

**Exhibit No.:** \_\_\_\_\_  
**Issue(s):** Rate Design  
**Witness/Type of Exhibit:** Meisenheimer/Direct  
**Sponsoring Party:** Public Counsel  
**Case No.:** ER-2012-0174

**DIRECT TESTIMONY**  
**OF**  
**BARBARA A. MEISENHEIMER**

Submitted on Behalf of the Office of the Public Counsel

**KANSAS CITY POWER & LIGHT COMPANY**

CASE NO. ER-2012-0174

August 16, 2012

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

In the Matter of Kansas City Power & Light     )  
Company's Request for Authority to Implement     )  
A General Rate Increase for Electric Service     )

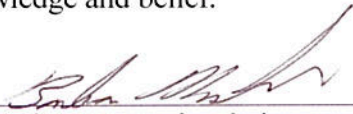
File No. ER-2012-0174

**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 a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the best of my knowledge and belief.

  
\_\_\_\_\_  
Barbara A. Meisenheimer

Subscribed and sworn to me this 16<sup>th</sup> day of August 2012.



KENDELLE R. SEIDNER  
My Commission Expires  
February 4, 2015  
Cole County  
Commission #11004782

  
\_\_\_\_\_  
Kendelle R. Seidner  
Notary Public

My commission expires February 4, 2015.

**Kansas City Power & Light**  
**Class Cost of Service and Rate Design**

**ER-2012-0174**

**Direct Testimony  
of  
Barbara Meisenheimer**

1 **I. INTRODUCTION**

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

3 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel,  
4 P. O. Box 2230, Jefferson City, Missouri 65102. I am also an adjunct instructor  
5 for William Woods University.

6 **Q. PLEASE SUMMARIZE YOUR EDUCATIONAL AND EMPLOYMENT BACKGROUND.**

7 A. I hold a Bachelor of Science degree in Mathematics from the University of  
8 Missouri-Columbia (UMC) and have completed the comprehensive exams for a  
9 Ph.D. in Economics from the same institution. My two fields of study are  
10 Quantitative Economics and Industrial Organization. My outside field of study is  
11 Statistics.

12 I have been with the Office of the Public Counsel since January 1996. I have  
13 testified before the Missouri Public Service Commission (Commission) on  
14 economic issues and policy issues in the areas of telecommunications, gas, electric,  
15 water and sewer. In rate cases my testimony has addressed class cost of service,  
16 rate design, miscellaneous tariff issues, low-income and conservation programs and

1 revenue requirement issues related to the development of class revenues, billing  
2 units, low-income program costs, incentive programs and fuel cost recovery.

3 Over the past 15 years I have also taught courses for the following  
4 institutions: University of Missouri-Columbia, William Woods University, and  
5 Lincoln University. I currently teach undergraduate and graduate level economics  
6 courses and undergraduate statistics for William Woods University.

7 **Q. HAVE YOU TESTIFIED PREVIOUSLY IN THIS CASE?**

8 A. Yes, I submitted direct testimony on revenue requirement issues on August 2,  
9 2012.

10 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

11 A. My direct testimony addresses Public Counsel's class cost of service (CCOS) and  
12 rate design recommendations.

13 **II. COST OF SERVICE AND RATE DESIGN**

14 **Q. HAS PUBLIC COUNSEL PREPARED A CCOS STUDY FOR THIS CASE?**

15 A. No.

16 **Q. HAVE YOU REVIEWED THE CCOS STUDY SUBMITTED BY KCP&L IN THIS CASE?**

17 A. Yes.

1   **Q.    ARE YOU SATISFIED TO USE THE CCOS STUDY RESULTS PRESENTED IN THE**  
2           **DIRECT TESTIMONY OF KCP&L WITNESS PAUL NORMAND AS A GUIDE TO**  
3           **SETTING CLASS RATES IN THIS CASE?**

4    A.    Yes.  In recent cases, Public Counsel prepared and filed electric class cost of  
5           service studies that utilize Time of Use based allocations and other methods  
6           different from the Staff and Company.  However, in this case, Public Counsel had  
7           insufficient internal and consulting resources available to develop the Time of  
8           Use allocators.  As a result, although Public Counsel does not endorse or agree  
9           with each of the Company's allocation methods, I have reviewed the allocations  
10          and methods and am satisfied to use the Company's study results as a guide in  
11          setting rates.

12   **Q.    HAS THE COMPANY PROPOSED SHIFTS IN CLASS REVENUE RESPONSIBILITY**  
13          **BASED ON THE CCOS STUDY RESULTS?**

14    A.    No.  KCP&L witness Tim Rush indicates that the Company recommends an equal  
15          percentage increase to all rate elements for all rate classes.

16   **Q.    WHAT SHIFTS IN CLASS REVENUE RESPONSIBILITY ARE SUGGESTED BY THE CCOS**  
17          **RESULTS SHOWN IN TABLE 3 OF MR. NORMAND'S TESTIMONY?**

18    A.    Mr. Normand's COSS results indicate that the Residential class and Large  
19          General Service class average rates of return are consistent with the system  
20          average rate of return so no revenue neutral shifts are warranted.  On the other  
21          hand, the return provided by the Medium General Service class is 128% of the  
22          system return and the Small General Service class is approximately 198% of the

1 system average return while the Large Power class is providing a return of only  
2 54% of the system average return. In my opinion, Mr. Normand's CCOS results  
3 support some reduction in the return provided by the Small General Service and  
4 Medium General Service classes offset by an increase in the return provided by  
5 the Large Power class.

6 **Q. WHAT LEVEL OF REVENUE NEUTRAL SHIFTS DO YOU RECOMMEND?**

7 A. Generally, Public Counsel recommends that, where the existing revenue structure  
8 departs greatly from the class cost of service, the Commission should impose, at a  
9 maximum, class revenue shifts equal to one half of the "revenue neutral shifts"  
10 indicated by the class cost of service study. Revenue neutral shifts are shifts that  
11 hold overall company revenue at the existing level but allow for the share  
12 attributed to each class to be adjusted to reflect the cost responsibility of the class.  
13 Based on the Company's CCOS study the rate base associated with the Large  
14 Power class is \$431,849,089. Currently, the Company estimates that the Large  
15 Power class provides a 3.011% return compared to the system average return of  
16 5.539%. The maximum revenue neutral shift I would recommend would increase  
17 the Large Power class by one half of the "revenue neutral shifts" indicated by the  
18 class cost of service study or \$5,458,572 [ $\$431,849,089 * \frac{1}{2} * (5.539\% - 3.011\%)$ ].  
19 The Small General Service and Medium General Service classes should receive a  
20 revenue neutral reduction with Small General Service receiving a greater share of  
21 the reduction since Small General Service is substantially farther above cost of  
22 service. I'd recommend that Small General Service receive approximately 61%

1 (\$3,319,366) of the \$5,458,572 revenue neutral reduction and Medium General  
2 Service receiving the remaining 39% (\$2,139,206) of the reduction.

3 **Q. YOU INDICATED THAT \$5,458,572 IS THE MAXIMUM REVENUE NEUTRAL SHIFT**  
4 **THAT YOU WOULD RECOMMEND. UNDER CERTAIN CIRCUMSTANCES MIGHT YOU**  
5 **RECOMMEND LESSER REVENUE NEUTRAL SHIFTS?**

6 A. Yes. To level the rate impacts on customers facing substantial increases  
7 associated with combining the impacts of revenue neutral shifts and revenue  
8 requirement increases with the rate impacts of customers receiving decreases,  
9 Public Counsel recommends that if the Commission determines that an overall  
10 increase in revenue requirement is necessary, then no customer class should  
11 receive a net decrease as the combined result of: (1) the revenue neutral shift that  
12 is applied to that class, and (2) the share of the total revenue increase that is  
13 applied to that class. Likewise, if the Commission determines that an overall  
14 decrease in revenue requirement is necessary, then no customer class should  
15 receive a net increase as the combined result of: (1) the revenue neutral shift that  
16 is applied to that class, and (2) the share of the total revenue decrease that is  
17 applied to that class.

18 **Q. AT THIS TIME ARE YOU PROPOSING A LESSER REVENUE NEUTRAL SHIFT?**

19 A. No.

20 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

21 A. Yes.