safety advertisements are general in content and provide no information on electrical safety. The Company basically helps to defray the cost to the schools for the publications in which the advertisement appears. All of these advertising programs, while certainly effective at improving public relations, are not necessary for the provision of safe and adequate service.

Q. Please describe the promotional advertisements that the Staff disallowed.

A. The Staff disallowed the following advertisements as promotional in nature: First We Turned on the Lights, and Lighting and Bright Ideas. The advertisement First We Turned on the Lights promotes the use of the Company's fiber optics service. The Lighting advertisements promote high quality lighting products. The Bright Ideas advertisements promote the Company's security systems product.

1 Q. Has the Company provided any documentation in this case regarding the  
2 cost/benefit analysis of promotional advertising?

3 A. No. In the current case, the Company could not provide any  
4 documentation of the benefits associated with its promotional advertising. Therefore, I  
5 could not determine if any benefit was derived.

6 Q. Please describe the Staff's adjustment for general advertisements.

7 A. There was only one adjustment to expense related to general  
8 advertisements. The Year 2000 advertisements were disallowed because they are not a  
9 recurring expense.

10 Q. Please describe any other advertisements that the Staff disallowed.

11 A. The Staff disallowed fourteen advertisements because they were not  
12 provided in response to Staff Data Request No. 79.

13 Q. Did the Staff adjust test year expense for any political advertising?

14 A. No. The Company placed no political advertisements during the test year.

15 **PROMOTIONAL GIVEAWAYS**

16 Q. Please describe adjustments S-73.3, S-76.3, S-77.5 and S-78.2.

17 A. These adjustments decrease expenses for Company promotional giveaway  
18 items distributed during the test year.

19 Q. Please describe the items that the Company offers as promotional  
20 giveaways.

21 A. The Company distributed many types of items (e.g., magnets, safety plugs,  
22 lollipops, desk items, etc.) during the test year. Some of the items display the Empire  
23 logo. The Staff believes that the cost of promotional giveaways provides no direct

1 benefit to the ratepayer and, therefore, should be absorbed by the shareholders.  
2 Additionally, the Commission has previously disallowed giveaway items that were  
3 similar in nature in several rate cases, including Missouri Cities Water Company, et al.  
4 Case No. WR-92-207.

5 **DONATIONS**

6 Q. Please explain adjustments S-74.2, S-77.3, S-80.3 and S-89.4.

7 A. These adjustments decrease test year expenses relating to various  
8 donations the Company has included in its cost of service. The Staff recommends  
9 disallowing the donations listed in Schedule 2, attached to my direct testimony. Such  
10 donations have been excluded because they are not necessary for the provision of safe  
11 and adequate service, and thus do not have any direct benefit to ratepayers. To allow the  
12 Company to recover these expenses through rates causes the ratepayer to involuntarily  
13 contribute to these organizations.

14 **DUES**

15 Q. Please explain adjustments S-67.2, S-72.2, S-73.2, S-76.2, S-77.4, S-80.4  
16 and S-89.5.

17 A. These adjustments decrease test year expenses relating to various dues the  
18 Company has included in its cost of service. The Staff recommends disallowing the dues  
19 listed in Schedule 3, attached to my direct testimony. Such dues have been excluded  
20 because they are not necessary for the provision of safe and adequate service, and thus do  
21 not have any direct benefit to ratepayers.

1 Q. Do you have any specific comments on certain disallowances indicated on  
2 Schedule 3?

3 A. The dues to State and National Chambers of Commerce were disallowed  
4 on the basis that the activities of these groups duplicate the efforts of the local chambers  
5 of commerce located within the Company's four state service territory. Memberships to  
6 local chamber of commerce were allowed because such memberships generally benefit  
7 the Company and its customers, through the Company's participation in the local  
8 communities it serves by Empire. The Leadership Missouri Alumni and the Associated  
9 Industries of Missouri dues were disallowed because the Company was unable to identify  
10 a direct benefit to the ratepayers, so these costs are the responsibility of the shareholders.

11 **PSC ASSESSMENT**

12 Q. Explain adjustment S-87.1.

13 A. This adjustment normalizes expenses for the most current Commission  
14 Assessment.

15 **RATE CASE EXPENSE**

16 Q. Please describe adjustment S-87.2.

17 A. This adjustment normalizes rate case expense over a three-year period.

18 Q. How was rate case expense adjusted for Case No. ER-01-299?

19 A. The total amount of rate case expense incurred by Empire through  
20 December 31, 2000 is being allowed at this time. Any additional cost that is a reasonably  
21 incurred rate case expense will be considered for inclusion later in the case. Unusual  
22 costs, such as consulting fees, employee travel expenditures and legal representation, are

1 directly associated with the length of the case through the prehearing and hearing process.  
2 The Staff will work with the Company to establish an ongoing normalized level of rate  
3 case expense for inclusion in rates.

4 Q. Does this conclude your direct testimony?

5 A. Yes, it does.

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

In the Matter of the Application of the Empire       )  
District Electric Company for a General Rate       )  
Increase   )       Case No. ER-2001-299

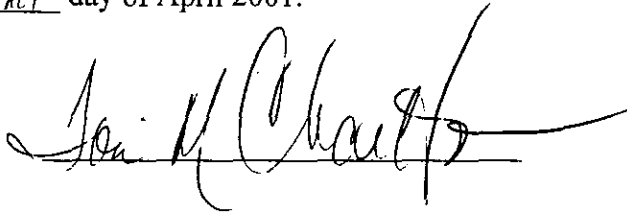
AFFIDAVIT OF AMANDA C. MCMELLEN

STATE OF MISSOURI       )  
                                      )  
COUNTY OF COLE       )       ss.

Amanda C. McMellen, 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 28 pages 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.

  
Amanda C. McMellen

Subscribed and sworn to before me this 2nd day of April 2001.





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

Empire District Electric Company  
Case No. ER-01-299  
Advertising-Above the Line (DR#79)  
For the 12 Months Ended December 31, 2000

ACCT#	DEPT ID	MEDIUM	PROGRAM	COMPANY CLASSIFICATION	STAFF CLASSIFICATION	STAFF TREATMENT	AMOUNT	AMOUNT DISALLOWED	
909212	520	Radio	Peak Alert	????	General	Allowed	2,307.00		
909212	520	TV	Peak Alert	????	General	Allowed	2,798.00		
909231	520	Radio	First, we turned	????	Promotional	Disallowed	9,187.00	9,187.00	1
909231	520	Radio	Lighting	????	Promotional	Disallowed	14,789.68	14,789.68	1
909231	520	Radio	Safety	Safety	Ad Not Provided	Disallowed	1,280.00	1,280.00	1
909232	520	TV	Safety	Safety	Safety	Allowed	11,588.25		
909232	520	TV	Bright Ideas	Informational	Ad Not Provided	Disallowed	650.00	650.00	2
909232	520	TV	Lighting	????	Ad Not Provided	Disallowed	22,470.00	22,470.00	2
909233	520	Print-News	Y2K	????	General	Disallowed	7,485.47	7,485.47	3
909233	520	Print-News	What to do if the	????	General	Allowed	1,582.01		
909233	520	Print-News	Baking Ad	????	Ad Not Provided	Disallowed	104.90	104.90	3
909233	520	Print-News	Bright Ideas	Informational	Promotional	Disallowed	530.00	530.00	3
909233	520	Print-News	Silver Inq	Informational	Institutional	Disallowed	4,182.50	4,182.50	3
909233	520	Print-News	Lighting	????	Promotional	Disallowed	10,997.59	10,997.59	3
909235	520	Print-Yrbk	School Pub	Safety	Institutional	Disallowed	555.00	555.00	4
909236	520	Print-Mag	Other Info	????	Ad Not Provided	Disallowed	3,785.00	3,785.00	5
926216	520	Print-Dispatch	Emp Info	????	Ad Not Provided	Disallowed	14,249.28	14,249.28	6
930141	520	Radio	Radio Inst	Institutional	Ad Not Provided	Disallowed	2,108.00	2,108.00	7
930142	520	TV	Inst-PBS	Institutional	Ad Not Provided	Disallowed	6,090.00	6,090.00	8
930142	520	TV	X-Mas Greet	Institutional	Ad Not Provided	Disallowed	1,000.00	1,000.00	8
930143	520	Print-News	x-mas phones	Informational	Institutional	Disallowed	2,053.25	2,053.25	9
930143	520	Print-News	Elves	Informational	Institutional	Disallowed	1,992.50	1,992.50	9
930143	520	Print-News	Institutional	Institutional	Institutional	Disallowed	1,364.90	1,364.90	9
930144	520	Print-Mag	Other Inst	Institutional	Ad Not Provided	Disallowed	3,414.24	3,414.24	10
930144	520	Print-Sign	Other Inst	Institutional	Ad Not Provided	Disallowed	9,100.00	9,100.00	10
930144	520	Print-Golf Hole	Other Inst	Institutional	Ad Not Provided	Disallowed	300.00	300.00	10
930144	520	Print-Flyer	Other Inst	Institutional	Ad Not Provided	Disallowed	512.14	512.14	10
930144	520	Print-Timetrackers	Other Inst	Institutional	Ad Not Provided	Disallowed	353.78	353.78	10
Total							\$ 136,830.49	\$ 118,555.23	

ADJUSTMENTS:

909231	25,256.68	1		
909232	23,120.00	2		
909233	23,300.46	3		
909235	555.00	4		
909236	3,785.00	5	76,017.14	S-74.1
926216	14,249.28	6	14,249.28	S-85.4
930141	2,108.00	7		
930142	7,090.00	8		
930143	5,410.65	9		
930144	13,680.16	10	28,288.81	S-89.3

## Peak Alert Announcement (:60)

Due to the unusually high temperatures that we are experiencing today, the Empire District Electric Company has issued a peak alert. This alert indicates an unusually high demand for electricity exists. It does not mean there is a shortage of electricity.

You can assist in holding down future rates by helping to lower this demand.

Raising your thermostat setting a few degrees and postponing the use of heat-producing activities such as laundering and cooking until after 7 p.m. will reduce this demand.

Our senior customers and those with health-related problems complicated by the heat should not raise their thermostats. If you are without air conditioning, you may find relief in a shopping mall, library, senior center or the air-conditioned home of a friend or family member.

Empire also reminds you to wear lightweight loose-fitting clothing and drink plenty of fluids during this period of extremely high temperatures.

Again, the Empire District Electric Company has issued a peak alert.



## ***"First We Turned On The Lights" Radio Spot Script :60***

First, we used our energy to turn on the lights. That was back in the 20's when Empire District Electric installed the first power line. Soon came radio, bringing news of the world and the biggest game of the season right into our living room. Next, those programs added pictures that we watched on tiny black and white screens. We had more free time by then because lots of household appliances helped us with our everyday chores. Today, Empire's energy takes us in even newer directions protecting our homes and businesses with security systems and enhanced lighting. Empire's fiber Optics service links remote locations together into one virtual office. It connects schools to the Internet and brings the power of information right to our children's fingertips. Just imagine what that energy will bring us tomorrow. Empire District Electric, Services you count on.

***“Lighting” Radio Spot Script :30***

Empire District Electric Company. We're proud to be offering new products and Energy Services for you and your family.

Light up your home and business with Empire's wide-variety of high-quality lighting products. Energy Services will provide consulting through installation, providing you with a complete turn-key lighting solution.

Empire, Services You Count On.

ADULT SAFETY CAMPAIGN

"SAFETY COACH" :30 TV



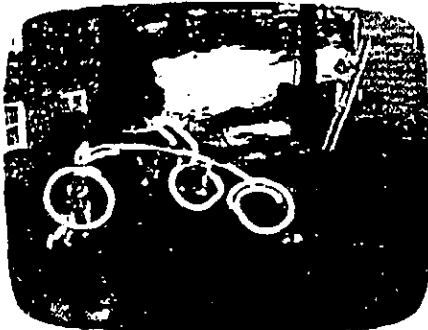
(MUSIC & NATURAL SFX)



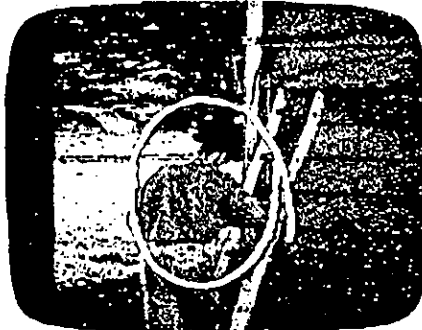
COACH. Time out! Wait a minute.



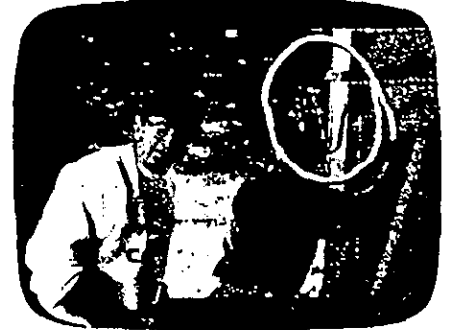
Let's take another look at this action.



Alright, Billy fades back, Joey goes around and out. And Ruthie pulls the ole grab the jersey trick. The refs never catch that foul.



Whoa, look at this guy! He's way out of bounds.



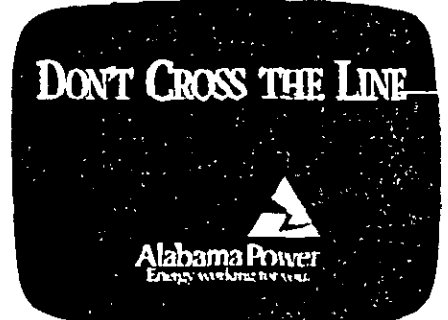
He's just not using common sense. He's too close to those power lines.



That is the dumbest play we've seen all day.



Don't do it!



ANNCR: Don't cross the line. We care about your safety.

# **Empire District Electric and Y2K** **Answers to your questions.**

## **1. What is Empire District doing about the Year 2000 situation?**

To plan for the new millennium and its possible Y2K implications, Empire has appointed a Y2K team and established a Year 2000 Project Office. A plan has been formulated to inventory, identify and assess all potentially affected systems. We have now tested and repaired all of our mission critical systems.

## **2. Are you ahead, behind or on schedule with your Y2K plan?**

We are on schedule. We completed the testing and repairing of Empire's mission critical systems in July 1999. To date, our tests have not shown any failures that would cause a disruption of the electricity supply. The control systems at many of our power plants have been tested and have performed well with a date change beyond 2000. Our transmission and distribution system (substations, transformers, lines, etc.) tests are now complete and have shown no Y2K failures. We are optimistic Empire won't experience Y2K related electrical outages.

## **3. Are you working with industry groups?**

Empire is working and sharing information with several industry groups including the North American Electric Reliability Council (NERC), Edison Electric Institute (EEI) and the Electrical Power Research Institute (EPRI).

## **4. Have you contacted your suppliers and asked about their Y2K readiness?**

Empire has contacted our materials suppliers and service providers with whom we do business, such as major customers, power pools, power suppliers, transmission providers and telecommunications providers, in order to assess their states of readiness. However, all critical systems have been tested, regardless of whether a certification of Y2K readiness has been obtained from the vendor.

## **5. What's the power grid and how does it affect me?**

The power grid refers to the electrical interconnection of electric utilities. These interconnections, which were designed to maintain the reliability of America's electric supply, allow utilities to buy power from, or sell power to, each other.

NERC oversees the reliability of the grid. At the request of the U.S. Department of Energy, NERC has taken the lead in preparing the nation's electric utilities for Y2K preparedness and reporting their progress. In

NERC's August 3, 1999 report to Congress, they stated, "If the transition to the year 2000 were to occur tonight, the electric utility industry would operate reliably with the resources that are Y2K ready." In the highly unlikely event of a Y2K related outage, the duration of the outage is expected to be from "a few seconds to a few hours. It is not reasonable to speculate that outages could be of any longer duration." NERC's report to Congress can be viewed at [www.nerc.com](http://www.nerc.com).



## **6. What about predictions of Y2K related power outages?**

Preliminary predictions about extended power outages were made long before testing of mission critical systems. When it comes to Y2K readiness, testing is where the rubber meets the road. Testing is designed to reveal flaws. The Edison Electric Institute reports, "In all the hundreds of thousands of hours that have been invested thus far in the process, not one Y2K test has resulted in Y2K-failure of any critical component on the electric system." To support EEI's claims, NERC reports, "Not one test of any critical power system at any utility across North America has resulted in the tripping (off) of any critical system. The errors that do occur are nuisance errors such as inaccurate log dates." Additionally, many utilities, such as Empire District, have rolled their clocks forward into 2000. To date, not one instance of a company rolling its clock forward has resulted in any type of outage.

## **7. Should I buy an electric generator?**

For some customers, a generator is much like a life insurance policy. Some businesses, like hospitals, can never tolerate a loss of electric power for even the shortest period of time, and therefore have backup generators at their disposal every day of the year.

However, improperly wired generators pose a safety threat to the people using them, as well as electric utility employees who may be working on the same line. There are additional safety concerns, including carbon monoxide poisoning due to improper ventilation and the fire hazard of stored fuel. Please carefully follow the manufacturer's instructions for safe installation and operation of an electrical generator.

The Edison Electric Institute thinks the risk of losing power due to the Y2K situation is less than the risk that now exists from normal severe weather and that the purchase of a generator specifically for the year 2000 is unnecessary.

## **8. Do you have any contingency plans in place?**

The challenge of providing electricity through storms, accidents or other unexpected events has long been a fact of life for Empire. By accepting the responsibility to "expect the unexpected," Empire has earned the reputation to do what it takes to get the job done, often working long hours in sometimes dangerous conditions and on short notice. Empire already has extensive contingency, or backup, plans for all forms of failure due to conventional reasons. We have evaluated those plans to assure they address the Y2K situation.

## **9. So, are you guaranteeing I'll have electricity on January 1, 2000?**

Although we can never guarantee service because of many variables beyond our control (weather, accidents, etc.), we are confident our customers won't experience Y2K related service outages. We base our optimism not only on our own Y2K testing, but on national test results as well. Empire is working hard to make sure your New Year is safe, happy and BRIGHT!

**For more information, visit our website: [empiredistrict.com](http://empiredistrict.com)**

Information provided with respect to The Empire District Electric Company's Year 2000 readiness is designated "Year 2000 Readiness Disclosure" in conformance with the Year 2000 Information and Readiness Disclosure Act of 1998 (Public Law 105-271, 112 Stat. 2386) enacted on October 19, 1998.



## ***What To Do If The Lights Go Out***

Spring is here and with it comes storms. At Empire District we do our best to prepare for the unexpected. But sometimes, even with the best of planning, circumstances beyond our control, such as accidents, storms and equipment failures, can cause service interruptions. Should this happen, what should you do? Here are some tips:

1. Look outside to see if your neighbors still have power. If they have power, check your fuses or breaker box. If the problem extends to the neighborhood, call Empire at 624-0300 or 1-800-206-2300. If we are having a widespread problem like a wind or ice storm, you might have to wait on the line for a longer than normal period. Give an address or detailed directions so our crews can easily find your home or business. Also, please provide us with any additional useful information such as if there is a tree in the line, or smoke and sparks coming from equipment.

2. Modern refrigerators will keep food safe for 3-4 hours and a fully loaded freezer will keep for 2-3 days if the door remains closed.

3. Always keep a flashlight and batteries, candles and matches, in the same handy place so you'll know where to find them in the dark. Also, have extra batteries on hand.

4. If you see a line down, STAY CLEAR! Keep others away, too and please call Empire to let us know about the hazard.

5. If you have a portable generator, please use it only as designed. Failure to properly isolate your generator from Empire's power system could subject your equipment to damage and could create a potentially fatal hazard to anyone coming in contact with a downed or low-hanging power line while your generator is running. For more information on the proper use and connection of a portable generator, please call your local Empire District office.

Last of all, please be patient. We know how difficult it is to be patient during an unexpected inconvenience. You can be sure that we are working to restore your service as quickly as possible. Empire has a methodical plan for restoring service. Equipment that will restore large groups of customers, such as substations and large transmission lines, are repaired first. Next, the distribution lines that carry electricity into neighborhoods are repaired. Finally, work is completed on the service lines that carry electricity to individuals.

At Empire District Electric, we are always working to provide the reliable service you count on.

**[www.empiredistrict.com](http://www.empiredistrict.com)**

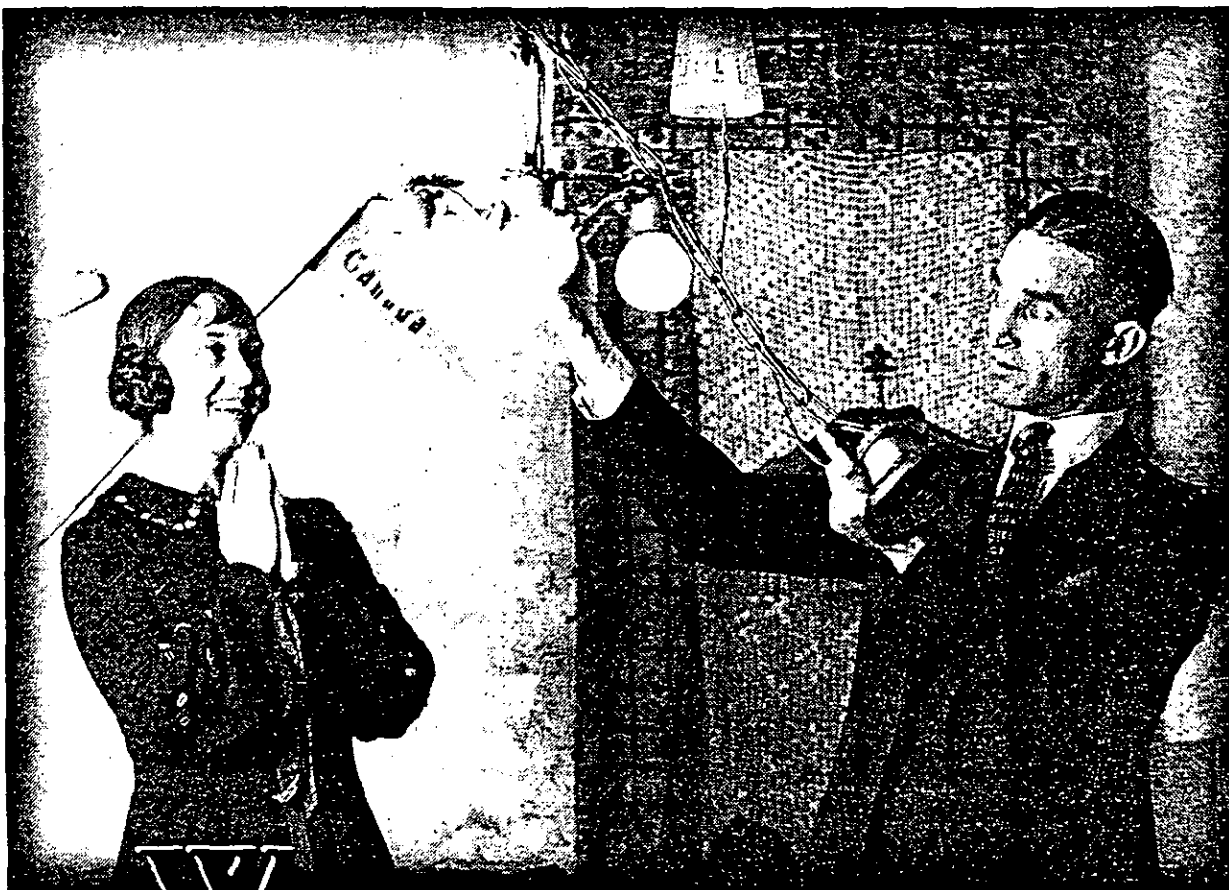


**Want to  
Buy it?  
Try the  
Classifieds  
They Work!  
751-2322**



Kindergarten Robert Martin Scholarship: Virginia and Robert Martin Ashley Witt & Baylee Beasley.

***Your ad could could be  
here  
Call 751-2322***



**Who do you count on for bright ideas?**

From the "modern" '30s light fixture to today's energy services, Empire is expanding into lots of new directions. Empire now offers advanced customer-owned lighting systems. We protect valuable electronics from surges. We network businesses with fiber optics. We provide efficient illumination for ball fields and recreational areas. We protect homes and offices with security systems. And we're working on more bright ideas for tomorrow, too.



**SERVICES YOU COUNT ON**

**1-800-206-2300**

[www.empiredistrict.com](http://www.empiredistrict.com)

Call Empire toll-free for more information.  
We're services you count on

**ADVERT**

ount

81.90

81.90

81.90

0.00

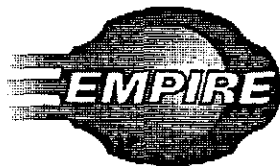
81.90

6

# ***Empire Energy Services providing total lighting solutions***

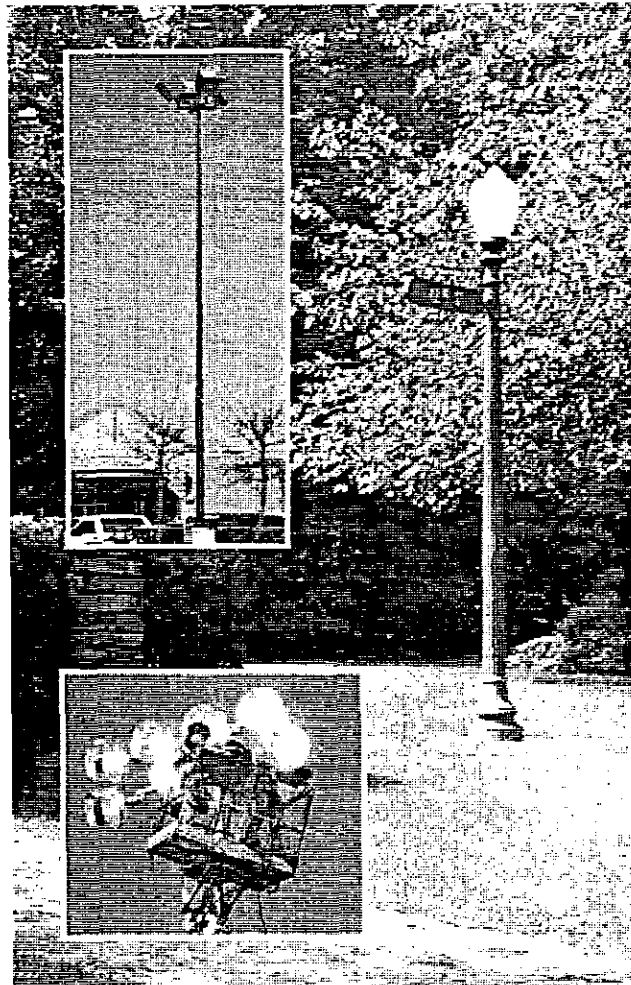
- Sport Field
- Area & Street
- Commercial
- Industrial

Light up your home and business with Empire's wide variety of high quality lighting products. Energy Services Representatives will provide consulting through installation.

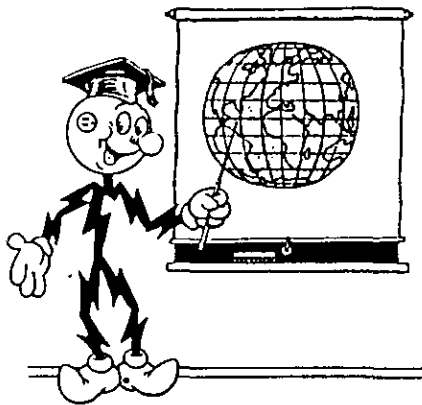


SERVICES YOU COUNT ON

**[www.empiredistrict.com](http://www.empiredistrict.com)  
800.639.0077**



Reddy Kilowatt says



"Play it safe  
at home  
at school  
at play!"

your electric company



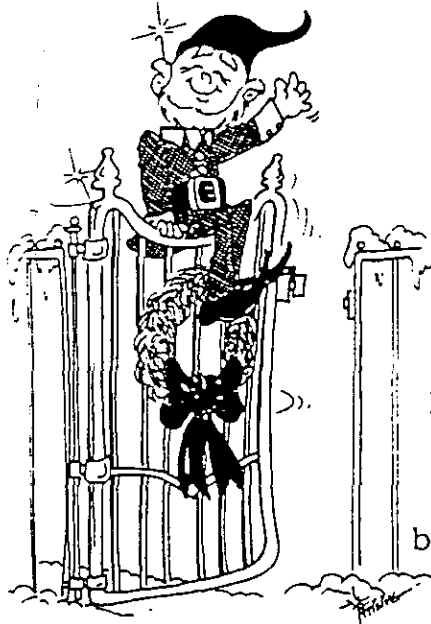




*The  
employees  
of The Empire District  
Electric Company cordially invite  
their senior customers to visit their local  
Empire Business Office on Thursday, December 21,  
between the hours of 8:00 a.m. and noon to place  
a long-distance telephone call to a  
loved one, free of charge.*



# Become a Christmas Elf & share the joy of the holidays with a homebound, elderly friend.



Pick up a "wish list" for an elderly neighbor at your local EMPIRE DISTRICT ELECTRIC OFFICE. Fill all or part of the list and deliver to Empire by December 7 for distribution by the Area Agency on Aging.

***Make this season special for someone who is alone.***



SERVICES YOU COUNT ON

Area Agency on Aging

Empire District Electric Company  
Case No. ER-01-299

<u>PAYEE</u>	<u>AMOUNT</u>	<u>ADJUSTMENT</u>
<b>DONATIONS</b>		
21st Century Homestead	500.00	1
Freeman Southwest Family YMCA	2,500.00	2
Jefferson School	750.00	5
Martin Luther School	100.00	6
National Fire Safety Council	200.00	6
Rotary Club of Neosho	120.00	3
Southwest Missouri Arts Council	500.00	3
Talent Governor Council	1,125.00	3
Thomas Jefferson Independent	60.00	4
Thomas Jefferson Independent	60.00	4
Thomas Jefferson Independent	300.00	6
University of Missouri	5,000.00	3
<b>TOTAL DONATIONS</b>	<b><u>\$ 11,215.00</u></b>	

**ADJUSTMENTS:**

909116	500.00	1	500.00	S-74.2
912025	2,500.00	2	2,500.00	S-77.3
921102	6,745.00	3		
921702	120.00	4		
921712	750.00	5	7,615.00	S-80.3
930144	600.00	6	600.00	S-89.4

Empire District Electric Company  
Case No. ER-01-299

<u>PAYEE</u>	<u>AMOUNT</u>	<u>ADJUSTMENT</u>	
<b>DUES</b>			
Glenn Blake-Rotary Dues	60.00	1	901001
Glenn Blake-Rotary Dues/Bonnie Keller	65.00	1	901001
Heart of America	100.00	1	901001
Leadership Missouri Alumni	30.00	1	901001
Michael E Palmer-Rotary Dues	180.00	1	901011
Marcia K Sadler-Rotary	25.00	2	907101
The Poultry Federation	350.00	3	908101
Kansas City Royals	42.64	4	911002
Kansas City Royals	42.64	4	911002
Home Builders Assoc of S W MO	235.00	5	912025
Associated Industries of Missouri	804.66	6	921102
Associated Industries of Missouri	804.66	6	921102
Joplin Community Concert Association	1,000.00	6	921102
Kansas City Royals	42.64	6	921102
Kansas City Royals	42.64	6	921102
Kansas City Royals	42.64	6	921102
Leadership Missouri Alumni	30.00	6	921102
Leadership Missouri Alumni	30.00	7	921202
J J Keller & Associates Inc-Newsletters	137.11	8	921301
Joplin Area Advertising Foundation	130.00	9	921702
Leadership Missouri Alumni	30.00	9	921702
Missouri Press Association	195.00	9	921702
Virgil E Brill-Twin Hills	2,000.00	10	921703
Southeast Kansas Inc	800.00	11	930219
Baxter Springs Chamber of Commerce (KS)	600.00	12	930248
Chamber of Commerce-Sulphur Springs,AR	12.00	12	930248
Missouri Chamber of Commerce	5,000.00	12	930248
U S Chamber of Commerce	715.00	12	930248
<b>TOTAL DUES</b>	<b>13,546.63</b>		

ADJUSTMENTS:

901001	435.00	1	435.00	S-67.2
907101	25.00	2	25.00	S-72.2
908101	350.00	3	350.00	S-73.2
911002	85.28	4	85.28	S-76.2
912025	235.00	5	235.00	S-77.4
921102	2,767.24	6		
921202	30.00	7		
921301	137.11	8		
921702	355.00	9		
921703	2,000.00	10	5,289.35	S-80.4
930219	800.00	11		
930248	6,327.00	12	7,127.00	S-89.5