

Exhibit No.:
Issue(s):
Witness/Type of Exhibit:
Sponsoring Party:
Case No.:

Rate Design
Meisenheimer/Direct
Public Counsel
ER-2010-0130

DIRECT TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of
the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

Case No. ER-2010-0130

March 9, 2010

**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) **Case No. ER-2010-0130**
Service Provided to Customers in the Missouri)
Service Area of the Company.)

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:

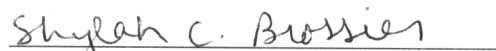
1. My name is Barbara A. Meisenheimer. I am a Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my statements contained in the attached affidavit are true and correct to the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


Barbara A. Meisenheimer

Subscribed and sworn to me this 9th day of March, 2010.



SHYLAH C. BROSSIER
My Commission Expires
June 8, 2013
Cole County
Commission #09812742


Shylah C. Brossier
Notary Public

My commission expires June 8th, 2013.

DIRECT TESTIMONY
OF
BARBARA A. MEISENHEIMER
EMPIRE DISTRICT ELECTRIC COMPANY
CASE NO. ER-2010-0130

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

2 A. Barbara A. Meisenheimer, Chief Utility Economist, Office of the Public Counsel, P. O.
3 2230, Jefferson City, Missouri 65102.

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

5 A. No.

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

7 A. The purpose of my direct testimony is to present Public Counsel's position on the issue of
8 rate design for Empire District Electric Company (the Company).

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

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

1 I have been with the Office of the Public Counsel since January 1996. I have
2 testified on economic issues and policy issues in the areas of telecommunications,
3 electric, gas, water, and sewer. In rate cases my testimony has addressed class cost of
4 service, rate design, miscellaneous tariff issues, low-income and conservation programs
5 and revenue requirement issues related to the development of class revenues, billing
6 units, low-income program costs and fuel cost recovery. Specific to Empire District
7 Electric, I testified in the Company's three most recent rate cases; Case No. ER-2004-
8 0570, Case No. ER-2006-0315 and Case No. ER-2008-0093.

9 Over the past 14 years I have taught courses for the University of Missouri-
10 Columbia, William Woods University, and Lincoln University. I currently teach
11 undergraduate and graduate level economics courses and undergraduate statistics for
12 William Woods University.

13 **Q. WHAT INFORMATION HAVE YOU REVIEWED?**

14 A. From this case, I reviewed portions of the Company's filing and direct testimony related
15 to the issue of rate design, Staff Accounting Schedules and workpapers related to class
16 revenues and billing units and the Non-Unanimous Stipulation and Agreement filed in
17 this case on February 25, 2010, portions of testimony, workpapers, and Commission
18 Orders from Case No. ER-2004-0570, Case No. ER-2006-0315, Case No. ER-2008-0093,

1 and the Stipulation and Agreement and Commission Report & Order in Case No. EO-
2 2005-0263.

3 **Q. PLEASE DESCRIBE THE COMPANY'S RATE SCHEDULES.**

4 A. The Company's rate schedules include Residential (RG), Commercial (CB), Commercial
5 Small Heating (SH) Feed Mill (PFM), Primary and Secondary General Power (GP), Total
6 Electric Building (TEB), Large Power (LP), Special Contract customers, [including
7 Praxair and, formerly, Explorer Pipeline], and lighting customers including Municipal
8 Street Lighting (PSL), Private Lighting (PL) and Special Lighting (SL) and Miscellaneous
9 Service (MS).

10 **Q. PLEASE PROVIDE BACKGROUND ON ISSUES RELATED TO THE COMPANY'S CURRENT**
11 **RATES.**

12 A. Issues related to the Company's current rates stem from implementation of Stipulations
13 and Agreements entered into by parties in Case No. ER-2004-0570 and subsequent
14 Commission decisions in Case No. ER-2006-0315 and Case No. ER-2008-0093.

15 Rate Design and Fuel and Purchased Power Expense were settled issues in Case
16 No. ER-2004-0570. The Stipulation and Agreement on Rate Design resulted in revenue
17 neutral adjustments including increased customer charges for the RS, CB, SH and MS
18 rate schedules, a .03% reduction to the CB and SH classes, increased winter tail block

1 rates and decreased summer and winter initial block rates for the RS, CB and SH rate
2 classes and implementation of a facilities credit for the LP class. The Rate Design
3 Stipulation and Agreement also provided that the net revenue increase be recovered
4 through an equal percentage increase on the rates resulting from the revenue neutral
5 adjustments. The Stipulation and Agreement on Fuel and Purchased Power Expense
6 allowed for a fixed level of recovery of fuel and purchased power expense through a base
7 rate increase and an Interim Energy Charge. The IEC was to be in effect for 3 years
8 beginning on the effective date of tariffs unless ordered by the Commission. Empire was
9 prohibited from requesting additional fuel and purchased power expense recovery for the
10 term of the IEC.

11 In ER-2006-0315, the Company requested elimination of the IEC and to increase
12 fuel and purchased power expense recovery through implementation of an Energy Cost
13 Recovery rider or increases in base rates. Although the Commission determined that
14 Empire's request for an Energy Cost Recovery rider while the IEC was in effect violated
15 the terms of the Stipulation and Agreement in ER-2004-0570 the Commission eliminated
16 the IEC and authorizing a rate increase including additional base rate recovery of fuel and
17 purchased power expenses. The distribution of increases to customer classes approved in
18 Case No. ER-2006-0315 was based on the terms of the Non-Unanimous Stipulation and
19 Agreement (ER-2006-0315 Rate Design Agreement) filed on September 13, 2006 by the
20 Staff, Public Counsel, Praxair, and Explorer Pipeline. The ER-2006-0315 Rate Design

1 Agreement allocated the revenue requirement increase to customer classes based on an
2 equal percentage increase in permanent rate revenue plus IEC revenue and also provided
3 that the class increases be collected through volumetric rates.

4 On November 15, 2007, The Missouri Supreme Court ordered that the
5 Commission vacate its December 29, 2006 Report and Order, approving the rates in ER-
6 2006-0315 based on failure to allow adequate time for parties to request rehearing. On
7 December 4, 2007, the Commission vacated its December 29, 2006, Report and Order
8 effective December 14, 2007, and simultaneously re-approved the tariffs approved in the
9 vacated Report and Order. Public Counsel, Praxair and Explorer Pipeline continue court
10 appeals of the process and rates resulting from ER-2006-0315.

11 On May 20, 2008, the Commission approved the Second Non-Unanimous
12 Stipulation and Agreement in Case No. ER-2008-0093 settling the issue of Rate Design.
13 The terms of the Second Non-Unanimous Stipulation and Agreement provided for an
14 equal percentage increase of all rate elements for all customer classes. As a contested
15 issue, the Commission also approved a seasonally adjusted Fuel Adjustment Clause that
16 would allow the Company to collect 95% of fuel and purchased power expenses that
17 exceed the level incorporated in base rates. Public Counsel, Praxair and Explorer Pipeline
18 continue court appeals of the process and rates resulting from ER-2008-0093.

1 **Q. PLEASE DISCUSS THE AVAILABILITY OF CLASS COST OF SERVICE INFORMATION.**

2 A. Class cost of service studies were last performed in Case No. ER-2004-0570 based on
3 information for the test year ending December 31, 2003, updated through June 30, 2004.
4 Consistent with the Stipulation and Agreement in Case No. EO-2005-0263, which
5 addresses the Company's Experimental Regulatory Plan, parties agreed that Empire
6 would conduct class cost of service studies and provide parties with underlying cost
7 allocation data "...six months prior to the commercial operation date of Iatan 2."

8 **Q. HAVE THE PARTIES IN THIS CASE AGREED TO CONDITIONS AND A TIMELINE FOR EMPIRE**
9 **TO CONDUCT ITS NEXT CLASS COST OF SERVICE STUDY?**

10 A. Yes. Section (B)(4) of the February 25, 2010, Stipulation and Agreement filed in this
11 case provides that Empire agrees not seek to recover in the rates resulting from this case,
12 the costs associated with its investment in Iatan 2 with the exception of the Iatan 2
13 common plant needed to operate Iatan 1. The parties have also clarified that this case is
14 not the "Rate Filing" called for in Section III.D.7 of the Empire Experimental Regulatory
15 Plan Stipulation and Agreement in File No. EO-2005-0263 and that Empire is not
16 required to provide a class cost of service study in this case. The February 25, 2010,
17 Stipulation and Agreement does provide that as an element of the next general rate case,

1 which should include Iatan 2, Empire will provide class load samples as well as other
2 data agreed to in the Stipulation and Agreement in Case No. EO-2005-0263.

3 **Q. HAS EMPIRE PROPOSED ANY CHANGE IN THE BASE RATE LEVEL OF ON-SYSTEM FUEL**
4 **AND PURCHASED POWER EXPENSE?**

5 A. No. In the direct testimony of Company witnesses W. Scott Keith and Todd W. Tarter,
6 the Company explains that it is not seeking an increase in the level of fuel and purchased
7 power expense included in base rates because the current amount recovered in base rates
8 is within 1% of the actual expense experienced for the 12-month period ending in August
9 2009.

10 **Q. WHAT IS PUBLIC COUNSEL' S PRIMARY RECOMMENDATION FOR DETERMINING CLASS**
11 **REVENUE RESPONSIBILITY IN THIS CASE?**

12 A. Public Counsel's primary recommendation is that any revenue requirement increase be
13 allocated to classes based on each class's share of current base rate revenues.

14 **Q. HOW SHOULD ANY NEW SPECIAL CONTRACT BASE RATE REVENUE BE DETERMINED FOR**
15 **PURPOSES OF ALLOCATING INCREASED REVENUE REQUIREMENT TO OTHER CUSTOMER**
16 **CLASSES?**

17 A. Consistent with Section D(1)(a) of the Stipulation and Agreement in Case No. EO-2005-
18 0263, which addresses the ratemaking treatment of New Special Contracts, any net

1 increase in revenue requirement should be allocated to customer classes other than
2 Special Contracts based on an imputation of New Special Contracts at full tariff rates.
3 However, I am not aware of any New Special Contracts at this time.

4 **Q. WHAT IS PUBLIC COUNSEL' S PRIMARY RECOMMENDATION FOR RECOVERING ANY**
5 **INCREASED REVENUE FROM THE RESIDENTIAL AND SMALL COMMERCIAL CLASSES?**

6 A. Any increase for the residential and small commercial classes should be recovered
7 through an equal percentage increase of volumetric rates. This rate design is preferable to
8 a method that would significantly increase the customer charge because customers retain
9 more ability to reduce their bills by reducing use. Also, the residential and small
10 commercial classes have experienced customer charge increases in two of the last three
11 rate cases despite the fact that the cost of service information reviewed in ER-2004-0570
12 is dated providing no new or compelling reason to implement a higher customer charge.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes, it does.