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

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In the Matter of the Empire District ) Electric Company for Authority to File ) Tariffs Increasing Rates for Electric ) Case No. ER-2010-0130 Service Provided to Customers in the ) Missouri Service Area of the Company )			
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 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 2 <sup>1</sup> day of April, 2010.			
SUSAN L. SUNDERMEYER My Commission Expires September 21, 2010 Callaway County Commission #06942086  SUSAN L. SUNDERMEYER My Commission Expires September 21, 2010 Callaway County Commission #06942086			

1		REBUTTAL TESTIMONY	
2		OF	
3		MICHAEL S. SCHEPERLE	
4		THE EMPIRE DISTRICT ELECTRIC COMPANY	
5	CASE NO. ER-2010-0130		
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 9, 2010, direct	
10	testimony in	question and answer format and as part of the Missouri Public Service	
11	Commission Staff's (Staff's) Class Cost-of-Service and Rate Design 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 address Ms. Barbara A. Meisenheimer's	
15	testimony on behalf of the Office of Public Counsel regarding changes to the rate components		
16	of each of The Empire District Electric Company's ("Empire" or "Company") rate schedules		
17	to collect the	to collect the level of revenues authorized by the Commission in this case.	
18	Q.	What is the Staff's recommendation?	
19	A.	The Staff recommends that class revenues be adjusted to collect any increase	
20	in Empire's r	in Empire's revenue requirement granted by the Commission by increasing each rate value on	
21	each rate schedule by the same equal percentage; thus, maintaining the present rate design and		
22	relative class responsibility and increasing each customer's bill by the same percentage		
23	regardless of whether they use a small or large amount of electricity.		

- Q. What does Ms. Meisenheimer recommend?
- A. Ms. Meisenheimer recommends that any increase in class revenues be allocated to classes based on each class's share of current base rate revenues (Meisenheimer, Direct, page 7). Staff agrees with this recommendation. Ms. Meisenheimer also recommends that for the residential and small commercial classes, that the revenue increase be allocated only to the volumetric rates and not to other components, i.e., customer charge. (Meisenheimer, Direct, page 8). Staff does not agree with this recommendation.
  - Q. What would be the effect of adopting Ms. Meisenheimer's recommendation?
- A. There would be within-class revenue shifts, i.e., some customers within a class would receive a higher percentage increase in their bill than other customers in the same class.
- Q. Which customers would see a larger percentage increase to their bill if the increase is only applied to the energy component of the bill?
- A. Users with above-average usage will see a larger percentage increase than users with below-average usage because the customer charge, which Ms. Meisenheimer recommends not changing, is a larger percentage of the total bill for users with below-average usage.
  - Q. Is this true under both summer and winter rates?
  - A. Yes.
  - Q. Is Empire a summer or winter peaking utility?
- A. Historically, Empire has been a summer peaking utility; however, the summer and winter peaks have been equalizing over the last several years. This past year, Empire peaked in the month of January 2010, during the heating season.

- Q. Has Ms. Meisenheimer presented any studies or analysis to support her recommendation to give some customers larger increases than others?
- A. No. In fact she states, "Class cost of service studies were last performed in Case No. ER-2004-0570 based on information for the test year ending December 31, 2003, updated through June 30, 2004. Consistent with the Stipulation and Agreement in Case No. EO-2005-0263, which addresses the Company's Experimental Regulatory Plan, parties agreed that Empire would conduct class cost of service studies and provide parties with underlying cost allocation data." (Meisenheimer, Direct, page 6) Ms. Meisenheimer is providing no new or compelling reason to implement cost shifts in advance of the class cost-of-service study the Company will prepare in 2010. It is anticipated that Empire will file another rate case soon after this proceeding concludes, in order to obtain treatment of additional rate base investment from Iatan 2. Iatan 2 is now scheduled to be fully operational and used for service in the fall of 2010.
  - Q. What is your recommendation regarding Ms. Meisenheimer's proposal?
- A. I recommend rejecting Ms. Meisenheimer's intraclass proposal because there is no evidence to support a change in Empire's rate design at this time. The interclass and/or intraclass revenue shifts should be addressed in Empire's next rate case anticipated to be filed soon after the conclusion of this case.
  - Q. Does this conclude your rebuttal testimony?
  - A. Yes, it does.