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Frequently Asked Questions

Here are a list of frequently asked questions about KCP&L's rate increase request and our Comprehensive Energy Plan:

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General Questions

- What is a rate case?

A rate case is the way KCP&L proposes changes to the base rate we charge our customers. In Kansas, proposed rate changes are filed with the state regulatory commission, the Kansas Corporation Commission (KCC).

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**Why is KCP&L asking for a rate increase at this time?**

This rate increase request represents the successful completion of KCP&L's five-year Comprehensive Energy Plan (CEP). The request includes recovery for investments in new, cleaner and more efficient coal-fired generation, customer initiatives and system reliability improvements made as part of the CEP. This is the fourth of four planned rate increases associated with the CEP.

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**How much is my bill going to increase?**

The Kansas Corporation Commission made a ruling that changed the design of our rates. In our initial filing, KCP&L requested all classes, or types, of customers receive the same increase percentage. The Commission's ruling indicates *different classes of customers will receive different increase percentages*. These changes, as they apply to our three largest residential customer classes, are detailed in the table below. Commercial customers will receive a 4.5% rate increase for the summer and winter seasons. You can identify which rate code applies to you by looking at your monthly billing statement.

Class	Rate Code	Net Rate Change	Summer Rate Change	Winter Rate Change
Residential A - General	2RS1A, 2RSDA	0.6% decrease	6.53% increase	6.97% decrease
Residential C - Space Heat (usage is not separately metered)	2RS8A, 2RW6A	16.5% increase	6.53% increase	26.68% increase
Residential E Space Heat (usage is separately metered)	2RW2A, 2RWA3	21.3% increase	4.76% increase	35.44% increase

In Missouri, the requests in each rate jurisdiction area will raise all customer rates an average of 14 percent. For the typical residential customer, this will add less than approximately \$15 to the customer's monthly bill. The typical residential customer is defined as using 780 kWh in the winter and 1,130 kWh in the summer. To see the specific requests for each rate jurisdiction area, please refer to the following table.

Rate Jurisdiction*	Rate Increase	Rate Increase Percentage	Monthly Increase For Typical Residential Customer**
GMO (MPS)	\$75.8 M	14.4%	\$14.86
GMO (L&P)	\$22.1 M	13.9%	\$12.82
KCP&L (MO)	\$92.1 M	13.8%	\$12.69

**\* Rate Jurisdiction Areas:**

- GMO (MPS): Represents the area served by the former Aquila Missouri Public Service division.
- GMO (L&P): Represents the area served by the former Aquila St. Joseph Light & Power division.
- KCP&L (MO): KCP&L Missouri customers (not in former Aquila service territory)

\*\* A typical residential customer uses a monthly average of 1130 kWh in the summer and 780 kWh in the winter.

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**When will my bill increase?**

**Kansas Customers:**

The Kansas Corporation Commission made their ruling on our request on November 22, 2010. The new Kansas rates are effective as of December 1, 2010.

**Missouri Customers:**

The Missouri Public Service Commission is scheduled to rule on our requests by the end of May 2011. New rates will become effective on May 4, 2011 for customers in our KCP&L-Missouri service area and on June 4, 2011 for customers in our KCP&L-Greater Missouri Operations service areas (formerly served by Aquila).

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#### **What do rates pay for?**

When a regulated utility such as KCP&L asks for a rate increase, it is because the cost of serving its customers has increased. Rates, which must be approved by state regulators, are set to recover only essential costs related to providing safe, reliable and affordable service. In order for a utility to provide top-tier, reliable electric service to customers, the costs need to be recovered.

This rate increase request is one of the final steps in successfully completing KCP&L's five-year Comprehensive Energy Plan (CEP). The request includes recovery for investments in new, cleaner and more efficient coal-fired generation, customer initiatives and system reliability improvements made as part of the Plan. Iatan 2, a new 850 Megawatt coal-fired generation unit, is scheduled to be completed in 2010. Iatan 2 will meet the growing electrical demand of our region and maintain competitive electric rates for decades to come. Customer initiatives include energy efficiency, customer affordability and demand response programs. Providing customers more information and control over their energy use helps them save money and also helps the environment. Investments in our transmission and distribution network ensure our ability to continue to deliver reliable electrical service and maintain our status as one of the region's most reliable utilities.

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#### **How can we be sure new rates will be fair and reasonable?**

We work hard to ensure that rates are fair and reasonable and work with regulators on that issue as well (state utility regulators must approve all rate increases). KCP&L's costs and operations are examined in detail, and rates are set to recover only those costs fundamental to providing safe, reliable and affordable service.

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#### **With the economy, I've had to watch my spending. Why can't KCP&L cut back spending?**

We have been managing our operating expenses very closely and will continue to do so. In addition, we've stayed on track to achieve the \$500 million in operational efficiency savings we promised over 10 years as a result of the Aquila transaction. In fact, we project we will exceed operational efficiencies by \$98 million by 2014. Despite these efforts, the rate increase request is still necessary and was planned as the fourth and final rate increase associated with the Comprehensive Energy Plan. Energy affordability is a top priority for KCP&L. Prior to 2006, KCP&L had not sought a rate increase in 20 years. However, new technology and environmental regulations are impacting the way electricity is generated and delivered. As it is necessary to meet the challenges of these changes, KCP&L will work with regulators to meet the energy needs of our region and, correspondingly, set rates that are reasonable and fair.

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#### **What is the Comprehensive Energy Plan? How does it benefit me?**

In 2004, following an unprecedented amount of community input and engagement, KCP&L introduced its Comprehensive Energy Plan with a number of short- and long-term goals. The plan was designed to allow KCP&L to provide the electricity needed to support the region's economy in the future; maintain competitive electric rates; continue to deliver reliable service; balance the benefits of renewable energy with the stability of cleaner coal generation; and respond to rapidly evolving environmental laws and regulations with flexible and feasible solutions. The CEP has a number of important customer benefits, including:

- **Renewable Energy:** KCP&L's Spearville wind facility was the first wind facility to be built, owned and operated by a regulated electric utility in Kansas. It provides our customers a source of clean, renewable energy.
- **Affordability and Energy Efficiency:** Providing customers more information and control over their energy use helps them save money and also helps the environment. In addition to items included in the Plan, our Connections program is a separate initiative designed to help customers

struggling to pay their monthly bills. Energy Resource Fairs have been held throughout our service area and provide a way to obtain face-to-face assistance.

- **Environmentally-Responsible Power:** New environmental technology at our coal-fired power plants is helping KCP&L improve regional air quality and meet future federal emissions mandates.

- **Infrastructure Improvements:** Investing money in our power lines and infrastructure maintains high reliability. In other words, it helps us prevent outages and get the lights back on faster when an outage occurs. KCP&L continues to be recognized as the Midwest's leading utility in terms of reliability.

- **New generation:** A new clean-burning coal power plant ensures that our region has a sufficient supply of affordable electricity for years to come.

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#### **Has the economic downturn eliminated the need for this new coal plant?**

No. Even in our current economy, the demand for electricity has increased. Additionally, we have recently seen the retirement of 30 gigawatts of existing generation capacity in the U.S. Experts estimate that we will need 250 gigawatts of new generating capacity between 2008 and 2030 (<http://www.eia.doe.gov/oiaf/aeo/electricity.html>).

That is approximately 300 times the generating capacity of Iatan 2. When we made the decision to build a new coal-fired plant five years ago, we were in lock step with the community and regulators. We made this decision because it was, and still is, the best way for us to maintain reliable affordable service in the long term — 50 years or more. Though prices for natural gas are currently low, history tells us this will not be the case forever as gas pricing is volatile. We believe coal, which is the least expensive generating fuel, will continue to be a price-stable, reliable resource. The economic downturn has not eliminated the need for Iatan 2.

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#### **If rates here are still far below the national average, why has my bill gone up for many years?**

The price KCP&L-Kansas customers paid for each kilowatt-hour of electricity actually decreased several times from 1988 to 2006 (see chart). KCP&L's Missouri territories also experienced price decreases (see chart). In 2007, KCP&L filed its first rate increase in 20 years. The majority of the increase in your bill over the years has been the amount of electricity you actually use. On average, KCP&L residential customers use 42 percent more electricity today than in 1986. To illustrate that, the average number of TVs per household has increased more than 33 percent, and a 50-inch plasma unit uses four times the energy of a standard 27-inch set. Add to that the fact that average square footage for homes in our area has gone up by 18 percent over the same period, and it becomes clearer why bills have risen.

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#### **Will all types of customers — residential, commercial, and industrial — receive the same increase?**

In both our Kansas and Missouri filings, we asked for an equal percentage increase for all types, or classes, of customers within each rate jurisdiction.

In Kansas, the Commission ruled on our request on November 22, 2010. This ruling included changes to the design of our rates that require increase percentages be allocated differently to each customer class. This table demonstrates how this affects our three largest groups of residential customers.

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#### **Can I expect improvements in my electric service if my rates increase?**

KCP&L currently ranks among the best electric utilities in the country when it comes to customer service and reliability. In November 2010, we were recognized by PA Consulting Group as the most reliable utility in the Midwest for the fourth year in a row. The Comprehensive Energy Plan calls on us to maintain this high level of confidence, customer service and reliability. Therefore, part of this rate increase request goes towards continued improvements to our delivery system to ensure service reliability.

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**How can I participate? Learn more?**

The rate increase request processes in Kansas and Missouri allow for public hearings and submission of comments to the Commissions. To learn more about specific dates and milestones scheduled, please refer to the Kansas and the Missouri Rate Process timelines. To learn more about submitting comments to the Commissions, please visit the Kansas Corporation Commission website and the Missouri Public Service Commission website.

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**Why are rate increases in different parts of the KCP&L service area different?**

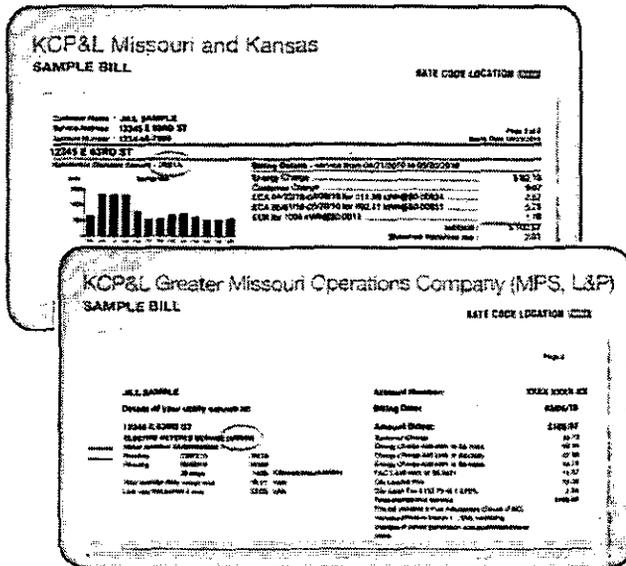
There are differences in the kinds of customers KCP&L serves in each state and differences in our cost to serve each group of customers. Also, the success of adequately setting rates in prior cases that adequately recovered operating costs and capital investments differs between regulatory jurisdictions. Finally, jurisdictions often set different mechanisms and time frames to recover certain types of costs. It is these differences that drive different pricing overall, and therefore different increases. In addition, assets, plants and equipment, used to serve customers in the former Aquila service area are separate and distinct from those that serve KCP&L customers. Thus, rates will be different between all the service areas.

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**How do I know which rate area applies to me?**

If you are a residential customer, the best way to accurately identify which rate area you are in is to refer to the back page of your bill. As you can see in the graphics below, your rate code is a five-digit code that appears in the top-left portion of the back page of your bill. If you are a paperless billing customer and do not receive your paper bills in the mail, log in to AccountLink to view electronic copies of your bill and identify your rate code. Then refer to the following table to match your rate code to your rate area.



KANSAS		MISSOURI	
KCP&L Kansas	KCP&L Missouri	GMO-L&P	GMO-MPS
2PG1A	1PG1A	MC910	MC800
2RS1A	1RFEB	MC911	MC860
2RS2A	1RH1A	MC915	MC815
2RS3A	1RS1A	MC920	MC870

If you are a commercial or industrial customer, please contact your Energy Consultant for information about your bill and rate jurisdiction area.

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#### Energy Efficiency FAQ

##### **How does KCP&L's proposal for the extension of energy-saving programs in Kansas help me?**

Customers and the community have already benefitted from our energy-saving programs while they have been in pilot phase.

KCP&L's energy saving pilot programs have:

- Saved more than 192 total MWs of electricity
- Created more than \$50 million of local and national economic activity
- Created 80 jobs within the Kansas City metropolitan area
- Reduced CO2 emissions equivalent to removing 20,488 cars from the road

If our proposal is accepted by the Kansas Corporation Commission, customers will benefit whether they choose to participate in energy-saving programs or not. This is because energy-saving programs delay our need to build new power plants. Implementing energy-saving programs is less costly than building new power plants. As a result, energy-saving programs have significant potential to keep overall rates in our area below the national average, as they are today.

*Note — the above figures are estimates to-date based on energy-saving pilot programs*

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##### **What types of energy-saving programs does KCP&L offer?**

We offer several types of programs:

**Energy Efficiency** — These programs upgrade existing products or systems to help them perform better, or more efficiently. Our Cool Homes program, which provides rebates to customers for installing more efficient air conditioners is an example of an energy efficiency program.

**Demand Response** — These programs help reduce demand for electricity at a specific time. KCP&L's Energy Optimizer is an example of a voluntary demand-response program in which residential and small commercial customers receive a free programmable thermostat that reduces load during times of peak demand.

**Affordability** — These programs assist low-income customers by implementing energy-efficiency measures in their homes. For example, our Low-Income Weatherization program connects customers to community agencies who provide weatherization services.

**Educational** — These programs educate customers on ways to better control their energy usage. For example, our Home Energy Analyzer is an online tool that helps customers identify specific ways to save energy in their homes.

For a full list of programs, visit [www.kcplsave.com](http://www.kcplsave.com).

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##### **What is the charge I will see on my bill?**

The Kansas Corporation Commission is evaluating our request to change the way we recover the costs associated with offering our energy-saving programs. Currently, costs associated with energy-saving pilot programs are recovered in a different way and appear on bills as a line-item charge known as the EE Rider, which is about \$2.00 per month.

Our proposal would replace the EE Rider with a DSM Rider charge, a new line-item monthly bill charge of approximately \$3.54 per month. This is an approximate amount that would be charged per month for average residential customer. The line-item amount can be calculated by multiplying the per-kWh charge of \$0.00308 by the number of kWh used per month. Typically, customers who participate in our energy-saving programs see a monthly savings of much more than \$3.54, due to the fact they're using less electricity.

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**Why should only half of the net benefits go to customers? Why should the other half go to KCP&L?**

KCP&L believes energy efficiency is one of the most important and immediately viable steps our community can take. Therefore, it's essential we invest in activities that make a significant impact. Traditional energy-efficiency models haven't made a big impact. Here's a look at a comparison.

KCP&L's Proposal	Energy-Efficiency Traditionally
Assist customers in identifying and implementing energy-saving measures	Customers are on their own to identify and implement energy-saving measures
Help customers pay for investments in energy-saving measures	Customers solely pay for energy-saving measures
KCP&L shares with customers the benefits from energy-saving measures, allowing for continued customer support	Customers keep all benefits from energy-saving measures
Significant investments in energy-efficiency are made and all KCP&L customers benefit regardless of their participation in energy-efficiency measures.	Significant investments in energy-efficiency are not made because there is not enough incentive for the customer to do so.

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**Why is this only happening in Kansas? What is going on in Missouri?**

The Missouri Public Service Commission regulates our activities in Missouri and they operate separately from the Kansas Corporation Commission. Here is what is happening in Missouri:

The 2009 Missouri Energy Efficiency Investment Act was introduced to update Missouri's energy regulations to help remove the disincentive that utilities have toward investment in energy-saving programs. Senate Bill 376 and HB 882 do the following:

- Creates a state policy and framework to treat utility investments in energy efficiency just like investments in a power plant or distribution line.
- Gives the Missouri Public Service Commission options to further encourage efficiency investments.
- Ensures only cost-effective programs that benefit all customers will be approved.
- Provides protections for low-income customers.

While the legislation was signed into law on July 13, 2009, the Missouri Public Service Commission must draft rules to guide the implementation of the legislation. The final rules are anticipated to be approved and published by December 2010.

For more information about KCP&L's efforts in Missouri, visit [eefirst.com](http://eefirst.com).

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**Why does KCP&L need to recover costs to provide energy-saving programs?**

In short, we need every dollar invested in energy-saving programs to be treated like a dollar invested in power plants.

Since the beginning of electric utility regulation, utilities have been allowed by law to recover costs associated with providing safe, reliable electricity. Traditionally, this has only been done by building power plants. Investor-owned utilities like KCP&L rely on investors to provide money to build power plants. Like all investors in any industry, electric utility investors expect to receive a return on their investment. Otherwise, they would not invest.

Now, the manner in which the world creates and uses energy is changing. At the same time, the demand for electricity in our region is growing. KCP&L is required by law to meet that demand. Energy-saving programs are a new way we can meet that growing demand while investing in customers' homes and businesses. In effect, they create a virtual power plant.

Programs that help customers use less energy are a new resource for meeting electricity demand just like power plants are. Currently, investors are not able to help us invest in energy-saving programs because the regulations only allow investors to earn a return on building power plants. Therefore, we are at risk for investors to choose only to invest in power plants and not energy-saving programs. KCP&L is committed to energy saving programs, so we want to ensure they are able to be funded.

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**What is a virtual power plant?**

A virtual power plant describes the effect of energy-saving programs. Virtual power plants delay the need to build new power plants.

KCP&L is required to meet the growing electrical demand in our region. There are two ways to meet this demand: build more power plants or help customers use electricity more efficiently. When customers use electricity more efficiently, less electricity is needed to perform functions such as heating or cooling homes. If less electricity is used in one place, such as a customer's home, that electricity is then available to meet new demand elsewhere in the system. The effect is that a virtual power plant is created and KCP&L does not need to build a traditional power plant to meet that new demand as soon as it would need to if no energy-saving programs were being used.

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**What is the Energy Saver Loan Program?**

KCP&L's Energy Saver Loan program is a proposed partnership with the Efficiency Kansas loan program, currently offered by the State Energy Office and the Kansas Corporation Commission. Efficiency Kansas is funded using federal stimulus dollars provided by the American Recovery and Reinvestment Act (ARRA). The program offers low-cost financing to perform cost-effective, energy-efficiency improvements to homes.

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**What's the difference between this proposal and your rate increase request?**

This proposal regarding energy-saving programs is separate from our request to increase base rates. This request is about treating every dollar invested in energy-saving programs the same as every dollar invested in power plants.

That request is pending before the Commission and a ruling is anticipated on November 22, 2010. It is the fourth of four rate increase requests associated with the Comprehensive Energy Plan, which did a variety of things to ensure our region will have a reliable, price stable and cleaner supply of electricity for many decades to come.

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KCP&L provides this website as an aid to our customers. KCP&L does not intend for this website to replace its positions as stated within its direct testimony, rebuttal or surrebuttal filings or any other filings made by it throughout these cases, should inconsistencies arise between such.

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