EXHIBIT

Exhibit No.:
Issue(s): Class Revenues
Witness/Type of Exhibit: Meisenheimer/Rebuttal
Sponsoring Party: Public Counsel
Case No.: ER-2006-0315

REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2006-0315

July 28, 2006

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	)))))	**Case No. ER-2006-0315**

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 rebuttal testimony consisting of pages 1 thru 6 and Schedule BAM-REB1.

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 28th day of July 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 10, 2009.

REBUTTAL TESTIMONY

OF

BARBARA A. MEISENHEIMER

EMPIRE ELECTRIC

CASE NO. ER-2006-0315

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 TESTIFIED PREVIOUSLY IN THIS CASE?

A. Yes, I submitted direct revenue requirement testimony on June 23, 2006 and direct rate design testimony on June 30, 2006.

Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?

A. I will respond to the other parties' recommendations regarding the appropriate method for distributing any overall revenue increase to the Company's customer classes and the Company's proposal to increase the residential customer charge.

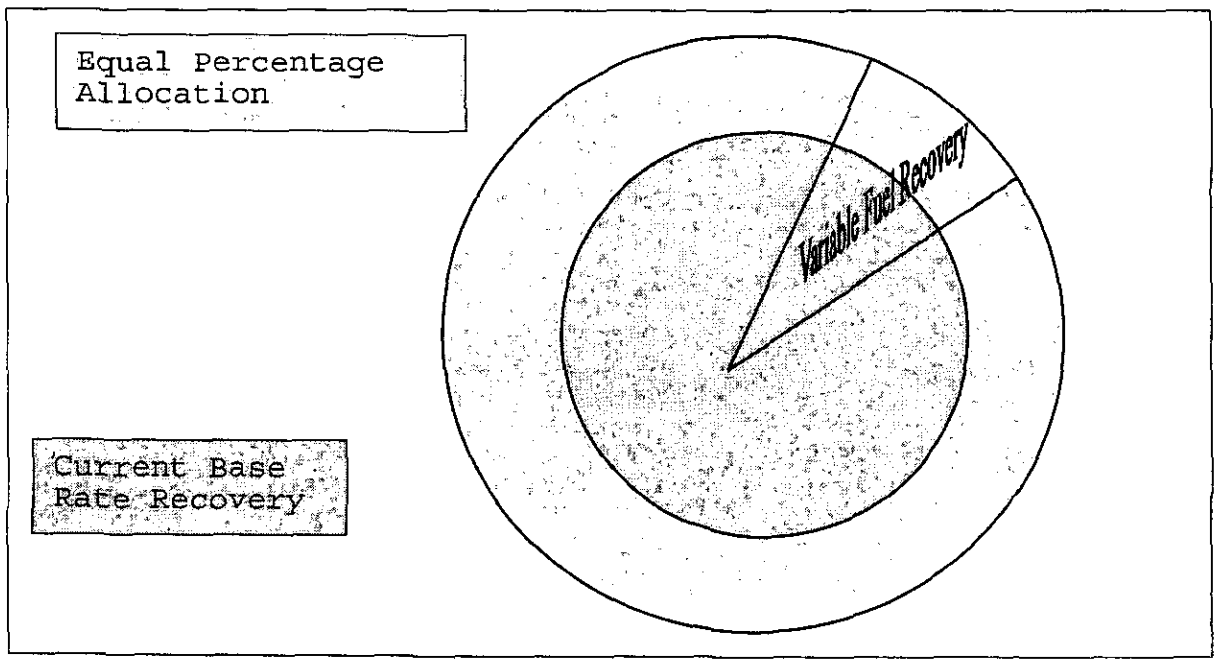
Q. IF THE COMMISSION ALLOWS THE COMPANY AN INCREASE IN TOTAL REVENUE THAT INCLUDES AN INCREASE IN VARIABLE FUEL COST RECOVERY, HOW DO YOU PROPOSE TO DISTRIBUTE THE REVENUE INCREASE TO THE COMPANY'S CUSTOMER CLASSES.

A. In my direct testimony, I pointed out that the Company's proposed increase is disproportionately attributable to a request for increased variable fuel and purchased power cost recovery. Traditional cost allocation methods would generally assign fuel and purchased power cost recovery to customer classes based on the energy (kWh) used by each class. Fuel cost allocations based on use exhibit a lower proportion of such costs allocated to and recovered from the residential and small commercial classes than are non-fuel related costs. Since the allocations that underlie current class revenue recovery, are weighted more heavily on non-fuel related cost recovery than the Company's proposed revenue increase, allocating any overall increase to classes based on an equal percent increase over current base rates would unfairly shift a greater cost recovery to the residential and small commercial classes. In direct testimony, I recommended a method to determine a class revenue responsibility that mitigates the unfair shift in cost recovery to the residential and small commercial classes. While my method is more complicated than that proposed by the other parties, I suggest that it results in class revenue recovery that reflects cost causative revenue recovery in a more equitable way.

Q. PLEASE SUMMARIZE YOUR METHOD.

A. The class allocation of the revenue increase that I presented in direct testimony hastwo parts.

The first part seeks to allocate a portion of any increase consistent with current base rate recovery by class. This is accomplished by first allocating a portion of the total increase on an equal percentage basis which maintains the current proportion of variable fuel costs to other types of costs recovered in current rates. The amount of the proposed total company increase that will be allocated on an equal percentage basis will include any approved revenue increase associated with increased cost recovery not related to variable fuel costs plus the portion of the requested increase in variable cost recovery that would be needed to maintain the current proportion of variable fuel costs to other types of costs in base rates. Visually, this would be like proportionately growing a pie wedge as a pie grows.



I have attached Schedule BAM-REB1 which is a corrected copy of the schedule from my direct testimony. It shows the derivation of the increase associated with non-variable fuel costs and variable fuel costs. These amounts are shown in column (c) and column (d).

The second part of the allocation method assigns any remaining increase in fuel cost recovery to the classes based on each class's use (kWh). This allocation is shown on Schedule BAM-REB1 column (g).

Q. WHAT METHODS HAVE OTHER PARTIES PROPOSED?

A. The Staff recommends assigning any revenue increase to classes in proportion to the sum of current base rate recovery plus current IEC recovery. The industrials, like the Company, recommend assigning any increase based on an equal percent above current rate revenue.

Q. WHY IS YOUR METHOD MORE REASONABLE THAN THOSE PROPOSED BY OTHER PARTIES?

A. The Industrial's and Company's methods would allocate the total increase as an equal percentage increase over current base rates. This does not reflect that the proposed increase is disproportionately related to increased variable fuel and purchased power cost recovery. In the case where the Commission allows additional fuel and purchased power recovery, the Company's and Industrial's methods are the least acceptable option from Public Counsel's perspective.

The Staff's method is conceptually closer to Public Counsel's method than is a purely equal percentage increase over current base rates. The Staff recommends assigning any revenue increase to classes in proportion to the sum of current base rate recovery plus current IEC recovery. The current IEC revenue is recovered based on use (kWh). However, Staff's method is not flexible in that it does not assign a greater amount of costs on kWh as the proportion of the increase that is variable fuel cost recovery grows.

Q. MR. BRUBAKER COMMENTS THAT IN THE EVENT THE COMMISSION DETERMINES THAT FUEL COST SHOULD BE REFLECTED IN RATE CHANGES ON A KWH, THEN IT IS ALSO APPROPRIATE TO REFLECT NON-FUEL COSTS IN RATES PROPORTIONAL TO NON-FUEL BASED REVENUES. DO YOU AGREE?

A. Yes. The method I proposed allocates fuel cost recovery on current fuel revenues and non-fuel cost recovery on current non-fuel revenues.

Q. DO YOU AGREE WITH THE STAFF RECOMMENDATION NOT TO RAISE THE CUSTOMER CHARGE?

A. Yes. I agree with the reasons Mr. Busch cites for not increasing the customer charge. In addition, the Company has not performed a cost study for this case that justifies an increase. As I discussed in my direct revenue requirement and direct rate design testimony, if funding for the ELIP is cut, then the customer charge should be reduced accordingly.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes.

Derivation of Proposed Equal Percent and kWh Revenue Allocation Factors

Rov

Example:

Rev Req Not Related To Variable Fuel Costs (R_{NV}) $ 1,000,000

Rev Req Related To Variable Fuel Costs (R_V) $ 2,000,000

Rate Schedule	Base Rate Current Revenue[1]	Class Percent of Revenue	Equal Increase Variable Cost Allocation[2]	Equal Increase Non Variable Cost Allocation[3]	Rate Schedule Total kWh[4]	Class Percent of kWh	kWh Variable Cost Allocation[5]
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
RG-Residential	$129,598,362	45.57%	$194,423	$455,652	1,671,031,910	40.60%	$638,791
CB-Commercial	$28,159,955	9.90%	$42,245	$99,007	324,863,488	7.89%	$124,187
SH-Small Heating	$6,928,204	2.44%	$10,394	$24,359	94,686,549	2.30%	$36,196
PFM-Feed Mill/Grain Elev	$56,694	0.02%	$85	$199	480,794	0.01%	$184
MS-Traffic Signals	$57,566	0.02%	$86	$202	849,529	0.02%	$325
GP-General Power	$53,633,607	18.86%	$80,461	$188,569	851,132,636	20.68%	$325,365
TEB-Total Electric Bldg	$22,573,232	7.94%	$33,864	$79,365	353,478,183	8.59%	$135,125
LP-Large Power	$36,211,703	12.73%	$54,325	$127,316	725,513,623	17.63%	$277,345
SC-P PRAXAIR (Firm)	$2,435,500	0.86%	$3,654	$8,563	59,710,257	1.45%	$22,826
SPL-Municipal St Lighting	$1,242,402	0.44%	$1,864	$4,368	16,338,005	0.40%	$6,246
PL-Private Lighting	$3,365,197	1.18%	$5,048	$11,832	16,059,575	0.39%	$6,139
LS-Special Lighting	$161,508	0.06%	$242	$568	1,516,624	0.04%	$580
	$284,423,930	100.00%	$426,692	$1,000,000	4,115,661,173	100.00%	$1,573,308

[1] Class Revenues- Curt Wells, Direct Testimony Revenue Requirement, Schedule CW-1,

*Note Class Revenues Exclude IEC, Excess Facilities Charges, Cogeneration Purchases and Interruptible Credits

[2] From Fuel & Purchase Power Stipulation ER-2004-0570 Variable Costs = $85,064,873
Variable Cost / Current Revenue =.2991
Column (c) =.2991/(1-.2991) x $Requirement_{NV}$ x Class Percent of Revenue

[3] Column (d) = $Requirement_{NV}$ x Class Percent of Revenue

[4] Class kWhs-Curt Wells, Direct Testimony Revenue Requirement, Schedule CW-2

[5] (g) = (I_V-Total from column(c)) x Class Percent of kWh