

Exhibit No.:
Issues: Class Cost-of-Service
Rate Design
Witness: Michael S. Schepeler
Sponsoring Party: MO PSC Staff
Type of Exhibit: Surrebuttal Testimony
File No.: ER-2011-0004
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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

SURREBUTTAL TESTIMONY

OF

MICHAEL S. SCHEPERLE

THE EMPIRE DISTRICT ELECTRIC COMPANY

FILE NO. ER-2011-0004

Jefferson City, Missouri

April 2011

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

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)

File No. ER-2011-0004

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 Surrebuttal Testimony in question and answer form, consisting of 7 pages of Surrebuttal Testimony to be presented in the above case, that the answers in the following Surrebuttal 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 27th day of April, 2011.





Notary Public

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1 warranted, and Empire recommends that the residential customer charge be increased to \$15
2 per month. According to tariff sheets filed in this case by Empire, Empire recommended that
3 the residential customer charge be increased from \$12.52 to \$24.00 (not \$15). Staff
4 appreciates the movement that the company has shown by going to \$15.00, but Staff still
5 recommends \$13.00.

6 If Empire's recommendation is adopted, that would mean approximately a 20%
7 increase for the customer charge (from \$12.52 to \$15.00). Staff recommends a more modest
8 \$0.48 increase for the residential customer charge. Staff's recommendation is based on Staff's
9 judgment of public acceptance and preference for rate stability.

10 **Variation in Energy Rate Elements between Summer and Non-Summer Seasons**

11 Q. Does Staff agree with Empire's request (Keith, Rebuttal Testimony, p. 18) to
12 limit the increase in the winter energy charge for the purpose of reducing the summer/non-
13 summer rate differential to \$0.005 per kilowatt-hour instead of \$0.01 per kilowatt-hour as
14 recommended by Staff?

15 A. No. As admitted by Empire witness H. Edwin Overcast in his Direct
16 Testimony, the current differential between seasons is too large and needs to be reduced to a
17 cost differential of \$0.0077 for all classes of customers where a seasonal differential is part of
18 the rate schedule. If Staff's revenue neutral adjustment rate design recommendations are
19 adopted for the Residential General (RG), Commercial Building (CB), Commercial Space
20 Heating (SH), Total Electric Building (TEB), and General Power (GP), they would reduce the
21 summer/non-summer rate differential without a substantive increase to any customer.

22 Q. What specifically does the Commission need to order to implement Staff's
23 recommendation on the issues you have addressed in pre-filed testimony?

1 A. Staff recommends that before an increase in rates is recommended for any
2 class, that certain revenue neutral adjustments occur to specific rate schedules to reduce the
3 variations in rate elements between the summer and non-summer season as follows:

- 4 • For the residential class (rate schedule RG), the current rates and
5 Staff's revenue neutral proposed rates are listed in Schedule MSS-5 of
6 the CCOS Report. As listed, the only variation between the current
7 charges by season is the second energy block where the summer rate
8 (\$0.1074 per kWh) is 48% higher than the non-summer rate (\$0.0728
9 per kWh). To minimize the cost variation of the summer/non-summer
10 period, Staff increased the second energy step (over 600 kWh) in the
11 non-summer by \$0.01 to reduce the summer and non-summer variation
12 and spread the revenue neutral adjustment to all other energy blocks.
13 This would reduce the summer/non-summer variation (over 600 kWh)
14 from 48% to 23%. The revenue neutral adjustment to the RG class is
15 zero. Schedule MSS-5 of the CCOS Report details the adjustment by
16 individual customer usage per month and per year.
- 17 • For the commercial building class (rate schedule CB), the current rates
18 and Staff's revenue neutral proposed rates are listed in Schedule MSS-6
19 of the CCOS Report. As listed, the only variation between the current
20 charges by season is the second energy block where the summer rate
21 (\$0.1194 per kWh) is 32% higher than the non-summer rate (\$0.0906
22 per kWh). Staff increased the second energy step (over 700 kWh) in
23 the non-summer by \$0.01 to reduce the summer and non-summer

1 variation and spread the revenue neutral adjustment to all other energy
2 blocks. This would reduce the summer/non-summer variation (over
3 700 kWh) from 32% to 11%. The revenue neutral adjustment to the
4 CB class is zero. Schedule MSS-6 of the CCOS Report details the
5 adjustment by individual customer usage per month and per year.

- 6 • For the commercial small heating class (rate schedule SH), the current
7 rates and Staff's revenue neutral proposed rates are listed in Schedule
8 MSS-7 of the CCOS Report. As listed, the only variation between the
9 current charges by season is the second energy block where the summer
10 rate (\$0.1189 per kWh) is 69% higher than the non-summer rate
11 (\$0.0704 per kWh). Staff increased the second energy step (over 700
12 kWh) in the non-summer by \$.01 to reduce the summer and non-
13 summer variation and spread the revenue neutral adjustment to all other
14 energy blocks. This would reduce the summer/non-summer variation
15 (over 700 kWh) from 69% to 34%. The revenue neutral adjustment to
16 the SH class is zero. Schedule MSS-7 of the CCOS Report details the
17 adjustment by individual customer usage per month and per year.

- 18 • For the general power class (rate schedule GP), the current rates and
19 Staff's revenue proposed rates are listed in Schedule MSS-8 of the
20 CCOS Report. As listed, the variations between the current charges by
21 season are demand charges and the three energy charge blocks based on
22 hours use. Staff increased the first energy step (first 150 hours use of
23 Metered Demand per kWh) in the non-summer by \$0.01 to reduce the

1 summer and non-summer variation and spread the revenue neutral
2 adjustment to the first energy step (first 150 hours use of Metered
3 Demand per kWh) in the summer. This would reduce the summer/non-
4 summer variation from 67% to 16 %. The revenue neutral adjustment
5 to the GP class is zero. Schedule MSS-8 of the CCOS Report details
6 the adjustment by individual customer usage per month.

- 7 • For the total electric building class (rate schedule TEB), the current
8 rates and Staff's revenue proposed rates are listed in Schedule MSS-9
9 of the CCOS Report. As listed, the variations between the current
10 charges by season are demand charges and the three energy charge
11 blocks. Staff increased the first energy step (first 150 hours use of
12 Metered Demand, per kWh) in the non-summer by \$0.01 to reduce the
13 summer and non-summer variation and spread the revenue neutral
14 adjustment to the first energy step (first 150 hours use of Metered
15 Demand, per kWh) in the summer. This would reduce the
16 summer/non-summer variation from 87% to 31%. The revenue neutral
17 adjustment to the TEB class is zero. Schedule MSS-9 of the CCOS
18 Report details the adjustment by individual customer usage per month.

19 Staff's rate design recommendations in this case after revenue neutral adjustments
20 discussed above are:

- 21 1. The following Empire customer classes receive the system average increase, as the
22 revenue responsibilities of these customer classes are close to Empire's cost to
23 serve them:

- 1 • Commercial Building
- 2 • Commercial Small Heating
- 3 • Total Electric Building

4 2. The following Empire customer classes receive the system average percent
5 increase plus an approximate additional 0.4% increase, because the current
6 revenue responsibilities of the customer classes are less than Empire's cost to
7 serve them.

- 8 • Residential
- 9 • Special Transmission Service Contract: Praxair (SP-C)
- 10 • Large Power

11 3. The following Empire customer classes receive no increase for the first \$4 million,
12 because their current revenue responsibilities exceed Empire's cost of serving
13 them. For any Commission ordered increase above \$4 million, that the additional
14 amount above \$4 million be allocated on an equal percentage basis to the
15 following Empire customer classes.

- 16 • General Power
- 17 • Feed Mill and Grain Elevator

18 4. The Empire Lighting class (Street, Private, Special, Miscellaneous) receive no
19 increase as Staff's CCOS study indicates the Lighting class revenues exceed the
20 revenue responsibility of the class by over 20%.

21 5. Allocation of any Commission ordered decrease as an equal percentage decrease to
22 the rate schedules for the customer classes shown to have a negative percent

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1 (revenues exceed cost to serve) in Table 1 (Revised in Rebuttal Testimony, Schedule
2 MSS-R1).

3 6. The Residential customer charge be increased from \$12.52 to \$13.00 per month.

4 7. That the energy charges for the residential class be increased uniformly, after making
5 the adjustments described in 2 and 6 above.

6 8. That the customer charges and energy charges for the CB class be increased
7 uniformly, after making the adjustments described in 1 above.

8 9. That the customer charges and energy charges for SH be increased uniformly, after
9 making the adjustments described in 1 above.

10 10. That the customer charges, demand charges, facilities charges, and energy charges be
11 increased uniformly for the TEB class after making adjustments described in 1 above.

12 11. That the customer charges, demand charges, facilities charges, and energy charges for
13 the GP class be increased uniformly after making the adjustments described in 3
14 above.

15 12. That the customer charges, demand charges, facilities charges, and energy charges for
16 the LP class be increased uniformly after making the adjustments described in 2
17 above.

18 13. That the customer and energy charges for the PFM class be increased uniformly after
19 making the adjustments described in 3 above.

20 14. That the customer charges, demand charges, facilities charges, and energy charges for
21 the SC-P class be increased uniformly after making the adjustments described in 2
22 above.

23 Q. Does this conclude your surrebuttal testimony?

24 A. Yes, it does.