

Exhibit No.:
Issues: Class Cost-of-Service
Rate Design
Witness: Michael Scheperle
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2009-0089
Date Testimony Prepared: February 25, 2009

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

MICHAEL SCHEPERLE

KANSAS CITY POWER & LIGHT COMPANY

CASE NO. ER-2009-0089

**Jefferson City, Missouri
February 2009**

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

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.)

Case No. ER-2009-0089

AFFIDAVIT OF Michael Scheperle

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael Schheperle, 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 4 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 Scheperle

Michael Scheperle

Subscribed and sworn to before me this 24th day of February, 2009.



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

Susan L. Sundermeyer

Notary Public

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5
6 Q. Please state your name and business address.

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

9 Q. What is your present position with the Missouri Public Service Commission
10 (Commission)?

11 A. I am a Regulatory Economist in the Economic Analysis section of the Energy
12 Department, Utility Operations Division.

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

14 A. I completed a Bachelor of Science degree in Mathematics at Lincoln
15 University in Jefferson City, Missouri. I have been employed by the Missouri Public Service
16 Commission since June 2000. Prior to joining the Commission, I was employed at United
17 Water Company as a Commercial Manager from 1983 to 2000, and at Missouri Power &
18 Light Company from 1973 to 1983 as a Supervisor of Rates, Regulations and Budgeting. A
19 list of the cases in which I have filed testimony before the Commission is shown on
20 Schedule 1.

21 **EXECUTIVE SUMMARY**

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

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1 A. The purpose of this testimony is to sponsor the Staff's recommendations in its
2 Rate Design Report filed February 25, 2009, regarding rate design changes and related
3 changes to rate components of each Kansas City Power and Light Company (KCPL) rate
4 schedule.

5 Q. What are Staff's recommendations?

6 A. Based on Staff's Class Cost-of-Service (CCOS) study in Case No. ER-2006-
7 0314, and based on subsequent KCPL Rate Design revisions in Case No. ER-2006-0314 and
8 Case No. ER-2007-0291, the Staff proposes no revenue shifts among classes, so that the
9 current revenue relationship among the classes is maintained. After the Rate Design revisions
10 in Case No. ER-2006-0314 and Case No. ER-2007-0291, Staff calculated the remaining
11 movement required to match class revenues to Staff's CCOS study filed in Case No. ER-
12 2006-0314 is approximately:

13 **Percentage Adjustment Remaining from Staff CCOS Study**

Missouri Retail	Residential	Small General Service	Medium General Service	Large General Service	Large Power Service	Lighting
0.0%	4.4%	-3.1%	-3.4%	-2.0%	-2.4%	0.0%

14
15 A positive percentage indicates revenue from that class is less than the cost of
16 providing service to that class and therefore, the revenues collected from that class should be
17 increased, i.e., the class has underpaid. A negative percentage indicates revenue from the
18 class exceeds the cost of providing service to that class and therefore, the revenues collected
19 from that class should be reduced, i.e., the class has overpaid.

20 On a revenue neutral basis, all of the classes are within approximately 4.4% of their
21 cost-of-service. Because a CCOS study is not a precise measurement of actual cost-of-

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1 service, and should only be used as a guide for rate design, the Staff believes that a revenue
2 neutral deviation of approximately 5% (positive or negative) from the results of the Staff's
3 CCOS study is an acceptable range for rate revenues. Hence, the revenue shifts indicated by
4 Staff's CCOS study do not rise to such a level of significance that disproportionate
5 adjustments to the rates are required at this time. Therefore, Staff recommends that any
6 Commission-ordered overall increase be implemented as an equal percentage increase to each
7 rate component of each rate schedule, except for General Service All-Electric winter rates and
8 General Service Separately-Metered space heat provisions.

9 Staff recommends an additional 10% increase to all of the General Service All-
10 Electric winter season energy rates. General Service All-Electric customers on average pay
11 approximately 12% to 16% less (cents per kWh) than customers under the standard General
12 Service rate schedules.

13 Staff recommends an additional 5% increase for all of the General Service Separately-
14 Metered space heating provisions. Most General Service Separately-Metered space heat
15 customers pay approximately 2 to 3% less (cents per kWh) than customers under the standard
16 General Service rate schedules.

17 Staff recommends that any customer served under the frozen separate metered space
18 heat provision who switches to the regular General Service rate schedule (one meter rate) no
19 longer be charged the separate winter season space heat rate and the additional separate meter
20 customer charge.

21 Additionally, it appears that some of the General Service frozen All-Electric and
22 Separately-Metered rate schedules currently have no customers served under them. Since the
23 Commission has restricted the availability of the All-Electric and Separately-Metered space

1 heating rates to customers currently served on one of those rate schedules but, only for as long
2 as they continuously remain on that rate schedule, Staff recommends the elimination of frozen
3 General Service rate schedules where no customers are currently being served.

4 **RATE DESIGN RECOMMENDATIONS**

5 Q. What are Staff's Rate Design recommendations?

6 A. Staff recommends the following:

- 7 • That any Commission-ordered overall revenue increase be implemented as an
8 equal percentage increase to each rate component of each rate schedule, except
9 for the General Service All-Electric winter rates and Separately-Metered space
10 heating provisions;
- 11 • An additional 10% increase for all of the General Service All-Electric winter
12 season energy rates;
- 13 • An additional 5% increase for all of the General Service Separately-Metered
14 space heating provisions;
- 15 • That Separately-Metered space heating customers who switch to the non-
16 heating rate will no longer be charged for the additional meter;
- 17 • The elimination of those frozen General Service-All-Electric and Separately-
18 Metered space heating rate schedules where no customers are currently served;
19 and
- 20 • Retain all of the existing rate schedules, rate structures, and important features
21 of the current rate design.

22 Q. Does this conclude your direct testimony?

23 A. Yes, it does.

Michael 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*