

Exhibit No.: **KCP&L-54(NP)**
Issue: Minimum Filing Requirements,
Revenues, Depreciation Study,
Electric Class Cost of Service Study,
Rate Design, Rules and Regulations,
Interim Energy Charge, Transmission
Tracker, Renewable Energy Standard
and Missouri Energy Efficiency
Investment Act of 2009
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2010-____
Date Testimony Prepared: June 4, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
June 2010**

*** [REDACTED] *** Designates "Highly Confidential" Information
Has Been Removed
Pursuant To 4 CSR 240-2.135.

KCP&L exhibit NO. KCP&L 54 NP
2/3/11 LMB
ER-2010-0355

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ER-2010-_____

1 **Q: Please state your name and business address.**

2 A: My name is Tim M. Rush. My business address is 1200 Main Street, Kansas City,
3 Missouri 64105.

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

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

7 **Q: What are your responsibilities?**

8 A: My general responsibilities include overseeing the preparation of the rate case, class cost
9 of service ("CCOS") and rate design of both KCP&L and KCP&L Greater Missouri
10 Operations Company. I am also responsible for overseeing the regulatory reporting and
11 general activities as they relate to the Missouri Public Service Commission ("MPSC" or
12 "Commission").

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

14 A: I received a Master of Business Administration degree from Northwest Missouri State
15 University in Maryville, Missouri. I did my undergraduate study at both the University
16 of Kansas in Lawrence and the University of Missouri in Columbia. I received a
17 Bachelor of Science degree in Business Administration with a concentration in
18 Accounting from the University of Missouri in Columbia.

1 **Q: Please provide your work experience.**

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

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

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

15 **Q: What is the purpose of your testimony?**

16 A: The purposes of my testimony are to:

- 17 I.) Explain how the Company satisfied the MPSC's minimum filing requirements
18 ("MFR") under 4 CSR 240-3.030;
- 19 II.) Explain how the Company satisfied the depreciation study requirements under 4
20 CSR 240-3.160;
- 21 III.) Provide the retail revenue adjustment to reflect the annualized and normalized
22 revenue level for KCP&L's Missouri jurisdiction;
- 23 IV.) Discuss the results of KCP&L's CCOS study and proposed tariff changes;

- 1 V.) Recommend the rate design and other tariff changes in this case;
2 VI.) Recommend changes to the Company's Rules and Regulations;
3 VII.) Discuss an Interim Energy Charge ("IEC");
4 VIII.) Propose a transmission tracker;
5 IX.) Discuss the Renewable Energy Standard rulemaking; and
6 X.) Discuss the Missouri Energy Efficiency Investment Act of 2009 ("MEEI")
7 rulemaking.

8 **I. MINIMUM FILING REQUIREMENTS**

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

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

12 **Q: How did KCP&L satisfy the MFR?**

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

15 A: Letter of transmittal

16 B: General information, including:

- 17 1. The amount of dollars of the aggregate annual increase and percentage
18 over current revenues;
19 2. Names of counties and communities affected;
20 3. The number of customers to be affected;
21 4. The average change requested in dollars and percentage change from
22 current rates;

- 1 5. The proposed annual aggregate change by general categories of service
2 and by rate classification;
3 6. Press releases relative to the filing; and
4 7. A summary of reasons for the proposed changes.

5 **Q: Are you sponsoring this information?**

6 A: Yes, I am.

7 **Q: Was this information prepared under your direct supervision?**

8 A: Yes, it was.

9 **II. DEPRECIATION STUDY REQUIREMENTS**

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

12 A: Yes, the Company performed a depreciation study for this case. Company witness John
13 J. Spanos provides the depreciation study and summarizes the results of the study in his
14 Direct Testimony. Additionally, Company witness John Weisensee addresses the
15 depreciation rates used in the determination of the revenue request in this filing in his
16 Direct Testimony.

17 **III. ANNUALIZED/NORMALIZED REVENUES**

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

20 A: Yes, they were.

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

22 A: Both the weather-normalized kWh sales and customer levels by rate class were developed
23 by Company witness George M. McCollister. Mr. McCollister explains those figures in

1 his Direct Testimony. Monthly bill frequencies for the test year ending December 31,
2 2009, that contain the billing units for each of the billing blocks for the various rate
3 components were developed under my supervision. For example, the residential general
4 use rate has three billing blocks in the winter period, while only one billing block in the
5 summer period. The bill frequency collects the actual usage that is billed in each of the
6 billing blocks for each month of the test period. It also collects the actual number of
7 customers in each of the months. By applying the actual rates to the usage in each of the
8 billing blocks, the actual revenues can be reproduced. This method provided the basis for
9 determining the overall revenues to be used in this case. The Company determined
10 monthly revenues by applying the normalized sales and customer levels for each month
11 represented in the test period to the corresponding billing frequency. This was done for
12 each month. The normalized sales and customer levels from this were then multiplied by
13 the rates that took effect on September 1, 2009. The sum of these revenues was
14 compared to the actual test year ending December 31, 2009 revenues to determine the
15 revenue adjustment contained in the Summary of Adjustments attached to the Direct
16 Testimony of Company witness John P. Weisensee as Schedule JPW2010-2 (adjustment
17 R-20).

18 IV. ELECTRIC CLASS COST OF SERVICE

19 **Q: Has the Company performed an electric CCOS study for this case?**

20 **A:** Yes, the Company performed a CCOS study for this case. Company witness Paul
21 Normand provides the CCOS study and summarizes the results of the study in his Direct
22 Testimony.

1 **Q: Was the Company required to file a CCOS in this case?**

2 A: In the Company's last rate case, Case No. ER-2009-0089, the Company entered into a
3 Stipulation and Agreement whereby the Company agreed to file a Class Cost of Service
4 Study with the Commission by December 31, 2009. At the time of the filing of the
5 Stipulation, it was expected that the CCOS study would be based on data associated with
6 the Company's fourth rate case filing that was anticipated under the Regulatory Plan
7 approved in Case No. EO-2005-0329.

8 **Q: Did the Company file the CCOS in December 2009?**

9 A: Yes. The Company filed a CCOS on December 30, 2009, using the financial data from
10 its last rate case. It was submitted along with an Affidavit describing the filing and its
11 contents.

12 **Q: Do the contents of the CCOS in this case reflect the financial data associated with
13 this case filing?**

14 A: Yes. The data in Mr. Normand's testimony is based on the financial data filed in this
15 case.

16 **Q: What methodology did Mr. Normand use in preparing his CCOS study?**

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

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

21 A: The results of the CCOS study show that each class of customers recovers the cost of
22 service to that class and provides a return on investment. Further, the seasonal rates show

1 the same thing. That is, the summer and winter rates for each class provides recovery of
2 the cost of service and a return on the investment.

3 The CCOS study demonstrates that rates for the non-electric heating customers
4 charged during the winter time generally provide a higher contribution to the average
5 return on investment than the summer rates. The study also shows that the customers
6 who receive service under the all-electric tariff or separately metered tariff in
7 combination with the general service tariff provide a lower return to the Company in the
8 winter than in the summer and also provide a lower return than a comparable general
9 service rate.

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

13 Another point that should be noted is that the winter non-electric heating
14 customers rates are substantially above the average return.

15 **Q: What other observations have you drawn from the CCOS study?**

16 **A:** The results of the CCOS study show that customer classes' overall returns show that rates
17 in the Large Power class are earning less than the average. Likewise, the Small General
18 Service and Medium General Service classes are earning well above the average return.
19 One of the Company's primary concerns with shifting revenues between classes is that it
20 will result in customer shifts between classes. This further complicates the rate design
21 necessary to recover the total revenues. In order to address the issue, we would
22 essentially need to go back and re-bill customers on various rate structures to determine if
23 they would be better off on one rate versus another. This is an extremely time-consuming

1 task. It is also one of the reasons that rate design cases are so complicated and often take
2 up to several years to complete. If these shifts are not addressed in the rate design, the
3 Company will likely not recover its entire revenue requirement.

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

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

13 **V. ELECTRIC RATE DESIGN**

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

15 A: Yes, I am.

16 **Q: Are you recommending changes to the rate design based on the results of the CCOS**
17 **study filed in this case?**

18 A: Not at this time.

19 **Q: Please describe the proposed rate design recommendation for the electric tariffs and**
20 **any additional proposed changes to the tariffs?**

21 A: The Company is requesting an increase in rates of \$92.1 million (13.78%). The
22 Company is proposing that the requested increase be spread to all customer classes and
23 all rate components on an equal percentage basis.

1 **Q: Are you proposing any new residential rate tariffs?**

2 A: Yes, KCP&L proposes a new rate for a Residential Other Use rate schedule on Sheet No.
3 6. This rate schedule will be similar to tariffs for KCP&L Greater Missouri Operations
4 Company's L&P and MPS jurisdictional rates. The new rate schedule will reduce the
5 problems that customers have in determining what rate will apply to a separately metered
6 facility which provides electric service to general purpose facilities which do not qualify
7 for the residential rates available, but are connected to the residence. Examples include a
8 detached building or a well pump for the residence. Customers have complained that we
9 are billing their separately metered detached garage or similar structure on a commercial
10 rate, typically Small General Service rate schedule SGS. The customer believes that the
11 metered service should be billed on a residential rate like their house. If a customer is
-12 truly running a commercial business (such as an auto repair shop) in a detached building,
13 then we will continue to place the service on the Small General Service rate. By offering
14 a Residential Other Use rate schedule that specifically describes the appropriate types of
15 buildings or facilities covered under the rate schedule, less confusion will be experienced
16 by both the customer and the Company. This will foster rate acceptance by customers
17 and simplify tariff administration. The proposed Residential Other Use rate schedule is
18 attached to my testimony as Schedule TMR2010-6.

19 **Q: Do you propose any other changes to any existing tariffs?**

20 A: Yes. I propose making several additional changes. They include:

21 1. The cancellation of Sheets 24, 24A and 24B which are referred to as the
22 Incremental Energy Rider. We currently have no customers on this tariff.

- 1 2. Delete the mercury vapor rate (found on Sheet 35, Sections 7.0 and 7.1). The
2 Company no longer has customers on the 76000 lumen MV rate and, as a result of
3 the Energy Policy Act of 2005, manufacturers no longer sell new MV ballasts.
4 The Company replaces the MV light fixtures when a ballast needs replacing.
- 5 3. Limit the high pressure sodium lights (found on Sheet 35, Sections 8.1, 8.2, and
6 8.3) to the units in service as of April 18, 1992. This change clarifies the tariff by
7 moving the footnote from Sheet 35A to Sheet 35, where the referenced lamps are
8 listed. We removed the footnote on Sheet 35A after Section 9.1.
- 9 4. Limit the high pressure sodium lights (found on Sheet 35B, Section 10.1) to the
10 units in service as of May 4, 2011. This section of the tariff pertains to San
11 Francisco style, 3-luminaire decorative street lighting fixtures installed by
12 KCP&L and owned by the customer. No requests for the San Francisco-style
13 lighting fixture have been made of the Company during the past five years.
- 14 5. Limit the Multi-Phase Electronic Control (found on Sheet 37B, Section 6) to the
15 units in service as of May 4, 2011. Customers no longer have an interest in this
16 product because of restrictions caused by archaic Eagle Moduvac or its equivalent
17 technology. Also, in Section 6 on Sheet 37B add the specific location where this
18 type of Control is installed.
- 19 6. Add Section (18) to Sheet 37G. This pertains to Traffic Signal Poles which is part
20 of our standard supplemental equipment offered to customers.
- 21 7. Change the precision of the energy component, particularly the Residential,
22 Medium General Service, and Large General Service classes, to display five

1 decimal places instead of the current four. This change will make the precision of
2 the energy charges in all rates consistent.

3 **Q: Do you envision any additional steps in rate design?**

4 A: As offered in the ER-2009-0089 case and in both the Direct Testimony of Company
5 witness Paul Normand and myself, the results of the CCOS study indicate that the rate
6 design of all customers requires some modification. Specifically, class revenue
7 requirements should be addressed and the summer winter differentials within classes
8 need to be addressed. This is a very complicated and time consuming undertaking and
9 will likely require a phased in approach over several years to mitigate large impacts to
10 customers in any given year. I would propose that rate design be addressed in a separate
11 case in the future. This case could run its own course and not be tied to a rate case time
12 schedule. It would allow parties to focus on the overall rate design of the Company and
13 address many of the issues as mentioned above. The best time to do this is in a future
14 revenue requirement neutral case.

15 VI. RULES AND REGULATIONS

16 **Q: What changes is the Company seeking to its Rules and Regulations?**

17 A: The Company seeks to add a Collection Charge in Billing and Payment Section 8.08 on
18 Sheet 1.28, to implement a fee for in-field collections at the time of disconnection and to
19 amend the tampering language in Taking Electric Service Section 4.10.

20 **Q: Why is the Company seeking a fee for in-field collections?**

21 A: The Company is not seeking to impose an unnecessary hardship upon a customer.
22 However, a number of customers wait until the last moment before paying by means of
23 an "in-field collection." An in-field collection is when the field collector arrives at a

1 customer's property to disconnect service for nonpayment, makes a final attempt before
2 disconnection to collect the past-due amount, and the customer then makes a payment by
3 cash, check, debit card, or credit card, thus avoiding disconnection. In 2008 and 2009,
4 the average number of customers making payments by an in-field collection was
5 ** [REDACTED] ** Chronically slow payers understand that they can wait until the last moment
6 to pay their bills at the time of disconnection without any additional charge and still avoid
7 disconnection and a fee for reconnect service.

8 While KCP&L intends to continue to accept in-field payments, the Company
9 believes it is necessary to implement a charge to deter such conduct and to provide
10 customers with an incentive to use existing means to pay delinquent accounts.

11 The Company wants to encourage customers who struggle to pay their bills to
12 contact the Company earlier to find a solution that works for them. KCP&L also hopes
13 to encourage customers to use many of the easy no-fee payment options by telephone and
14 the Company's Website, as well as to become familiar with agencies and programs that
15 can assist them, like the Economic Relief Pilot Program ("ERPP") discussed in the Direct
16 Testimony of Company Witness Jim Alberts. In this regard, the Company believes that
17 charging a fee to encourage customers to avoid using in-field collections as payment
18 method will achieve this goal.

19 **Q: What fee is the Company proposing?**

20 **A:** The Company proposes adding a Collection Charge of \$25.00 to section 8.08 for in-field
21 collections. Such a change is equal to the current reconnection fee and, in essence,
22 removes the incentive to use the in-field collector as a payment plan.

1 Q: Given that such an incentive only has value if customers are aware of its
2 implications, how will KCP&L communicate this change to customers?

3 A: The Company will advise customers of this change through its regular communication
4 channels and explain the options available to avoid additional fees. For example,
5 KCP&L will advise customers to contact the Company in a timely fashion to work out a
6 payment solution when they encounter economic difficulties. We will also inform them
7 of the ERPP and assist them in contacting organizations like the Mid-America Assistance
8 Coalition that can help them. The message is to underscore the fact that an interruption
9 in service will mean an additional cost, so they should not wait until someone arrives to
10 disconnect service.

11 Q: What is the expected impact on revenues by collection of the fee?

12 A: It is difficult to estimate what the impact on revenues will be, given that the response of
13 the customers is not known. A conservative estimate, based on only a twenty percent
14 reduction of in-field collections and using the 2008 and 2009 average of ** [REDACTED]
15 [REDACTED]** in-field collections multiplied by the \$25.00 charge yields
16 additional revenues of about ** [REDACTED]** annually. Through its communications plan,
17 the Company hopes that this incentive will result in a far greater number of customers
18 changing their behavior so that any revenue from the fee will be minimal. The fees that
19 are collected will help to offset the cost to dispatch field personnel to disconnect service
20 that result in an in-field collection and additional processing required by the in-field
21 collection.

1 Q: Has the Company reflected the estimated ** [REDACTED] ** in annual additional
2 revenue in its revenue requirement in this rate proceeding?

3 A: Yes, this adjustment has been reflected in the revenue requirement, as adjustment R-22
4 included on Schedule JPW2010-2 attached to the direct testimony of Company witness
5 John Weisensee.

6 Q: What changes to the tampering rules is the Company seeking?

7 A: In accordance with the Commission's approval of the Company's definition for
8 "Unauthorized Use" as found in Rate Case ER-2006-0314, we propose adding it to the
9 language in Sheet 1.17, Section 4.10, Tampering With Company Facilities. Within the
10 text of the Rule, the new language, in italics, would read: "...may have received
11 unmetered service *or unauthorized use.*" We believe this clarifies that tampering may
12 include metered service which is not authorized by the Company, in addition to those
13 instances where tampering involves unmetered service.

14 The Company also seeks to amend the language of Sheet 1.17, Section 4.10,
15 Tampering With Company Facilities, so that the following new language, in italics, is
16 added: "...and, in addition thereto, the Customer shall be required to bear all *associated*
17 *costs incurred by Company, including, but not limited to, estimated labor charges,*
18 *investigation and prosecution costs, material charges, and such protective equipment as,*
19 *in the judgment of the Company, may be necessary."*

20 VII. INTERIM ENERGY CHARGE

21 Q: Does the Company have a Fuel Adjustment Clause ("FAC")?

22 A: No, it does not. Per the Stipulation and Agreement ("Stipulation") approved in 2005 by
23 the Commission in KCP&L's Experimental Regulatory Plan ("Regulatory Plan") docket,

1 Case No. EO-2005-0329, the Company agreed that it will not seek an FAC in this rate
2 case. However, the Company is not prohibited from requesting an IEC.

3 **Q: Please explain.**

4 **A:** As permitted by Section III(B)(1)(c) at pages 7-8 of the Stipulation in Case No. EO-
5 2005-0329, KCP&L can propose an IEC in a general rate case filed before June 1, 2015
6 within the following parameters:

- 7 1. The rates and terms for such an IEC shall be established in a rate case along with
8 a determination of the amount of fuel and purchased power costs to be included in
9 the calculation of base rates.
- 10 2. The rate or terms for such an IEC shall not be subjected to change outside of a
11 general rate case where all relevant factors are considered.
- 12 3. The IEC rate "ceiling" may be based on both historical data and forecast data for
13 fuel and purchased power costs, forecasted retail sales, mix of generating units,
14 purchased power, and other factors including plant availability, anticipated
15 outages (both planned and unplanned), and other factors affecting the cost of
16 providing energy to retail customers.
- 17 4. The duration of any such IEC shall be established for a specific period of time,
18 not to exceed two years.
- 19 5. A refund mechanism shall be established which will allow any other over-
20 collections of fuel and purchased power amounts to be returned to ratepayers with
21 interest following a review and true-up of variable fuel and purchased power costs
22 at the conclusion of each IEC. Any uncontested amount of over-collection shall

1 be refunded to ratepayers no later than 60 days following the filing of the IEC
2 true-up recommendation of the Staff.

3 6. During an IEC period, KCP&L shall provide to the Staff, Public Counsel and
4 other interested Signatory Parties monthly reports that include any requested
5 energy and fuel purchase power cost data.

6 **Q: Is the Company requesting an IEC in this case?**

7 A: No, the Company has not included a specific request for an IEC in this filing. However,
8 given the expected increases in fuel and purchased power costs beyond the time rates take
9 affect in this case, an IEC may be a preferred method.

10 **Q: What are the rules for establishing an IEC?**

11 A: The requirements for establishing a Rate Adjustment Mechanism ("RAM"), found in
12 Section 386.266, RSMo and Commission Rules 4 CSR 240-20.090 and 4 CSR 240-
13 3.161(2)(A) through (S), became effective January 30, 2007. The RAM rules are
14 inclusive of both FACs and IECs. 4 CSR 240-20.090(12)(B) specifically states that the
15 provisions of the rules shall not affect any experimental regulatory plan that was
16 approved by the Commission and in effect prior to the effective date of the rule.

17 **Q: Has the Company met all of the filing requirements to establish the IEC?**

18 A. Yes. The information required when an electric utility files to establish an IEC is
19 summarized in the attached Schedule TMR2010-1. Schedules TMR2010-2, TMR2010-3
20 and TMR2010-4 contain certain specific filing requirements and are referenced in
21 Schedule TMR2010-1. However, the information provided does not include a specific
22 dollar request or specific time period for the IEC.

1 **Q: Did the Company also complete a line loss study required in 4 CSR 240-20.090?**

2 A: Yes, it did. A line loss study was completed in October 2009.

3 **Q: Why has the Company performed all of the work necessary to implement an IEC**
4 **and yet not requested an IEC in this proceeding?**

5 A: KCP&L wanted to raise the issue and have the flexibility to propose an IEC in this
6 proceeding if at some point in this case it was determined that an IEC would be
7 appropriate.

8 VIII. TRANSMISSION TRACKER

9 **Q: What is the Company's proposal regarding a transmission tracker?**

10 A: The Company requests that a transmission tracking mechanism be authorized in this case
11 to ensure the appropriate recovery of transmission costs. The Company's request for a
12 transmission tracker would be treated similarly to the tracking mechanism for its pension
13 costs and the many other tracker mechanisms throughout the state for the different
14 utilities. Other utilities in Missouri have similar tracking mechanisms, such as Empire
15 District Electric Company's Vegetation Management/Infrastructure Inspection and
16 pension trackers and AmerenUE's SO₂ and pension trackers.

17 Trackers are valuable tools for costs that are material and may fluctuate from
18 year-to-year. Use of the tracker ensures that in the years between rate cases the utility
19 does not under-recover or over-recover its costs.

20 **Q: Why is a tracker appropriate for KCP&L's transmission costs?**

21 A: Transmission costs can vary significantly from year-to-year, and such costs are a material
22 cost of service component. Historically, transmission costs have fluctuated due to load
23 fluctuation, both native and off-system. An added factor in the coming years relates to

1 the Southwest Power Pool's ("SPP") base plan funding plans, which could increase
2 KCP&L's costs significantly in coming years.

3 **Q: Please discuss base plan funding.**

4 A: SPP's expansion plan proposes regional transmission additions and includes a detailed
5 list of projects in order to achieve the plan. A major portion of the expansion plan
6 includes those projects that are termed "base plan upgrades," which are those
7 transmission additions required to meet the mandatory North American Electric
8 Reliability Corporation and SPP reliability standards and to provide firm transmission
9 service from designated power resources of SPP member companies. Due to the nature
10 of the interconnected transmission system, these base-plan transmission additions
11 produce reliability and transmission service benefits across the SPP region. Therefore,
12 SPP employs a cost allocation methodology to provide fair and equitable sharing of costs
13 for base-plan transmission additions. The SPP cost allocation calls for one-third of the
14 project cost to be shared by all SPP members, and the remaining two-thirds of the project
15 cost to be allocated among the members that directly benefit from the project.
16 Furthermore, SPP approved a "balanced portfolio" of transmission projects in 2009,
17 totaling over \$700 million in initial cost, which will be financed through charges on all
18 load in the SPP region. Finally, the category of base plan upgrades is in the process of
19 expanding substantially due to SPP's April 19, 2010 filing with Federal Energy
20 Regulatory Commission ("FERC") to apply a "highway-byway" cost allocation
21 methodology that will allocate the full cost of transmission projects above 300 kV to all
22 load in the region.

1 **Q: What factors are driving the increased funding in this area?**

2 A: A major factor is the push for renewable energy resources in the region, in particular
3 wind generation. Significant transmission upgrades are necessary to capture the full
4 potential of wind resources in the region. Another major driver of new upgrades is the
5 need to reduce congestion on key transmission paths in order to facilitate more efficient
6 power markets.

7 **Q: How do the Company's projected transmission costs compare to historical levels?**

8 A: As can be seen on attached Schedule TMR2010-5, transmission costs have increased
9 significantly in recent years and are projected to grow at an even faster pace in the future.

10 **Q: What types of costs are included on this schedule?**

11 A: This schedule includes FERC account 565 costs (standard point-to-point transmission
12 charges and base plan funding), SPP Schedule 1-A fees charged to accounts 561 and 575,
13 and FERC Schedule 12 fees charged to account 928.

14 **Q: Are these the same costs that the Company proposes to be included in a
15 transmission tracker?**

16 A: Yes, they are.

17 **Q: How does the Company propose that a transmission tracker be implemented?**

18 A: We propose that transmission costs, as defined in this tracker, be set in this rate
19 proceeding at \$25,054,338 (total KCP&L, not Missouri jurisdictional). The Company
20 would then track its actual charges on an annual basis against this amount, with any
21 excess treated as a regulatory asset (account 182) and any shortfall treated as a
22 regulatory liability (account 254).

1 **Q: Is this amount supported by other Company witnesses in this case?**

2 A: Yes, Company witness John Weisensee supports this amount in his discussion of
3 adjustments CS-45 (Transmission Of Electricity by Others), CS-85 (Regulatory
4 Assessments- Schedule 12 Fees) and CS-86 (Schedule 1-A Fees).

5 **Q: How would the regulatory asset or liability be dealt with in KCP&L's next rate
6 case?**

7 A: We propose that the regulatory asset or liability be amortized to cost of service over five
8 years in the Company's next rate proceeding, with the unamortized balance included in
9 rate base.

10 **Q: Is this proposed treatment consistent with KCP&L's other regulatory tracker, the
11 pension tracker?**

12 A: Yes, it is.

13 **IX. RENEWABLE ENERGY STANDARD**

14 **Q: Has the Company requested a similar tracker for the Renewable Energy Standard
15 ("RES"), also know as "Proposition C"?**

16 A: No. The Company initially filed an application for an accounting authority order in Case
17 No. EU-2010-0194, requesting authority to defer costs associated with the
18 implementation of the RES law. The Company later withdrew its application in
19 anticipation of a favorable rulemaking to address the Company's concerns and in
20 expectation of this filing.

21 **Q: Is a rule currently in place addressing the RES?**

22 A: No. At the writing of this testimony, the Commission has not enacted a rule regarding
23 the RES.

1 **Q: Has the Company included any RES compliance costs in its revenue requirement in**
2 **this rate proceeding?**

3 A: Yes, a solar purchased power agreement that qualifies as a renewable energy resource has
4 been included in annualized purchased power expense (adjustment CS-25) sponsored by
5 Company witness Burton L. Crawford. Additionally, solar rebate and renewable energy
6 credit tracking costs have been included in annualized O&M expense (adjustment CS-
7 116) sponsored by Company witness John P. Weisensee.

8 **X. MISSOURI ENERGY EFFICIENCY INVESTMENT ACT OF 2009**

9 **Q: Is a rule currently in place addressing the MEEI also known as Senate Bill 376?**

10 A: No. At the writing of this testimony, the Commission has not enacted a rule regarding
11 MEEI. Staff has a draft rule it has prepared and is currently conducting workshops
12 regarding the law and proposed rulemaking.

13 **Q: What has the Company done in this filing to address MEEI?**

14 A: The Company has not taken any action in this filing beyond what is currently in place and
15 was established in the Regulatory Plan. KCP&L hopes that rules will become effective
16 in sufficient time prior to the conclusion of this case and will become part of the outcome
17 in this proceeding.

18 **Q: What are the policy goals of MEEI?**

19 A: As set out in the law, there are three public policy goals. They are:

- 20 1. Encourage more efficient energy use and cost-effective demand-side programs;
21 2. Have substantial justice between utilities and their customers;

- 1 3. Value demand-side investments equal to traditional investments in supply and
2 delivery infrastructure and allow recovery of all reasonable and prudent costs of
3 delivery cost-effective demand-side programs and, in doing so:
4 a. Provide timely cost recovery for utilities;
5 b. Ensure that utility financial incentives are aligned with helping customers use
6 energy more efficiently and in a manner that sustains or enhances utility
7 customers' incentives to use energy more efficiently; and
8 c. Provide timely earnings opportunities associated with cost-effective,
9 measurable and verifiable efficiency savings.

10 **Q: Does the current mechanism filed in the case and what was part of the Regulatory**
11 **Plan accomplish these policy goals?**

12 A: No. From the Company's perspective, the current regulatory accounting mechanism does
13 not adequately address the policy goals set out in the law. Specifically, the current
14 mechanism does not provide timely recovery or earnings opportunities, nor does it
15 sufficiently encourage the implementation of energy efficiency programs by the utility. It
16 is our expectation that the rule that comes out of the MEEI rulemaking process will
17 address these goals and will more adequately address energy efficiency programs and
18 cost recovery.

19 **Q: Is the Company in a position to implement the rule that comes out of the MEEI**
20 **rulemaking process?**

21 A: Yes. It is our hope that the rule will become effective prior to the conclusion of the case
22 and will be implemented as part of this case.

1 **Q: Please provide background information regarding KCP&L's existing Demand Side**
2 **Management ("DSM") commitment.**

3 A: In August 2005, the Commission approved the Company's Regulatory Plan which
4 included a proposal designed to deliver three key and sustainable benefits to KCP&L's
5 customers:

- 6 ▪ Generate affordable electricity to meet the demand in our area;
- 7 ▪ Stimulate the economy by creating jobs and keeping utility bills as low as
8 possible; and
- 9 ▪ Improve our region's environment through retrofitting our coal fleet and
10 implementing programs to give customers options to reduce their energy usage.

11 As part of the Regulatory Plan, the Company committed to implement a suite of customer
12 demand response, energy efficiency and affordability programs. Implementation of each
13 program was subject to Commission approval. The Missouri share of the initial budget
14 for the five-year plan period was \$29 million. (Regulatory Plan Stipulation and
15 Agreement, p. 46 & Appendix C).

16 **Q: Did other Missouri utilities have DSM programs in place at the time KCP&L**
17 **proposed implementation of its portfolio in Case No. EO-2005-0329 where the**
18 **Regulatory Plan was approved?**

19 A: Few Missouri utilities had pursued DSM programs at that time and none had pursued
20 anything close to the comprehensive portfolio that KCP&L was proposing. KCP&L felt
21 that an aggressive portfolio of DSM programs was an essential ingredient to its
22 Regulatory Plan and was determined to step out with a portfolio for its service territory.

1 **Q: Has KCP&L implemented this suite of programs as committed?**

2 A: Yes. Beginning in late 2005, KCP&L submitted each program to the Commission for
3 review and approval ultimately implementing a portfolio of programs including two
4 affordability programs, ten energy efficiency programs, and two demand response
5 programs. Four were approved in 2005, four in 2006, four in 2007, and two in 2008.

6 **Q: Have these programs been successful?**

7 A: Yes, for the most part, the programs have been successful. KCP&L has seen significant
8 success with its demand response programs and has secured 86 MW of curtailable load
9 through March 31, 2010 from its Missouri customers. Our energy efficiency programs
10 have also had significant success with many programs exceeding energy savings goals by
11 100% to 200%. KCP&L estimates that 55,000 MWh have been saved through March 31,
12 2010 from KCP&L's Missouri customers. KCP&L's affordability programs have had
13 mixed success; the Low Income Weatherization program has been successful, but the
14 Affordable New Homes program has been a challenge with respect to participation.
15 KCP&L estimates that 1,860 MWh have been saved in Missouri as a result of its
16 affordability programs through March 31, 2010. Overall, customer response to KCP&L's
17 portfolio of programs has been very positive.

18 **Q: Please discuss the proposed DSM program portfolio and how the programs fit into
19 the Company's overall resource plan.**

20 A: KCP&L's proposed DSM program portfolio is an integral part of its plan to meet the
21 electricity needs of our customers now and in the future. The proposed energy and
22 demand reductions that are the subject of this proceeding will be reflected in KCP&L's
23 load and resource requirements. This resource serves as a bridging technology at a lower

1 cost than alternative resources. KCP&L's existing and expanded energy efficiency and
2 peak demand reduction efforts are consistent with its focus to meet our customers' needs
3 in a balanced, cost-effective and environmentally responsible manner.

4 **Q: Does the Regulatory Plan or any of the orders approving the individual programs**
5 **specifically refer to these programs as "pilot" programs with a specific expiration**
6 **date?**

7 A: Not necessarily. However, the structure of the Regulatory Plan, and the fact that many of
8 these programs were authorized using the supporting budget information from the Plan,
9 some even including annual budget amounts within the tariffs, raise questions about the
10 status of these programs once the five-year period for each or the Regulatory Plan
11 expires, or when the budgeted amounts for the programs have been spent. It is the
12 Company's hope that with the establishment of a rulemaking that adequately provides
13 recovery, all of the programs currently in the portfolio will become permanent.

14 **Q: How did the Regulatory Plan Stipulation and Agreement address cost recovery for**
15 **these programs?**

16 A: The Regulatory Plan Stipulation and Agreement stated that: "KCPL will accumulate
17 costs for the Demand Response, Efficiency and Affordability Program in regulatory asset
18 accounts as the costs are incurred. Beginning with the 2006 Rate Filing, KCPL will
19 begin amortizing the accumulated costs over a ten (10) year period. KCPL will continue
20 to place the Demand Response, Efficiency and Affordability Program costs in the
21 regulatory asset account, and costs for each vintage subsequent to the 2006 Rate Filing
22 will be amortized over a ten (10) year period. . . The amounts accumulated in these
23 regulatory asset accounts shall be allowed to earn a return not greater than KCPL's

1 AFUDC rate. The class allocation of the costs will be determined when the amortizations
2 are approved.” (Regulatory Plan Stipulation and Agreement, p. 49) KCP&L has
3 followed these Regulatory Plan provisions in its filings, by accumulating DSM costs by
4 vintage, amortizing the vintages over ten (10) years, and including unamortized DSM
5 costs in rate base in order to earn a return.

6 **Q: Does the current recovery mechanism adequately recover the cost of the DSM**
7 **programs and sufficiently provide benefits to customers and shareholders?**

8 A: No, it does not. The current method of recovery is inadequate, particularly to
9 shareholders. The legislature and ultimately the Governor of Missouri recognized in
10 2009 that a law should be established to address energy efficiency DSM programs. This
11 resulted in the passage of SB 376, the MEEI (Section 393.1075, RSMo Supp 2009).

12 **Q: Is KCP&L seeking to change the structure of its cost recovery mechanism in this**
13 **proceeding?**

14 A: As I stated previously, the Company is not seeking to change the cost recovery
15 mechanism in its initial filing. It is the Company’s hope that by the time the tariffs in this
16 case are effective, a rulemaking will be implemented in the state that addresses SB 376.
17 At the writing of this testimony the Staff and other parties are holding workshops, and the
18 Company is taking an active role in this rulemaking process.

19 The Company anticipates the new rules will address the uncertain environment of
20 DSM programs by implementing a comprehensive cost recovery approach. The
21 Company hopes that the Commission changes the current method used to recover the
22 costs of implementing these DSM programs.

1 For purposes of this filing, the Company has included unamortized DSM costs in rate
2 base and included a ten-year amortization of those costs in cost of service, as reflected in
3 Schedule JPW2010-2, adjustments RB-100 and CS-100, respectively.

4 **Q: Does that conclude your testimony?**

5 **A:** Yes, it does.

4 CSR 240-3.161 Electric Utility Fuel and Purchased Power Cost Recovery Mechanisms Filing and Submission Requirements

4 CSR 240-3.161(2) When an electric utility files to establish a RAM as described in 4 CSR 240- 20.090(2), the electric utility shall file the following supporting information as part of, or in addition to, its direct testimony:

(A) An example of the notice to be provided to customers as required by 4 CSR 240-20.090(2)(D);

Please see Schedule TMR2010- 2.

(B) An example customer bill showing how the proposed RAM shall be separately identified on affected customers' bills in accordance with 4 CSR 240-20.090(8);

Please see Schedule TMR2010-3.

(C) Proposed RAM rate schedules;

Please see Schedule TMR2010-4.

(D) A general description of the design and intended operation of the proposed RAM;

The Interim Energy Charge (IEC) is a refundable fixed charge, established in this general rate proceeding, that will permit Kansas City Power & Light Company (KCP&L) to recover some of its variable fuel and purchased power costs separate from its base rates.

The IEC will be in effect for one year with an option to extend for a second year. The rate will be based on projected variable fuel and purchased power costs to serve KCP&L's Missouri retail customers for the IEC period. All fixed costs are included in base energy rates. The Off System Sales margin is included in base energy rates and not in the IEC.

There will be two IEC rates: one rate for primary voltage customers and one rate for secondary voltage customers.

During the IEC period, KCP&L shall provide to the Staff, Public Counsel and other interested Signatory parties monthly reports that include any requested energy and fuel and purchased power cost data.

After the IEC term is completed a true-up audit will determine if any portion of the revenues collected exceed KCP&L's actual and prudently incurred cost for fuel and purchased power during the IEC period. KCP&L shall refund the excess, if any, above the greater of the actual or the base, plus interest. Interest will be equal to KCP&L's short-term borrowing rate and will be applied to any amount to be refunded starting with the end of the IEC period. No refund will be made if

KCP&L's actual and prudently incurred costs for fuel and purchased power during the IEC period equal or exceed the projected amount.

Any uncontested amount of over-collection shall be refunded to ratepayers no later than 60 days following the filing of the IEC true-up recommendation of the Staff. Such refunds, if any, will be based on the billing units of the customer to which these amounts were applied. Any refund will appear as a one-time credit on the customer's bill.

(E) A complete explanation of how the proposed RAM is reasonably designed to provide the electric utility a sufficient opportunity to earn a fair return on equity;

Please see the direct testimony of Samuel C. Hadaway.

(F) A complete explanation of how the proposed FAC shall be trued-up to reflect over- or under-collections, or the refundable portion of the proposed IEC shall be trued-up, on at least an annual basis;

Determination of the over- and under-collection status of the IEC will be based on the agreed upon IEC period. In determining the over- or under- collection status, IEC costs will include actual to date costs plus projections for the remainder of the IEC period. IEC revenue will include actual to date amounts billed plus projections for the remainder of the IEC period.

Each calendar month there will be a calculation for over- or under-collection for the IEC period. If the IEC allowable costs over the IEC period exceed the recoverable IEC billing amounts, there will not be an accounting entry to the general ledger. If the IEC allowable fuel costs over the IEC period are less than the recoverable IEC billing amounts, an accrual to reflect the over recovery will be booked in FERC Account 254, Regulatory Liability.

After the defined IEC period, a filing in compliance with the rate case order will be made with the Missouri Public Service Commission. If IEC allowable costs for the IEC period are higher than the IEC billed amounts, no refund will be due customers. If IEC allowable costs for the IEC period are lower than the IEC billed amounts, a refund of any excess up to the IEC billed amounts will be made. The refund made to customers will be based on usage during the IEC period. The timing of the refund will be determined after all applicable parties have completed an audit of the IEC charges subsequent to the IEC period. To the extent that the refund does not match exactly what is owed, any remaining funds shall be donated to a Low-income assistance program to be agreed upon by the parties.

In cases where a (former) customer is no longer a customer in the billing month in which bill credits appear, KCP&L will mail to the last known address of such former customer a check for the amount of the refund owed. No such checks will be issued a refund amount of less than \$3.00. KCP&L may apply the amount of any refund owed a particular former customer for the IEC against any amount owed KCP&L by that former customer.

If the IEC is extended for a second period, the above process will be repeated.

(G) A complete description of how the proposed RAM is compatible with the requirement for prudence reviews;

4 CSR 240-20.090 sets forth the definitions, structure, operation, and procedures relevant to a Fuel Adjustment Clause. Section (7) is specific to prudence reviews, requiring a review no less frequently than at eighteen (18)-month intervals. KCP&L agrees that prudence reviews should occur no less frequently than at 18 month intervals.

It is anticipated that parties to any prudence review proceeding would apply the standard of determining whether decisions were prudent given the facts known at the time those decisions were made, as opposed to a "hindsight" review. If Staff or other parties believe that the evidence supports a prudence adjustment, they have the opportunity to bring that proposal to the Commission for an evidentiary hearing and decision.

(H) A complete explanation of all the costs that shall be considered for recovery under the proposed RAM and the specific account used for each cost item on the electric utility's books and records;

Variable fuel and purchased power costs are eligible for recovery.

The Federal Energy Regulatory Commission (FERC) Code of Federal Regulations is the basis for the KCP&L's accounting codes. Fuel used in the production of steam for the generation of electricity (Coal Plants) is included in FERC account 501. Emission Cost is in FERC account 509. Nuclear Fuel is in FERC account 518. Fuel used in other power generation (Combustion Turbines) is included in FERC account 547. Purchased Power is in FERC account 555. The following six digit KCP&L accounts expanded from the FERC accounts will be included as allowable IEC costs:

<u>General Ledger Account</u>	<u>Expense</u>
501000	Coal and Freight Costs (Variable)
501001	Coal and Freight Costs (Variable)
501003, 501004	Coal SO2 Premiums
501009, 501010	Coal and Freight Costs (Variable)
501020	Contra Coal and Freight Costs to SFR
501100, 501101	Oil Costs
501200, 501201	Natural Gas Costs
501300	Additives - Limestone Costs
501301	Additives - Ammonia Costs
501302	Additives - PAC
501400	Residuals Costs
501509	Fuel Handling (Fuel for Fuel Handling ONLY)
509000, 509002, 509003	Emission Allowances
518000	Nuclear Fuel Expense
518100	Nuclear Pwr-Fuel Expense-Oil
518200	Nuclear Fuel-Decontam&Decommis
518201	Nuclear Fuel-Disposal Cost
547001, 547010	Oil Costs
547002, 547004	Gas Costs & Transportation (Variable)

547020	Contra Gas Costs & Transportation to SFR
547301	Additives - Ammonia Costs
555000, 555020, 555021	Purchased Power-Energy
555005	Purchased Power-Capacity (Short-term ONLY)
555000	Renewable REC's

Accounts provided were used as of December 31, 2009; however, additional accounts may be added in the future as business needs arise.

(I) A complete explanation of all the revenues that shall be considered in the determination of the amount eligible for recovery under the proposed RAM and the specific account where each such revenue item is recorded on the electric utility's books and records;

IEC revenues are billed as a separate line item on a customer's bill and recorded in the following revenue accounts to accurately track revenues and facilitate the review process. In addition, the CIS+ billing system tracks the IEC billed line item.

<u>General Ledger Account</u>	<u>Revenue</u>
440001	Residential Electric Revenue
442001, 442003	Commercial Electric Revenue
442004	Street Lighting Primary Revenue
442101	Primary Revenue
442201	Manufacturing Primary Revenue
442202	Manufacturing Other Revenue
444001	Public Street Lighting Revenue
444002	Traffic Signals Revenue

At each month end, a journal entry to record the estimated unbilled revenue is recorded in the following revenue accounts with the IEC component included. The estimate is reversed in the following month.

<u>General Ledger Account</u>	<u>Revenue</u>
440003	Electric Sales – Unbilled Residential
442005	Electric Sales – Unbilled Commercial
442102	Electric Sales – Unbilled Primary
442203	Electric Sales – Unbilled Mfg Primary Power
442204	Electric Sales – Unbilled Mfg
444003	Electric Sales – Unbilled Street Lights
445002	Electric Sales – Pub Authorities

IEC revenues are recorded as revenue (as shown above) when processed by CIS+ or recorded as unbilled IEC revenue. Unlike an FAC, IEC revenue is not offset in the Accrued Fuel Clause account (182380). IEC revenue will be recognized as KWh usage occurs.

Current period over/under accrued IEC revenues are defined above as total IEC allowable costs less total IEC revenues. Accruals of over collected IEC revenues will be based on the full projected costs and revenues for the IEC period as defined above. When the projected IEC period revenues are over collected (e.g.,

costs are lower than revenue), accrued IEC revenues will be offset in FERC Account 254, Regulatory Liability. The over accrued IEC revenues will be booked to a separate set of revenue accounts, as follows:

<u>General Ledger Account</u>	<u>Revenue</u>
440007	Residential Electric Revenue FAC/IEC Unbilled
442007	Commercial Electric Revenue FAC/IEC Unbilled
442205	Industrial Firm Electric Rev FAC/IEC Unbilled
444005	Sales Street Lighting FAC/IEC Unbilled
445005	Sales Public Authority Electric FAC/IEC Unbilled

When the projected IEC period revenues are under collected (e.g., costs are higher than revenue), revenue will not be affected by under recovery.

This accounting process, and the information used to support the recording of these entries, creates a paper audit trail to enable the audit of the accounts.

(J) A complete explanation of any incentive features designed in the proposed RAM and the expected benefit and cost each feature is intended to produce for the electric utility's shareholders and customers;

No incentive features are designed.

(K) A complete explanation of any rate volatility mitigation features designed in the proposed RAM;

Please see the direct testimony of Wm. Edward Blunk.

(L) A complete explanation of any feature designed into the proposed RAM or any existing electric utility policy, procedure, or practice that can be relied upon to ensure that only prudent costs shall be eligible for recovery under the proposed RAM;

KCP&L's RAM expenses are subject to periodic Prudence Reviews to ensure that only prudently-incurred fuel and purchased power costs are collected from customers through the RAM.

Rules and procedures for contracts are outlined in the Sarbanes Oxley documentation.

Rules and procedures for the hedging program are in the Risk Management Policy.

(M) A complete explanation of the specific customer class rate design used to design the proposed RAM base amount in permanent rates and any subsequent rate adjustments during the term of the proposed RAM;

A class cost of service study and rate design change are a part of this current rate filing. The existing rate design is maintained by allocating the rate increase as a percentage increase to all classes.

The proposed IEC will be billed to customers based on usage and is not a part of base rates. The IEC allocates cost by voltage.

(N) A complete explanation of any change in business risk to the electric utility resulting from implementation of the proposed RAM in setting the electric utility's allowed return in any rate proceeding, in addition to any other changes in business risk experienced by the electric utility;

Please see the direct testimony of Samuel C. Hadaway.

(O) The supply-side and demand-side resources that the electric utility expects to use to meet its loads in the next four (4) true-up years, the expected dispatch of those resources, the reasons why these resources are appropriate for dispatch and the heat rates and fuel types for each supply-side resource; in submitting this information, it is recognized that supply- and demand-side resources and dispatch may change during the next four (4) true-up years based upon changing circumstances and parties will have the opportunity to comment on this information after it is filed by the electric utility;

Please see the direct testimony of Burton L. Crawford.

(P) A proposed schedule and testing plan with written procedures for heat rate tests and/or efficiency tests for all of the electric utility's nuclear and non-nuclear generators, steam, gas, and oil turbines and heat recovery steam generators (HRSG) to determine the base level of efficiency for each of the units;

Please see the direct testimony of Burton L. Crawford.

(Q) Information that shows that the electric utility has in place a long-term resource planning process, important objectives of which are to minimize overall delivered energy costs and provide reliable service;

Please see the direct testimony of Burton L. Crawford.

(R) If emissions allowance costs or sales margins are included in the RAM request and not in the electric utility's environmental cost recovery surcharge, a complete explanation of forecasted environmental investments and allowances purchases and sales; and

Please see the direct testimony of Wm. Edward Blunk and Burton L. Crawford.

(S) Authorization for the commission staff to release the previous five (5) years of historical surveillance reports submitted to the commission staff by the electric utility to all parties to the case.

The commission staff is authorized to release the previous five (5) years of historical surveillance reports to all parties to the case based on the Confidentiality designations of the parties.

Important Notice

Kansas City Power & Light Company ("KCP&L" or "Company") has filed a rate increase request with the Missouri Public Service Commission ("PSC"). The increase would total approximately 13.78 percent. For the average KCP&L residential customer the proposed increase would be approximately \$12.69 per month.

The Company has also asked the PSC to establish an Interim Energy Charge ("IEC"). The IEC would allow the Company to recover _____ per kWh in addition to base rates for variable fuel and purchased power costs from _____ to _____ (the IEC period). Any over-collection of fuel and purchased power amounts would be returned to ratepayers with interest following a review and true-up of variable fuel and purchased power costs at the conclusion of the IEC period.

A local public hearing (or evidentiary hearing) has been set before the PSC at ____ o'clock, on (date) at _____, (address), City, Missouri. The local public hearing will be held in a facility that meets the accessibility requirements of the Americans with Disabilities Act. Any person who needs additional accommodations to participate in this hearing should call the Public Service Commission's hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 before the hearing.

Consumers wishing to comment on the rate proposal may also: Mail a written comment to the Public Service Commission, P.O. Box 360, Jefferson City, Missouri 65102; Electronically submit a comment to the PSC through the Internet by accessing the PSC's Electronic Filing and Information System at <http://m1e.net/c?56264906-CINdZeKsfZhlq%405245396-gGo4ESsd/nMTk> (please reference case number _____); or Contact the Office of the Public Counsel, P.O. Box 2230, Jefferson City, Missouri 65102, telephone 573-751-4857 or toll-free 866-922-2959, opcservice@ded.mo.gov. Comments are viewable by the public. Do not include any information in a public comment that you do not wish to be made public.

For billing and service information : 816-701-0450
or toll-free : 1-866-601-9405
For emergencies or lights out : 1-888-544-4852 (1-888-LIGHT-KC)

Customer Name [REDACTED]
Service Address [REDACTED]
Account Number : [REDACTED]

Due upon receipt : \$ 1,540.79

Page 1 of 2
Billing Date: 04/08/2010

Message Board

Summer rates begin May 16. A reminder, the price for electricity is slightly higher during the four months ahead. The annual difference corresponds with KCP&L's tariffs on file with the Commission. To even out seasonal highs and lows and balance payments, enroll in KCP&L's Budget Billing plan. Learn more at www.kcpl.com.

It pays to be energy efficient. KCP&L's Custom Rebate Program rewards commercial and industrial customers who implement pre-approved energy-saving measures. For more details, call 1-800-541-2475 or visit www.kcpl.com/business/rebates.

Account Summary

for service from 03/05/2010 to 04/05/2010

Previously Billed	\$ 992.46
Late Payment Charge - 03/26/2010	7.72
Current Charges (details on back) [REDACTED]	547.17
Due upon receipt	\$ 1,547.35
Late charge if received after April 22, 2010	8.23
Amount due with late charge	\$1,555.58

*** DISCONNECT NOTICE ***

Your account is \$992.46 past due. A new or additional deposit may be required and your service could be disconnected if this amount is not received on or before 04/19/2010.

Should disconnection become necessary, the following charges will apply:
\$25 for reconnection at the meter, or
\$50 for reconnection at the pole

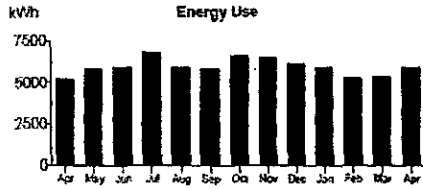
Disregard this notice if you have either paid the past due amount or made payment arrangements.

Customer Name : ██████████
 Service Address : ██████████
 Account Number : ██████████

Deposit paid : \$ 1,000.00

Small General Service - 1SGSE

Billing Details - service from 03/05/2010 to 04/05/2010



Period	kWh	Days	kWh / day	Total \$ / day
Current	5,965	31	192.4	\$ 17.43
Previous	5,391	29	185.8	\$ 17.07
Last year	5,209	29	186.0	\$ 14.93

Energy Charge	\$ 439.67
Customer Charge	15.25
IEC for 5965 kWh@\$0.0011	6.56
<hr/>	
subtotal :	\$ 461.48
Kansas City franchise fee :	50.55
Missouri state sales tax :	19.22
Jackson county sales tax :	5.12
Kansas City sales tax :	10.80
Current Charges :	\$ 547.17

Meter	Start Read Date	End Read Date	Days	End Read	(-)	Start Read	(=)	Head Difference	(*)	Meter Multiplier	(=)	Actual kWh Used	Actual kW Demand
██████████	3/5	4/5	31	22997	(-)	17032	(=)	5965	(*)	1	(=)	5965	13.9

KANSAS CITY POWER & LIGHT COMPANY

P.S.C. MO. No. 7 Original Sheet No. _____
 Revised
Cancelling P.S.C. MO. 6 All previous sheets Original Sheet No. _____
 Revised
For Missouri Retail Service Area

INTERIM ENERGY CHARGE Schedule IEC

APPLICATION:

The Interim Energy Charge (Schedule IEC) is applicable to all electric service billed under any of the Company's electric rate schedules, metered or unmetered, subject to the jurisdiction of the Commission as reflected separately on each rate schedule. The revenue from this tariff will be collected on an interim and subject to true-up and refund basis under the terms ordered in Case No. ER-2010-_____.

RATE:

In addition to the charges that the Company makes for electric service set forth in its approved and effective rate schedules, the following applicable amount will be added:

Secondary voltage customers per kWh \$0._____
Primary voltage customers per kWh \$0._____

CONDITIONS OF SERVICE:

This interim energy charge shall be in effect from _____ through _____. Subsequent to the expiration a true-up audit will determine if any portion of the revenues collected exceed the Company's actual and prudently incurred costs for fuel and purchased power during the interim period, and refunds, if warranted, will be issued. The Company shall refund the excess, if any, above the greater of the actual or the base, plus interest. Interest will be equal to the Company's short-term borrowing rate and will be applied to any amount to be refunded. No refund will be made if the Company's actual and prudently incurred costs for fuel and purchased power during the IEC period equal or exceed the IEC forecast amount.

Such refunds, if any, shall be based upon the billing units of the customer to which these amounts were applied. Any refund will appear as a one-time credit on the customer's bill.

DATE OF ISSUE:
ISSUED BY: Curtis D. Blanc, Sr. Director

DATE EFFECTIVE:
Kansas City, Mo.

KANSAS CITY POWER & LIGHT COMPANY
Transmission Expenses

Account	Account Description	2005	2006	2007	2008	2009	Included in current filing
561400	Trans Op-Schd,Contr & Dis Serv	-	-	2,369,002	2,662,340	2,498,396	2,667,818
561800	Trans Op-Reli Plan&Std Dv-RTO	-	-	326,730	317,312	326,742	347,976
565000	Transm Oper-Elec Tr-By Others	2,386,931	7,195,625	11,576,571	11,119,938	12,349,274	18,268,333
565020	Trans of Electricity by Others	-	-	-	-	-	-
565021	Transm Oper-Elec Tr-Interunit	-	-	-	-	-	-
565027	Transm Oper-Elec Tr-Demand	-	-	-	25	-	-
565030	Transm Oper-Elec Tr-OffSys	-	-	-	-	-	-
575700	Trans Op-Mkt Mon&Comp Ser-RTO	-	281	-	2,576,936	2,462,502	2,783,810
928003	Reg Comm Exp-FERC Assessment	713,553	668,529	728,931	666,726	880,858	986,400
	Total	3,100,484	7,864,435	15,001,234	17,343,277	18,517,772	25,054,338

KANSAS CITY POWER & LIGHT COMPANY

P.S.C. MO. No.

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First

Original

Sheet No.

6

Revised

Cancelling P.S.C. MO. No.

7

Original

Sheet No.

6

Revised

For Missouri Retail Service Area

RESIDENTIAL OTHER USE

Schedule ROU

AVAILABILITY:

This rate schedule applies to residential customers who do not qualify under any other residential rate. Customers qualifying for this rate will generally be those with well pumps, barns, machine sheds, detached garages and home workshops, whose meter is not connected to a single or multiple occupancy dwelling unit. This rate schedule cannot be used for any commercial or industrial customer.

RATE:

	<u>Summer</u>	<u>Winter</u>
Customer Charge	\$17.34 per month	\$17.34 per month
Energy Charge All Energy	\$0.15469 per kWh	\$0.12020 per kWh

MINIMUM:

Minimum Monthly Bill:

- (1) Customer Charge; plus
- (2) Any additional charges for line extensions, if applicable; plus -
- (3) The monthly adjustment for Residential Conservation Service Program costs, if applicable.

SUMMER AND WINTER SEASONS:

The Summer Season is four consecutive months, beginning and effective May 16 and ending September 15, inclusive. The Winter Season is eight consecutive months, beginning and effective September 16 and ending May 15. Customer bills for meter reading periods including one or more days in both seasons will reflect the number of days in each season.

TAX ADJUSTMENT:

Tax Adjustment Schedule TA shall be applicable to all customer billings under this schedule.

REGULATIONS:

Subject to Rules and Regulations filed with the State Regulatory Commission.

DATE OF ISSUE:

June 4, 2010

DATE EFFECTIVE:

May 4, 2011

ISSUED BY:

Curtis D. Blanc, Sr. Director

Kansas City, Mo.