

Exhibit No.:  
Issues: DSIM Rates  
Witness: Michael S. Scheperle  
Sponsoring Party: MO PSC Staff  
Type of Exhibit: Rebuttal Testimony  
File No.: EO-2012-0009  
Date Testimony Prepared: March 20, 2012

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**REBUTTAL TESTIMONY**

**OF**

**MICHAEL S. SCHEPERLE**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**FILE NO. EO-2012-0009**

*Jefferson City, Missouri  
March 2012*

**\*\* Denotes Highly Confidential Information \*\***

**NP**

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


In the Matter of KCP&L Greater Missouri )  
Operations Company's Notice of Intent to )  
File an Application for Authority to )  
Establish a Demand-Side Programs )  
Investment Mechanism )

Case No. EO-2012-0009

**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 8 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 20<sup>th</sup> day of March, 2012.



  
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Notary Public

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**OF**  
  
**MICHAEL S. SCHEPERLE**  
  
**KCP&L GREATER MISSOURI OPERATIONS**  
  
**FILE NO. EO-2012-0009**

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

A. I am employed by the Missouri Public Service Commission (“Commission”) as a Manager, Economic Analysis Section, Energy Unit, Regulatory Review Division.

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 Company as a Commercial Manager from 1983 to 2000, and at Missouri Power & 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 A. I moved to the Economics Analysis section as a Regulatory Economist III in 2008. I assumed my current position in 2009.

1           A.     GMO is requesting approval to implement demand-side management (“DSM”)  
2 programs and to implement a separate demand side programs investment mechanism  
3 (“DSIM”) rate to recover costs associated with DSM programs in this case. In this testimony  
4 I respond to the direct testimony of KCP&L Greater Missouri Operations Company (“GMO”)  
5 witnesses Tim M. Rush and Allen D. Dennis regarding GMO’s application for approval of  
6 DSM programs and for approval of a DSIM to include a DSIM rate for each of GMO’s  
7 customer classes. In this rebuttal testimony, I will address:

- 8                 1. Wording on customers’ bills;
- 9                 2. Concept of having one DSIM rate for both L&P and MPS customers; and
- 10                3. Allocating the GMO DSIM revenue requirement between residential and  
11                 commercial and industrial customers when calculating DSIM rates.

12           I make the following recommendations in my testimony:

- 13                1. The Commission reject GMO’s proposed line item wording to identify the  
14                 separate DSIM charge on the customers bills’ and order GMO to use either  
15                 “Energy Efficiency Pgm Charge xxx kWh @ \$0 [Rate]” or “Demand-Side  
16                 Investment Charge xxx kWh @ \$0 [Rate]” to identify the separate DSIM line  
17                 item charge in customers’ bills;
- 18                2. The Commission approve a DSIM rate of \$0.00220 per kWh for residential  
19                 customers and \$0.00100 for commercial and industrial (“C&I”) customers.
- 20                3. The Commission approve GMO proposed additional wording on each bill  
21                 describing DSIM rate and explanation on “Message Board.”

**Wording on Customer's bill(s)**

Q. Is GMO requesting a separate line item charge on customers' bills to recover DSM revenue requirement?

A. Yes. Commission rules, specifically 4 CSR 240-3.163(2)(B) and 4 CSR 240-20.093(6) require that the proposed DSIM rate shall be separately identified on affected customers' bills and the proposed language regarding the separate line item shall be submitted to, and approved by, the Commission before it appears on customers' bills. In GMO's proposed Demand-Side Program Investment Mechanism Rider ("Rider") rate schedule, the Rider is defined as "A DSIM rate for each class will be multiplied by the customer's usage on a kilowatt-hour basis and the resulting DSIM charges will be identified and shown on a separate line on the customer's bill" (Rush, Direct Testimony, Schedule TMR-1, Sheet No. 139).

Q. What wording on each bill is GMO proposing to identify the separate line item charge?

A. GMO is proposing the wording "DSIM xxx kWh @ \$0 [Rate]" (Rush, Direct Testimony, Schedule TMR-3) where xxx is the customer's kWh usage for the billing month. Additional wording on the bill would define the DSIM rate as:

This bill includes a DSIM charge effective [Date] allowing recovery of costs and incentives for investments in Demand-Side programs. (Rush, Direct Testimony, Schedule TMR-3)

Also, GMO is proposing that a "Message Board" notice on the bill that includes the first DSIM charge further define the DSIM rate as:

Demand-Side Program Investment Mechanism Rider. This month you will notice a new charge on your monthly bill that allows KCP&L to recover costs associated with the development of energy efficiency programs on behalf of Missouri customers. By helping customers save energy, KCP&L is able to better manage regional energy

1 demand and keep costs affordable, proactively support environmental initiatives and  
2 defer the costs of constructing new power plants and generation units. For more  
3 information, please read the enclosed DSIM Rider insert or visit  
4 [www.kcpl.com/about/MoERate.pdf](http://www.kcpl.com/about/MoERate.pdf). (Rush, Direct Testimony, Schedule TMR-3)

5 Q. Does Staff agree with GMO's proposed line item wording on each bill?

6 A. No. To reduce customer confusion, the line item on the bill should not merely  
7 consist of the acronym "DSIM". The abbreviation of DSIM will be confusing and will not  
8 provide enough information to the customers. A separate line item charge should be more  
9 than an abbreviation. Staff reviewed separate customer line item wording on electric utility  
10 bills and almost all separate line item charges are fully denoted by specific wording. These  
11 are denoted in Schedule MSS-2. Also, the Union Electric Company d/b/a Ameren Missouri  
12 in its Missouri Energy Efficiency Investment Act (MEEIA) filing, in Case No. EO-2012-  
13 0142, proposes its bills reflect wording for the demand-side programs investment mechanism  
14 charge of "Energy Efficiency Pgm Charge".

15 Q. Does Staff have line item wording that it recommends?

16 A. Yes. Staff recommends the wording "Energy Efficiency Pgm Charge xxx  
17 kWh @ \$0 [Rate]" or "Demand-Side Investment Charge xxx kWh @ \$0 [Rate]" be used as  
18 the separate DSIM line item charge in customers' bills. However, should the Commission  
19 approve acronym "DSIM xxx kWh @ \$0 [Rate]" as proposed by GMO, that the Commission  
20 order GMO to include the wording "This bill includes a DSIM charge effective [Date]  
21 allowing recovery of costs and incentives for investments in Demand-Side Programs", on  
22 each customer's monthly bill.

23 Q. Does Staff support GMO's additional wording and "Message Board"  
24 explanation on bill(s)?

1           A.     Yes. Staff supports GMO's additional proposed wording on bill(s) defining  
2 the DSIM rate and explanation on "Message Board" describing the DSIM rider and as  
3 required by 4 CSR 240-20.093(6).

4     **Concept of Combining GMO's DSIM Rate for L&P and MPS Customers**

5           Q.     Do you agree with Mr. Rush that the rate Rider will be charged as a separate  
6 rider and separately identified on the bill for all customer classes for both Light and Power  
7 (L&P) and Missouri Public Service Company (MPS) rate jurisdictions except for the lighting  
8 class and customers who have opted out (Rush, Direct Testimony, p. 5)?

9           A.     Yes. Specifically, Staff supports GMO's proposal that all program costs,  
10 incentive benefits, and lost revenues be combined in its calculation of a DSIM Rate for GMO  
11 in its entirety and not accounted for separately between the L&P and MPS rate divisions.  
12 GMO should have an energy efficiency rate for GMO combined with combined program  
13 costs, combined incentive and combined lost revenue calculations.

14           Staff notes that the proposed DSM programs are exactly the same programs for L&P  
15 customers and for MPS customers, which has been the case since GMO began implementing  
16 DSM programs for its customers in 2008. Trying to trace the impact and cost for each of the  
17 rate divisions would be difficult at best or, more likely, impossible. Because of the relatively  
18 small size of each jurisdiction, the close approximation of each jurisdiction and common  
19 DSM program services being offered and delivered to customers in both jurisdictions, it is  
20 more cost-effective to perform Evaluation, Measurement and Verification ("EM&V") for all  
21 of GMO.

22           Therefore, Staff supports GMO in its application of a combined DSIM rate for GMO  
23 and not a separate rate for L&P and MPS rate jurisdictions.

**Allocating GMO Rates between Classes of Customers**

Q. Does Mr. Dennis outline specific DSM programs for residential customers and for commercial and industrial customers?

A. Yes. Specifically, GMO is proposing that the following programs serve these classes of customers (Dennis, Direct Testimony, p. 19 chart).

**Residential – Program Type**

- Energy Optimizer
- Energy Star New Homes
- Cool Homes
- Residential Lighting and Appliances
- Appliance Turn-in
- Residential Energy Reports
- Home Performance with ENERGY STAR
- Low Income Weatherization
- Home Energy Analyzer

**Commercial and Industrial – Program Type**

- Energy Optimizer
- MPOWER
- C&I Rebate Program – Prescriptive Energy Efficiency Measures
- C&I Rebate Program – Custom Energy Efficiency Measures
- Multi-family Rebate
- Business Energy Analyzer
- Building Operator Certification

Mr. Dennis further explains that GMO has sought to provide a comprehensive portfolio of programs that provides options for all classes of customers, including low income customers.

Q. Does GMO have an evaluation, measurement and verification plan for each of its DSM programs?

A. Yes. Mr. Dennis explains that GMO's goal of an impact evaluation is to calculate gross program energy and demand savings per program. Mr. Dennis further explains that GMO contracts with a third-party evaluator to perform both process and impact

1 evaluations for its programs through an EM&V process for each program. EM&V can cost  
2 up to five percent (5%) of the Company's total DSM budget<sup>1</sup>.

3 Q. How is GMO proposing that the DSIM rate be developed between classes of  
4 customers?

5 A. Mr. Rush explains that GMO will begin charging customers through a kWh  
6 charge for the recovery of program costs, a portion of the overall annual net benefits of the  
7 program to be shared with customers, a reward to the Company for successful implementation  
8 of programs and recovery of lost revenues, through a rider (Rush, Direct testimony, p. 5).  
9 GMO's proposal represents an increase of approximately \$18.5 million and will be charged as  
10 a separate rider and separately identified on the bill for all customer classes for both L&P and  
11 MPS rate jurisdictions except for the lighting class and customers who have opted-out. The  
12 proposed rate is \$0.00220 per kWh for every class and represents an approximate increase of  
13 2.7% overall for the L&P and MPS rate jurisdictions. These details are outlined in GMO's  
14 proposed rate schedule tariff filings for Demand-Side Program Investment Mechanism Rider  
15 as detailed in Mr. Rush's Direct Testimony (Rush, Direct Testimony, Schedule TMR-1, Sheet  
16 Nos. 139 through 143).

17 Q. Does Staff agree with Mr. Rush's testimony that one DSIM rate apply equally  
18 to both 1) residential and 2) C&I customers equally?

19 A. No. Staff recommends that the program costs, incentive savings, and lost  
20 revenues be segregated between residential and C&I customers with a separate rate developed  
21 for residential and C&I customers.

22 Q. Why is Staff proposing a separate rate for residential and C&I customers?

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<sup>1</sup> See 4 CSR 240-20.094(7)(A).

1           A.     The objective of allocating costs to customer classes is to define what  
2 proportion of the utility's total revenue requirement should be recovered from each customer  
3 class in a manner that reflects cost causation. As an aid to this determination, class cost-of-  
4 service studies are usually performed to determine the portions of the total costs that are  
5 incurred to serve each customer class. In this situation, GMO has performed the initial  
6 analysis of separating DSM residential programs' costs from DSM business programs' costs  
7 (C&I rate classes). Also, GMO has classified the shared benefits component (energy  
8 component or capacity component) by residential benefits and by business benefits (C&I rate  
9 classes). Schedule MSS 3-1 provides the calculation of Staff recommended DSIM rates for  
10 Staff's recommended DSIM rate of \$0.00220 per kWh for residential customers and \$0.00100  
11 for C&I customers. Staff also calculated rates for GMO's proposed DSIM. Schedule MSS 3-  
12 2 provides the calculation of GMO's proposed DSIM rates of \$0.00283 per kWh for  
13 residential customers and \$0.00167 for C&I customers.

14           Q.     This accounts for the DSIM costs. Do the classes receive the benefits  
15 proportional to the energy and capacity savings?

16           A.     The benefits will be accounted for in the next rate case through the calculation  
17 of the class cost-of-service allocation factors. The reduction in capacity and energy from  
18 DSM programs for the classes will be reflected in these allocation factors that allocate many  
19 different costs to the classes.

20           Q.     Does this conclude your rebuttal testimony?

21           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*

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*

**Missouri Public Service Commission**  
**Case No. EO-2012-0009**  
**Wording on Bill(s)**

**Ameren Missouri**

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Usage - Rate Schedule  
Fuel Adjustment Charge  
Energy Efficiency Pgm Charge  
MO Local Sales Tax  
Jeff City-Cole Co Muni Chg  
Amount Due

**Kansas City Power & Light Company**

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Energy Charge  
Customer Charge  
Subtotal  
Kansas City franchise fee  
Missouri state sales tax  
Jackson county sales tax  
Kansas City sales tax  
Current Charges

**KCP&L Greater Missouri Operations Company**

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Customer Charge  
Energy Charge xxx kWh @ \$0.1041  
FAC xxx kWh @ \$0.01936  
DSIM xxx kWh @\$0.00231 (Proposed)  
City License Fee  
City Sales Tax \$xxx.xx @ 1.5%  
Total charge this service

**Empire District Electric Company**

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Customer Charge  
Usage Charge  
Usage Charge  
Fuel Adjustment Charge  
DSIM (Proposed)  
Anywhere County Tax

**Schedule MSS-3**

**Is Deemed**

**Highly Confidential**

**In Its Entirety**