

Exhibit No.: 108
Issues: Rate Design

Witness: James A. Busch
Sponsoring Party: MO PSC Staff
Type of Exhibit: Direct Testimony
Case No.: ER-2006-0314
Date Testimony Prepared: August 22, 2006

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY OPERATIONS DIVISION

DIRECT TESTIMONY

OF

JAMES A. BUSCH

KANSAS CITY POWER & LIGHT

CASE NO. ER-2006-0314

**Jefferson City, Missouri
August 2006**

FILED

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Missouri Public
Service Commission

Staff Exhibit No. 108
Case No(s) ER-2006-0314
Date 10-16-06 Rptr XF

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

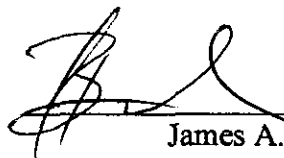
In the Matter of the Application of Kansas)
City Power & Light Company for)
Approval to Make Certain Changes in its)
Charges for Electric Service to Begin the)
Implementation of Its Regulatory Plan)

Case No. ER-2006-0314

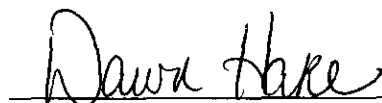
AFFIDAVIT OF JAMES A. BUSCH

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

James A. Busch, of lawful age, on his oath states: that he has participated in the preparation of the following Direct Testimony in question and answer form, consisting of 4 pages of Direct Testimony to be presented in the above case, that the answers in the following Direct Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.


James A. Busch

Subscribed and sworn to before me this 21st day of August, 2006.


Notary Public



My commission expires _____

DAWN L. HAKE
My Commission Expires
March 16, 2009
Cole County
Commission #05407643

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DIRECT TESTIMONY

OF

JAMES A. BUSCH

KANSAS CITY POWER & LIGHT

CASE NO. ER-2006-0314

Q. Please state your name and business address.

A. My name is James A. Busch and my business address is P. O. Box 360,
Jefferson City, Missouri 65102.

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

A. I am a Regulatory Economist III in the Economic Analysis Section of the
Energy Department, Utility Operations Division of the Missouri Public Service Commission
(Staff).

Q. Please describe your educational and professional background?

A. I hold a Bachelor of Science and Master of Science degrees in Economics
from Southern Illinois University at Edwardsville. I have been employed as a Regulatory
Economist III with the Staff of the Public Service Commission (Staff) since April 2005.
Previously, I worked as a Public Utility Economist with the Office of the Public Counsel
(Public Counsel) from 1999 to 2005. Prior to my employment with Public Counsel, I worked
as a Regulatory Economist I with the Procurement Analysis Department of the Missouri
Public Service Commission from 1997 to 1999. Also, I am a member of the Adjunct Faculty
of Columbia College, Jefferson City Campus. I teach both graduate and undergraduate
classes in economics.

Direct Testimony of
James A. Busch

1 Q. Have you previously filed testimony before the Commission?

2 A. Yes. The cases in which I have filed testimony before the Commission are
3 listed on Schedule JAB-1.

4 Q. What is the purpose of your direct testimony in this case?

5 A. The purpose of my direct testimony is to present Staff's rate design
6 recommendations for Kansas City Power & Light (KCPL) in this proceeding.

7 Q. Did Staff perform a Class Cost of Service Study (CCOS) in this proceeding?

8 A. Yes. Please see the direct testimony of Staff witness Janice Pyatte for a
9 description of Staff's method and the results of Staff's CCOS.

10 Q. Are there any other Staff witnesses filing testimony at this time?

11 A. Yes. Staff witness William McDuffey will be addressing tariff issues in his
12 direct testimony.

13 Q. What are the results of Staff's CCOS study?

14 A. Staff's CCOS study shows that, on a revenue neutral basis, the residential
15 class is below its cost of service by approximately 7.82%. All other classes, according to
16 Staff's study, are collecting more revenue than its cost of service. A summary of the results
17 of Staff's CCOS and rate design recommendation is attached as Schedule JAB-2.

18 Q. What is Staff's rate design recommendation in this case?

19 A. Staff recommends that, on a revenue-neutral basis, the revenue responsibility
20 of each class that shows revenues greater than the class' cost of service, should have the
21 class' revenue responsibility adjusted downward. That downward adjustment should be
22 implemented by decreasing the rates for the class equally by the percentage shown necessary
23 in the Staff's CCOS study for the Large Power Service (LPS) class revenues to equal the LPS

Direct Testimony of
James A. Busch

1 class cost of service. Staff's study shows that the LPS class should receive the smallest
2 percentage decrease among the classes where a decrease is warranted. According to Staff's
3 study, this means that the Small General Service, Medium General Service, Large General
4 Service, and Large Power Service would all receive a revenue neutral reduction of 2.76% in
5 class revenues.

6 Because Staff's study shows that the residential class is collecting less than its cost of
7 service, the residential class should have its revenues increased by 4.95% on a revenue
8 neutral basis. This percentage equals the sum of the changes in revenues for the non-
9 residential classes that is needed to keep total company revenue neutral for KCPL, i.e., the
10 increase in residential revenues is equal to the sum of all of the decrease in revenues for the
11 non-residential classes.

12 Q. Why isn't Staff recommending moving rates to each class' cost of service, as
13 shown by the results of its CCOS?

14 A. In Staff's opinion, complete movement to cost of service in addition to the rate
15 increase requested would cause rate shock to the residential class. A 7.82% revenue neutral
16 shift to the residential class that is shown in Staff's study would add to a possible 11% rate
17 increase if KCPL is granted its full request. Staff contends that this 18.82% rate increase
18 while non-residential classes would only get an increase of less than 10% would be harmful
19 to the residential customers. Staff's recommendation in this proceeding moves all the classes
20 towards their cost of service in a manner that will provide modest increases to the residential
21 class.

Direct Testimony of
James A. Busch

1 Q. If Staff is concerned about the impacts on the residential class, why not
2 propose an equal percentage increase to all rates therefore keeping the increase the same for
3 all customer classes?

4 A. Staff believes that some movement towards cost of service should occur at this
5 time. In the near future, KCPL will be adding some large capital investments (e.g., Iatan II
6 and emissions equipment on LaCygne plants) to its total cost of service. Once that occurs, it
7 is possible that this will show a need for bigger inter-class shifts. If some move toward cost
8 of service does not happen now, the need for changes in the future to address class cost of
9 service will be even more significant. Thus, it is Staff's opinion that it is better to begin the
10 shifts today when the impact will be smaller than if the current need is compounded with
11 future needs for revenue shifts, where the impacts are likely to be greater.

12 Q. If the Commission orders an overall revenue increase for KCPL, what is
13 Staff's recommendation for collection of those additional revenues in rates?

14 A. Staff recommends that, after the revenue neutral shifts are made, any
15 additional changes in revenues should be allocated to each class on an equal percentage basis.
16 For example, if the Commission orders an overall revenue increase of 5%, all classes will
17 have their rates factored up by 5%.

18 Q. Does this conclude your direct testimony?

19 A. Yes.

**Cases of Filed Testimony
James A. Busch**

<u>Company</u>	<u>Case No.</u>
Union Electric Company	GR-97-393
Missouri Gas Energy	GR-98-140
Laclede Gas Company	GO-98-484
Laclede Gas Company	GR-98-374
St. Joseph Light & Power	GR-99-246
Laclede Gas Company	GT-99-303
Laclede Gas Company	GR-99-315
Fiber Four Corporation	TA-2000-23; et al.
Missouri American Water Company	WR-2000-281/SR-2000-282
Union Electric Company d/b/a AmerenUE	GR-2000-512
St. Louis County Water	WR-2000-844
Empire District Electric Company	ER-2001-299
Missouri Gas Energy	GR-2001-292
Laclede Gas Company	GT-2001-329
Laclede Gas Company	GO-2000-394
Laclede Gas Company	GR-2001-629
UtiliCorp United, Inc.	ER-2001-672
Union Electric Company d/b/a AmerenUE	EC-2001-1
Laclede Gas Company	GR-2002-356
Empire District Electric Company	ER-2002-424
Southern Union Company	GM-2003-0238
Aquila, Inc.	EF-2003-0465
Missouri American Water Company	WR-2003-0500
Union Electric Company d/b/a AmerenUE	GR-2003-0571
Aquila, Inc.	ER-2004-0034
Aquila, Inc.	GR-2004-0072
Missouri Gas Energy	GR-2004-0209
Empire District Electric Company	ER-2004-0570
Aquila, Inc.	EO-2002-0384
Aquila, Inc.	ER-2005-0436
Empire District Electric Company	ER-2006-0315

STAFF'S CCOS RESULTS AND RATE DESIGN PROPOSAL
Kansas City Power & Light
ER-2006-0314

	MO Retail	Residential	Small GS	Medium GS	Large GS	Large Power	Lighting
Rate Revenue	\$484,517,360	\$173,686,959	\$37,015,318	\$63,152,827	\$110,561,796	\$100,100,460	\$0
Staff CCOS Deficiency (\$)		\$13,584,668	(\$1,491,762)	(\$6,058,524)	(\$3,056,705)	(\$2,977,678)	\$0
Staff CCOS Deficiency (%)		7.82%	-4.03%	-9.59%	-2.76%	-2.97%	0.00%
Proposed % Reduction			-2.76%	-2.76%	-2.76%	-2.76%	
Revenue Reductions	(\$8,593,536)		(\$1,023,363)	(\$1,745,988)	(\$3,056,705)	(\$2,767,480)	\$0
Revenue Increases		\$8,593,536					
Revenue-Neutral \$ Change	\$0	\$8,593,536	(\$1,023,363)	(\$1,745,988)	(\$3,056,705)	(\$2,767,480)	\$0
Revenue-Neutral % Change	0.00%	4.95%	-2.76%	-2.76%	-2.76%	-2.76%	0.00%
Post-Shift Rate Revenues		\$182,280,495	\$35,991,955	\$61,406,839	\$107,505,091	\$97,332,980	\$0