

EXHIBIT

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REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

**KANSAS CITY POWER & LIGHT GREATER
MISSOURI OPERATIONS COMPANY**

CASE NO. ER-2012-0175

September 12, 2012

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**Kansas City Power & Light
Greater Missouri Operations Company**

Class Cost of Service and Rate Design

ER-2012-0175

**Rebuttal Testimony
of
Barbara Meisenheimer**

1 ***I. INTRODUCTION***

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

3 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel,
4 P. O. 2230, Jefferson City, Missouri 65102. I am also an adjunct instructor for
5 William Woods University.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

7 A. I hold a Bachelor of Science degree in Mathematics from the University of
8 Missouri-Columbia (UMC) and have completed the comprehensive exams for a
9 Ph.D. in Economics from the same institution. My two fields of study are
10 Quantitative Economics and Industrial Organization. My outside field of study is
11 Statistics.

12 I have been with the Office of the Public Counsel since January 1996. I have
13 testified before the Missouri Public Service Commission (Commission) on
14 economic issues and policy issues in the areas of telecommunications, gas, electric,
15 water and sewer. In rate cases my testimony has addressed class cost of service,

1 rate design, miscellaneous tariff issues, low-income and conservation programs and
2 revenue requirement issues related to the development of class revenues, billing
3 units, low-income program costs, incentive programs and fuel cost recovery.

4 Over the past 15 years I have also taught courses for the following
5 institutions: University of Missouri-Columbia, William Woods University, and
6 Lincoln University. I currently teach undergraduate and graduate level economics
7 courses and undergraduate statistics for William Woods University.

8 **Q. HAVE YOU TESTIFIED IN PAST KANSAS CITY POWER & LIGHT GREATER MISSOURI**
9 **OPERATIONS COMPANY RATE CASES?**

10 A. Yes. I testified in Kansas City Power & Light Greater Missouri Operations
11 (KCP&L GMO) Case No. ER-2005-0436 regarding class cost of service and rate
12 design and in Aquila Inc. Case No. EO-2002-384 regarding GMO service area that
13 was previously acquired from Aquila Inc. I testified on class cost of service and rate
14 design in Aquila Inc. Case No. EO-2002-384. I also testified on class cost of service
15 and rate design issues in KCP&L Case No. ER-2006-0314, Case No. ER-2007-0291
16 and ER-2010-0356.

17 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

18 A. My rebuttal testimony addresses Public Counsel's class cost of service and rate
19 design recommendations in response to the direct testimony of KCPL-GMO
20 witnesses Tim Rush and Paul Normand.

1 **II. COST OF SERVICE AND RATE DESIGN**

2 **Q. HAS PUBLIC COUNSEL PREPARED A CCOS STUDY FOR THIS CASE?**

3 A. No.

4 **Q. HAVE YOU REVIEWED THE CCOS STUDY SUBMITTED BY GMO IN THIS CASE?**

5 A. Yes.

6 **Q. ARE YOU SATISFIED TO USE THE CCOS STUDY RESULTS PRESENTED IN THE**
7 **DIRECT TESTIMONY OF GMO WITNESS PAUL NORMAND AS A GUIDE TO SETTING**
8 **CLASS RATES IN THIS CASE?**

9 A. Yes. In recent cases, Public Counsel prepared and filed electric class cost of
10 service studies that utilize Time of Use based allocations and other methods
11 different from the Staff and Company. However, in this case, Public Counsel had
12 insufficient internal and consulting resources available to develop the Time of
13 Use allocators. As a result, although Public Counsel does not endorse or agree
14 with each of the Company's allocation methods, I have reviewed the allocations
15 and methods and am satisfied to use the Company's study results as a guide in
16 setting rates.

17 **Q. HAS THE COMPANY PROPOSED SHIFTS IN CLASS REVENUE RESPONSIBILITY FOR**
18 **THE RESIDENTIAL AND SMALL GENERAL SERVICE CLASSES BASED ON THE CCOS**
19 **STUDY RESULTS?**

1 A. No. GMO witness Tim Rush indicates that the Company prefers an equal
2 percentage increase to all non-fuel rate elements for the Residential and Small
3 General Service rate classes.

4 Q. **WHAT SHIFTS IN CLASS REVENUE RESPONSIBILITY ARE SUGGESTED BY THE CCOS**
5 **RESULTS SHOWN IN TABLE 3A AND 3B OF MR. NORMAND'S TESTIMONY?**

6 A. Mr. Normand's COSS Table 3A results show that for the MPS service area the
7 overall Residential class average rate of return is 4% lower than the system
8 average rate of return although the Residential-General Use subclass rate of return
9 is higher than the system average. The return provided by the overall Small
10 General Service class and the Small General Service-Secondary subclass is 136%
11 of the system average return. The Large General Service class is at approximately
12 105% of the system average return. In contrast, the Large Power class is
13 providing a return of only 80% of the system average return. Mr. Normand's
14 CCOS results could support some reduction in the return provided by the Small
15 General Service classes offset by an increase in the return provided by the Large
16 Power class.

17 Mr. Normand's COSS Table 3B results show that for the LP service area
18 the Residential class average rate of return is only 83% of the the system average
19 rate of return, however, the Residential-General Use rate of return is actually 6%
20 higher the system average rate of return. For the L&P system as well as the MPS
21 system the Residential Space Heating subclass is well below the system average
22 rate of return. The return provided by the Small General Service class is 197%
23 higher than the system average return and the Large General Service class is

1 approximately 37% higher than the system average return. In contrast, the Large
2 Power class is providing a return of only 81% of the system average return. Mr.
3 Normand's CCOS results support some reduction in the return provided by the
4 Small General Service and Large General Service class offset by an increase in
5 the return provided by the and Large Power class.

6 **Q. WHAT LEVEL OF REVENUE NEUTRAL SHIFTS DO YOU RECOMMEND?**

7 **A.** Generally, Public Counsel recommends that, where the existing revenue structure
8 departs greatly from the class cost of service, the Commission should impose, at a
9 maximum, class revenue shifts equal to one half of the "revenue neutral shifts"
10 indicated by the class cost of service study. Revenue neutral shifts are shifts that
11 hold overall company revenue at the existing level but allow for the share
12 attributed to each class to be adjusted to reflect the cost responsibility of the class.

13 Based on the Company's CCOS study for the MPS service area, the rate
14 base associated with the Large Power class is \$228,724,866. Currently, the
15 Company estimates that the Large Power class provides a 4.505% return
16 compared to the system average return of 5.629%. The maximum revenue neutral
17 shift I would recommend would increase the Large Power class by one half of the
18 "revenue neutral shifts" indicated by the class cost of service study or \$1,285,434
19 [$\$228,724,866 * \frac{1}{2} * (5.629\% - 4.505\%)$]. The Small General Service class should
20 receive a revenue neutral reduction equal to the revenue neutral increase to the
21 Large Power class.

1 Turning to the LP service area, the Company's CCOS study indicates that
2 the rate base associated with the Large Power class is \$159,118,370. Currently,
3 the Company estimates that the Large Power class provides a 4.021% return
4 compared to the system average return of 4.937%. The maximum revenue neutral
5 shift I would recommend would increase the Large Power class by one half of the
6 "revenue neutral shifts" indicated by the class cost of service study or \$728,762
7 [\$159,118,370 * ½ * (4.937% - 4.021%)]. The Small General Service and Large
8 General Service classes should share in a revenue neutral reduction equal to the
9 revenue neutral increase to the Large Power class. The Small General Service
10 class should receive the greatest share of the reduction since Small General
11 Service is substantially farther above cost than the Large General Service class I'd
12 recommend that Small General Service receive approximately 75% (\$546,572) of
13 the offset and the Large General Service receive 25% (\$182,191) of the offset
14 associated with the revenue neutral increase to the Large Power class.

15 **Q. UNDER CERTAIN CIRCUMSTANCES MIGHT YOU RECOMMEND LESSER REVENUE**
16 **NEUTRAL SHIFTS THAN THE MAXIMUM SHIFTS DISCUSSED ABOVE?**

17 **A.** Yes. To level the rate impacts on customers facing substantial increases
18 associated with combining the impacts of revenue neutral shifts and revenue
19 requirement increases with the rate impacts of customers receiving decreases,
20 Public Counsel recommends that if the Commission determines that an overall
21 increase in revenue requirement is necessary, then no customer class should
22 receive a net decrease as the combined result of: (1) the revenue neutral shift that
23 is applied to that class, and (2) the share of the total revenue increase that is

1 applied to that class. Likewise, if the Commission determines that an overall
2 decrease in revenue requirement is necessary, then no customer class should
3 receive a net increase as the combined result of: (1) the revenue neutral shift that
4 is applied to that class, and (2) the share of the total revenue decrease that is
5 applied to that class.

6 **Q. AT THIS TIME ARE YOU PROPOSING A LESSER REVENUE NEUTRAL SHIFT?**

7 **A. No.**

8 **Q. WHAT IS YOUR POSITION ON CHANGES TO THE RESIDENTIAL AND SMALL**
9 **GENERAL SERVICE CUSTOMER CHARGES?**

10 **A. In this case, Public Counsel encourages the Commission to keep customer charges**
11 **as low as possible. Low customer charges can encourage greater subscription and**
12 **shared use of the system resulting in benefits to all customers. Greater recovery**
13 **through use based charges provides an incentive to conserve by aligning bill**
14 **reductions with reduced usage.**

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

16 **A. Yes.**