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Rate Design
Witness: Michael S. Schepeler
Sponsoring Party: MO PSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION
UTILITY OPERATIONS DIVISION
DIRECT TESTIMONY
OF
MICHAEL S. SCHEPERLE
UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI
FILE NO. ER-2011-0028

Jefferson City, Missouri
February 2011

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OF

MICHAEL S. SCHEPERLE

UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI

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DIRECT TESTIMONY
OF
MICHAEL S. SCHEPERLE
UNION ELECTRIC COMPANY d/b/a AMEREN MISSOURI
FILE NO. ER-2011-0028

Q. Please state your name and business address.

A. My name is Michael S. Scheperle and my business address is Missouri Public Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

Q. Who is your employer and what is your present position?

A. I am employed by the Missouri Public Service Commission (Commission) and my title is Manager, Economic Analysis Section, Energy Department, Utility Operations Division.

Q. What is your educational background and work experience?

A. I completed a Bachelor of Science degree in Mathematics at Lincoln University in Jefferson City, Missouri. I have been employed by the Missouri Public Service Commission since June 2000. Prior to joining the Commission, I was employed at United Water Company as a Commercial Manager from 1983 to 2000, and at Missouri Power & Light Company from 1973 to 1983 as a Supervisor of Rates, Regulations and Budgeting. A list of the cases in which I have filed testimony before the Commission is shown on Schedule 1. I moved to the Economic Analysis section as a Regulatory Economist III in 2008 and began conducting Class Cost-of-Service (CCOS) studies. I assumed my current position in 2009.

EXECUTIVE SUMMARY

Q. What is the purpose of your direct testimony?

1 A. The purpose of this testimony is to sponsor the Staff's recommendation in its
2 Rate Design and Class Cost-of-Service Report (CCOS Report) that is being filed concurrently
3 with this direct testimony. I also provide in this direct testimony an overview of Staff's
4 recommendations detailed in its CCOS Report. The CCOS Report presents Staff's updated
5 CCOS study for Union Electric Company d/b/a Ameren Missouri (Ameren Missouri) and
6 provides methods to collect a Commission ordered overall increase in Ameren Missouri's
7 overall revenue requirement. Also, the CCOS Report makes a recommendation to require
8 Ameren Missouri to combine its tariffs under one number; recommends changes to the Fuel
9 and Purchase Power Adjustment Clause (FAC); and street and area lighting
10 recommendations.

11 Q. What are Staff's rate design recommendations to the Commission for Ameren
12 Missouri in this case?

13 A. As explained in its CCOS Report, Staff recommends that the Commission
14 order Ameren Missouri that:

- 15 1. The following Ameren Missouri customer classes receive the system average increase,
16 as the revenue responsibilities of these customer classes are close to Ameren
17 Missouri's cost to serve them:
 - 18 • Small General Service (SGS)
 - 19 • Large Transmission Service (LTS)
- 20 2. The Ameren Missouri Residential and Lighting customer classes receive the system
21 average percent increase plus an approximate additional 1% increase, because the
22 current revenue responsibilities of the customer classes are less than Ameren
23 Missouri's cost to serve them.
- 24 3. The following Ameren Missouri customer classes receive no increase for the first \$30
25 million, because their current revenue responsibilities exceed Ameren Missouri's cost
26 of serving them. For any Commission ordered increase above \$30 million, that the

1 additional amount above \$30 million be allocated on an equal percentage basis to the
2 following Ameren Missouri customer classes:

- 3 • Large General Service (LGS)/Small Primary Service (SPS)
 - 4 • Large Primary Service (LPS)
- 5 4. Ameren Missouri maintain non-residential rate schedule interrelationship uniformity
6 for customer charges, Rider B voltage credits, Reactive charges, and Time-of-Day
7 customer charges.
 - 8 5. The residential customer charge be increased to \$9.00.
 - 9 6. Combine Ameren Missouri tariffs under one P.S.C. Mo. Schedule number, resolve
10 inconsistencies between the list of communities and counties served by Ameren
11 Missouri in its minimum filing requirements and its tariff, make clarification and
12 typography correction in specific tariff sheets, and remove obsolete energy efficiency
13 program tariff sheets.
 - 14 7. Implement FAC revisions.
 - 15 8. Ameren Missouri shall complete its evaluation of Light Emitting Diode (LED) Street
16 and Area Lighting (SAL) systems and file a proposed LED lighting rate schedule(s) no
17 later than twelve (12) months following its Report and Order approving tariff sheets in
18 this case or an update to the Commission on when it will file a proposed LED lighting
19 rate schedule(s).

20 **STAFF RATE DESIGN AND CCOS REPORT**

21 Q. How is the Staff's CCOS Report organized?

22 A. The Report is organized by topic as follows:

23 I. Executive Summary

24 II. Class Cost-of-Service and Rate Design Overview

25 III. Class Cost-of-Service Study

26 IV. Rate Design

27 V. Recommendation to Require Ameren Missouri to Combine its Tariffs

28 Under One Number

1 VI. Fuel and Purchase Power Adjustment Clause

2 VII. Street and Area Lighting Recommendation

3 Q. Which members of Staff are responsible for the Staff's CCOS Report?

4 A. I am responsible for the CCOS and Rate Design Overview and Staff CCOS
5 sections. William (Mack) L. McDuffey is responsible for Ameren Missouri to combine its
6 tariffs under one number. David Roos is responsible for the recommended FAC tariff
7 revisions. Hojong Kang is responsible for the SAL recommendation.

8 Q. What relationship, if any, is there between the Staff's Revenue Requirement
9 Cost of Service (COS) Report filed February 8, 2011, and the Staff's CCOS Report?

10 A. In its COS Report Staff filed its accounting information, which included
11 Staff's estimate of Ameren Missouri's revenue requirement through the true-up cut-off date of
12 February 28, 2011. Consistent with that COS Report, this CCOS Report reflects the Staff's
13 revenue requirement recommendation of \$72,003,700 (mid-point) based on Staff's estimate
14 through the true-up cut-off date of February 28, 2011.

15 **CLASS COST-OF-SERVICE STUDY**

16 Q. How did Staff reach its CCOS recommendations to the Commission?

17 A. Staff's Accounting Schedules filed with Staff's COS Report show an increase
18 in Ameren Missouri's revenue requirement in the range of \$44,789,202 to \$99,306,105 is
19 warranted. In its COS Report, Staff's mid-point of its return on equity range calculated
20 Ameren Missouri's revenue requirement to be \$72,003,700, an overall increase of 2.96%.

21 Staff used Ameren Missouri's rate schedules for the customer classes in its CCOS
22 study. Staff combined the LGS and SPS rate classes for purposes of its CCOS study since
23 both rate schedules serve non-residential customers with billing demands of at least 100

1 kilowatts (kW), a customer may choose to take service at secondary voltage level under the
2 LGS 3(M) rate schedule or at a primary voltage level under the SPS 4(M) rate schedule. The
3 rate structures are identical, except that the rate levels on the SPS rate schedule have been
4 adjusted for the loss differential between primary and secondary voltages and to account for
5 customer provision of voltage transformation equipment. For its lighting class Staff combined
6 Ameren Missouri's lighting rate schedules. This resulted in six customer classes. For each of
7 these six customer classes Staff determined (1) Ameren Missouri's investment to serve the
8 customers in that customer class and; (2) Ameren Missouri's ongoing expenses to serve the
9 customers in that customer class. Staff's CCOS study revealed that, on a revenue neutral
10 basis, Ameren Missouri's current rates result in two of the customer classes having more
11 revenue responsibility than Ameren's cost (investment and expenses) to serve them and four
12 of the rate customer classes having less revenue responsibility than Ameren's costs to serve
13 them. For Staffs' CCOS study results, a positive percentage indicates revenue responsibility
14 of that customer class is less than Ameren Missouri's cost to serve that class, i.e., the class has
15 underpaid. In contrast, a negative percentage indicates revenue responsibility of the customer
16 class exceeds Ameren Missouri's cost to serve to that class, i.e., the class has overpaid.

17 Q. How did Staff conduct its CCOS study?

18 A. The CCOS Report outlines how Staff performed its CCOS study. In its CCOS
19 study Staff used the Base, Intermediate, and Peaking (BIP) method for allocating production
20 investment and costs to the customer classes. Staff used the 12 coincident (12 CP) method to
21 allocate transmission investment and costs to the customer classes. Staff used a combination
22 of non-coincident peak (NCP) demands, individual customer maximum demands, and
23 company specific studies to allocate distribution investment and costs to customer classes.

1 Customer costs are allocated to customer classes based on the numbers of customers,
2 company studies, and other internal allocators. Staff's CCOS study summary attached to its
3 CCOS Report (Schedule MSS-1) is based on Staff's midpoint return on equity (ROE)
4 recommendation revenue requirement for Ameren Missouri's jurisdictional retail operations
5 of \$72,003,700 and an overall increase of 2.96%.

6 **RATE DESIGN AND OTHER RECOMMENDATIONS**

7 Q. What are Staff's Rate Design and other recommendations detailed in its CCOS
8 Report?

9 A. Staff recommends that the Commission order Ameren Missouri to implement
10 any Commission ordered increase as follows:

11 1. The following Ameren Missouri customer classes receive the system average increase,
12 as the revenue responsibilities of these customer classes are close to Ameren
13 Missouri's cost to serve them:

- 14 • Small General Service
- 15 • Large Transmission Service

16 2. The Ameren Missouri Residential and Lighting customer classes receive the system
17 average percent increase plus an approximate additional 1% increase, because the
18 current revenue responsibilities of the customer classes are less than Ameren
19 Missouri's cost to serve them.

20 3. The following Ameren Missouri customer classes receive no increase for the first \$30
21 million, because their current revenue responsibilities exceed Ameren Missouri's cost
22 of serving them. For any Commission ordered increase above \$30 million, that the
23 additional amount above \$30 million be allocated on an equal percentage basis to the
24 following Ameren Missouri customer classes:

- 25 • Large General Service/Small Primary Service
- 26 • Large Primary Service

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- 1 4. Ameren Missouri maintain non-residential rate schedule interrelationship uniformity
2 for customer charges, Rider B voltage credits, reactive charges, and Time-of-Day
3 customer charges.
4 5. The Residential customer charge be increased to \$9.00.
5 6. Recommendation to require Ameren Missouri to combine its tariffs under one number
6 and other miscellaneous changes.
7 7. Ameren Missouri implement FAC revisions as detailed in Staff's Rate Design and
8 CCOS Report.
9 8. Complete its evaluation of LED SAL systems and file a proposed LED lighting rate
10 schedule(s).
11 Q. Does this conclude your direct testimony?
12 A. Yes, it does.

Michael S. Scheperle

**Testimony/Reports Filed Before
The Missouri Public Service Commission:**

CASE NOS:

TO-98-329, *In the Matter of an Investigation into Various Issues Related to the Missouri Universal Service Fund*

TT-2000-527/513, *Application of Allegiance Telecom of Missouri, Inc. ... for an Order Requiring Southwestern Bell Telephone Company to File a Collocation Tariff; Joint Petition of Birch Telecom of Missouri, Inc. for a Generic Proceeding to Establish a Southwestern Bell Telephone Company Collocation Tariff before the Missouri Public Service Commission*

TT-2001-139, *In the Matter of Mark Twain Rural Telephone Company's Proposed Tariff to Introduce its Wireless Termination Service*

TT-2001-298, *In the Matter of Southwestern Bell Telephone Company's Proposed Tariff PSC Mo. No. 42 Local Access Service Tariff, Regarding Physical and Virtual Collocation*

TT-2001-440, *In the Matter of the determination of Prices, Terms, and Conditions of Line-Splitting and Line-Sharing*

TO-2001-455, *In the Matter of the Application of AT&T Communications of the Southwest, Inc., TCG St. Louis, Inc., and TCG Kansas City, Inc., for Compulsory Arbitration of Unresolved Issues with Southwestern Bell Telephone Company Pursuant to Section 252(b) of the Telecommunications Act of 1996*

TC-2002-57, *In the Matter Of Northeast Missouri Rural Telephone Company's And Modern Telecommunications Company's Complaint Against Southwestern Bell Telephone Company Regarding Uncompensated Traffic Delivered by Southwestern Bell Telephone Company To Northeast Missouri Rural Telephone And Modern Telecommunications Company.*

TC-2002-190, *In the Matter Of Mid-Missouri Telephone Company vs. Southwestern Bell Telephone Company*

TC-2002-1077, *BPS Telephone Company, et al., vs. Voicestream Wireless Corporation, Western Wireless Corp., and Southwestern Bell Telephone Company*

TO-2005-0144, *In the Matter of a Request for the Modification of the Kansas City Metropolitan Calling Area Plan to Make the Greenwood Exchange Part of the Mandatory MCA Tier 2*

TO-2006-0360, *In the Matter of the Application of NuVox Communications of Missouri, Inc. for an Investigation into the Wire Centers that AT&T Missouri Asserts are Non-Impaired Under the TRRO*

IO-2007-0439, *In the Matter of Spectra Communications Group, LLC d/b/a CenturyTel's Request for Competitive Classification Pursuant to section 392.245.5 RSMo*

IO-2007-0440, *In the Matter of CenturyTel of Missouri, LLC's Request for Competitive Classification Pursuant to Section 392.245.5 RSMo*

TO-2009-0042, *In the Matter of the Review of the Deaf Relay Service and Equipment Distribution Fund Surcharge*

ER-2009-0090, *In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service*

ER-2009-0089, *In the Matter of the Application of Kansas City Power and Light Company for Approval to Make Certain Changes in its Charges for Electric Service To Continue the Implementation of Its Regulatory Plan*

ER-2010-0036, *In the Matter of Union Electric Company, d/b/a AmerenUE's Tariffs to Increase its Annual Revenues for Electric Service*

ER-2010-0130, *In the Matter of The Empire District Electric Company of Joplin, Missouri for Authority to File Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*

ER-2010-0355, *In the Matter of the Application of Kansas City Power & Light Company for Approval to Make Certain Changes in its Charges for Electric service to Continue the Implementation of Its Regulatory Plan*

ER-2010-0356, *In the Matter of the Application of KCP&L Greater Missouri Operations Company for Approval to Make Certain Changes in its Charges for Electric Service*