Exhibit No.:
Issue: Rate Design & Class Cost of Service
Witness: Tim Rush
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2009-0089
Date Testimony Prepared: March 17, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-0089

REBUTTAL TESTIMONY

OF

TIM RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
March 2009

REBUTTAL TESTIMONY

OF

TIM RUSH

Case No. ER-2009-0089

Q: Are you the same Tim Rush who submitted Direct Testimony in this case on behalf of Kansas City Power & Light Company ("KCP&L" or the "Company") on or about September 5, 2008?

A: Yes, I am.

Q: What is the purpose of your Rebuttal Testimony?

A: The purpose of my testimony is to respond to parties' positions on class cost of service ("CCOS") and rate design.

RATE DESIGN & CCOS

Q: Please explain the Company's position regarding rate design in this proceeding.

A: As presented in my Direct Testimony in this proceeding, KCP&L proposes an equal percentage increase to all customer classes and all rate components, except for the separately-metered space heating rates. I am proposing that the separately-metered space heating rates 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. I also recommend that the residential separately-metered space heating tariff be frozen and no longer available to new premises.

Q: Have you reviewed the Direct Testimony provided by the parties in this case on both class cost of service study and rate design?

A: Yes. I have reviewed the Rebuttal Testimony of Michael Scheperle on behalf of Missouri Public Service Commission Staff ("Staff"), Barbara Meisenheimer on behalf of the Office of Public Counsel ("OPC"), and Maurice Brubaker on behalf of DOE/NNSA, Ford Motor Company, Midwest Energy Users Association, Missouri Industrial Energy Consumers and Praxair, Inc. ("Industrials").

CCOS Study & Revenue Shifts

Q: Does any party recommend shifting revenues between classes?

A: No. No party has recommended any adjustments or shifts between revenue classes. As presented by the parties, Staff and the Industrials are recommending that the increase in revenues resulting from this case be equally distributed to each class of customer. However, parties are recommending shifts in rate design once the class revenues have been determined.

Rate Design

Q: Does any party recommend rate design changes?

A: Yes. Both Staff and the Industrials recommend specific rate design changes. The Staff's only rate design recommendation beyond an equal percentage increase deals with the general service all-electric and separately-metered space heating rates for commercial and industrial customers. I agree with part of the changes recommended by Staff. The Industrials recommended rate design changes only address the Large Power rates. I disagree with the recommendations presented by the Industrials.

All-Electric & Separately-Metered Space Heating Rates

Q: Which witness provided proposals associated with the all-electric & separately-metered space heating rates?

A: Staff recommendations pertain to the commercial and industrial general service all-electric and separately-metered space heating rates.

Q: What is Staff's proposal?

A: Staff proposes to increase the general service all-electric winter energy rates by an additional 10% and to increase the general service separately-metered space heating classes winter energy rate and the service charge by an additional 5%. Staff further recommends that any customer currently served under the separately-metered rate who switches to the regular general service rate no longer be charged the service charge that existed with that separately-metered rate.

Q: What is your opinion concerning this proposal?

A: My primary concern with Staff's recommendation is that the proposed increase to the general service all-electric winter energy rates by an additional 10% will result in some of the rate components exceeding the corresponding rate components of the non-all electric rates. Additionally, I think the increase is unwarranted. Company witness Paul Normand indicates in his Direct Testimony concerning the class cost of service study that the general service all-electric class provides a positive return on the Company's investment. The study further indicates that it is not the winter rates that need increases greater than the average, but it is the summer pricing that needs adjustment. It is critical that major rate design changes are made in conjunction with an overall CCOS study including summer and winter differential cost studies. Impacts on customer bills may be

substantial anytime one differentially increases prices between seasons or between all-electric or space heating schedules and non-heating schedules. Increases such as this greater than 5% should be phased in over time and should be consistent with summer winter cost studies. KCP&L prices do not currently reflect appropriate seasonal cost differences. Thus, the Commission should not adopt proposals that fail to recognize a long-term plan to adjust all prices consistent with seasonal costs. As KCP&L stated in its direct testimony, it is the Company's intent to eliminate the distinction between heat and non-heat winter prices and move to seasonal prices without regard to end-use. This change should be made in a generic rate design proceeding. Staff's recommendation in this case is extreme and will only further distort seasonal pricing based on cost. Staff's proposal will result in need for correction in a future rate design case.

With regard to Staff's proposed increase to the separately-metered rates, I generally support their position.

Large Power Class

Q: Do you have any general concerns regarding the proposal presented by the Industrials?

A: The Industrials' proposal places a significant part of the increase in the first energy block and fixed charges, while no increase is recommended to the rate component for the last energy block which is for kWh's beyond 360 kWh per kW ("hours use"). I believe that this type of increase will result in a distortion of the current overall rate design between the classes and will result in many customers shifting rates. This has not been accounted for in the Industrials' proposal.

Q: Can you describe the proposal presented by the Industrials?

A: Yes. The Industrials' proposal only addresses the Large Power Class rate design. The Industrials first recommend that the overall rate increase be distributed to each of the rate classes on an equal percentage basis. The Industrials recommend that within the Large Power Class that no increase be applied to the last energy block and that one-half of the increased percentage to the class be applied to the second energy block. The remainder of the increase would be applied to the first energy block, the demand charges and customer charges.

The result of this proposal is to increase the rates paid by low load factor customers be a greater percentage than higher load factor customers. Mr. Brubaker uses the Company's billing determinates to provide an example of his proposal using the Company's requested 17.5% increase. Using the Industrials' rate design proposal, customers on the Large Power rate who use less than 180 hours use in a month would see an increase of about 25%, while customers who use between 180 and 360 hours use in a month would experience an increase of 20%. Customers using greater than 360 hours use would see an increase of less than the overall average.

Q: Are there specific reasons why you are opposing the rate design recommended by the Industrials?

A: My primary concern is that the Industrials did not take into account the customer shifts that will likely result from their proposal. In order to address the issue, each affected customer would need to re-billed on various rate structures to determine if they would be better off on one rate versus another. This was not prepared nor presented by the Industrials. It is a very time consuming and difficult task to determine the potential loss that would occur from such a change as dramatic as what the Industrials recommend. If

the shifts are not accounted for in the rate design, the Company will be shorted in the recovery of its overall revenue requirement.

Additionally, I believe that increasing the rates, as recommended by the Industrials does not reflect the cost causation principles of rate design and the cost drivers in this case. In this case, the Company is requesting an increase of 17.5%. The two primary drivers for this increase are the capital additions associated with the addition of air quality control system ("AQCS") equipment on Iatan 1 and the Company's overall fuel cost, purchased power cost, and off-system sales margins. Both drivers are energy related. Iatan 1 is a baseload plant that essentially provides energy to KCP&L customers whenever it is available. The capital cost of the Iatan 1 AQCS equipment is necessary in order for the plant to continue to run as a baseload plant. Consequently, the cost of the facility should be recovered in a manner that reflects recovery from all energy components. Likewise, fuel cost, purchased power cost, and off-system sales margins should be included in all energy components.

By increasing the rates as suggested by the Industrials, the proposed rate increase does not place the increase to the proper rate components. All energy components should be increased. As I explain earlier in my testimony, rate design should be done in total not by schedule or by block. At a minimum, the impact of such changes must be calculated in the revenue requirement calculation.

Q: Do you have any general concerns regarding the proposal presented by the Staff and Industrials?

A: Yes. The Missouri Public Service Commission ("Commission") in its Order in the Company's last general rate case (Case No. ER-2007-0291) ordered the Company to

provide in this case a CCOS study addressing the general service all-electric and separately-metered space heating classes. No party has addressed the Commission's Order, nor presented a study to address the Commission's concern in this case.

Q: What conclusions does the CCOS study present with regards to the general service all-electric and separately-metered rates?

A: Company witness Paul Normand provides the CCOS study and summarizes the results of the study in his Direct Testimony. 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 provides 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.

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 is to achieve an equal rate of return for each class on a seasonal basis.

Q: Does this 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-2009-0089

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 Rebuttal Testimony on behalf of Kansas City Power & Light Company consisting of eight (8) pages ~~and Schedule(s) _____ through _____~~, all of which 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 affirmed before me this 17th day of March 2009.

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