

Exhibit No.  
Issue: Tree Trimming, DNR Proposal,  
ELIP, Miscellaneous Customer Charges,  
Reporting  
Witness: Michael E. Palmer  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Empire District  
Case No. ER-2004-0570  
Date Testimony Prepared: Nov 4, 2004

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

**Rebuttal Testimony**

**of**

**Michael E. Palmer**

**November 2004**

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OF  
MICHAEL E. PALMER  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION

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REBUTTAL TESTIMONY  
OF  
MICHAEL E. PALMER  
THE EMPIRE DISTRICT ELECTRIC COMPANY  
BEFORE THE  
MISSOURI PUBLIC SERVICE COMMISSION  
CASE NO. ER-2004-0570

1 **I. Introduction**

2 **Q. PLEASE STATE YOUR NAME.**

3 A. Michael E. Palmer.

4 **Q. ARE YOU THE SAME MICHAEL E. PALMER THAT HAS PREVIOUSLY**  
5 **FILED DIRECT TESTIMONY IN THIS CASE BEFORE THE MISSOURI**  
6 **PUBLIC SERVICE COMMISSION ("COMMISSION")?**

7 A. Yes.

8 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

9 A. I will address in this testimony the tree trimming expenditures, proposals put forth  
10 by the Department of Natural Resources (DNR), the Experimental Low-Income  
11 Program (ELIP), miscellaneous customer charges and reporting.

12 **II. Tree Trimming Expenditures**

13 **Q. PLEASE EXPLAIN STAFF'S ADJUSTMENT TO TREE TRIMMING**  
14 **EXPENSE.**

15 A. Staff's position was to use a five year average to represent a reasonable level of  
16 ongoing tree trimming expense.

1 **Q. DO YOU AGREE THAT TEST YEAR TREE TRIMMING EXPENSES THAT**  
2 **EXCEED THE FIVE YEAR AVERAGE SHOULD BE DISALLOWED AS**  
3 **ADDRESSED IN STAFF WITNESS LEASHA TEEL'S TESTIMONY?**

4 A. No. This approach ignores the very nature of this work and disregards the increased  
5 emphasis that NERC, as well as Staff itself, places on tree trimming efforts and  
6 reliability reporting as evidenced by Staff comments related to Ameren tree  
7 trimming related outages in the summer of 2004.

8 **Q. HOW DOES THE EXPENSE STAFF PROPOSES TO UTILIZE RELATE**  
9 **TO EMPIRE'S TEST YEAR TREE TRIMMING EXPENSES?**

10 A. Staff's proposal would indicate that Empire should reduce tree trimming  
11 expenditures by 17% from current levels. Staff proposes to utilize \$2.4 million.  
12 Empire experienced tree trimming expenses of \$2.9 million in the test year.

13 **Q. DO YOU BELIEVE THAT TREE TRIMMING EXPENSES WILL**  
14 **DECREASE OVER THE NEXT YEAR?**

15 A. No. Tree trimming efforts must increase as the population of trees increases and as  
16 the length of transmission and distribution lines increase. As those efforts increase,  
17 so must the expenses. Nature ensures that trees repopulate and the rate depends  
18 greatly on the growing conditions. The amount of rainfall received is the most  
19 important factor concerning tree growth. Average rainfall values, stated by  
20 meteorologists, accurately state the amounts of rain received in a certain geographic  
21 area over a period of years; however, as any farmer is quick to point out that doesn't  
22 mean much to his current crop yields. The past year's growing conditions have  
23 been extremely good for the trees, but not for the utilities that must deal with the

1 growth. A first hand visit by Staff to view our vegetation conditions, which I  
2 understand has not occurred as a part of this process, would prove our need for  
3 increased funding.

4 **Q. WHAT ADDITIONAL FACTOR HAS STAFF IGNORED?**

5 A. In addition to average rainfall amounts, average gasoline and diesel fuel prices  
6 have also increased. And, just like the farmer, today's drivers seeking to fill their  
7 fuel tanks would find a much different price at the pump than the five year average  
8 amount. An increasingly significant cost associated with tree trimming is the fuel  
9 for the many trucks traveling thousands of miles per year required by this work.

10 **Q. WHAT ARE THE DANGERS IF VEGETATION MANAGEMENT IS NOT**  
11 **ADDRESSED SUFFICIENTLY?**

12 A. The primary cause of the 2003 Blackout was inadequate tree trimming. Both  
13 NERC and this Commission believed this event was important enough to increase  
14 the reporting requirements concerning tree trimming and reliability reporting.  
15 Additionally, the Federal Energy Regulatory Commission was interested enough to  
16 open a special docket (Docket No. EL04-52-000) and direct that all entities that  
17 own, control or operate certain transmission facilities report on the vegetation  
18 management practices they use for transmission lines and right of ways. I do not  
19 believe that it is reasonable, in light of this increased emphasis on reliability, to  
20 allow only a five year average spending level.

21 **Q. WHAT LEVEL OF RELIABILITY REPORTING IS STAFF SEEKING IN**  
22 **THIS CASE?**

1 A. As an outcome of this case, Staff seeks to require monthly reliability reporting, not  
2 a five year average reliability report. Staff wants a nearly real-time report  
3 documenting the reliability of Empire’s current electric service. The single most  
4 important maintenance item affecting reliability is tree trimming. It follows that the  
5 expense utilized for rate making as to the single most important maintenance item  
6 affecting reliability — tree trimming — should be the current expense, not a five  
7 year average.

8 **III. Department of Natural Resources (DNR) Proposals**

9 **Q. WHAT IS THE PURPOSE OF THIS PORTION OF YOUR TESTIMONY?**

10 A. To respond to the proposals contained in the direct testimony filed on behalf of the  
11 Missouri Department of Natural Resources (DNR).

12 **Q. PLEASE SUMMARIZE THE PROPOSALS.**

13 A. The DNR made the following proposals:

- 14 1. Provide funding through rates of \$181,250 to implement a low-  
15 income residential weatherization assistance program consistent  
16 with federal weatherization guide lines through local community  
17 action agencies operating within Empire’s service territory,
- 18 2. Join the ENERGY STAR program as a utility partner, and  
19 provide annual funding through rates of \$35,000 to promote the  
20 Change A light, Change the World program within the Aquila,  
21 Inc. service territory.
- 22 3. Provide funding through rates in the amount of \$100,000 to  
23 provide rebates to residential customers that purchase and install

1 high efficiency electric appliances and/or heating and cooling  
2 equipment that have received the ENERGY STAR rating.

3 4. Fund through rates \$25,000 in annual costs for a commercial  
4 energy audit program with incentives for implementation of  
5 energy efficiency measures.

6 5. Provide funding through rates in the amount of \$80,000 to  
7 conduct a wind energy assessment project.

8 **Q. HAS EMPIRE PARTICIPATED IN ANY SIMILAR PROGRAMS IN THE**  
9 **PAST?**

10 **A.** Yes, Empire has the following tariffs in regard to conservation and energy  
11 efficiency efforts:

12 1. The Residential Conservation Service that provides home energy audits for a first  
13 time fee of \$15 and subsequent audits for \$62.00.

14 2. A Net Meter Service that allows customers to supply unused power.

15 **Q. WHAT WERE THE RESULTS OF THESE PROGRAMS?**

16 **A.** The Residential Conservation Service program has received minimal participation  
17 and the Net Meter Service has at this time only one participant.

18 **Q. PLEASE STATE EMPIRE'S RESPONSE TO THE DNR PROPOSALS.**

19 **A.** With regard to the proposals put forward by the DNR, Empire's position is that they  
20 may have merit and could be beneficial to the rate payers. The Company agrees  
21 with Staff's position that the cost of these proposals should be paid for by the  
22 beneficiaries, the rate payers.

1 Furthermore, Empire believes that if funds were to be provided for the Change a  
2 Light, Change the World program, the funds should be allocated to the Empire  
3 service territory rather than the Aquila territory. In addition, any funds provided for  
4 these programs that are to be administered by Empire should take into consideration  
5 any overhead cost incurred as a result of the program. Empire believes the funds to  
6 be provided to participants should be reduced by these costs.

7 **IV. EXPERIMENTAL LOW-INCOME PROGRAM (ELIP)**

8 **Q. PLEASE EXPLAIN THE ELIP PROGRAM.**

9 A. The ELIP program was developed to make electric bills more affordable for low-  
10 income customers. Participants with a household income of up to 50% of the  
11 Federal Poverty level receive a credit of \$40 on their monthly bills. Participants  
12 with a household income of 51% to 100% of the Federal Poverty level receive a  
13 credit of \$20 on their monthly bill. The credits are available for up to twelve  
14 months with the possibility of renewal after the reassessment of the participants'  
15 financial status by administering agencies. The program is limited to a twenty-four  
16 month trial basis.

17 **Q. PLEASE ADDRESS THE PROPOSALS RECOMMENDED BY BARBARA**  
18 **MEISENHEIMER TO THE ELIP PROGRAM.**

19 A. In Barbara Meisenheimer's testimony, she recommended the following three  
20 changes:

- 21 1. Reduction to the adders used to generate ratepayer contributions to the  
22 \$150,000 level provided for in the Stipulation & Agreement in ER-2002-  
23 424.

- 1           2. The use of surplus monies associated with “rounding” the adjusted adder  
2           to the nearest penny to conduct outreach.
- 3           3. Lengthening of the eligibility of qualified customers conditioned on  
4           voluntary agreement by the parties in this case that were signatories to the  
5           Stipulation & Agreement in ER-2002-424.

6   **Q. WHAT IS THE COMPANY’S POSITION?**

7   A. Empire does not agree with the first two items. The amount to be collected from  
8   the customers was not defined on a per customer basis. Page seven of the  
9   stipulation agreement states “The Agreement provides that inasmuch as ratepayer  
10   funding for this program is included in the agreed-to increase in the Company’s  
11   revenues and incorporated in the agreed-to rate design, there will be no surcharge  
12   applied to customers’ bills”. Therefore, Empire does not support OPC’s proposals  
13   as there is no tariff supporting the per customer amounts to which OPC refers to in  
14   their testimony.

15   **Q. DOES THE COMPANY SUPPORT THE THIRD ISSUE?**

16   A. In regard to the third recommendation by OPC, Empire proposes an adjustment to  
17   the tariff sheet for ELIP. Empire recommends the following statement “The credit  
18   may be extended for a participant past the twenty-four months contingent upon the  
19   participant’s continuation of meeting the ELIP eligibility requirements.” Empire  
20   does not propose any further changes until the program is reviewed by an  
21   independent consultant at the conclusion of the evaluation period which is required  
22   within thirty months after the initiation of the program.

1 **V. MISCELLANEOUS CUSTOMER CHARGES**

2 **Q. PLEASE DISCUSS THE MISCELLANEOUS CHARGE PROPOSALS BY**  
3 **STAFF.**

4 A. In the Direct Testimony of William L. McDuffey, Staff, the following customer  
5 miscellaneous charges were addressed:

- 6 1. Private Lighting Service, Transformer
- 7 2. Temporary Service Line
- 8 3. Insufficient Funds Check
- 9 4. Trip to collect Non-Payment Fee
- 10 5. Reconnection Fee, Normal Business Hours
- 11 6. Meter Treater
- 12 7. Late Payment Charge

13 **Q. DOES THE COMPANY AGREE WITH THESE PROPOSALS?**

14 A. Yes, with the exception of the late payment charges. Staff has proposed a reduction  
15 in the rate applied to delinquent bills to a simple ½ percent per month on the  
16 original net amount due on the delinquent bill. Currently Empire has in effect the  
17 following rates:

18	Residential	1.5%
19	Commercial	5.0%
20	Small Heating	5.0%
21	General Power	2.0%/6.0%
22	Large Power	2.0%/6.0%
23	Electric Furnace Primary	2.0%/6.0%
24	Feed Mill and Grain Elevator	5.0%
25	Total Electric Building	1.5%
26	Private Lighting – Residential	1.5%
27	Private Lighting – Nonresidential	5.0%

1 The 1.5% and 5% rates from above are applied after 21 days; the 2% rates are  
2 applied after 14 days and the 6% rates are applied after 60 days. Empire believes a  
3 change to the current late payment rates would be detrimental and would increase  
4 arrearages. If late payment charges are closer to current interest rates, as mentioned  
5 in Staff's testimony, a customer may find it cheaper to constantly maintain  
6 arrearages than keep current with their bill due to the cost of money. This is not a  
7 direction we want to steer customers.

8 **VI Customer Reliability Reporting and Service Reporting**

9 **Q. PLEASE EXPLAIN STAFF'S RECOMMENDATION REGARDING**  
10 **ADDITIONAL RELIABILITY REPORTING REQUIREMENTS.**

11 A. Staff witness Lena Mantle has recommended the Company file reports with Staff  
12 monthly, including data for SAIFI, SAIDI and CAIDI in an electronic format, both  
13 (1) unadjusted and (2) adjusted to exclude major storm events.

14 **Q. DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDATION?**

15 A. Yes. The Company agrees to provide the requested information as outlined in  
16 Staff's testimony.

17 **Q. PLEASE EXPLAIN STAFF'S RECOMMENDATION REGARDING**  
18 **ADDITIONAL CUSTOMER SERVICE REPORTING.**

19 A. Staff witness John Kiebel has recommended monthly Call Center Performance data  
20 be provided to the Staff, including Average Abandoned Call Rate (ACR), the  
21 Average Speed of Answer (ASA), the number of incoming calls, staffing levels (by  
22 position) for both Call Centers, and the percentage of Commission complaints  
23 responded to within three business days.

1 **Q. DOES THE COMPANY AGREE WITH STAFF'S RECOMMENDATION?**

2 A. Yes, in part. The Company agrees to provide the information as outlined in attached  
3 Schedule MEP-1.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 A. Yes, it does.