

Exhibit No.:
Issues: Class Cost-of-Service
Rate Design
Witness: Michael S. Scheperle
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
File No.: ER-2011-0004
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL S. SCHEPERLE

THE EMPIRE DISTRICT ELECTRIC COMPANY

FILE NO. ER-2011-0004

*Jefferson City, Missouri
April 2011*

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

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)

File No. ER-2011-0004

AFFIDAVIT OF MICHAEL S. SCHEPERLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

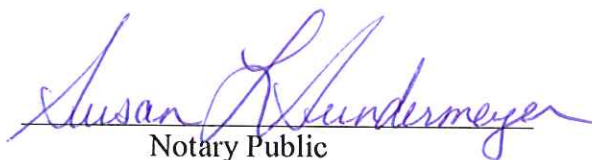
Michael S. Scheperle, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Michael S. Scheperle

Subscribed and sworn to before me this 18th day of April, 2011.





Notary Public

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL S. SCHEPERLE**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

5 **FILE NO. ER-2011-0004**

6 Q. Please state your name and business address.

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

9 Q. Are you the same Michael S. Scheperle who filed on March 16, 2011, direct
10 testimony in question and answer format as part of the Missouri Public Service Commission
11 Staff's (Staff's) Rate Design and Class Cost-of-Service Report?

12 A. Yes, I am.

13 Q. What is the purpose of your rebuttal testimony?

14 A. The purpose of this testimony is to provide results of a revised class cost-of-
15 service (CCOS) study and to address the direct testimony of The Empire District Electric
16 Company (Empire); Enbridge Energy, LP, Explorer Pipeline Company, Praxair, Inc.
17 (collectively, "Industrials"); and the Office of Public Counsel (OPC) concerning class cost-of-
18 service (CCOS) production allocators. I specifically address:

- 19
- Production-Capacity Allocator
 - Residential Customer Charges
- 20

21 Q. Why is Staff providing the results of a revised CCOS study at this time?

22 A. The revised study was prompted by an inquiry that I received from one of the
23 other parties about the manner in which I allocated uncollectible expenses. After reviewing

1 my calculation of allocated uncollectible expense between rate classes, I determined I had
2 misallocated the allocator between classes. Staff alerted all parties to the oversight and
3 furnished the revised results and corrected workpapers on April 7, 2011. This changed the
4 results of the CCOS study in its Report for Table 1 and Schedule MSS-1 between classes, but
5 did not change Staff's recommendation on rate design or Staff's overall recommendation on
6 revenue neutral shifts between classes. Attached are revised Table 1 designated as Schedule
7 MSS-R1 and revised Schedule MSS-1 detailed in this Rebuttal Testimony as Schedule MSS-
8 R2.

9 **Production-Capacity Allocators**

10 Q. Who has presented CCOS study results in this case?

11 A. The Staff, Empire, and OPC presented four studies and the Industrials
12 presented three studies.

13 Q. Did they all use the same parameters in their CCOS studies?

14 A. No.

15 Q. Does Staff agree with the parameters other parties used?

16 A. Staff disagrees with one significant allocator, the Production-Capacity
17 allocator. Therefore, Staff is limiting this rebuttal testimony to the other parties' choice of
18 Production-Capacity allocator.

19 Q. What are the different Production-Capacity allocators the parties used?

20 A. In this case, the production capacity cost allocator methods were the Base,
21 Intermediate and Peak (BIP) Method used by Staff; the Average and Excess (A&E) Method
22 used by Empire; the distinct A&E allocator used by the Industrials; and the Average and Peak
23 (A&P) and a method OPC refers to as Time of Use (TOU).

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Michael S. Scheperle

1 Q. Does Staff agree with Empire's Production-Capacity allocator method?

2 A. No. Empire's Production-Capacity allocator is based on an A&E 12
3 Coincidental Peak (A&E 12 CP) methodology. The use of monthly peaks should be
4 representative of the system peak in developing the Production-Capacity allocator. Empire
5 used the average of the twelve monthly system peaks to calculate its Production-Capacity
6 allocator. Staff recommends that certain months not be included in the development of the
7 Production-Capacity allocator because certain monthly peaks are well below (percentage-
8 wise) to the system peak. For example, April (68%) and May (62%) are considerably below
9 the system peak and should not be considered when calculating the Production-Capacity
10 allocator. Also, Empire used four other months that should not be included in that component
11 of the Production-Capacity allocator because the monthly peaks are below 85% of the system
12 peak. Staff's BIP method considers only the six monthly peaks where the monthly peaks are
13 within 85% of the system peak. This means that Staff's BIP method considered three winter
14 months (January, February and December) and three summer months (June, July, and August)
15 in its Production-Capacity allocator.

16 Q. Does Staff agree with the Industrial's Production-Capacity allocator method?

17 A. No. The Industrials produced three studies all using variations of the A&E
18 methodology. For purposes of this case, the Industrials used the A&E 12 Non-Coincidental
19 Peak (A&E 12 NCP) method for their primary class cost-of-service study. This approach
20 suffers from the same deficiency as with Empire's study--that the use of twelve peaks should
21 be representative of the system peak or periods of highest system costs. Certain months are
22 well below the system peak and should not be included in the calculation of the Production
23 Capacity allocator. Staff's BIP method considered the six monthly peaks where the monthly

1 peaks are within 85% of the system peak in its determination of the Production-Capacity
2 allocator

3 Q. Why doesn't Staff use the A&P method or the TOU used by OPC to allocate
4 the Production-Capacity allocator?

5 A. In the last two Ameren Missouri cases the Commission has rejected the A&P
6 method as being unreliable based on findings that it double counts the average system usage.
7 Also, the Commission rejected the TOU method as being unreliable because it considers
8 every hour in the year to be a demand peak and as a result, the actual peaks in usage are given
9 no additional weight. The BIP method proposed by Staff ensures double counting doesn't
10 occur as it subtracts the Base component already allocated when it considers the Intermediate
11 component. Furthermore, Staff's BIP method subtracts the Base and Intermediate component
12 already allocated in the Base and Intermediate component when considering the Peak
13 component. This process eliminates any double counting that could occur because the BIP
14 method reduces peaks already allocated from previous components.

15 **Residential Customer Charge**

16 Q. Does Staff agree with Empire's recommendation that the residential customer
17 charge increase from \$12.52 to \$24.00?

18 A. No. If Empire's recommendation is adopted, that would mean a 92% increase
19 for the customer charge. Staff recommends a more modest \$0.48 increase for the residential
20 customer charge. Staff's recommendation is based on Staff's judgment of public acceptance
21 and preference for rate stability. The 92% increase on residential customer charges as
22 proposed by Empire is too large of an increase for all residential customers and especially

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1 | small users. Schedule MSS-R3 outlines each party's position on the residential customer
2 | charge.

3 | Q. Does this conclude your rebuttal testimony?

4 | A. Yes, it does.

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Case No. ER-2011-000
Summary Results of Staff's CCOS Study

**Table 1 - Original Direct Filing
Summary Results of Staff's CCOS Study - Empire**

Customer Class	Revenue Deficiency	CCOS % Increase
Residential (RG)	\$7,725,865	4.17%
Commercial Building (CB)	(\$1,058,424)	-2.86%
Commercial Small Heating (SH)	(\$223,663)	-2.29%
General Power (GP)	(\$5,643,087)	-7.32%
Special Transmission Service Contract: Praxair (SCP)	\$394,691	12.83%
Total Electric Building (TEB)	(\$1,676,905)	-4.75%
Feed Mill and Grain Elevator (PFM)	(\$5,485)	-8.57%
Large Power (LP)	\$2,956,299	6.39%
Lights (Street, Private, Special, Miscellaneous)	(\$1,889,348)	-26.35%
Total	\$579,943	0.14%

**Table 1 - Revised Direct Filing
Summary Results of Staff's CCOS Study - Empire**

Customer Class	Revenue Deficiency	CCOS % Increase
Residential (RG)	\$8,458,467	4.57%
Commercial Building (CB)	(\$1,620,827)	-4.38%
Commercial Small Heating (SH)	(\$223,787)	-2.29%
General Power (GP)	(\$5,611,096)	-7.27%
Special Transmission Service Contract: Praxair (SCP)	\$243,101	7.90%
Total Electric Building (TEB)	(\$1,723,986)	-4.88%
Feed Mill and Grain Elevator (PFM)	(\$9,387)	-14.66%
Large Power (LP)	\$2,956,806	6.39%
Lights (Street, Private, Special, Miscellaneous)	(\$1,889,348)	-26.35%
Total	\$579,943	0.14%

Table 1 - Staff Rate Design and Class Cost-of-Service Report Page 3

Missouri Public Service Commission
Case No. ER-2011-0004
Summary Results of Staff's CCOS Study

**Schedule MSS-1 - Original Direct Filing
Summary Results of Staff's CCOS Study - Empire**

Customer Class	CCOS % Increase	Less: System Average	Revenue Neutral % Increase
Residential (RG)	4.17%	-0.14%	4.03%
Commercial Building (CB)	-2.86%	-0.14%	-3.00%
Commercial Small Heating (SH)	-2.29%	-0.14%	-2.44%
General Power (GP)	-7.32%	-0.14%	-7.46%
Special Transmission Service Contract (SC-P)	12.83%	-0.14%	12.68%
Total Electric Building (TEB)	-4.75%	-0.14%	-4.89%
Feed Mill and Grain Elevator (PFM)	-8.57%	-0.14%	-8.71%
Large Power (LP)	6.39%	-0.14%	6.25%
Lights (Street, Private, Special, Miscellaneous)	-26.35%	-0.14%	-26.50%
Total	0.14%	-0.14%	0.00%

**Schedule MSS-1 - Revised Direct Filing
Summary Results of Staff's CCOS Study - Empire**

Customer Class	CCOS % Increase	Less: System Average	Revenue Neutral % Increase
Residential (RG)	4.57%	-0.14%	4.42%
Commercial Building (CB)	-4.38%	-0.14%	-4.52%
Commercial Small Heating (SH)	-2.29%	-0.14%	-2.44%
General Power (GP)	-7.27%	-0.14%	-7.42%
Special Transmission Service Contract (SC-P)	7.90%	-0.14%	7.75%
Total Electric Building (TEB)	-4.88%	-0.14%	-5.02%
Feed Mill and Grain Elevator (PFM)	-14.66%	-0.14%	-14.81%
Large Power (LP)	6.39%	-0.14%	6.25%
Lights (Street, Private, Special, Miscellaneous)	-26.35%	-0.14%	-26.50%
Total	0.14%	-0.14%	0.00%

Schedule MSS-1 (Part of Staff Rate Design and Class Cost-of-Service Report)

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	Current Customer Charge	Empire Proposal	Staff Proposal	OPC Proposal
Residential	\$12.52	\$24.00	\$13.00	\$12.52
Percent Increase		91.7%	3.8%	0.0%