BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

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 Begin the Implementation of Its Regulatory Plan	)))))	**ER-2006-0314**

AFFIDAVIT OF BARBARA A. MEISENHEIMER

STATE OF MISSOURI)
) ss
COUNTY OF COLE

Barbara A. Meisenheimer, of lawful age and being first duly sworn, deposes and states:

1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.

2. Attached hereto and made a part hereof for all purposes is my surrebuttal testimony consisting of 8 pages, BAM SUR pgs. 1-3 and BAM SUR TOU pgs. 1-3.

3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the best of my knowledge and belief.

Barbara A. Meisenheimer

Subscribed and sworn to me this 6th day of October 2006.

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

JERENE A. BUCKMAN
My Commission Expires
August 10, 2009
Cole County
Commission #05754036

Jerene A. Buckman
Notary Public

My Commission expires August 2009.

SURREBUTTAL TESTIMONY
OF
BARBARA MEISENHEIMER

KANSAS CITY POWER & LIGHT

CASE NO. ER-2006-0314

Q. PLEASE STATE YOUR NAME, TITLE, AND BUSINESS ADDRESS.

A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O. 2230, Jefferson City, Missouri 65102.

Q. HAVE YOU PREVIOUSLY FILED TESTIMONY IN THIS CASE?

A. Yes, I submitted direct testimony on cost of service and rate design issues on August 22, 2006, supplemental direct testimony updating my class cost of service study and rate design on September 08, 2006, and rebuttal testimony on September 15, 2006.

Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

A. The primary purpose of my surrebuttal testimony is to respond to the rebuttal testimony of Maurice Brubaker. Mr. Brubaker provided the most extensive criticisms of my testimony. Most concerns expressed by other parties are reflected in his comments so my response to his testimony applies to similar comments made by other parties.

Q. HAVE YOU UPDATED YOUR CLASS COST STUDY IN THIS TESTIMONY?

A. Yes. I updated my studies to accept in some cases comments contained in the rebuttal testimony of other parties and to refute the rebuttal testimony of others. As the first modification, I accept Mr. Brubaker's position on the load factor. The second modification incorporates a depreciation reserve allocator that shows the minimal impact on the TOU study results in response to Mr. Brubaker's criticism of the use of gross plant in developing the production capacity allocator. I also incorporated the Staff's updated peaks and maximum customer demand calculations. I did not alter either the allocation of off-system sales revenues or the allocation of primary distribution facilities because I disagree with Mr. Brubaker's and other parties' positions on the methods for developing those allocations.

Q. PLEASE COMPARE THE RESULTS OF YOUR CLASS COST STUDIES AS UPDATED IN SURREBUTTAL TO THOSE YOU PREVIOUSLY SUBMITTED IN THIS CASE.

A. Table 1 provides a comparison of my studies by class. The updated results of my 12 Month A&P study are provided in Schedule BAM-SUR, Page 1. I provided updated illustrative rate design examples associated with the study in Schedule BAM-SUR, Page 2, and Schedule BAM-SUR, Page 3. The updated TOU cost of service study results in Schedule BAM-SUR TOU, Page 1. Corresponding updated illustrative rate design examples are provided in BAM-SUR TOU, Page 2, and Schedule BAM-SUR TOU, Page 3.

Table 1. Comparison of OPC Studies

Revenue Neutral Rate Revenue Increase/Decrease Percentages

	RES	SGS	MGS	LGS	LPS	SC	Lights
OPC Supplemental Direct Studies	2.07% to 5.07%	-15.06 to -15.92%	-12.83% to -12.85%	-.58% to -1.95%	7.34% to 12.07%	37.60% to 40.82%	-6.28% to 1.49%
OPC Surrebuttal Studies	2.41% to 5.66%	-14.99 to -16.04%	-10.80% to -10.81%	-1.34% to -2.78%	5.76% to 11.08%	37.28% to 41.89%	-7.76% to 2.86%

Q. MR. BRUBAKER CLAIMS THAT YOUR STUDY DOES NOT CONFORM TO THE AGREED UPON STUDY YEAR. IS THIS A FAIR CRITICISM?

A. No. My studies to the extent possible use the test year ending December 31, 2005 as described on pages 33-34 of the Stipulation and Agreement in Case EO-2005-329 regarding KCP&L's Regulatory Plan.

Q. MR. BRUBAKER CRITICIZES YOUR USE OF A DEMAND ALLOCATION METHOD FOR ALLOCATING OFF-SYSTEM SALES REVENUE ARGUING THAT THE ALLOCATION SHOULD BE MADE BASED ON AN ENERGY RELATED FACTOR DUE TO VARIABLE FUEL AND PURCHASED POWER COSTS. WHAT IS YOUR RESPONSE?

A. Mr. Brubaker's proposal to limit allocation of off-system sales to only an energy based factor is not appropriate because it fails to recognize that off-system sales revenues are dependent on variable fuel costs as well as capacity cost associated

with operation of the production plants. My 12 Month A&P allocator specifically incorporates both an energy related component and a demand related component.

When using a TOU capacity allocator, it might be appropriate to develop a weighted factor that recognizes both capacity and energy in allocating off-system sales. However, in this case, it would have minimal effect. I developed a blended allocator based on my TOU energy allocator weighted by the load factor and my TOU capacity allocator weighted by one minus the load factor. I then compared the weighted result to the TOU capacity allocator that I used in my TOU studies. The difference would have increased the Residential class' share of off-system sales revenues by about 1.5%, benefiting the residential class. I should point out that there was very little difference in the weighted and unweighted allocators. I am not surprised that a weighted Energy and Capacity allocator resulting from OPC's TOU studies would be similar to just the Capacity allocator because OPC's TOU methodology attempts to minimize combined costs of production. Because capacity costs and variable costs are substitutable to some degree in production, minimizing total costs would occur when the incremental variable cost and incremental fixed cost are aligned.

Q. MR. BRUBAKER CRITICIZES YOUR ALLOCATION OF PRIMARY DISTRIBUTION COSTS BECAUSE IT DOES NOT IDENTIFY A CUSTOMER-RELATED COMPONENT IN THE PRIMARY DISTRIBUTION SYSTEM. WHY DO YOU ALLOCATE PRIMARY DISTRIBUTION COSTS BASED ON DEMAND?

A. With respect to the classification of costs, analysts must evaluate the uses with the most closely related functionalized costs: energy, demand or customer. The 1992 NARUC Electric Utility Cost Allocation Manual, page 20, defines customer costs

as those costs that are directly related to the number of customers served. The NARUC Manual at page 8 states that the distribution plant includes substations, primary and secondary conductors, and poles and line transformers that are jointly used and located in the public right of way as well as the services, meters, and installations located on the customer's own premises. Based on my evaluation, "services, meters, and installations" satisfy the definition of "customer related". It is not as clear that substations, primary and secondary conductors, poles and line transformers, jointly used and in the public right of way, are customer related or are directly related to the number of customers. For example, it is my understanding that the number of electric poles and other cost driving characteristics of poles required to serve customers depends more on land use and geographic considerations than the specific number of customers served. In areas where sufficient poles are already in place, no additional pole related costs maybe incurred to serve an additional customer. As technology grows, electric utilities as well as telephone utilities will be required (with some exceptions) to lease pole space to other entities including cable providers and competitive local telephone companies. As this consideration becomes more relevant any purported direct relationship between cost and electric customer numbers is diluted by the other uses of the facilities. These considerations argue against the proposition that the cost of poles is directly related to the number of customers. I believe that similar reasoning applies to conduit. On the other hand, I recognize that some level of investment in facilities might be better treated as non-energy and non-demand related. Therefore, I classified the cost of these investments as customer related by "default." I believe that this is probably more true for cost functionalized as secondary costs rather than primary costs since primary related facilities are farther removed in that they tend to be less directly related or sized to serve

particular customers. Based upon these considerations, I classified a portion of the secondary functionalized costs associated with FERC Accounts 364-367 as customer related and classified as demand related all primary functionalized costs associated with FERC Accounts 364-367.

Q. MR. BRUBAKER CRITICIZES YOUR TOU CAPACITY ALLOCATOR AND BOTH OPC'S AND STAFF'S A&P ALLOCATORS (SCHEDULE 2 COS-R) BASED UPON THE ASSIGNMENT OF DIFFERENT AVERAGE CAPACITY COSTS TO EACH CLASS. WHAT IS WRONG WITH HIS ARGUMENT?

A. Mr. Brubaker's Schedule 2 COS-R is a perfect illustration of the weaknesses inherent in allocating production costs primarily based on a limited number of measures of peak demand. Mr. Brubaker's method allocates total cost of all plants based in large part on usage in a few peak hours when the average cost is relatively high due to the operation of peaking plants. This unfairly over allocates costs to the residential and small general service class because the capacity costs actually vary by hour depending on the plants in use. The TOU allocator does not unfairly assign cost to the large power customers. Instead, appropriately, for each hour, the TOU allocator appropriately assigns the same capacity cost per hour to each class taking service during the hour based on the configuration of plants needed to serve the hour's total load. As a result, all customer classes pay the same higher level of costs when peaking plants are operating and the same lower level of cost when they are not running. The particular pattern of use by each class over different hours of the year appropriately leads to a difference in overall average cost by class.

The more monthly peaks used to develop an A&P allocator, the better varied use throughout the year is represented and the better A&P method will be a proxy for time of use based cost assignment. The Staff's and OPC's A&P methods use 12 monthly peaks instead of Mr. Brubaker's 3 monthly peaks. Therefore, the Staff's and OPC's A&P methods are a better reflection of the variations in cost that occur throughout the year.

Q. MR. BRUBAKER CRITICIZES YOUR USE OF A PLANT CAPACITY ALLOCATOR BASED ON GROSS PLANT NET OF PLANT DEPRECIATION. DOES THAT CRITISM HAVE ANY MERIT?

A. No. I do not object to use of the gross production plant net of the depreciation reserve, because it has minimal effect on my study results. The reason it has little effect is that gross production plant and the plant depreciation reserve are proportionally almost identical resulting in a net allocator that closely mirrors the gross allocator. In the updated studies attached to this testimony, I developed an hourly depreciation reserve allocator using the same hourly process used to develop the gross plant capacity allocator. The results are compared in the following table;

Table 2.
Comparison of OPC Gross Plant
and Depreciation Reserve Capacity Allocators

	RES	SGS	MGS	LGS	LPS	SC	Lights
Production Capacity Gross Plant	0.2980	0.0539	0.1166	0.2526	0.2695	0.000576	0.0089
Production Capacity Dep.Reserve	0.2932	0.0539	0.1165	0.2542	0.2724	0.000583	0.0093

Mr. Brubaker's capacity allocation factor ignores the mix of gross or net capacity costs incurred to serve various loads throughout the year. Instead, he assigns capacity costs consistent with assigning the same average every month, day and hour of the year

Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

A. Yes.