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Class Cost of Service
Witness: Michael S. Scheperle
Sponsoring Party: MO PSC Staff
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

OF

MICHAEL S. SCHEPERLE

KCP&L GREATER MISSOURI OPERATIONS COMPANY

CASE NO. ER-2012-0175

Jefferson City, Missouri

October 2012

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1 information instead of coincidental peak (“CP”) information in its production-capacity
2 allocator to alleviate the potential for free-ridership.

3 Finally, I will respond to MGE’s recommendation to eliminate GMO’s residential
4 electric heat rate classes and schedules, and describe why Staff does not support that
5 recommendation.

6 **Production-Capacity Allocator**

7 Q. Mr. Normand alleges on pages three to five of his rebuttal testimony that
8 Staff’s Production-Capacity Base Allocator double dips small users by using total annual
9 energy and that for smaller users Staff magnifies the class allocation amount based on NCP
10 information in the intermediate and peaking component of the BIP method. Do you agree
11 with Mr. Normand’s characterization that Staff’s production-capacity allocator double dips?

12 A. No. Staff calculates a base component, an intermediate component, and a peak
13 component in its BIP method. The intermediate component is calculated less the base
14 component already allocated. The peak component is calculated less the base and
15 intermediate already calculated. Therefore, Staff does not double dip in its base, intermediate,
16 and peak component, as usage characteristics are calculated less the components already
17 allocated. Although Mr. Normand does not define or explain what he means by “double dip,”
18 Staff’s methodology appropriately represents the base usage of all customers.

19 Q. Do you agree with Mr. Normand’s accusation that Staff should use CP
20 information and not NCP information in its BIP methodology?

21 A. No. A concern with utilizing a CP-based allocation factor is that a particular
22 rate class or parts of a rate class are found to be prominently or completely off peak in nature.
23 For example, over-reliance on the CP information may result in free ridership for parts of the

1 lighting class. Free ridership is when service rendered completely off-peak or not at the
2 system peak time is not assigned any responsibility for capacity cost. Outdoor lighting could
3 avoid some of the demand cost assignment as system peaks generally occur during daylight
4 hours. To alleviate any concern of free ridership, Staff uses NCP information.

5 **Elimination of Space Heating Rate Classes**

6 Q. Do you agree with MGE's recommendations to eliminate or alternately
7 freezing residential heating rate schedules?

8 A. No. Mr. Cummings recommends elimination of the residential heat rate
9 schedules or alternately freezing these rate schedules. Specifically, Residential Electric Space
10 Heating – MO870 for MPS; Residential Service with Electric Space Heating – MO920 for
11 L&P; and Residential Space Heating / Water Heating separate meter - MO922 FROZEN for
12 L&P. At this time, Staff does not support MGE's recommendation to eliminate these
13 residential rate schedules. Staff does not oppose all-electric residential rates; instead Staff
14 recommends that the customers on such rate schedule(s) be moved closer toward GMO's cost
15 to serve them especially for the winter season.

16 Q. Why does Staff oppose elimination of these residential rate schedules?

17 A. Staff recommends that the Commission recognize the potential rate shock of
18 outright elimination of these rate schedules, which is mitigated by gradually bringing the rates
19 to parity with the Residential General Use rate. Table 1(below) details Staff's concern with
20 the outright eliminating space heating rates for MPS residential customers based on current
21 rates.

Table 1 - MPS Rate District

Billing Comparison - Eliminating Space Heating Rate Schedule

Monthly kWh Usage	General Use Annual Bill	Space Heating Annual Bill	Annual Difference	% Difference
1000	\$1,326.12	\$1,275.24	\$50.88	3.99%
1500	\$1,859.32	\$1,704.44	\$154.88	9.09%
2000	\$2,392.52	\$2,133.64	\$258.88	12.13%
2500	\$2,925.72	\$2,562.84	\$362.88	14.16%
3000	\$3,458.92	\$2,992.04	\$466.88	15.60%
3500	\$3,992.12	\$3,421.24	\$570.88	16.69%
4000	\$4,525.32	\$3,850.44	\$674.88	17.53%

Table 1 shows that a space heating customer using 2000 kWh per month, will see a 12.13% annual revenue increase by eliminating the residential space heating rate schedule for MPS. Additionally, this type of customer may see an additional increase based on the Commission's decision in this case for the MPS rate district. In Staff's opinion, this would be a rate shock to space heating customers.

Table 2 (below) details Staff's concern with the outright elimination of space heating rates for customers in the L&P rate district based on current rates.

Table 2 - L&P Rate District

Billing Comparison - Eliminating Space Heating Rate Schedule

Monthly kWh Usage	General Use Annual Bill	Space Heating Annual Bill	Annual Difference	% Difference
1000	\$1,284.84	\$1,184.60	\$100.24	8.46%
1500	\$1,800.64	\$1,616.40	\$184.24	11.40%
2000	\$2,316.44	\$2,048.20	\$268.24	13.10%
2500	\$2,832.24	\$2,480.00	\$352.24	14.20%
3000	\$3,348.04	\$2,911.80	\$436.24	14.98%
3500	\$3,863.84	\$3,343.60	\$520.24	15.56%
4000	\$4,379.64	\$3,775.40	\$604.24	16.00%

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1 Table 2 shows that a space heating customer using 2000 kWh per month, will see a
2 13.10% annual revenue increase by eliminating the residential space heating rate schedule for
3 L&P. Additionally, this type of customer may see an additional increase based on the
4 Commission's decision in this case for the L&P rate district. In Staff's opinion, this would
5 also be a rate shock.

6 Q. Does this conclude your surrebuttal testimony?

7 A. Yes, it does.