Exhibit No.:

Issues: Rate Design

Class Cost of Service

Witness:

Michael S. Scheperle

Sponsoring Party:

MO PSC Staff

Type of Exhibit:

Surrebuttal Testimony

Case No.:

ER-2012-0175

Date Testimony Prepared:

October 10, 2012

Filed
December 11, 2012
Data Center

Missouri Public

MISSOURI PUBLIC SERVICE COMMISSION Service Commission

REGULATORY REVIEW DIVISION

SURREBUTTAL TESTIMONY

**OF** 

MICHAEL S. SCHEPERLE

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**CASE NO. ER-2012-0175** 

Jefferson City, Missouri October 2012

State Exhibit No. 3011

Date 10 11 112 Reporter M.M.

File No. E.R. - 2012 - 0175

## BEFORE THE PUBLIC SERVICE COMMISSION

## OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri ) Operations Company's Request for ) Authority to Implement General Rate ) Increase for Electric Service )							
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 5 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 <u>Myh</u> day of October, 2012.							
SUSAN L. SUNDERMEYER Notary Public - Notary Seal State of Missouri Commissioned for Callaway County My Commission Expires: October 03, 2014 Commission Number: 10942086							

1	TABLE OF CONTENTS
2	SURREBUTTAL TESTIMONY
3	OF
4	MICHAEL S. SCHEPERLE
5	KCP&L GREATER MISSOURI OPERATIONS COMPANY
6	CASE NO. ER-2012-0175
7	
8	Executive Summary
9	Production-Capacity Allocator2
10	Elimination of Space Heating Rate Classes
- 1	

1	SURREBUTTAL TESTIMONY					
2	OF					
3	MICHAEL S. SCHEPERLE					
4	KCP&L GREATER MISSOURI OPERATIONS COMPANY					
5	CASE NO. ER-2012-0175					
6	Q. Please state your name and business address.					
7	A. My name is Michael S. Scheperle and my business address is Missouri Public					
8	Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.					
9	Q. Are you the same Michael S. Scheperle who filed in this proceeding or					
10	August 21, 2012, direct testimony, both in question and answer format and as part of the					
11	Missouri Public Service Commission Staff's ("Staff's") Rate Design and Class Cost-of-					
12	Service Report, and who filed on September 12, 2012, rebuttal testimony in question and					
13	answer format?					
14	A. Yes, I am.					
15	Q. What is the purpose of your surrebuttal testimony?					
16	A. I respond to the rebuttal testimony of Kansas City Power & Light Greater					
17	Missouri Operations Company ("GMO") witness Paul M. Normand and Southern Union					
18	Company d/b/a Missouri Gas Energy ("MGE") witness F. Jay Cummings.					
19	Executive Summary					
20	Q. Please summarize your surrebuttal testimony.					
21	A. I will respond to GMO by describing how Staff's methodology appropriately					
22	represents the base component in its application of its Base, Intermediate, and Peak ("BIP")					
23	production capacity allocator. Additionally, Staff uses non-coincidental peak ("NCP")					

information instead of coincidental peak ("CP") information in its production-capacity allocator to alleviate the potential for free-ridership.

Finally, I will respond to MGE's recommendation to eliminate GMO's residential electric heat rate classes and schedules, and describe why Staff does not support that recommendation.

#### **Production-Capacity Allocator**

- Q. Mr. Normand alleges on pages three to five of his rebuttal testimony that Staff's Production-Capacity Base Allocator double dips small users by using total annual energy and that for smaller users Staff magnifies the class allocation amount based on NCP information in the intermediate and peaking component of the BIP method. Do you agree with Mr. Normand's characterization that Staff's production-capacity allocator double dips?
- A. No. Staff calculates a base component, an intermediate component, and a peak component in its BIP method. The intermediate component is calculated less the base component already allocated. The peak component is calculated less the base and intermediate already calculated. Therefore, Staff does not double dip in its base, intermediate, and peak component, as usage characteristics are calculated less the components already allocated. Although Mr. Normand does not define or explain what he means by "double dip," Staff's methodology appropriately represents the base usage of all customers.
- Q. Do you agree with Mr. Normand's accusation that Staff should use CP information and not NCP information in its BIP methodology?
- A. No. A concern with utilizing a CP-based allocation factor is that a particular rate class or parts of a rate class are found to be prominently or completely off peak in nature. For example, over-reliance on the CP information may result in free ridership for parts of the

## Surrebuttal Testimony of Michael S. Scheperle

lighting class. Free ridership is when service rendered completely off-peak or not at the system peak time is not assigned any responsibility for capacity cost. Outdoor lighting could avoid some of the demand cost assignment as system peaks generally occur during daylight hours. To alleviate any concern of free ridership, Staff uses NCP information.

#### **Elimination of Space Heating Rate Classes**

- Q. Do you agree with MGE's recommendations to eliminate or alternately freezing residential heating rate schedules?
- A. No. Mr. Cummings recommends elimination of the residential heat rate schedules or alternately freezing these rate schedules. Specifically, Residential Electric Space Heating MO870 for MPS; Residential Service with Electric Space Heating MO920 for L&P; and Residential Space Heating / Water Heating separate meter MO922 FROZEN for L&P. At this time, Staff does not support MGE's recommendation to eliminate these residential rate schedules. Staff does not oppose all-electric residential rates; instead Staff recommends that the customers on such rate schedule(s) be moved closer toward GMO's cost to serve them especially for the winter season.
  - Q. Why does Staff oppose elimination of these residential rate schedules?
- A. Staff recommends that the Commission recognize the potential rate shock of outright elimination of these rate schedules, which is mitigated by gradually bringing the rates to parity with the Residential General Use rate. Table 1(below) details Staff's concern with the outright eliminating space heating rates for MPS residential customers based on current rates.

Table 1 - MPS Rate District

Billing Comparison - Eliminating Space Heating Rate Schedule

	General Use	Space Heating	Annual	
Monthly kWh Usage	Annual Bill	Annual Bill	Difference	% Difference
1000	\$1,326.12	\$1,275.24	\$50.88	3.99%
1500	\$1,859.32	\$1,704.44	\$154.88	9.09%
2000	\$2,392.52	\$2,133.64	\$258.88	12.13%
2500	\$2,925.72	\$2,562.84	\$362.88	14.16%
3000	\$3,458.92	\$2,992.04	\$466.88	15.60%
3500	\$3,992.12	\$3,421,24	\$570.88	16.69%
4000	\$4,525.32	\$3,850.44	\$674.88	17.53%

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Table 1 shows that a space heating customer using 2000 kWh per month, will see a 12.13% annual revenue increase by eliminating the residential space heating rate schedule for MPS. Additionally, this type of customer may see an additional increase based on the Commission's decision in this case for the MPS rate district. In Staff's opinion, this would be a rate shock to space heating customers.

Table 2 (below) details Staff's concern with the outright elimination of space heating rates for customers in the L&P rate district based on current rates.

Table 2 - L&P Rate District

Billing Comparison - Eliminating Space Heating Rate Schedule

	General Use	Space Heating	Annual	
Monthly kWh Usage	Annual Bill	Annual Bill	Difference	% Difference
1000	\$1,284.84	\$1,184.60	\$100.24	8.46%
1500	\$1,800.64	\$1,616.40	\$184.24	11.40%
2000	\$2,316.44	\$2,048.20	\$268.24	13.10%
2500	\$2,832.24	\$2,480.00	\$352.24	14.20%
3000	\$3,348.04	\$2,911.80	\$436.24	14.98%
3500	\$3,863.84	\$3,343.60	\$520.24	15.56%
4000	\$4,379.64	\$3,775.40	\$604.24	16.00%

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# Surrebuttal Testimony of Michael S. Scheperle

Table 2 shows that a space heating customer using 2000 kWh per month, will see a 13.10% annual revenue increase by eliminating the residential space heating rate schedule for L&P. Additionally, this type of customer may see an additional increase based on the Commission's decision in this case for the L&P rate district. In Staff's opinion, this would also be a rate shock.

- Q. Does this conclude your surrebuttal testimony?
- A. Yes, it does.