

EXHIBIT

Exhibit No.:

Issue(s):

Witness/Type of Exhibit: Meisenheimer/Surrebuttal

Sponsoring Party:

Case No.:

Cost of Service

Public Counsel

EO-2002-384

SURREBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

FILED²

DEC 07 2005

Missouri Public
Service Commission

Submitted on Behalf of the Office of the Public Counsel

AQUILA, INC.

CASE NO. EO-2002-384

October 28, 2005

Exhibit No. 23
Case No(s) EO-2002-384
Date 11-07-05 Rptr 45

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

In the Matter of an Examination of Class Cost of)
Service and Rate Design in the Missouri)
Jurisdictional Electric Service Operations of)
Aquila, Inc., Formerly Known as UtiliCorp United)
Inc.)

Case No. EO-2002-384

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony consisting of pages 1 through 7.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.



Barbara A. Meisenheimer

Subscribed and sworn to me this 28th day of October 2005.



JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #05754036

Jerene A. Buckman
Notary Public

My Commission expires August 10, 2009.

**SURREBUTTAL TESTIMONY
OF
BARBARAMEISENHEIMER**

AQUILA INC.

CASE NO. EO-2002-0384

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.**

2 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel,
3 P. O. 2230, Jefferson City, Missouri 65102.

4 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

5 A. Yes, I submitted direct testimony on cost of service and rate design issues on
6 September 19, 2005 and rebuttal testimony on October 14, 2005.

7 **Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?**

8 A. The purpose of my surrebuttal testimony is to respond to the rebuttal testimony of
9 Aquila Inc. (Aquila or the Company), the Public Service Commission Staff (Staff)
10 and Brubaker & Associates filed on behalf of Ag. Processing Inc., the Federal
11 Executive Agencies and the Sedalia Industrial Energy Users' Association
12 (Industrials).

1 **Q. IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?**

2 A. I have reviewed the relevant portion of the rebuttal testimony and supporting
3 documentation of David Stowe filed on behalf of Aquila, the rebuttal testimony
4 and supporting documentation of James Busch and James Watkins filed on behalf
5 of the Staff, and the rebuttal testimony and supporting documentation of Maurice
6 Brubaker filed on behalf of the Industrials.

7 **Q. PLEASE SUMMARIZE THE COMMENTS OF DAVID STOWE'S THAT YOU WISH**
8 **TO RESPOND TO.**

9 A. 1) He claims that I have erred in the peak demand data I used because allegedly it
10 does not agree with the Company's or Staff's. This assertion is incorrect. I used
11 the peak demands provided to me by the Staff.

12 2) He claims that my use of a primary and secondary split for distribution facilities
13 is confusing and allegedly inconsistent with statements in my testimony. The
14 manner of presentation was not intended to confuse but instead to allow the
15 Commission a more "apples to apples" comparison with other parties' studies in
16 order to narrow the areas of disagreement. Further, my use of a primary and
17 secondary split for distribution facilities is not inconsistent with other portions of
18 my testimony.

19
20 **Q. PLEASE DISCUSS HIS FIRST CRITICIMZ?**

21 A. At page 20, line 11, of his rebuttal testimony, Mr. Stowe claims that my study is
22 wrong because I use demand and energy data that is different than the Company

1 and Staff. This is simply incorrect. I used noncoincident peak demand data that
2 was obtained from the Staff and I labeled it as such in my workpapers which were
3 provided to the Company. Likewise, I used the annual energy data provided by
4 Staff, labeled the Staff as my source in my workpapers and provided those
5 workpapers to the Company. The Staff data was readily available to Mr. Stowe for
6 comparison since it was also included in the Staff's direct and rebuttal
7 workpapers. I do recognize that there are differences in the Staff and Company
8 data. These are due to differences in the customer class groupings included in the
9 cost study classes. With the exception of lighting, I used the same groupings as
10 the Staff so it was appropriate to use the same aggregate noncoincident peak
11 demands and annual energy data. To determine the monthly coincident peak
12 values which were only used to determine the successive monthly increments that
13 would later be distributed to classes, I summed data provided to me by the
14 Company. The source of this data was also labeled and provided in my
15 workpapers to the Company with the formula links intact that demonstrated how
16 the data was summed and later used.

17 **Q. PLEASE DISCUSS HIS SECOND CRITICIZM?**

18 **A.** At page 21, line 15, of his rebuttal testimony, Mr. Stowe creates a "straw man" by
19 crafting snippets of my testimony in a manner that misrepresents and distorts the
20 context of the statements made in my actual testimony. The full text of the
21 relevant portion of my testimony is as follows;

22 **Many of the distribution costs associated with providing service**
23 **to electric utility customers are not directly associated with or**
24 **reasonable assignable to a particular class with precision. For**
25 **example, with the exception of service drops and meters, most of**
26 **the facilities between the utility customer's point-of-service and the**
27 **distribution substation are shared facilities. Since no portion of such**

1 facilities are directly related to the number of customers, the
2 associated costs are best classified as demand related, rather than
3 customer related.

4 The bolded text shows the portion that Mr. Stowe chose to inappropriately
5 exclude. Later in his testimony, at page 22, lines 6-8, he pursues this specious
6 representation of my testimony by claiming that I am referring to FERC Accounts
7 364-368. I never made such a statement and the underlined portions of the
8 testimony above highlight that what he portrays as unqualified statements were
9 taken out of context. Finally, with respect to two issues he attempts to paint my
10 testimony as inconsistent with the guidelines contained in the NARUC Electric
11 Manual. The first relates to the use of primary and secondary splits in determining
12 the assignment of costs. The second relates to the demand and customer
13 allocations of certain FERC Accounts.

14 **Q. PLEASE EXPLAIN HOW HE MISCHARACTERIZES YOUR TESTIMONY ON THE**
15 **PRIMARY AND SECONDARY SPLITS USED IN DETERMINING THE ASSIGNMENT OF**
16 **COSTS.**

17 A. At page 22, line 20, through page 23, line 7, Mr. Stowe presents an argument
18 regarding voltage as a determinant in classifying costs. First he assumes that my
19 testimony suggests that the classification of plant as customer or demand related is
20 dependent on its operation at primary or secondary voltage. He states "Nowhere
21 in the NARUC manual is it suggested that voltage level plays a role in
22 determining the classification of distribution plant, nor have I ever heard of this
23 idea being discussed. The proposition suggested by OPC is, to my knowledge,
24 unsupported." This is another area where he has chosen to mischaracterize my
25 testimony and, in this case, its relationship to the guidelines in the NARUC

1 Manual. My actual use of primary and secondary voltage considerations occur as a
2 step in the functionalization of costs. This method of functionalization based on
3 primary and secondary voltage is discussed in the NARUC guidelines as an
4 appropriate method of functionalizing costs.

5 With respect to the classification of costs, analysts must evaluate the uses
6 with which functionalized costs are most closely related: energy, demand or
7 customer. On page 20, the 1992 NARUC Electric Utility Cost Allocation
8 Manual defines customer costs to be those costs that are directly related to the
9 number of customers served. On page 8, the NARUC Manual describes that
10 distribution plant includes substations, primary and secondary conductors, poles
11 and line transformers that are jointly used and in the public right of way as well as
12 the services, meters, and installations that are on the customer's own premises.
13 Based on my evaluation, services, meters and installations satisfy the definition of
14 customer related. It is not as obvious that substations, primary and secondary
15 conductors, poles and line transformers that are jointly used and in the public right
16 of way are customer related or directly related to the number of customers. For
17 example, it is my understanding that the number of electric poles and other cost
18 driving characteristics of poles needed to serve customers depends more on land
19 use and geographic considerations than the specific number of customers served.
20 In areas where sufficient poles are already in place, no additional pole related
21 costs maybe incurred to serve an additional customer. Another consideration that
22 is growing in relevance with growth in technology is that with some exceptions,
23 electric utilities as well as telephone utilities are required to lease pole space to
24 other entities including cable providers and competitive local telephone
25 companies. These considerations argue against a proposition that the cost of poles
26 is directly related to the number of customers. I believe that similar reasoning

1 applies to conduit. On the other, I recognize that some level of investment in
2 facilities might be better treated as non-energy and non-demand related so I
3 classified them as customer-related by "default". I believe that this is more likely
4 true for cost functionalized as secondary rather than primary since primary related
5 facilities are farther removed in the sense that they tend to be less directly related
6 or sized to serve particular customers, therefore I classified a portion of the
7 secondary functionalized costs associated with FERC Accounts 364-367, as
8 customer related while classifying all primary functionalized costs associated with
9 FERC Accounts 364-367 as demand related. Please see Attachment 2 for an
10 overview discussion of engineering considerations in electric system design.

11 **Q. ON PAGE 7, LINES 4-5, MAURICE BRUBAKER ARGUES THAT ACCOUNTS 502, 504,**
12 **505, 506, 509, 512, 513, 514, 553, 556 AND 557 SHOULD BE ALLOCATED BASED**
13 **ON CLASS DEMANDS RATHER THAN ON CLASS ENERGY. ON PAGE 8, HE ARGUES**
14 **THAT VARIOUS A&G EXPENSES (ACCOUNTS 920 -923, 927-931 AND 935)**
15 **SHOULD BE ALLOCATED BASED ON FACTORS SUCH AS PLANT INVESTMENT OR**
16 **PAYROLL. HAVE YOU CONSIDERED THE IMPACT THAT SUCH CHANGES WOULD**
17 **HAVE ON YOUR STUDY RESULTS?**

18 **A.** Yes, although I continue to believe it is appropriate to allocate the Accounts in the
19 manner I did in my study. With the exception of Maintenance Accounts 512, 513
20 and 514, I have recalculated the revenue neutral class shifts using my Demand
21 allocator rather than the Energy allocator for the listed accounts in the 500 series.
22 I did not alter the allocator for Accounts 512, 513 and 514 because an energy
23 allocator is specifically referenced for these accounts in the NARUC Manual. The
24 overall aggregate impact of changing all the allocation factors would result in only
25 minimal changes to the revenue neutral shifts suggested by my studies for

1 residential customers. The change was less than one half of one percent for each
2 service area.

3 **Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

4 **A. Yes.**