

Exhibit No.: 2
Issues: Company Witnesses, Card Fees,
EDR, Customer Experience
Witness: Brent Baker
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: The Empire District
Electric Company
Case No.: ER-2019-0374
Date Testimony Prepared: March 2020

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

Rebuttal Testimony

of

Brent Baker

on behalf of

**The Empire District Electric Company
a Liberty Utilities Company**

March 2020



TABLE OF CONTENTS
REBUTTAL TESTIMONY
OF
BRENT BAKER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2019-0374

SUBJECT	PAGE
I. INTRODUCTION.....	1
II. REBUTTAL WITNESSES	2
III. CREDIT CARD FEES	3
IV. ECONOMIC DEVELOPMENT RIDERS.....	5
V. REBUTTAL OF OPC’S DIRECT TESTIMONY	6

REBUTTAL TESTIMONY
OF
BRENT BAKER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
MISSOURI PUBLIC SERVICE COMMISSION
CASE NO. ER-2019-0374

1 I. **INTRODUCTION**

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

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

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

6 A. I am employed by Liberty Utilities Service Corp. as the Vice President of National
7 Customer Experience for Liberty Utilities Co., which owns regulated electric, natural
8 gas, water, and wastewater utilities operating in three regions across the United States
9 – the East, Central, and West Regions. As Vice President of National Customer
10 Experience, I am responsible for customer engagement strategy and execution,
11 including operation of call centers, billing, metering, revenue assurance, local offices,
12 key account services, energy efficiency, and communications.

13 Q. **ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

14 A. I am testifying on behalf of The Empire District Electric Company, a Liberty Utilities
15 Company (“Liberty-Empire” or “Company”). Liberty-Empire is part of Liberty
16 Utilities’ Central Region.

17 Q. **ARE YOU THE SAME BRENT BAKER WHO FILED DIRECT TESTIMONY**
18 **IN THIS MATTER ON BEHALF OF LIBERTY-EMPIRE?**

1 A. Yes. In my Direct Testimony filed with the Missouri Public Service Commission
2 (“Commission”) on August 14, 2019, I provide background information on the
3 Company, discuss the rate relief requested by the Company, describe the Company’s
4 commitment to its customers, describe the elimination of customer payment fees
5 associated with online credit and debit card payments, address certain provisions in
6 the stipulations and agreements in the merger docket (Commission Case No. EM-
7 2016-0213), and introduce the Company witnesses presenting Direct Testimony.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY IN THIS**
9 **PROCEEDING?**

10 A. I introduce the witnesses presenting Rebuttal Testimony on behalf of the Company. I
11 also respond to the Direct Testimony of the Staff of the Commission (“Staff”), as
12 presented in the Staff Report – Cost of Service, on the issue of credit card fees, and I
13 respond to certain portions of the Direct Testimony filed in this matter by Geoff
14 Marke on behalf of the Office of the Public Counsel (“OPC”).

15 **II. REBUTTAL WITNESSES**

16 **Q. PLEASE IDENTIFY THE OTHER LIBERTY-EMPIRE WITNESSES WHO**
17 **WILL BE SPONSORING REBUTTAL TESTIMONY IN THIS**
18 **PROCEEDING.**

19 A. The following additional witnesses are submitting Rebuttal Testimony on behalf of
20 the Company:

Witness	Issues
Ms. Sheri Richard	Rate Base Adjustments, Income Statement Adjustments, SERP
Ms. Leigha Palumbo	Various Rate Base and Income Statement Issues

Mr. James A. Fallert	Pension, OPEBs and SERP
Mr. Todd W. Tarter	Fuel Adjustment Base Factor, Fuel Inventories
Mr. Aaron J. Doll	Asbury, Fuel Adjustment Clause, Wind Hedge
Mr. Eric Fox	Weather Normalization
Ms. Jill Schwartz	Corporate Cost Allocations, Affiliate Transactions and Corporate Allocation Manual
Mr. Mark T. Timpe	Financing
Mr. Timothy S. Lyons	Lead-Lag Study, Cash Working Capital Requirement
Mr. Nathaniel W. Hackney	Energy Efficiency Programs
Mr. Samuel S. McGarrah	Lighting Tariffs
Mr. Robert B. Hevert	Return on Equity and Capital Structure

1

2 **III. CREDIT CARD FEES**

3 **Q. HOW DOES THE COMPANY PROPOSE TO RECOVER THE COSTS**
4 **ASSOCIATED WITH ONLINE CARD PAYMENTS?**

5 A. As set forth in my Direct Testimony, as well as in the Direct Testimony of Company
6 witness Ms. Sheri Richard, the Company proposes to eliminate credit card
7 convenience fees for individual customers and to recover the costs associated with
8 processing online card payments in its overall cost of service, similar to the way bank
9 fees are recovered.

10 **Q. WHAT IS STAFF'S POSITION ON THIS ISSUE?**

11 A. On page 82 of the Staff Report – Cost of Service, Staff recommends that this cost be
12 allowed recovery in rates. “Staff has included an annualized amount for credit card
13 processing fees for Empire, based on the number of actual credit card payments

1 occurring during the test year, multiplied by the current fee per-transaction.” On page
2 105 of the Staff Report – Cost of Service, Staff states its recommendation that
3 convenience fees for customers paying bills by credit card be eliminated, with the cost
4 of processing such payments to be included in the Company’s cost of service. As
5 noted in the Staff Report – Cost of Service, the Commission has previously approved
6 requests to eliminate credit card convenience fees, with the utility absorbing credit
7 card processing services in the cost of service.

8 **Q. DOES STAFF RECOMMEND THE IMPOSITION OF ANY CONDITIONS?**

9 A. Yes. If the Commission approves the Company’s requested treatment of card fees,
10 Staff recommends that the Company be ordered to: (1) track performance and savings
11 to the Company and its customers from this initiative; (2) monitor the level of
12 customers using the credit card option, whether the number of payments by credit card
13 increases, and whether eliminating a fee to pay by credit card results in savings to the
14 customer and/or to the Company; and (3) state how the Company will inform
15 customers that there is no fee to pay their bill by credit card.

16 **Q. DOES THE COMPANY OPPOSE ANY OF THESE CONDITIONS?**

17 A. No. If the Commission approves the Company’s requested treatment of card fees, the
18 Company is willing to track performance and savings to the Company and its
19 customers, monitor the level of customers using the credit card option, and monitor
20 whether the number of payments by credit card increases.

21 **Q. HOW WILL THE COMPANY INFORM CUSTOMERS THAT THERE IS NO**
22 **LONGER A FEE TO PAY THEIR BILL BY CREDIT CARD?**

1 A. First, on our website, the Company will publish the change for all customers.
2 Additionally, in our annual bill insert explaining payment options, it will be
3 highlighted that no fees should be incurred for making payments.

4 **Q. DOES THE COMPANY HAVE ANY CONCERNS WITH THE PROPOSED**
5 **ADJUSTMENT STAFF USED TO REFLECT THEIR RECOMMENDATION**
6 **OF INCLUDING CREDIT CARD FEES IN ITS COST OF SERVICE?**

7 A. Yes, Company witness Ms. Sheri Richard's Rebuttal Testimony discusses the needed
8 changes to properly calculate the impact of including Credit Card fees in the
9 Company's cost of service.

10 **IV. ECONOMIC DEVELOPMENT RIDERS**

11 **Q. DO YOU HAVE ANY CONCERNS WITH STAFF WITNESS NANCY L.**
12 **HARRIS' RECOMMENDATION THAT EMPIRE CONTINUE TO REVIEW**
13 **TARIFF COMPLIANCE WITH THE TWO ECONOMIC DEVELOPMENT**
14 **RIDERS?**

15 A. No. The Company has procedures in place to help ensure that customers that receive
16 service under the two economic development tariffs are in compliance and therefore
17 eligible for the applicable discounts.

18 **Q. DO YOU AGREE WITH STAFF'S DETERMINATION THAT A CUSTOMER**
19 **RECEIVING A DISCOUNT UNDER THE ECONOMIC DEVELOPMENT**
20 **RIDER EXCEEDED THE 25% SECOND YEAR DISCOUNT RATE?**

21 A. No. It appears that Staff witness Harris assumed that the total bill credits which were
22 applied to the customer account during February and September 2019 exclusively
23 pertained to the Economic Development Rider discount. However, the February 2019

1 bill credit also included credits for a tax exemption issue, and the September 2019
2 credit included an amount for opting out of the Energy Efficiency Program.

3 **V. REBUTTAL OF OPC'S DIRECT TESTIMONY**

4 **Q. DO YOU AGREE WITH THE RECOMMENDATION OF OPC WITNESS**
5 **AMANDA CONNER CONCERNING THE EXCLUSION OF CREDIT CARD**
6 **FEEES IN THE COST OF SERVICE?**

7 A. No. As explained in my Direct Testimony in this case, the Company generally
8 attempts to assign costs to the appropriate cost-causers as part of its cost of service
9 study. However, online transactions are a normal part of daily life for many Liberty-
10 Empire customers. The fees associated with these transactions are similar to bank fees
11 the Company incurs which are included in the cost of service paid by all customers.
12 The Company continues to believe it is not only important from a customer service
13 perspective to provide our customers the choice to pay online, but doing so also
14 reduces the amount of service representatives hours needed to receive and process in
15 person payments from our customers in our many local offices.

16 **Q. A LARGE SECTION OF OPC WITNESS DR. MARKE'S DIRECT**
17 **TESTIMONY ADDRESSES THE ATTEMPTED PURCHASE OF A**
18 **MUNICIPAL UTILITY IN FLORIDA. DO YOU BELIEVE THIS**
19 **DISCUSSION IS RELEVANT TO THE CURRENT PROCEEDING?**

20 A. No, this attempted purchase by Algonquin Power & Utilities Corporation ("APUC")
21 of a utility in Florida is not relevant to this general rate case for Liberty-Empire and
22 its Missouri customers.

1 **Q. HAS LIBERTY-EMPIRE COMPLIED WITH THE CUSTOMER SERVICE**
2 **AND OTHER CONDITIONS FROM THE MERGER DOCKET (CASE NO.**
3 **EM-2016-0023)?**

4 A. Yes, and this compliance is fully explained in the Company's Direct Testimony filed
5 in this matter.

6 **Q. DR. MARKE CLAIMS THAT APUC REPRESENTED THAT ITS UTILITY**
7 **OPERATIONS RANK IN THE TOP QUARTILE OF ITS PEER GROUP IN**
8 **THIRD PARTY ASSESSMENTS, BUT THAT EMPIRE RANKS IN THE**
9 **BOTTOM QUARTILE. HOW DO YOU RESPOND TO THESE**
10 **ALLEGATIONS?**

11 A. This is a bit of a crossing of aspirations and actual performance. It is the Company's
12 goal to become top quartile in customer satisfaction. In some of our operations at
13 Liberty-Empire, we have top and 2nd quartile performance in operational areas, such
14 as bad debt performance, SAIDI, SAIFI, and safety performance. Our goal is to
15 become top quartile in operations and customer experience.

16 **Q. DR. MARKE ALSO CLAIMS THAT EMPIRE'S COST OF SERVICE IS**
17 **GREATER THAN THAT OF ITS MISSOURI PEERS AND THAT ONLY**
18 **THREE UTILITIES (ALL OPERATING ON ISLANDS) HAVE LARGER**
19 **ANNUAL AVERAGE BILLS THAN EMPIRE. HOW DO YOU RESPOND TO**
20 **THESE ALLEGATIONS?**

21 A. According to the Company's class cost of service study, the average residential usage
22 is 1,064 kWh per month, which is \$146.60 per month or \$1,759 per year. While the
23 current cost at Liberty-Empire is higher than our other investor owned peers in
24 Missouri, necessary investments in reliability and improvements in our system are

1 also spread among a less densely populated service area - similar to cooperatives in
 2 our area. A rate comparison to Barton Electric Cooperative to our north shows a
 3 monthly cost of \$157.90 or \$1,894.70 per year if a customer were to use 1,064 kWh
 4 per month. Additionally, a comparison using the same amount of usage shows our
 5 rates to be similar to our investor-owned peers.

Utility Name	Residential Fixed Charge	Average Residential Bill @ 1,000 kWh
Missouri		
Ameren	\$9	\$141
Liberty-Empire	\$13	\$135
Evergy (KCP&L) (GMO)	\$11	\$137
Evergy (KCP&L)	\$11	\$161
Average (including Liberty-Empire)	\$11	\$144
Average (excluding Liberty-Empire)	\$10	\$146

6

7 **Q. THE LAST SECTION OF DR. MARKE’S DIRECT TESTIMONY, BEFORE**
 8 **HIS ULTIMATE RECOMMENDATIONS, ADDRESSES “PLANNED**
 9 **INVESTMENT” FOR AMI AND CIS. WHAT ARE THE COMPANY’S**
 10 **PLANS REGARDING AMI?**

11 **A.** As explained in my Direct Testimony, Liberty-Empire intends to improve customer
 12 care functions and related operational performance through the implementation of an
 13 Advanced Metering Infrastructure (“AMI”) system within Liberty Utilities’
 14 overarching *Customer First* corporate initiative. *Customer First* is a multi-year

1 initiative with many components, stages, and milestones. As part of *Customer First*,
2 Liberty Utilities is evaluating the consolidation of several systems, including its
3 Customer Information System (“CIS”), which includes Liberty-Empire’s customer
4 billing system functions.

5 **Q. ARE ANY AMI INVESTMENTS INCLUDED IN THE COMPANY’S COST**
6 **OF SERVICE IN THIS CASE?**

7 A. No, and any discussion of the prudence of the Company’s planned AMI investments
8 is premature. As such, the Company’s Rebuttal Testimony does not contain an AMI
9 deployment plan, as requested by OPC. The Company did, however, initiate a
10 separate case regarding AMI and certain necessary waivers and tariff revisions
11 (Commission Case No. AO-2020-0237). The Company intends to address the
12 prudence of its AMI investments in the rate case in which it seeks recovery of the
13 AMI investments.

14 **Q. DO YOU AGREE WITH DR. MARKE THAT AMI SHOULD BE**
15 **ACCOMPANIED BY SOFTWARE INVESTMENT IN THE FORM OF**
16 **INTEROPERABLE CIS INTERFACE AND A PLAN TO EDUCATE AND**
17 **ENCOURAGE CUSTOMERS TO CHANGE THEIR USAGE HABITS?**

18 A. Yes. As part of the plan for AMI, the company has engaged with a software vendor to
19 provide more visibility to usage. Additionally, the company plans to educate the
20 customers on the new information that AMI “Smart Meters” will provide, including a
21 future ability to incorporate time of use rates.

22 **Q. DR. MARKE’S RECOMMENDATIONS ARE CONTAINED ON PAGES 46-47**
23 **OF HIS DIRECT TESTIMONY. IS THERE ANYTHING YOU WOULD LIKE**
24 **TO NOTE ABOUT THESE RECOMMENDATIONS?**

1 A. Yes. Two of the four recommendations are regarding the retirement of the Asbury
2 power plant, and the Commission has twice ruled that the retirement of Asbury is not
3 an issue for this case. The third recommendation is that the Company should have a
4 coherent and actionable plan for AMI. The Company does not disagree, but there are
5 no AMI issues which are properly before the Commission in this case. Dr. Marke's
6 final recommendation is that Liberty-Empire should focus on reducing costs and
7 improving quality of service – and not merely increase its rate base and retail rates.
8 Again, the Company does not disagree. It is always the Company's goal to provide
9 safe and reliable service at just and reasonable rates.

10 **Q. PLEASE EXPLAIN LIBERTY UTILITIES' AND LIBERTY-EMPIRE'S**
11 **OPERATING PHILOSOPHIES IN THIS REGARD.**

12 A. Quality, care, and efficiency are the cornerstones of Liberty Utilities' values. There
13 are many ways that these values translate to the operations of the Liberty-Empire
14 business. For example, an increased focus on safety is paramount to Liberty Utilities
15 and is embedded in its culture. Liberty Utilities brought this to the Company and has
16 transformed its safety culture significantly. This heightened focus on safety has
17 resulted in a 50% reduction in motor vehicle accidents, a 67% reduction in lost time,
18 and a 50% reduction in OSHA recordable accidents. Through the partnership
19 between Liberty and Empire, the focus on increasing efficiencies while remaining
20 local and responsive will lead to better operations, as well as finding ways to reduce
21 costs for customers. The combined philosophy is to find opportunities to invest in
22 technologies that improve resiliency and reduce costs.

23 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

24 A. Yes.

