

Exhibit No.
Issue: January 2007 and December 2007 Ice
Storms and May 8, 2009, Wind Storm
Witness: Michael E. Palmer
Type of Exhibit: Direct Testimony
Sponsoring Party: Empire District
Docket No.
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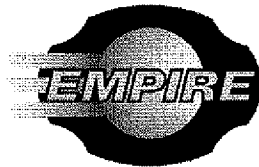
Before the Kansas Corporation Commission

Direct Testimony

of

Michael E. Palmer

October 2009



SERVICES YOU COUNT ON

DIRECT TESTIMONY
OF
MICHAEL E. PALMER
THE EMPIRE DISTRICT ELECTRIC COMPANY
BEFORE THE
KANSAS CORPORATION COMMISSION
DOCKET NO.

1 I. **INTRODUCTION**

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

3 A. My name is Michael E. Palmer, 602 S. Joplin Avenue, Joplin, Missouri 64801.

4 Q. **WHO IS YOUR EMPLOYER AND WHAT POSITION DO YOU HOLD?**

5 A. I am employed by The Empire District Electric Company (“Empire” or
6 “Company”) and I hold the position of Vice President of Commercial Operations.

7 Q. **PLEASE SUMMARIZE YOUR EDUCATIONAL BACKGROUND.**

8 A. I hold a Bachelor of Science Degree in Construction Management Technology
9 from Pittsburg State University.

10 Q. **PLEASE DESCRIBE YOUR EMPLOYMENT BACKGROUND WITH**
11 **EMPIRE.**

12 A. I joined the staff at Empire in June 1986 as a Customer Service Consultant. I later
13 served as District Manager in Aurora and Director of Operations in Branson. My
14 employment with Empire has been continuous since 1986.

15 Q. **WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE**
16 **BEFORE THE KANSAS CORPORATION COMMISSION**
17 **(COMMISSION)?**

18 A. My testimony will provide details about the cost Empire incurred in responding to
19 the January 2007 and December 2007 ice storms, and a severe wind storm struck

1 our system on May 8, 2009, damaging the Company's facilities and caused
2 widespread outages within our service area, including Kansas.

3 **II. ICE STORM RESPONSE**

4 **Q. IN JANUARY AND AGAIN IN DECEMBER 2007, EMPIRE'S SERVICE**
5 **AREA EXPERIENCED MASSIVE ICE STORMS. PLEASE DESCRIBE**
6 **THE EXTENT OF THE STORMS' IMPACT ON THE COMPANY'S**
7 **SERVICE AREA.**

8 A. In January 2007 and again in December 2007, large winter storms struck
9 Empire's service area. Freezing rain and snow caused ice to accumulate on the
10 Company's transmission and distribution facilities, which caused extensive
11 damage to those facilities and resulted in significant numbers of our customers
12 losing power. In the January storm, approximately 85,000 customers
13 (approximately 52% of our customers company-wide) lost service; in the
14 December storm, approximately 65,000 customers (approximately 40% of our
15 customers company-wide) lost service, including the loss of all of our Kansas
16 customers at one point.

17 **Q. WHAT WAS THE EXTENT OF THE DAMAGE TO EMPIRE'S**
18 **FACILITIES?**

19 A. The two storms combined to inflict significant damage on both our transmission
20 and distribution systems. On our transmission system, multiple structures were
21 damaged on part of our 345 kV line from Flint Creek to Brookline. On our 161
22 kV transmission system, we had several broken static conductors that had to be
23 temporarily secured to relieve mechanical stress on poles adjacent to the break.

1 Our 69 kV transmission system had many crossarms and poles that failed and the
2 damage was so extensive that entire communities and gas pumping stations were
3 without power. In the December storm, the damage to the transmission system
4 was so significant that repairs were required to restore the integrity of the
5 transmission system before work could commence to restore the transmission
6 system that serves the Columbus and Scammon areas; unfortunately, this
7 extended the outage duration for several communities. Company-wide, the
8 damage to our distribution system was so widespread that it is difficult to
9 summarize. In total for both storms, we were required to replace 1,869 poles,
10 1,510 crossarms, 550 transformers, and 211 miles of conductor.

11 **Q. HOW DID EMPIRE RESPOND TO THE STORMS AND RESTORE**
12 **POWER TO CUSTOMERS?**

13 A. Empire was aware of the approaching storms and made preparations for the
14 damage that was likely to occur and the repair and restoration efforts that would
15 be necessary to deal with the storm damage. This included contacting contractors
16 to determine their crew availability and contacting vendors to determine material
17 availability. In addition, the Company notified its contract tree trimmers that they
18 would need to be available to assist with damage repair and service restoration
19 efforts.

20 We constantly monitored damage assessments, logistical capabilities, and material
21 supplies to make sure that the additional labor was used to speed restoration
22 efforts and to do so as efficiently and cost-effectively as possible. At the peak of
23 our restoration efforts for the January storm, we had 860 contract linemen and 700

1 contract tree trimmers on duty in addition to our own personnel, for a total of
2 approximately 2,000 people involved in the restoration effort. In the December
3 storm, in addition to Empire's own personnel we used 468 contract linemen and
4 588 contract tree trimmers for a total of approximately 1,400 people involved in
5 the restoration effort.

6 **Q. WHAT WAS THE TOTAL COST OF THE ICE STORMS?**

7 A. Company-wide, extraordinary costs associated with the January and December
8 storms were approximately \$30.7 million and \$18.6 million, respectively.

9 **Q. WAS A PORTION OF THESE COSTS CAPITALIZED?**

10 A. Yes. Empire has recorded approximately \$17.8 million of the January ice storm
11 costs and \$9.2 million of the December costs as additions to Plant in Service. An
12 additional \$1.4 million of the January ice storm costs and \$0.5 million of the
13 December costs were recorded as Removal Cost.

14 **Q. WHAT PORTION OF THE ICE STORM RESTORATION**
15 **EXPENDITURES WAS CLASSIFIED AS MAINTENANCE EXPENSES?**

16 A. On a total company basis, the incremental, extraordinary maintenance cost
17 associated with the January ice storm was approximately \$11.5 million and was
18 approximately \$9.4 million for the December storm. A portion of each of these
19 totals was for incremental tree trimming costs; the remainder consists of costs that
20 were not assigned directly to capital units of property.

21 **Q. DID EMPIRE ASK FOR AN ACCOUNTING ORDER FROM THE**
22 **COMMISSION FOR THESE TWO STORMS?**

1 A. Yes, on January 29, 2008, Empire filed an Application seeking an accounting
2 order allowing Empire to record and preserve costs related to storm damage
3 resulting from ice storms occurring in January 2007 and December 2007. Empire
4 sought authority from the Commission to defer the costs associated with these
5 extraordinary events for financial reporting purposes and for consideration of
6 recovery from customers in Empire's next general rate case. Empire proposed the
7 Commission issue an accounting order (AO) allowing Empire to defer the Kansas
8 portion of the non-capital costs related to the two ice storms to Uniform System of
9 Accounts (USOA) Account 182.3 and to amortize the regulatory asset created by
10 the deferral of those costs over five years for financial reporting purposes.
11 Empire attributed incremental expense of \$11,512,485 to January 2007 ice storm
12 and \$9,402,965 to the December 2007 ice storm. The portion of these
13 incremental expenses allocated to the Kansas jurisdiction was \$607,813 for the
14 January storm and \$508,113 for the December storm. Combining these two
15 amounts, Empire requested the Commission issue an order directing the Company
16 to establish a regulatory asset of approximately \$1,115,926 for extraordinary costs
17 associated with the two ice storms.

18 **Q. DID THE COMMISSION GRANT THE REQUEST FOR AN**
19 **ACCOUNTING ORDER?**

20 A. Yes, the Commission issued an order granting the deferral of these costs, with
21 conditions, June, 24, 2008, in case no. 08-EPDE-714-ACT. The Commission also
22 ordered these costs to be amortized over a ten-year period.

1 **Q. HAS EMPIRE INCLUDED THE IMPACT OF A PORTION OF THE ICE**
2 **STORM DEFFERAL AS A COMPONENT OF ITS REVENUE**
3 **REQUIREMENT IN THIS RATE CASE?**

4 A. Yes. Empire witness Jayna Long discusses the adjustment that incorporates the
5 impact of the ice storm in her direct testimony.

6 **III. WIND STORM RESPONSE**

7 **Q. PLEASE DESCRIBE THE EXTENT OF THE MAY 8, 2009, WIND**
8 **STORM'S IMPACT ON THE COMPANY'S SERVICE AREA.**

9 A. On Friday, May 8, 2009, a severe thunderstorm with sustained winds in excess of
10 85 mph moved across Empire's service area. According to Bill Davis, head of the
11 National Weather Service station in Springfield, Missouri, "It was like an inland
12 hurricane. The winds were of hurricane force". The storm itself moved across
13 Empire's territory at 60 to 70 mph and caused damage to many homes and
14 businesses. Thousands of trees were broken or blown down, roofs damaged or
15 blown off, as well as a considerable number of buildings destroyed. On the west
16 side of Joplin, the storm toppled KSNF 1017 ft. tall television broadcasting tower
17 damaging two nearby homes.

18 **Q. HOW DID THE STORM AFFECT ELECTRIC SERVICE IN EMPIRE'S**
19 **SERVICE AREA?**

20 A. The storm damaged our transmission and distribution system and left
21 approximately 83,000 customers, or 49.5 % of our customer base, without power.
22 All of the Empire service territory was affected; however, the Neosho and
23 Hollister Missouri service territories were spared significant damage.

1 **Q. WHAT WAS THE EXTENT OF THE DAMAGE TO EMPIRE'S**
2 **FACILITIES?**

3 A. This storm caused significant damage on both our transmission and distribution
4 systems. The storm damaged approximately 170 transmission structures
5 curtailing electric service to over 40 substations including four that were located
6 in Kansas. Approximately 580 distribution poles were broken in addition to the
7 conductor damage caused by tree branches and entire trees that fell through our
8 distribution lines. As with any storm that inflicts significant damage to trees,
9 many electrical service drops were damaged.

10 The damage to our system was so widespread that it is difficult to summarize.
11 However, during the restoration of electrical service we replaced 750 poles, 460
12 crossarms, and 215 transformers.

13 **Q. HOW DID EMPIRE RESPOND TO THE STORM AND RESTORE**
14 **SERVICE TO CUSTOMERS?**

15 A. The storm moved across Empire's territory from West to East. As soon as the
16 storm passed over an area and the immediate danger from the storm was over,
17 assessment teams were dispatched to provide initial damage assessment. While
18 the damage was being assessed, line contractors and neighboring utilities were
19 contacted and a mutual assistance conference call was scheduled to determine the
20 availability of linemen.

21 From a review of the damage assessments and the availability of linemen within a
22 reasonable travel distance, we determined that approximately 230 linemen were
23 required to assist with the restoration effort. Of the linemen brought in to assist

1 with this effort, 91 linemen were from Kansas City Power and Light ("KCPL")
2 and 34 linemen were from American Electric Power Company ("AEP"). The
3 remaining linemen were supplied by line contractors.

4 As restoration efforts were completed in an area, both the outside crews and
5 Empire crews were reassigned to areas still requiring support. The restoration of
6 service to Empire's Kansas customers was completed on May 14th, and our
7 restoration efforts were fully completed when the Webb City service area, which
8 had sustained some of the worst impact from the storm, was restored to service on
9 May 15th.

10 **Q. WERE THERE OTHER WEATHER RELATED ISSUES THAT**
11 **AFFECTED EMPIRE'S SERVICE RESTORATION EFFORT?**

12 A. Yes. Due to the wet conditions that existed in our service area prior to the storm
13 and the additional rain that fell during our restoration effort, many of the line
14 trucks required the assistance of bulldozers or other track type equipment to drag
15 them to the work location and drag the trucks back out after the work was
16 complete. Unfortunately, these work conditions extended the time required to
17 restore service.

18 **Q. WHAT WAS THE EXPENSE IMPACT ON EMPIRE IN TERMS OF THE**
19 **COST?**

20 A. The wind storm cost Empire approximately \$670 thousand in expense. Empire
21 has requested additional operating costs be amortized over 5 years. Empire's
22 witness Jayna Long covers this adjustment in her direct testimony.

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

1 A. Yes it does.

