Exhibit No.:	
Issue:	Minimum Filing Requirements; Depreciation Study; Revenues; Rate Design; and Rules and Regulations
Witness:	Tim M. Rush
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Kansas City Power & Light Company
Case No.:	ER-2009-____
Date Testimony Prepared:	September 5, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
September 2008

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ER-2009-____

Q: Please state your name and business address.

A: My name is Tim M. Rush. My business address is 1201 Walnut, Kansas City, Missouri 64106-2124.

Q: By whom and in what capacity are you employed?

A: I am employed by Kansas City Power & Light Company ("KCP&L" or the "Company") as Director, Regulatory Affairs.

Q: What are your responsibilities?

A: My general responsibilities include overseeing the preparation of rate cases, class cost of service ("CCOS") studies and rate design for KCP&L and Aquila, Inc. dba KCP&L Greater Missouri Operations Company. I am also responsible for overseeing the regulatory reporting and general activities as they relate to the Missouri Public Service Commission ("MPSC" or "Commission").

Q: Please describe your education, experience and employment history.

A: In addition to public schools, I received a Master's Degree in Business Administration from Northwest Missouri State University in Maryville, Missouri. I did my undergraduate study at both the University of Kansas in Lawrence and the University of Missouri in Columbia. I received a Bachelor of Science Degree in Business Administration with a concentration in Accounting from the University of Missouri in Columbia.

Q: Please provide your work experience.

A: I was hired by KCP&L in 2001, as the Director, Regulatory Affairs. Prior to my employment with KCP&L, I was employed by St. Joseph Light & Power Company ("Light & Power") for over 24 years. At Light & Power, I was Manager of Customer Operations from 1996 to 2001, where I had responsibility for the regulatory area, as well as marketing, energy consultant and customer services area. Customer services included the call center and collections areas. Prior to that, I held various positions in the Rates and Market Research Department from 1977 until 1996. I was the manager of that department for fifteen years.

Q: Have you previously testified in a proceeding before the MPSC or before any other utility regulatory agency?

A: I have testified on numerous occasions before the MPSC on a variety of issues affecting regulated public utilities. I have additionally testified at the Federal Energy Regulatory Commission and the Kansas Corporation Commission.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain how the Company satisfied the MPSC's minimum filing requirements ("MFR") and the depreciation study requirements under 4 CSR § 240-3.030 and 4 CSR § 240-3.160. I am also sponsoring the retail revenue adjustment to reflect the annualized and normalized revenue level for the Missouri jurisdiction and the Company proposal for rate design. The proposed rate design results from the MPSC's requirement in Case No. ER-2007-0291 to file a "complete cost of service and/or cost-effectiveness studies and analyses of KCP&L's general service all-electric tariffs and separately metered space heating rates."

I. MINIMUM FILING REQUIREMENTS

Q: What is the purpose of this part of your testimony?

A: The purpose of this part of my testimony is to confirm that KCP&L has satisfied the MPSC's MFR, as set forth in 4 CSR § 240-3.030.

Q: How did KCP&L satisfy the MFR?

A: The following information was prepared to address the specific requirements of the MFR as outlined in 4 CSR § 240-3.030(3):

A: Letter of transmittal

B: General information, including:

1. the amount of dollars of the aggregate annual increase and percentage over current revenues;
2. names of counties and communities affected;
3. the number of customers to be affected;
4. the average change requested in dollars and percentage change from current rates;
5. the proposed annual aggregate change by general categories of service and by rate classification;
6. press releases relative to the filing; and
7. a summary of reasons for the proposed changes.

Q: Are you sponsoring this information?

A: Yes, I am.

Q: Was this information prepared under your direct supervision?

A: Yes, it was.

II. DEPRECIATION STUDY REQUIREMENTS

Q: Were the provisions of 4 CSR § 240-3.160 addressed, concerning a depreciation study, database and property unit catalog in this filing?

A. The Company requested and received a waiver from filing the depreciation study, database, and property unit catalog in Case No. EE-2008-0259 until the filing of the rate case associated with the anticipated completion of Iatan 2.

III. ANNUALIZED/NORMALIZED REVENUES

Q: Were the retail revenues included in this filing prepared by you or under your supervision?

A: Yes, they were.

Q: Will you describe the method used in developing the revenues for this case?

A: Both the kWh sales and customer levels by rate class were developed by Company witness George M. McCollister. Mr. McCollister explains those figures in his Direct Testimony. I was then responsible to develop monthly bill frequencies for 2007 that contained the actual billing units for each of the billing blocks for the various rate components. For example, the residential general use rate has several billing blocks in the winter period, while only one billing block in the summer period. The bill frequency collects the actual usage that is billed in each of the billing blocks for each month in the winter period. It also collects the actual number of customers in each of the months. By applying the actual rates to the usage in each of the billing blocks, the revenues can be reproduced. This method provided the basis for determining the overall revenues to be used in this case. Monthly revenues were determined by applying the normalized sales and customer levels for each month represented in the test period to the corresponding

billing frequency and the actual rates that took effect on January 1, 2008. This was done for each rate for each month. The sum of these revenues was compared to the actual 2007 revenues to determine the revenue adjustment contained in the Direct Testimony of KCP&L witness John P. Weisensee as Adj-49a on Schedule JPW-2.

IV. ELECTRIC RATE DESIGN

Q: Are you sponsoring the electric tariffs filed in this case?

A: Yes, I am.

Q: Please describe some of the background to the rate design established in the last rate case and its impact on the rate design in this case.

A: As a result of KCP&L's most recent general rate case, Case No. ER-2007-0291, the MPSC ordered the Company to present in its next rate case a "complete cost of service and/or cost-effectiveness studies and analyses of KCP&L's general service all-electric tariffs and separately metered space heating rates." The purpose of these studies and analyses was to allow KCP&L the opportunity to present its preferred phase-out plan for the remaining commercial and industrial customers served under the all-electric tariffs and separately metered space heating rates.

By way of background, the MPSC Report and Order in that case also required the Company to no longer offer to new commercial and industrial customers the general service all-electric tariffs and/or the separately metered space heating rates. Existing commercial or industrial customers currently receiving service under any of those tariffs could continue to receive such service. The MPSC further ordered modifications to the rate design such that KCP&L's general service all-electric and separately metered space

heating rates were increased more than KCP&L's corresponding standard general application rates

Q: Were similar adjustments made to the residential all-electric or separately metered space heating tariffs?

A: No. The residential rate schedules were increased on an equal percentage basis.

Q: Has the Company performed an electric CCOS study that differentiates the commercial and industrial all-electric and separately metered rate classifications from the non-electric heating classes?

A: Yes. The Company has prepared such a study. Company witness Paul Normand provides the CCOS study and summarizes the results of the study in his Direct Testimony.

Q. What methodology did Mr. Normand us in preparing his CCOS?

A. Mr. Normand used a methodology often referred to as the Base, Intermediate, Peak ('BIP") method. Essentially, this methodology allocates costs to classes based on the utilization of production facilities. This is described in great detail in Mr. Normand's Direct Testimony.

Q. Does the methodology for the CCOS differ from the methodology used in determining the jurisdictional allocation between Missouri, Kansas and FERC?

A. Yes. The methodology used in developing the jurisdictional allocation methodology in this proceeding was developed and presented in the Direct Testimony of Company witness John Weisensee and differs from Mr. Normand's CCOS methodology.

Q. Is it normal for the jurisdictional allocation methodology to differ from the CCOS methodology?

A. Yes. Generally, the parties addressing CCOS and rate design issues use different allocation methodologies from the jurisdictional allocation methodologies. Reasons for this are often because of the granularity of data needed for the CCOS versus jurisdictional studies. CCOS studies usually have greater detail and often more special studies developed and applied in defining the class allocation factors. As an example, load research data is often used in developing the CCOS. This often requires statistical studies representative of the classes. Additionally, greater refinement to class loss studies and customer demand studies are applied which do not normally occur on a jurisdictional basis.

Q: Were the results of the CCOS study used in developing the proposed rate design in the context of this rate case?

A: Yes. The proposed rate design for the commercial and industrial customers is based on the results of the CCOS study.

Q: What are the general results and conclusions from the CCOS study?

A: The results of the CCOS study show that each class of customer recovers the cost of service to that class and provides a return on investment. Within each class in the study, the seasonal rates show the same thing. That is, the summer and winter rates for each class provide recovery of the cost of service and a return on the investment.

The CCOS study demonstrates that rates for the non-electric heating customers charged during the winter time provide a higher contribution to the average return on investment than the summer rates. The study also shows that the customers who receive service under the all-electric tariff or separately metered tariff in combination with the

general service tariff provide a lower return to the Company in the winter than the summer and also provide a lower return than a comparable general service rate.

It is important to note that while the all-electric and separately metered space heating customers are providing a lower return in the winter than the non-heating customers, they are still providing a return on a fully allocated cost of service basis.

Another point that should be considered is that the winter non-electric heating customers rates are substantially above the average return. Given this point, the winter revenues for these non-electric heating customer classes should be decreased and the summer revenues for the non-electric heating, all electric and separately metered space heating classes increased if the goal was to achieve an equal rate of return for each class on a seasonal basis.

Q: Please go on.

A: Another observation from the results of the CCOS study is that customer classes' overall returns show that rates in the Large Power and Residential classes are earning less than the average. Likewise, the Small General Service class is earning well above the average return. One of the Company's primary concerns with shifting revenues between classes is that it will result in customer shifts between classes. This further complicates the rate design necessary to recover the total revenues. In order to address the issue, we would essentially need to go back and re-bill customers on various rate structures to determine if they would be better off on one rate versus another. This is an extremely time-consuming and difficult task. This is one of the reasons that rate design cases are so complicated and often take up to several years to complete. If these shifts are not addressed in the rate design, the Company will likely not recover its entire revenue requirement.

Q: Please provide some background as to how the all-electric and separately metered electric heating rates were developed.

A: The electric heating rates were originally designed to encourage customers to use electric heat and consume electricity during off-peak periods. Originally, electric heating rates were priced to be competitive with alternative fuels but still recover variable costs and make a contribution to the fixed costs of the Company. Today, electric heating rates are more than competitive with alternative fuels and make a significant contribution to the fixed costs of the Company. However, as stated earlier non-heating winter rates also contribute substantially more to the recovery of fixed cost than average.

Q: Given your evaluation of the results of the CCOS, what are you recommending for the proposed rate design in this proceeding?

A: First of all, it is not practical at this point to eliminate the space heating and all electric rates completely until the classes are addressed and the winter summer differentials within the classes are addressed. I recommend that over the next few rate cases, that the commercial and industrial all-electric and separately metered space heating rates be phased out. Currently, these rates are not available for new customers. Also, I am proposing that the separately metered space heating tariffs winter energy charges for the Small General Service, Medium General Service and Large General Service tariffs be increased by 5 percent prior to any increase in revenue requirement in this case. The increase will be applied on a revenue neutral basis within the respective classes. I then recommend that the increase in revenue requirement in this case be spread on an equal percentage basis to all rates I also recommend that the residential separately metered space heating tariff be frozen and no longer available to new premises.

Q. What do you envision as the next step in rate design?

A. As has been presented in both the testimony of Company witness Paul Normand and myself, the results of the CCOS study indicate that the rate design of all customers need to be changed. Specifically, class revenue requirements should be addressed and the summer winter differentials within classes need to be addressed. This is a very complicated and time consuming undertaking and will likely require a phased in approach over several years to mitigate large customer impacts in any given year.

Q. Do other factors need to be considered while making these changes?

A, Yes. As mentioned above, customer impacts, the practicality of implementing the change due to constraints with changes to the billing system, and other long-term policy decisions need to be addressed.

Q. How would you propose to accomplish this?

A: The changes made over the last two cases and the recommended changes in this case, will move heating customers closer to the CCOS and an appropriate rate design. I would propose that a separate rate design study case be initiated after the conclusion of the Iatan 2 rate case. This case could run its own coarse and not be tied to a rate case time schedule. It would allow parties to focus on the overall rate design of the Company and address many of the issues as mentioned above. This may still result in a phase out of these end use rates if the results of the rate design case cause a phase in of summer/winter cost based rates. Only through a comprehensive rate design case with evaluation of customer impacts in total can we eliminate these end use rates in their entirety. The best time to do this is in a revenue requirement neutral case after the Iatan 2 case.

V. RULES and REGULATIONS

Q: Do you recommend any changes to the Company's rules and regulations?

A: Yes. I recommend one change in the rules and regulations. I recommend that the date for the determination of the interest rate to be paid on deposits be changed to the first business day of the calendar year rather than the last business day of the preceding calendar year, as presently set forth in Rule 2.07 (D)(2) on Sheet Number 1.09A.

Q: Why are you requesting this change?

A: KCP&L believes that the additional time of knowing the prime lending rate will allow the Company to avoid errors given the additional time to code and validate the change for all of our rates and versions.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Kansas City Power & Light Company to Modify Its Tariff to Continue the Implementation of Its Regulatory Plan	)))	Case No. ER-2009-____

AFFIDAVIT OF TIM M. RUSH

STATE OF MISSOURI)
) **ss**
COUNTY OF JACKSON)

Tim M. Rush, being first duly sworn on his oath, states:

1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of eleven (11) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Tim M. Rush

Subscribed and sworn before me this 5th day of ~~August~~ September 2008.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011

"NOTARY SEAL"
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200