

# EXHIBIT

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Rate Design

Meisenheimer/

Rebuttal

Public Counsel

ER-2007-0291

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Service Commission

## REBUTTAL TESTIMONY

### OF

## BARBARA A. MEISENHEIMER

Submitted on Behalf of the Office of the Public Counsel

KCP&L  
(RATE DESIGN)

CASE NO. ER-2007-0291

August 30, 2007

Exhibit No. 204  
Case No(s). ER-2007-0291  
Date 10/1/07 Rptr MM

**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 Implement its )  
Regulatory Plan )

**Case No. ER-2007-0291**

**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:

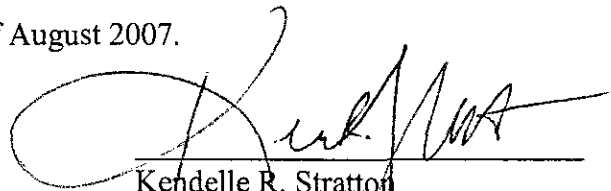
1. My name is Barbara A. Meisenheimer. I am Chief Utility Economist for the Office of the Public Counsel.
2. Attached hereto and made a part hereof for all purposes is my rebuttal testimony.
3. I hereby swear and affirm that my statements contained in the attached testimony are true and correct to the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

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

Subscribed and sworn to me this 30th day of August 2007.



KENDELLE R. STRATTON  
My Commission Expires  
February 4, 2011  
Cole County  
Commission #07004782

  
\_\_\_\_\_  
Kendelle R. Stratton  
Notary Public

My Commission expires February 4, 2011.

**REBUTTAL TESTIMONY**  
**OF**  
**BARBARA MEISENHEIMER**  
  
**KANSAS CITY POWER & LIGHT**

**CASE NO. ER-2007-0291**

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

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

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

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

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1       **Q.     HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE COMMISSION?**

2       A.     Yes, I have testified on numerous issues before the Missouri Public Service  
3             Commission. (PSC or Commission).

4       **Q.     WHAT IS YOUR PREVIOUS EXPERIENCE RELATED TO CLASS COST OF SERVICE AND**  
5             **RATE DESIGN ISSUES?**

6       A.     I have prepared and supervised the preparation of cost of service studies and rate  
7             design proposals on behalf of Public Counsel for over ten years. I have worked on  
8             cost and rate design issues in the areas of natural gas, water and electric and  
9             telecommunications.

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

11      A.     No.

12      **Q.     WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

13      A.     The purpose of my rebuttal testimony is to respond to the rate design  
14             recommendations of Kansas City Power & Light (KCPL or the Company), the  
15             Public Service Commission Staff (Staff) and The Department of Energy –  
16             National Nuclear Security Administration (DOE).

17      **Q.     IN PREPARATION OF YOUR TESTIMONY, WHAT MATERIALS DID YOU REVIEW?**

18      A.     I have reviewed the direct testimony filed by Tim Rush on behalf of KCPL, the  
19             direct testimony of James Watkins and Staff Report by Janice Pyatte filed on

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1 new or updated class cost of service studies or to propose changes to rate  
2 structures in this case or the next case.

3 **Q. WHY SHOULD THE COMMISSION REJECT IMPOSING FURTHER INTERCLASS**  
4 **REVENUE SHIFTS IN THIS CASE BASED ON THE OUTCOME OF ER-2006-0314?**

5 A. On January 1, of this year, new tariffs went into effect. The tariff changes were to  
6 increase residential revenues by about 12.7%. As a result of disproportionate  
7 shifts agreed to in the last case, the residential increase was to be approximately  
8 21% - 65% higher than the 9.9% to 10.5% increases to be experienced by the  
9 other classes. Given the limited amount of time that has passed since the current  
10 rates went into effect, and for the additional reasons cited in the rebuttal testimony  
11 of OPC witness Trippensee, Public Counsel does not support imposing additional  
12 shifts in this case. Additional concerns regarding interclass shifts are addressed  
13 by testimony of Public Counsel witness Russell Trippensee.

14 **Q. DOE CITES DOE'S STATUS AS A NON SIGNATORY TO THE STIPULATION AND**  
15 **AGREEMENT IN CASE NO. EO-2005-0329 IN PROPOSING INTERCLASS SHIFTS**  
16 **BASED ON AN UPDATED CLASS COST OF SERVICE STUDY. DOE ALSO PROPOSES**  
17 **THAT CONTRARY TO KCPL'S COMMITMENT IN EO-2005-0329, KCPL SHOULD FILE**  
18 **A CLASS COST OF SERVICE STUDY IN THIS PROCEEDING. PLEASE COMMENT ON**  
19 **THESE DOE POSITIONS.**

20 A. If implemented, DOE's proposals would be detrimental if not fatal to the balance  
21 struck by the signatory parties to the Stipulation and Agreement in EO-2005-

1           0329. As described by OPC witness Mr. Trippensee in response to Commission  
2           questions at hearing in EO-2005-0329, a key element of the Stipulation and  
3           Agreement is that it provides certainty to the parties in the process of bringing  
4           Iatan2 online. DOE, like other customers, benefited by avoiding the litigation risk  
5           of the Company's original regulatory plan proposal being adopted by the  
6           Commission. In addition, I would encourage the Commission to recall that  
7           although DOE was not a signatory to the Stipulation and Agreement in EO-2005-  
8           0329, DOE participated extensively in the case and at a minimum did not oppose  
9           the Stipulation as indicated in the closing statement made by DOE's attorney Mr.  
10          Phillips<sup>1</sup>;

11           MR. PHILLIPS: Thank you. That's all I have of this witness, and that's  
12           all the questions we have of any of the filed testimony. I would  
13           be happy to answer questions from the Commission relating to  
14           whatever we can do to help you.

15           I would be happy also to just advise you, if you were to  
16           have a closing argument Monday or Tuesday or whenever,  
17           what we would say in that closing argument. On the basis of  
18           what we have gone through and reviewed and listened and the  
19           competent and substantial evidence, we would submit that we  
20           do not oppose the Commission approving the Stipulation &  
21           Agreement as proposed in this case.

22           If there are any questions, I'll be happy to try to answer  
23           them.

24           JUDGE PRIDGIN: Mr. Phillips, thank you. Let me see if we have any  
25           questions from the Bench for Department of Energy. Mr.  
26           Chairman?

27           CHAIRMAN DAVIS: No questions.

28           JUDGE PRIDGIN: Commissioner Gaw?

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<sup>1</sup> Transcript pg. 364

1 COMMISSIONER GAW: Is that the same thing as supporting it?

2 MR. PHILLIPS: I think if we looked in Law's dictionary we might be  
3 able to differentiate between one and the other. I'm prepared to  
4 say that we do not oppose it.

5 COMMISSIONER GAW: But not that you necessarily support it?

6 MR. PHILLIPS: I did not say that.

7 In its post hearing brief in EO-2007-0329 DOE went on to describe the  
8 Stipulation and Agreement as in the public interest;

9 USDOE believes that the Stipulation and Agreement can be found  
10 by the Commission to be supported by competent and substantial  
11 evidence upon the whole record in this case and to be in the public  
12 interest.

13 DOE also participated in ER-2006-0314 and joined as a signatory party to  
14 the Stipulation and Agreement resolving class cost of service and rate design.

15 Undermining continuation of the Regulatory Plan process by considering  
16 DOE's updated class cost of service study and approving DOE's proposals based  
17 upon its new updated CCOS study would be detrimental to the public interest and  
18 I encourage the Commission to reject DOE's recommendations.

19 **Q. DO YOU HAVE CONCERNS REGARDING THE INFORMATION PROVIDED IN THE**  
20 **STAFF CCOS REPORT?**

21 **A.** Yes. I have some concern regarding the presentation of the document as a report  
22 rather than as testimony. I have often participated on behalf of Public Counsel in  
23 preparation of reports to the Commission. I would like to point out that in this  
24 instance Public Counsel had no input as to the accuracy or characterizations



1 contained in the document so the Commission should not interpret the content as  
2 agreed to by all the parties to this case. In particular, the document contains  
3 argument in support of Staff's re-submitted CCOS study results that Public  
4 Counsel did not agree with in the previous case. For example, the document  
5 states:

6 The Staff's CCOS avoids this problem by assuming that the  
7 Lighting class is already providing the Company with the system  
8 average rate of return, so no revenue-neutral change to Lighting  
9 class revenues was warranted.

10 The document also includes a list of definitions or descriptions that I do  
11 not entirely agree with. For example, while the Staff definition or description of  
12 Rate Structure contained in the Report does not appear to recognize inter-class  
13 cost allocations as a component of rate structures, authoritative experts on utility  
14 regulation such as James Bonbright and Charles Phillips do recognize inter-class  
15 cost allocations as an element of rate structures.<sup>2</sup>

16 Additionally, the document appears to reflect the Staff cost study results  
17 filed in Staff Surrebuttal testimony in Case No. ER-2006-0314 while reflecting  
18 Public Counsel's cost study results from Supplemental Direct testimony in the  
19 same case.

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<sup>2</sup>Charles Phillips, The Regulation of Public Utilities, Second Edition, Public Utility Reports Inc., 1988  
Pages 171-172 and pages 409-411.

1       **Q.     IN YOUR OPINION, ARE THE CALCULATIONS UNDERLYING PORTIONS OF THE**  
2       **STAFF REPORT AND THE STAFF RECOMMENDATION APPROPRIATE?**

3       **A.**    No. Based on a review of the Staff workpapers I have concerns about the method  
4       of calculation as well as some unexplained adjustments made in the calculations.

5               While the Staff includes a copy of its previously filed CCOS study results,  
6       it then updates its CCOS Revenue Deficiency to correspond to current class  
7       revenues. These calculations form the basis of the percentages illustrated in the  
8       first and third tables that appears on page 5 of the Staff Report. The Staff  
9       workpapers illustrate that in the previous case the Staff calculated the Revenue  
10      Deficiency as the amount by which revenues differ from cost. In updating the  
11      Revenue Deficiency from the previous case to reflect 2007 revenues, Staff  
12      appears to assume that the relationship of cost to revenue in the current case is the  
13      same as existed in the test year from ER-2006-0314. Public Counsel witness  
14      Russ Trippensee explains why such an assumption is inappropriate under the  
15      Regulatory Plan.

16             Additionally, in calculating revenue neutral shifts, The Staff appears to  
17      randomly assign residual under-collection of revenues to the Residential class.  
18      These adjustments have minimal impact but do result in a relative increase to the  
19      Residential class without explanation or justification.

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

21      **A.**    Yes.