

Exhibit No.:  
Issues: Class Cost-of-Service  
Rate Design  
Witness: Michael S. Scheperle  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
Case No.: ER-2010-0130  
Date Testimony Prepared: April 2, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL S. SCHEPERLE**

**THE EMPIRE DISTRICT ELECTRIC COMPANY**

**CASE NO. ER-2010-0130**

**Jefferson City, Missouri  
April 2010**

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

In the Matter of the Empire District )  
Electric Company for Authority to File )  
Tariffs Increasing Rates for Electric )  
Service Provided to Customers in the )  
Missouri Service Area of the Company )

Case No. ER-2010-0130

**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 3 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*  
\_\_\_\_\_  
Michael S. Scheperle

Subscribed and sworn to before me this 2<sup>nd</sup> day of April, 2010.



SUSAN L. SUNDERMEYER  
My Commission Expires  
September 21, 2010  
Callaway County  
Commission #06942086

*Susan L. Sundermeyer*  
\_\_\_\_\_  
Notary Public



Rebuttal Testimony of  
Michael S. Scheperle

1 Q. What does Ms. Meisenheimer recommend?

2 A. Ms. Meisenheimer recommends that any increase in class revenues be  
3 allocated to classes based on each class's share of current base rate revenues (Meisenheimer,  
4 Direct, page 7). Staff agrees with this recommendation. Ms. Meisenheimer also recommends  
5 that for the residential and small commercial classes, that the revenue increase be allocated  
6 only to the volumetric rates and not to other components, i.e., customer charge.  
7 (Meisenheimer, Direct, page 8). Staff does not agree with this recommendation.

8 Q. What would be the effect of adopting Ms. Meisenheimer's recommendation?

9 A. There would be within-class revenue shifts, i.e., some customers within a class  
10 would receive a higher percentage increase in their bill than other customers in the same class.

11 Q. Which customers would see a larger percentage increase to their bill if the  
12 increase is only applied to the energy component of the bill?

13 A. Users with above-average usage will see a larger percentage increase than  
14 users with below-average usage because the customer charge, which Ms. Meisenheimer  
15 recommends not changing, is a larger percentage of the total bill for users with below-average  
16 usage.

17 Q. Is this true under both summer and winter rates?

18 A. Yes.

19 Q. Is Empire a summer or winter peaking utility?

20 A. Historically, Empire has been a summer peaking utility; however, the summer  
21 and winter peaks have been equalizing over the last several years. This past year, Empire  
22 peaked in the month of January 2010, during the heating season.

Rebuttal Testimony of  
Michael S. Scheperle

1 Q. Has Ms. Meisenheimer presented any studies or analysis to support her  
2 recommendation to give some customers larger increases than others?

3 A. No. In fact she states, "Class cost of service studies were last performed in  
4 Case No. ER-2004-0570 based on information for the test year ending December 31, 2003,  
5 updated through June 30, 2004. Consistent with the Stipulation and Agreement in Case No.  
6 EO-2005-0263, which addresses the Company's Experimental Regulatory Plan, parties agreed  
7 that Empire would conduct class cost of service studies and provide parties with underlying  
8 cost allocation data." (Meisenheimer, Direct, page 6) Ms. Meisenheimer is providing no new  
9 or compelling reason to implement cost shifts in advance of the class cost-of-service study the  
10 Company will prepare in 2010. It is anticipated that Empire will file another rate case soon  
11 after this proceeding concludes, in order to obtain treatment of additional rate base investment  
12 from Iatan 2. Iatan 2 is now scheduled to be fully operational and used for service in the fall  
13 of 2010.

14 Q. What is your recommendation regarding Ms. Meisenheimer's proposal?

15 A. I recommend rejecting Ms. Meisenheimer's intraclass proposal because there  
16 is no evidence to support a change in Empire's rate design at this time. The interclass and/or  
17 intraclass revenue shifts should be addressed in Empire's next rate case anticipated to be filed  
18 soon after the conclusion of this case.

19 Q. Does this conclude your rebuttal testimony?

20 A. Yes, it does.