

Exhibit No.: _____
Issue: Bad Debt Expense
Witness: William L. Gipson
Type of Exhibit: Surrebuttal Testimony
Sponsoring Party: The Empire District Electric Company
Case No.: ER-2001-299
Date Prepared: May 16, 2001

SURREBUTTAL TESTIMONY
OF
WILLIAM L. GIPSON
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2001-299

Exhibit No. 28
Date 5/29/01 Case No. ER-2001-299
Reporter KRM

1 Q. PLEASE STATE YOUR NAME.

2 A. William L. Gipson.

3 Q. ARE YOU THE SAME WILLIAM L. GIPSON WHO FILED PREPARED REBUTTAL
4 TESTIMONY IN THIS CASE?

5 A. Yes.

6 Q. WHAT ISSUE DO YOU WISH TO ADDRESS IN YOUR SURREBUTTAL
7 TESTIMONY?

8 A. Bad debt expense and its correlation to revenues.

9 Q. DID ANY PARTY ADDRESS THIS ISSUE IN REBUTTAL TESTIMONY?

10 A. I don't believe any party, other than Empire, addressed this issue in rebuttal testimony.

11 Q. WHAT GIVES RISE TO YOUR SURREBUTTAL TESTIMONY ON THIS ISSUE AT
12 THIS TIME?

13 A. Staff addressed the issue in its statement of positions by stating "there is no correlation
14 between an increase in revenues and an increase in the level of bad debt expense."

1 Q. HOW WOULD YOU RESPOND TO THAT ASSERTION?

2 A. I believe there is a direct correlation. As I demonstrated to Staff witness Williams during
3 the pre-hearing conference and provided in work papers for (Staff) DR 319, Empire's bad
4 debt expense, as compared to revenue for the five years (1995-1999) prior to the test year,
5 was as follows:

Year	On-System Revenue	Bad Debt Expense	Percent of Revenue
1995	\$184,568,000	\$405,000	.22
1996	196,773,000	551,000	.28
1997	205,569,000	480,000	.23
1998	228,744,000	580,000	.25
1999	230,195,000	575,000	.25

(All dollar figures have been rounded to the nearest \$1,000)

6 As you can see, this empirical data shows that, except for a slight bump in 1997, bad debt
7 expense always increases as revenue increases. And, on average, at .25 percent (one-
8 quarter of one percent) of revenue.

9 Q. IS THERE SOME REASON YOU HAVE EXCLUDED FROM YOUR EXAMPLE
10 DATA FOR THE YEAR 2000?

11 A. Yes. During 2000 the Company was in the midst of a customer information system
12 conversion and unable to process bad debt accounts for a period. The result was an
13 increase in bad debt expense to .53 percent of revenue. I firmly believe this event was

SURREBUTTAL TESTIMONY
WILLIAM L. GIPSON

1 anomalous and test year data should be adjusted to .25 percent of revenue. I believe Staff
2 witness Williams agrees.

3 Q. WHAT CONCLUSION SHOULD THE COMMISSION REACH CONCERNING BAD
4 DEBT EXPENSE IN THIS CASE?

5 A. The Commission should, in addition to the adjustment made by Staff in the test year,
6 increase bad debt expense by .25 percent (one-quarter of one percent) of the total revenue
7 increase the Commission will authorize in this case.

8 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

9 A. Yes, it does.

AFFIDAVIT


STATE OF MISSOURI)
) ss
COUNTY OF JASPER)

On the 16th day of May, 2001, before me appeared William L. Gipson, to me personally known, who, being by me first duly sworn, states that he is the Executive Vice President of The Empire District Electric Company and acknowledged that he has read the above and foregoing document and believes that the statements therein are true and correct to the best of his information, knowledge and belief.



William L. Gipson

Subscribed and sworn to before me this 16th day of May, 2001.



Patricia A. Settle, Notary Public

My Commission expires: August 16, 2002.

