

Exhibit No.:  
Issues: Revenue Requirement  
Witness: Michael S. Scheperle  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Direct Testimony  
Case No.: HR-2014-0066  
Date Testimony Prepared: May 1, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**UTILITY OPERATIONS**

**REGULATORY REVIEW DIVISION**

**DIRECT TESTIMONY**

**OF**

**MICHAEL S. SCHEPERLE**

**VEOLIA ENERGY KANSAS CITY, INC.**

**CASE NO. HR-2014-0066**

**Jefferson City, Missouri  
May 2014**

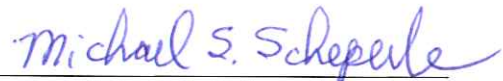
**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of Veolia Energy Kansas )  
City, Inc for Authority to File Tariffs to ) Case No. HR-2014-0066  
Increase Rates )

**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 Direct Testimony in question and answer form, consisting of 5 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct 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 29<sup>th</sup> day of April, 2014.



  
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Notary Public

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**OF**  
**MICHAEL S. SCHEPERLE**  
**VEOLIA ENERGY KANSAS CITY, INC.**  
**CASE NO. HR-2014-0066**

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1 **DIRECT TESTIMONY**  
2 **OF**  
3 **MICHAEL S. SCHEPERLE**  
4 **VEOLIA ENERGY KANSAS CITY, INC.**  
5 **CASE NO. HR-2014-0066**

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

10 A. I am employed by the Missouri Public Service Commission (“Commission”)  
11 and my title is Manager, Economic Analysis Section, Energy Unit, Utility Operations,  
12 Regulatory Review Division.

13 **CREDENTIALS**

14 Q. What is your educational background and work experience?

15 A. I completed a Bachelor of Science degree in Mathematics at Lincoln  
16 University in Jefferson City, Missouri. I have been employed by the Missouri Public Service  
17 Commission since June 2000. Prior to joining the Commission, I was employed at United  
18 Water Company as a Commercial Manager from 1983 to 2000, and at Missouri Power &  
19 Light Company from 1973 to 1983 as a Customer Service Representative and as a Supervisor  
20 of Rates, Regulations and Budgeting. A list of the cases in which I have filed  
21 testimony/reports before the Commission is shown on Schedule MSS-D1. I moved to the  
22 Economic Analysis section as a Regulatory Economist III in 2008. I assumed my current  
23 position in 2009. My duties consist of directing Commission Staff within the Economic  
24 Analysis Section, analyzing rate case activity, reviewing tariffs, and making recommendations

1 based upon my evaluations and the evaluations performed by the Economic Analysis section.  
2 My previous testimony and responsibilities address topics including class cost of service, rate  
3 design, telecommunication issues, complaint cases, Missouri Universal Service Fund, energy  
4 efficiency/demand-side management, a Staff member of the Missouri-Deaf-Relay Committee,  
5 and a member of the Commission Staff's Electric Meter Variance Committee.

6 Q. With reference to Case No. HR-2014-0066, have you participated in the  
7 Commission Staff's ("Staff") audit of Veolia Energy Kansas City, Inc. ("Veolia Kansas City"  
8 or "Company") concerning its request for a rate increase in this proceeding?

9 A. Yes, I have, with the assistance of other members of the Staff. I, along with  
10 Staff expert Cary Featherstone, of the Commission's Utility Services, Regulatory Review  
11 Division, support the Staff's recommendation and Staff's Cost of Service Report to the  
12 Commission of the overall revenue requirement calculation. In his direct testimony, Mr.  
13 Featherstone, provides an overview of the work performed on this case by the Staff members  
14 of the Utility Services personnel, Regulatory Review Division. The revenue requirement  
15 calculation results are found in separately filed Accounting Schedules, with the calculation  
16 prepared by members of the Commission Staff.

17 Several members of the Commission Staff had specific assignments relating to  
18 different components of the revenue requirement calculation, and are individually responsible  
19 for those calculations. In this direct testimony, I provide an overview of the work performed  
20 on this case by members of the Utility Operations, Regulatory Review Division.

21 **EXECUTIVE SUMMARY**

22 Q. What is the purpose of your direct testimony?

1           A.     The purpose of this testimony is to provide an overview of the Staff's position  
2 relating to weather normalization and revenues. The sections of Staff's Report relating to  
3 these issues were prepared wholly, or in part, by Staff members in Utility Operations,  
4 Regulatory Review Division. I participated/supervised the preparation of these sections. The  
5 "report" approach to the case filing minimizes the number of Staff witnesses required to file  
6 direct testimony and provides for a clearer presentation of the overall revenue requirement. I  
7 am one of two project coordinators assigned to identify the work scope for this case, make  
8 Staff assignments, and supervise and oversee all work product development.

9           Q.     Is this the entire filing being made by Staff for this case?

10          A.     No. Staff will file its rate design and Class Cost of Service (CCOS) Report and  
11 testimony on May 15, 2014.

12          Q.     Please identify the Staff expert responsible for addressing each area in the  
13 Report?

14          A.     The Staff expert (Utility Operations) for each listed issue is as follows:

<u>Issue</u>	<u>Staff Expert</u>
Weather Normalization	Seoung Joun Won
Weather Normalization Factors	Seoung Joun Won
Weather Normalization of Sales	Seoung Joun Won
Revenues by Class	Robin Kliethermes & Brad Fortson

20     **WEATHER NORMALIZATION**

21          Q.     What is the purpose of Staff's weather normalization?

22          A.     The purpose of Staff's weather normalization is to determine what level of  
23 revenues Veolia Kansas City could accept in a year with "normal weather" given that weather

1 for any particular year is unique and unlikely to be repeated. Dr. Seoung Joun Won provided  
2 the weather information based on his evaluation of the impact that weather has on revenues  
3 and steam usage. Unusually hot or cold weather impacts revenues for customers that are  
4 weather sensitive. Extreme temperatures can have significant impacts on revenues and must  
5 be adjusted for the effects that warmer or colder than normal temperature have on utility  
6 operations. Staff examines weather in order to set just and reasonable rates for customers.  
7 Staff normalizes customer usage using a 30-year weather pattern. The time period used by  
8 Staff to determine the normal values of weather variables in this case is the same 30-year  
9 period (January 1, 1981 to December 31, 2010) used by the National Oceanic and  
10 Atmospheric Administration (“NOAA”) to calculate normal weather variables. To develop  
11 normal average temperatures, heating degree days (“HDDs”) and cooling degree days  
12 (“CDDs”), Staff used weather records from the NOAA weather station at the Kansas City  
13 International Airport located in Kansas City Missouri. NOAA calculates monthly normal  
14 temperature variables such as maximum temperature, minimum temperature, average  
15 temperature, HDDs, and CDDs over the 30-year climate normal period. This normal measure  
16 of weather provides the basis for Staff’s computation of Veolia Kansas City’s revenues and  
17 associated fuel costs. Staff expert Dr. Won provided the Staff with a 30-year normal level  
18 weather pattern. Staff expert Dr. Won took the 30-year normal and weather normalized the  
19 usages per customer.

20 **DEVELOPING FACTORS USED FOR WEATHER NORMALIZATION OF SALES**

21 Q. What is the purpose of developing factors used for weather normalization?

22 A. Weather data shows that the update period in this case (January 1, 2013 – December 31,  
23 2013) had a cold winter and a cool summer compared to normal temperatures. Colder than normal  
24 temperatures in winter often result in increased energy consumption because consumers use more

1 energy for space heating. Colder than normal temperatures, like those experienced in the cooling  
2 season, often result in decreased energy consumption due to higher than normal cooling usage. In  
3 summary, Staff weather-normalized steam sales to correct for deviations from normal weather  
4 conditions during the update period for the twelve-months ending December 31, 2013. Staff  
5 applied the weather normalization factors to actual monthly usage to calculate the adjustment. The  
6 adjustment was then added to or subtracted from the actual usage to obtain the normalized usage.

7 **REVENUES BY CLASS**

8 Q. What rate schedule classes did Staff analyze?

9 A. Veolia Kansas City has three rate schedules – Standard Commercial Service  
10 (“SCS”), Large Commercial Service (“LCS”), and Interruptible Heating Service (“IHS”). Staff  
11 annualized monthly usage and the associated rate revenues in the update period for the twelve  
12 months ending December 31, 2013. Revenue and usage annualization adjustments are made to  
13 account for changes to Veolia Kansas City’s discontinuing steam service to customers, beginning  
14 to give steam service to new customers, or existing customers switching customer classes during  
15 the update period. Also, Staff weather normalized customers in all three classes. The Staff  
16 adjusted all customers, with the exception of Veolia Missouri and Truman Medical Center, to  
17 reflect normal HDDs. Veolia Missouri only uses the service for cooling purposes, so the Staff  
18 adjusted its usage to reflect normal CDDs. Truman Medical Center uses the service for both  
19 cooling and heating; therefore, Staff normalized its usage during the months of April through  
20 September to reflect normal CDDs and the months of October through March to reflect normal  
21 HDDs.

22 Q. Does this conclude your direct testimony?

23 A. Yes, it does.



**Michael S. Schepeler**

**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*

ER-2011-0028, *In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service*

ER-2011-0004, *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*

EC-2011-0383, *Briarcliff Development Company, a Missouri Corporation, Complainant, v. Kansas City Power and Light Company, Respondent*

EO-2012-0141, *In the Matter of the Application of The Cathedral Square Corporation, a Missouri Non-Profit Corporation, for a Variance from Kansas City Power & Light Company's General Rules and Regulations Requiring Individual Metering*

EO-2012-0009, *In the Matter of KCP&L Greater Missouri Operations Company's Application for Approval of Demand-Side Programs and for Authority to Establish a Demand-side Programs Investment Mechanism*

EO-2012-0142, *In the Matter of Union Electric Company d/b/a Ameren Missouri's Filing to Implement Regulatory changes in Furtherance of Energy Efficiency as Allowed by MEEIA*

ER-2012-0166, *In the Matter of Union Electric Company, d/b/a Ameren Missouri's Tariff to Increase Its Annual Revenues for Electric Service*

ER-2012-0174, *In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service*

ER-2012-0175, *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-2012-0345, *In the Matter of The Empire District Electric Company of Joplin, Missouri Tariffs Increasing Rates for Electric Service Provided to Customers in the Missouri Service Area of the Company*

EO-2014-0075, *Ameren Missouri's Request for Waivers for its Missouri Energy Efficiency Investment Act Programs*

HT-2013-0456, *In the matter of KCP&L Greater Missouri Operations Company for Authority to File Tariffs Changing the Steam QCA for Service Provided to Customers in its Service Territory*