Exhibit No.:
Issue: Rate Design, Energy Efficiency, Fuel Adjustment Clause, Comprehensive Rate Design Study, Joint Capacity Planning, Tariff Issues, L&P Phase-In, Low Income Weatherization, Rate Case Expense, Economic Considerations and Renewable Energy Standards
Witness: Tim M. Rush
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2012-0175
Date Testimony Prepared: September 12, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0175

REBUTTAL TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
September 2012

REBUTTAL TESTIMONY

OF

TIM M. RUSH

Case No. ER-2012-0175

Q: Please state your name and business address.

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

Q: Are you the same Tim M. Rush who pre-filed Direct and Supplemental Direct Testimony in this matter?

A: Yes, I am.

Q: On whose behalf are you testifying?

A: I am testifying on behalf of KCP&L Greater Missouri Operations Company ("GMO" or the "Company") for its St. Joseph Light & Power ("L&P") and Missouri Public Service ("MPS") service territories.

Q: What is the purpose of your Rebuttal Testimony?

A: I respond to:

a. Rate design proposals from Staff of the Missouri Public Service Commission ("Staff") witness Michael Scheperle, Ag Processing Inc., Federal Executives Agencies, Midwest Energy Consumers Group, Midwest Energy Users' Association, and Midwest Industrial Energy Consumers ("Industrials") witness Maurice Brubaker and Missouri Gas Energy ("MGE") witness Jay Cummings,

b. LED Lighting,

c. Other tariff issues,

d. Staff witness Curt Wells' proposal on the L&P rate jurisdiction rate phase-in from Case No. ER-2009-0356,

e. Staff witness Lena Mantle's proposal on the Fuel Adjustment Clause ("FAC") to reduce the sharing mechanism for the Company from 95/5 to 85/15.

f. Staff proposal for a comprehensive rate design study,

g. Staff proposal on joint capacity planning and the redistribution of plant and purchased power agreements between L&P and MPS,

h. Missouri Energy Efficiency Investment Act of 2009 ("MEEIA"),

i. Staff witness Henry Warren, Missouri Department of Natural Resources ("MDNR") witness Dr. Adam Bickford and City of Kansas City witness Douglas Bossert regarding the Company's Low Income Weatherization program,

j. Staff witness Chuck Hyneman's proposal on rate case expense,

k. Staff witness and Office of the Public Counsel witness Barbara Meisenheimer's discussion on the economic considerations of the service territory, and

l. Renewable energy standards ("RES").

Rate Design

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

A: The Company is requesting an increase in rates of $83.5 million (11.8%), allocated between MPS ($58.3 million (10.8%)) and L&P ($25.2 million (14.6%)).

The overall increase is broken into three parts.

1.) The first is the MEEIA revenue request. This represents $19.8 million and is a separate rate based on energy. In December 2011, the Company filed an application with the Commission to initiate the State's first MEEIA

plan. The plan requests approval of a DSIM rider to be implemented at the conclusion of the MEEIA case. Originally, the case was to be completed in 120 days from the date of filing. The Company and other parties agreed to a 60 day extension, which would have placed approval in June 2012. Currently, the parties to the MEEIA case are working toward a possible agreement, which I discuss later in my testimony.

2.) The second component is the fuel and purchased power costs that would be contained in the FAC. The Company proposes to rebase the FAC to reflect the fuel and purchased power costs, less off-system sales revenues. The rebasing of the FAC would be applied as an energy adjustment to the kWh rate components of each tariff for both the MPS and L&P rate jurisdictions.

3.) The third component is the remainder of the increase. The Company is proposing that the remainder of the requested increase be spread to all customer classes and all rate components on an equal percentage basis.

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

A: Yes. I have reviewed the Direct Testimony of Michael Scheperle on behalf of Staff, Maurice Brubaker on behalf of the Industrials, and Jay Cummings representing MGE.

Q: Please describe those testimonies.

A: The Direct Testimony filed by Staff witness Scheperle proposes to apply the overall change in revenue requirement on an equal percentage basis for both MPS and L&P. Further, for L&P Staff proposes an additional 6% increase be applied to the two winter

blocks of the MO920 Residential Service with Space Heating rate, the winter energy rate of the MO922 Residential Space Heating/Water Heating – Separate Meter rate, and the winter energy rate of the MO941 Non-Residential Space Heating/Water Heating – Separate Meter rate.

Mr. Brubaker, representing the Industrials, recommends a revenue neutral adjustment which moves each class 25% of the way to the results of his CCOS study. The Residential classes would see an increase while all other classes would receive a decrease. Any remaining increase would then be applied on an equal percentage basis to all classes. Mr. Brubaker does not recommend adjustments to the space heating rate classes as recommended by Staff.

Mr. Cummings, representing MGE, proposes an adjustment to the summer and winter rates of the Residential class to equalize the seasonal rates of return based on the Company's CCOS studies for MPS and L&P rate jurisdictions. Further, Mr. Cummings recommends elimination of the Residential Electric Space Heat rate schedules or alternately freezing these rates. Finally, Mr. Cummings proposes a series of scenarios to revise the Residential rate blocking depending on the outcome of his first two recommendations.

Q: What is your initial impression of the proposals offered?

A: The proposals appear to focus on two primary issues; responding to the inter-class differences indentified by the respective CCOS studies and effecting a change on the heating rates of the Company.

Q: What is your response to those proposing different inter-class shifts?

A: I believe this is a natural out-come of various parties evaluating the same issue from the perspective of their individual biases. The heart of any CCOS study is in the allocation of costs. For electric utilities where production plant represents a major cost category, allocation of production plant is a key issue. Mr. Brubaker advocates for an allocation method that tends to shift costs to customer classes that rely more on demand consumption rather than energy consumption. The Base-Intermediate-Peak ("BIP") method proposed by the Company and Staff represents a more detailed method that attempts to balance the allocation across the classes based on a layered allocation of production plant. The direct testimony of Company witness Mr. Paul Normand explains the BIP method in more detail.

Q: Do you consider the BIP allocation method superior to the other methods proposed?

A: No. I would not say that any one method is superior. Each method provides a mathematically correct way to allocate costs. The analyst is challenged to find a method that best represents their respective belief of how the costs occur. The Commission in their judgment of the facts of this case must evaluate the methods to determine which options produce a fair and reasonable result. There is ample room for reasonable minds to disagree.

Q: Why did the Company propose the BIP method?

A: The Company has utilized the BIP method in one case prior to this one and proposed the method in conjunction with the Commission's direction to address seasonal CCOS, which required an additional amount of detail not previously provided in CCOS studies. It was our desire to use a method that examined the usage of the production plant,

acknowledging the dual nature of these resources in providing energy AND capacity to our customers.

Q: With that being said what are your recommendations concerning the interclass differences?

A: My proposal remains the same. I recommend the increases be applied equally to all classes and rate components. For MPS the results indicate that the residential class is slightly above system average Rate of Return ("ROR") while the comparable Small General Service is somewhat higher than the overall system average ROR except for the Primary subclass which is below. The remaining two major classes of Large General Service and Large Power Service are, however, somewhat below the overall Company system average ROR. For L&P the CCOS results indicate that the Residential class is below system average ROR while the comparable Small General Service is well above the overall system average ROR except the Separately Metered which is well below average ROR. The Large General Service classes are also well above the system average ROR. In the Large Power Service class, both Transmission and Substation service classes yield ROR greater or at the system average with the remaining Primary and Secondary Service classes producing ROR below the system average ROR.

Q: Can the Non-Residential classes be adjusted?

A: Yes, however if major shifts between classes occurred, it would be necessary to take rate switching into account as part of the final rate design definition.

Q: How would you characterize the MGE proposal concerning the heating rates?

A: I believe it is an extreme proposal, seeking to eliminate the Residential Heating rates and eliminate electric heat as a competitive energy source to natural gas.

Q: What is your response to this proposal?

A: I believe the proposal should be rejected as the MGE proposal seeks only to redefine the Company's Residential rates to the benefit of MGE.

Q: Would you further explain the proposal presented by MGE?

A: As noted previously Mr. Cummings recommends adjustment to the summer and winter rates of the MPS and L&P Residential classes to equalize the seasonal rates of return. Further, Mr. Cummings recommends elimination of the MPS and L&P Residential Space Heat rate schedules or alternately freezing these rates. Finally, Mr. Cummings proposes a series of scenarios to revise the MPS and L&P Residential rate blocking depending on the outcome of his first two recommendations.

Q: Does MGE provide any cost justification or study for its recommended change to available Residential rates?

A: No. No study was prepared or presented that would justify the proposed changes in rate design. MGE made modifications to the Company billing determinates to formulate their proposal. There is no examination of the impacts of the proposed changes. Further, MGE characterizes the under recovery as an inequity, implying some "subsidy" within the MPS and L&P Residential classes, a characterization that is completely incorrect.

Q: Why do you believe this characterization is incorrect?

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

Mr. Cummings addresses this inequity because of his position that all rates should be the same, meaning if a customer who has a gas furnace home should pay the same for electricity as a home with an electric heat pump. This position does not take into consideration the differing load characteristics of a home heated with electricity versus a home heated with natural gas.

Q: Please describe additional concerns with MGE's recommendation.

A: Mr. Cumming's proposed rate changes are focused only on Residential rates and will result in considerable increases for customers in the MPS and L&P residential space heating classes. Additionally, the proposed rate changes do not take into account the Company's requested revenue requirement which would add to the impact.

As in our prior rate case MGE clearly has an ulterior motive - a direct economic incentive to prevent GMO from providing cost-based rates for customers who use electricity to heat their homes. Increasing the electric prices for new or existing customers who utilize electricity for space heating without any cost justification will likely result in less sales of electricity and more natural gas sales for MGE.

It is also important to note that outside of MGE, a natural gas company that provides service within GMO's service territory, there were no builders, developers or HVAC dealers that intervened in this rate case pursing rate design changes, especially eliminating rates. One would assume that if there was a large public outcry to eliminate certain rates that there may have been more interest in this case other than those with obvious self-interest, such as, the competing natural gas company.

Q: Are heating rates common?

A: Yes. I did a brief research of neighboring utilities via the Internet and found numerous utilities offering heating rates. I found that Mid American Energy in Iowa, Empire District Electric in Kansas and Oklahoma, MidWest Energy in Kansas and Nebraska Public Power District all have defined Residential Heating rates. While other utilities did not expressly identify a rate as an electric heating rate, their rate design supports electric heating or other winter season usage. One way that electric utilities price service is through the summer/winter price differentials. Nearly all Midwestern electric utilities acknowledge seasonal differences in their Residential rate. Further some utilities elect to place more emphasis on much higher summer prices than winter prices to address cost causation. At GMO, the rate design has migrated to reflect more of an annual average rate than a clearly defined summer/winter differential.

Q: Mr. Cummings makes a number of claims in his testimony. First he identifies an advantage held by the Space Heat rates and attributes this advantage to energy price. Do you agree?

A: No. Mr. Cummings avoids the primary issue with his assertion, customer choice. What he does not consider is that Residential customers and builders are satisfied with the performance of their electric heating choices, primarily heat pumps, and choose to install them in their homes. Further, he does not consider that often heat pumps are installed with gas heat back-ups. I am of the belief that the dual fuel aspect is well received.

Q: Mr. Cummings then identifies the full fuel cycle in claiming gas heating is more efficient than electric heating. What is your understanding of the full fuel cycle?

A: The U.S. Department of Energy ("DOE") proposed to use full fuel cycle ("FFC") method in their national impact analyses and environmental assessments. The full fuel cycle includes all energy used from the point of "creation" to the point of "consumption" in the measurement of efficiency. I believe that while the DOE Policy Statement is advocating the use of a full-fuel cycle for environmental assessments and national impact analyses, subsequent DOE Policy Statements also indicated that "utilizing the FFC measure for environmental assessments and national impact analyses would not require alteration of the measures used to determine the energy efficiency of covered products (referred to herein as "appliances and equipment" or just "appliances") because the Energy Policy and Conservation Act ("EPCA"), as amended, requires that such measures be based solely on the energy consumed at the point of use. [42 U.S.C. 6291 (4)-(6), 6311(3)-(4), (18)]".[1]

Q: Please continue.

A: Concerning policy the DOE stated,

> whether it should establish a policy to calculate and use in future rulemakings such extended-site or FFC efficiency metrics for appliances for which there is a fuel choice. DOE concluded, however, that the use of extended site or FFC energy efficiency metrics would only provide a rough indicator of the impacts of possible fuel switching on total energy savings and emissions and, therefore, would not enhance current DOE

[1] Energy Conservation Program for Consumer Products and Certain Commercial and Industrial Equipment: Statement of Policy for Adopting Full-Fuel-Cycle Analyses Into Energy Conservation Standards Program, Energy Conservation Program for Consumer Products and Certain Commercial and Industrial Equipment: Statement of Policy for Adopting Full-Fuel-Cycle Analyses Into Energy Conservation Standards Program. A Notice of Policy by the U.S. Energy Department published in the Federal Register Volume 76, Number 160, Aug. 18, 2010, Section I, Summary of the policy.

estimates of the direct impacts of alternative standard levels on fuel choice, energy savings, emissions and other factors.[2]

Q: Did the DOE establish a policy?

A: The DOE issued a policy statement as follows:

> **B. Using FFC Energy Efficiency Metrics in DOE's Assessment of Energy Conservation Standards Impacts**
>
> Policy Statement: After careful consideration, DOE has concluded that calculating and comparing efficiency ratings on an FFC basis is not likely to significantly enhance the considerable information already available on the likely impacts of prospective energy conservation standards on total energy use, emissions and other factors. Consequently, DOE does not intend to create or use such metrics in the development of future appliance efficiency standards. While DOE already accounts for the potential impacts of fuel switching in its energy conservation standards analyses (where appropriate), it will make the methodologies and results of fuel switching more explicit in all rulemakings in which fuel switching might occur.[3]

Q: What is GMO's position on the use of the full-fuel cycle analysis in the evaluation of efficiency?

A: It is GMO's position that the efficiency of end-use measures be based on the energy consumed at the point of use, a method which is consistent with the EPCA.

Q: Although GMO does not operate in Kansas, Mr. Cummings provides details from a recent Kansas rate proceeding for KCP&L. Does Mr. Cummings appropriately detail the facts from that case?

A: No. While Mr. Cummings is quick to seize on the results of the case he does not properly establish the context of the case. Multiple parties took the extreme position of eliminating rates and deploying inverted block pricing for some rates. Many of these proposals would result in extreme increases for significant numbers of KCP&L

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[2] *Id.*, section B, ¶ 3.

customers. The proposal offered by KCP&L was made to provide some movement to the rates but avoid the extreme outcomes proposed by the parties. Additionally, the existing residential space heating rates in Kansas had some deficiencies that were addressed in the proposal. No such deficiency exists in the current GMO rate designs.

Q: Mr. Cummings states that electric heating is inconsistent with public policy. Are you aware of any public policy that dictates one fuel source over another?

A: No, I am not aware of any policy statement that supports one fuel choice over another.

Q: In light of these various proposals by the Staff and MGE, what issues do you believe are critical when contemplating a rate design proposal?

A: There are a handful of considerations I believe are critical to the Company in contemplating a rate design change. They are:

Provide Revenue Stability and Risk Mitigation – The Company must account for:

1) the price elasticity of any new design in its revenue requirement;

2) the risk of the revenue requirement coming from higher blocks; and

3) the effect of any rate switching that may occur in the revenue requirement.

I do not believe that MGE has taken any of these issues into account in its proposal. I believe that if the residential space heating rates were to be eliminated and customers were required to move to the alternative general use rates in its current form, that the Company would lose a considerable amount of sales which would ultimately harm all customers. If the space heating rates were to be eliminated, I believe that considerable analysis would be necessary in order to make the alternative rate design

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[3] *Id.*, section B, ¶ 5.

appropriate. The same would hold true if MGE were successful in freezing the residential space heating rates.

Implement Cost-Based Rates – The rate design should reflect distinguishing characteristics of various customer usage profiles. This is supported by the testimony of Company witness Paul Normand and the results of the CCOS study, as well as giving consideration to the results of the other studies presented. Rates should provide continuity across the range of customer classes (i.e., you should not have one rate for each customer nor should you have one rate only for all customers).

Minimize Customer Dissatisfaction –

1) Changes must be made in such a way as to minimize significant impacts to customers. If rates are to be no longer offered to new customers (i.e., frozen from new customer locations), the Company should allow for some time period to elapse so that customers currently committed to that rate can still get the rate to justify their investment.

2) If a rate is to be discontinued to all customers, the rate impact of those customers should be considered and the evaluation of the alternative rates the customer would move to should be considered in the determination of the revenue requirement of the Company.

Simplify the Rate Structure – The Company should seek to combine or reduce rates where possible.

Consider Technology Issues – The Company must be certain it has the technology in place to measure the usage and produce bills for the new rates.

Q: You have detailed your concerns with the respective rate design proposals. Do you stand by your original recommendation?

A: Yes. I recommend the increase be applied equally to all classes.

LED Lighting

Q: Did you review Staff's testimony concerning LED Lighting?

A: Yes.

Q: What is the status of the LED pilots at this time?

A: There are two pilots that the Company is directly involved, the KCP&L/GMO LED Pilot and the MARC Smart Lighting for Smart Cities pilot. Additionally there are two pilots which GMO has access to through its affiliation with KCP&L; the LED Information Sharing with City of Kansas City and the Electric Power Research Institute ("EPRI") LED Street and Area Lighting Project. The KCP&L/GMO LED pilot is complete with the final report issued in August. The EPRI study evaluation is complete and the final report is being prepared. The Information Sharing with City of Kansas City is an ongoing effort consisting of monthly exchanges of information. The MARC pilot is finalizing the installation of approximately 4,000 lights and the evaluation is underway.

Q: When do you expect the Company to make a decision concerning offering an LED Street Lighting tariff?

A: Although two of the four efforts are generally complete we believe the MARC pilot will provide the best information concerning the practicality of an LED Street Lighting tariff for our customers. As this effort will not be complete until late 2013, the Company will not be in a position to decide the issue by the end of 2012 as proposed by Staff. The

Company is willing to provide the requested status report by the end of 2012 but would not expect a tariff to be ready for submission to the Commission until early 2014.

Other Tariff Issues

Q: Did you review Staff's testimony concerning Tariff Issues?

A: Yes.

Q: What is your response to Staff's issues?

A: I am in support of the tariff changes identified in the Staff Report. I support making the noted changes as part of our compliance filings in this case or sooner if practical.

L&P Phase-In

Q: Staff witnesses Karen Lyons and Curt Wells recommend that the L&P rate jurisdiction phase-in be cancelled in this case and instead an amortization of the unrecovered phase-in be included in this case and amortized over a three year. What is the Company's position on this issue?

A: In the Company's direct case, the Company proposed a rate increase based on the continuation of the phase-in for the L&P rates. The phase-in would cover the period June 25, 2011 through June 25, 2014, in compliance with the directive of the Commission Orders in Case Nos. ER-2012-0024 and ER-2010-0356. In addition to the rate change in this case, the Company's proposal will result in a slight decrease on June 25, 2013, followed by a decrease of over $4 million in June 25, 2014, to complete the phase-in. The Company's proposed revenue requirements are based on the rate levels as will be set in June 2014, but the rate increase was applied to the current rate levels that went into effect in June 2012. While somewhat confusing, this is the manner in which the phase-in would continue through June 2014.

The Company is not opposed to the Staff proposal, however, the amortization period places a significant lag on the timeliness of the revenue recovery from the prior rate case. It would be more appropriate for the amortization period of the phase-in to be two (2) years, rather than three (3) year proposed by Staff. This would result in full recovery of the phase-in closer to June 25, 2014, the time that the phase-in was to be completed. Staff's proposal would result in completion of the amortization period in January, 2015. Therefore, if the Commission determines that the phase-in of the remaining L&P rate increase from Case No. ER-2010-0356 should be cancelled and recovery of the unrecovered phase-in be amortized over some period of time, then the Company recommends the amortization period be set at two (2) years.

Fuel Adjustment Clause Sharing Mechanism

Q: What is Staff's position regarding the sharing mechanism of the FAC?

A: Staff is recommending that the current sharing mechanism, which is 95% customer and 5% Company, be modified to 85% customer, 15% Company. This is described in the Staff Report – Revenue Requirement Cost of Service ("Staff Report"), beginning on pages 269 through 278.

Q: Please describe what is meant by the 95%/5% sharing mechanism and the potential impact of moving to an 85%/15% sharing mechanism?

A: The 95%/5% sharing mechanism simply means that if the cost of fuel and purchased power expenses, net of off-system sales ("OSS"), increases above the base energy cost in rates, then the Company will be allowed to recover 95% of the increase over a twelve-month period beginning three months after the end of the accumulation period. The Company does not recover and absorbs 5% of these costs. Conversely, if fuel and

purchased power costs, net of OSS, decrease below the base energy cost in rates, the Company will refund with interest, 95% of the excess costs recovered. Moving this sharing mechanism to 85%/15% means that the Company will lose or keep 15% of the cost changes, rather than 5%.

Q: Do you agree with the Staff's proposal to change the sharing mechanism of the FAC from a 95% Company / 5% Customer to an 85%/15% sharing?

A: No. Staff has misrepresented Company statements to the extent that it appears the Staff is attempting to present a case that the Company is indifferent as to the sharing mechanism percentage and is attempting to punish GMO for past decisions. The Staff appears to view the idea of "incentive" as a punishment, not a motivation to do better or improve. Staff is using a "stick" as an incentive rather than a "carrot".

Q: Does the Company agree that the Commission stated in its Report and Order for Rate Case No. ER-2007-0004 that the objective of the sharing mechanism within an FAC is to provide an incentive for the Company to keep its fuel and purchased power costs down?

A: Yes, the Company does agree with that statement. What the Company does not agree with is the claim by Staff that the Company is disinterested or not impacted by the 5% sharing that has been in place for the FAC since its inception and is standard throughout the state.

Q: Is the Company indifferent to the impact of the 5% sharing as Staff has claimed in its Cost of Service Report starting on page 270?

A: No. The Company has attempted to use the ability to recover 95% of the changes in fuel and purchased power costs net of OSS as a way to mitigate the impact of rate cases as

filed. The Company is very concerned with the loss of 5% of its net costs, but the Company is also very concerned with the impact of rate increases on the customer as well as the perception the percentage increases have on the consumer.

Q: What does changing the sharing mechanism to 85%/15% do to the Company's overall financial health?

A: Using the last nine accumulation periods of the FAC as an example, it would mean that the Company would lose an additional $16.5 million of costs. These are costs that the Staff has already determined were prudently incurred. This would reduce the Company's earnings by a like amount.

Q: Do you think that excluding prudently incurred costs was contemplated by the legislation that established the FAC?

A: No. I do not think that is what the legislation was meant to do. The statute, Mo. Rev. Stat. §386.266.1 (2000) is quite clear:

> Subject to the requirements of this section, any electrical corporation may make an application to the commission to approve rate schedules authorizing an interim energy charge, or periodic rate adjustments outside of general rate proceedings to reflect increases and decreases in its prudently incurred fuel and purchased-power costs, including transportation. The commission may, in accordance with existing law, include in such rate schedules features designed to provide the electrical corporation with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased-power procurement activities.

The FAC was enacted to provide a mechanism that allows recovery of prudently incurred fuel and purchased power costs, including transportation. The statute does not contemplate penalty measures as proposed by Staff.

Q: Do you believe that there are other provisions in the legislation that would support recovery of all prudently incurred fuel and purchased power costs, including transportation?

A: Yes. Subsection 4 of the FAC statute states that the mechanism shall consider adjustment mechanisms after a full hearing. Mo. Rev. Stat. § 386.226.4 (2000). Subsection 4 further provides that:

> The commission may approve such rate schedules after considering all relevant factors which may affect the costs or overall rates and charges of the corporation, provided that it finds that the adjustment mechanism set forth in the schedules:
> (1) Is reasonably designed to provide the utility with a sufficient opportunity to earn a fair return on equity; ...
> (13) The public service commission shall appoint a task force, consisting of all interested parties, to study and make recommendations on the cost recovery and implementation of conservation and weatherization programs for electrical and gas corporations.

Section (1) clearly requires that the Commission consider the opportunity for the utility to earn a fair return. Staff's 85%/15% proposal prevents GMO the opportunity to earn a fair return on costs which Staff has already determined prudent. Staff in its revenue requirements report, on page 269, indicated that the Company's under-collected amount over four and one-half years is $165 million (16 percent of total actual energy costs of $1.02 billion). As I expressed earlier, if Staff's 85%/15% sharing mechanism were instituted for GMO, it would have resulted in a reduction of recovered costs of $16.5 million. This would have equated to an average annual earning loss of $3.7 million, which would represent approximately a .5% reduction in the Company's return on equity ("ROE").

This means that if the Commission approved the requested ROE the Company originally filed at 10.4% and applied the 85%/15% sharing, the Company would really

only have been granted a 9.9% ROE based on the above analysis. Further, no other utility in the state has been required to share in an amount greater than the 5% established and upheld by the Commission throughout the life of FACs in the state of Missouri.

Q: Please comment on the Staff's interpretation of incentive as a punishment versus and enticement.

A: Based upon Staff's testimony, the MPSC Staff views an incentive as a stick to be held over the Company's head to keep it from doing something "wrong." Given the current state of the economy and the total lack of ability to balance negative regulatory lag with increased sales, the Company sees incentive as an opportunity to find an upside to earnings to offset ever increasing costs without the need to increase overall customer rates. This type of sharing would be positive and beneficial to both the customer and the Company.

Q: Are FAC costs reviewed and monitored by the Staff on a regular basis?

A: Yes.

Q: Please discuss.

A: Each FAC filing is reviewed by the MPSC Staff. The Company has made ten FAC filings since the implementation of the FAC in Rate Case No. ER-2007-0004. The Company has had three prudence reviews and as well as seven true-up filings approved by the Commission. Staff found no evidence of imprudent decisions by the Company's management related to procurement of fuel for generation, purchased power and OSS during the first two prudence reviews. Staff alleged in the third prudence review that the Company was imprudent in its hedging program relating to the cross-hedging of natural gas to mitigate the risk of purchased power price volatility. The Commission ruled that

the Company was prudent in that case. It is inappropriate and unfounded for the Staff to claim inherent imprudence by the Company given the history of the FAC.

Q: Do you believe that changing the recovery mechanism from 95%/5% to 85%/15% would be an inducement for the utility to "develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply"?

A: No. Since the Staff's own prudence review and audits of the Company's FAC procurement practices and power purchase practices has done nothing but suggest that GMO has been prudent, I cannot imagine how shifting the incentive to a large "stick" could incent GMO beyond what it is doing. Staff's proposal would serve only to penalize the Company by potentially disallowing a larger percentage of costs.

Q: Do you believe that there are other mechanisms that serve to incent the utility to "develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply"?

A: Yes, I do. I believe that there are number of ways that incent the utility beyond using a "stick" to penalize the utility for prudent actions. They include:

1.) The prudence review and audit is a significant annual event in which the utility records are reviewed by Staff and other parties in a docket to make sure that all actions taken by the utility pertaining to fuel procurement, purchased power purchases, etc., were done prudently.

2.) An incentive to retain a portion of the off-system sales would create an incentive to pursue prudent off-system sales.

3.) Other sharing mechanisms could be successful in encouraging successful contract negotiations.

Q: Do other states have mechanisms that address sharing similar to Missouri?

A: Very few states have sharing mechanisms similar to Missouri. Most utilities have some type of sharing, but it typically deals with sharing the benefits of the off-system sales, which I consider more an incentive than a penalty.

Q: Please discuss the remaining statements within the Staff Cost of Service Report with which you disagree.

A: The following is a discussion, by topic of the various claims made by the Commission Staff in its Cost of Service Report.

Misstatement about the KCP&L MO Proposed Sharing of Off System Sales Revenues

Q: Do you agree with Staff's stance, beginning on page 269 of the Staff report that KCP&L has shown a willingness to accept a 25% share of the risk related to the uncertainty of the Company's cost of fuel and purchased power net of Off System Sales ("OSS")?

A: No. At the present time KCP&L MO must absorb the risk of not only any increases in fuel and purchased power costs but also any differential in OSS revenues. At the present time, KCP&L cannot manage the increases in costs by offsetting those costs with OSS revenues. OSS revenues are set at a certain level in a rate case. If the Company is unable to achieve the level set, the loss is absorbed by the Company. If the Company is able to achieve anything more than the level set in base rates, the Company is required to return that to the customer.

Q: Why did KCP&L MO propose a 25% sharing of OSS revenues?

A: Staff has misinterpreted the proposed sharing of OSS revenues for KCP&L MO and inappropriately translated their misinterpretation to apply to GMO. Given that KCP&L MO is unable to request a FAC until June 15, 2015, the Company developed a proposal that would allow it to off-set cost increases with OSS revenues and to share with the customer at various levels of OSS achievement. This proposal provides the Company an opportunity to mitigate some of the regulatory risk in the OSS market and the fuel and purchased power expenses. The proposal made in ER-2012-0174 has no similarities to anything associated with the GMO FAC. In comparison, the sharing of any OSS revenues is a plus. In reality, it would be more appropriate for KCP&L MO to request a 95/5 percent sharing of all fuel and purchased power costs net of OSS revenues as is granted to every other electric utility in the state.

Q: Is KCP&L GMO willing to accept a 25% sharing of risk related to the uncertainty of its cost of fuel and purchased power net of OSS revenue as stated by the Staff on page 269 and 270?

A: No. In an attempt to mitigate the risk associated with rising fuel and purchased power costs along with an extremely volatile and unpredictable OSS market, KCP&L MO has attempted to present a more balanced approach to recovery than is in existence today. The proposal, as presented in Case No. ER-2012-0174, has no bearing on GMO.

Mischaracterization of the Previous Reasons for Not Rebasing

Q: Please discuss the Company's position as it relates to the claims made on page 270 of the Staff Cost of Service report relating to the Company's interest (or disinterest) in rebasing fuel and purchased power costs net of OSS revenues.

A: The Staff has indicated that it believes that the Company has shown a disinterest in sending appropriate price signals to its customers because it chose not to rebase the FAC in its last two cases. This was not the reason why the Company chose not to rebase in those cases.

Q: Why would the Company choose to not rebase the FAC base rates collected from its customers?

A: In each of the past two rate cases, the overall requested increase to customer rates was at such a level that the Company felt it would be better to not rebase the FAC. As was described in the testimony in the prior cases, rebasing the FAC would result in a higher increase in rates than not rebasing.

Q: Did the Company choose not to rebase its FAC base rate because it was indifferent to the loss of the 5% recovery?

A: No. The Company is not indifferent. The Company chose this path in an attempt to establish rates that would balance the needs and expectations of the investment community as well as the customer while maintaining some assurance for the Company of recovery of appropriate costs.

Q: Doesn't this send an inappropriate signal to customers and to the Commission regarding the true cost of providing service to the Company's customers?

A: No. Given that the FAC charge is updated on a semi-annual basis, the pricing signal sent to the customer is much more up-to-date than that presented in typical ratemaking. The Company felt that given the level increases already included in the revenue requirements in Rate Case Nos. ER-2009-0090 and ER-2012-0356, and that the impact of the FAC was already affecting the customer on a semi-annual basis, it would be a softer and more manageable impact to the customer to leave the base rates as is, and allow the flow of the changes in fuel and purchased power costs net of OSS to continue.

Q: Do you agree with Staff's statement on page 263 of its Cost of Service report that by re-basing its base FAC factor in each rate case the cost the customer pays for fuel and purchased power is closer to the actual cost the Company pays?

A: No, I do not. Adjustments to the FAC are made every six months through semi-annual adjustments. The timing difference between rebasing in a case and the FAC process is minimal.

Q: The Staff makes a reference from a prior case about Company employee William E. Blunk is indifferent to the amount of net energy costs. What do you say to Staff's point?

A: I totally disagree. Mr. Blunk will address this in his rebuttal testimony.

Q: The Staff makes reference that GMO's energy purchases from KCPL during 2011 demonstrate Great Plains Energy's, KCPL's and GMO's willingness to use GMO's FAC to flow market-based costs to GMO to be passed on to its retail customers

when the lower costs of a contract could have been available, but kept for the benefits of KCPL. What do you say to Staff's point?

A: Again, I totally disagree. Company witness John Carlson addresses this in his rebuttal testimony.

Q: The last point made by Staff references the concept of a penalty again. Staff states that the 5% sharing today resulted in a loss of earnings of $8.3 million over the four and one-half year GMO net income before taxes. Staff states that increasing the loss to $24.8 million, the 15% sharing would create more of an incentive to keep GMO's fuel and purchased power costs down. What do you say to Staff's point?

A: As I discussed before, based on past experience, this "STICK" does nothing more, except cause a loss to the Company's earnings. As I have previously stated, increasing the sharing to 15% will most likely cause the Commission approved ROE of the Company in this case to be overstated from the beginning of the case.

Fuel Adjustment Clause Tariff Rate Design

Q: On page 29 of the Staff Rate Design and CCOS Report filed August 21, 2012, Staff has proposed to make a number of changes to the FAC tariff sheets. Do you agree with these changes?

A: I do agree with some of the changes but not all.

Q: Please identify the changes proposed and whether or not you agree with those changes.

A: The proposed Staff changes are as follows:

1) Change the sharing mechanism from 95%/15% Company/Customer sharing to an 85%/15% sharing. The Company strongly disagrees with this proposal, and I

have written extensive testimony about this topic elsewhere in this Rebuttal Testimony.

2) Include any revenues from the sale of excess Renewable Energy Certificates in the FAC. The Company is agreeable to include these revenue offsets within the FAC if the related costs are also included.

3) Limit hedging costs which flow through the FAC to those associated with the purchase of natural gas for generation, thus eliminating the cost of cross hedging mitigate the risk of purchased power price volatility. The Company strongly disagrees with this proposal, and I will more fully explain later in my testimony.

4) Standardize FAC tariff sheet terminology, where appropriate, with the other utilities in the state that have FACs. The Company is in agreement to standardize where appropriate. I will review the specific proposed changes later in this testimony.

5) Staff recommends a level of base rates based upon the March 31, 2012 Staff filing made in this case. Although I have explained that it is not always necessary to rebase FAC rates, the Company is in agreement in this case to do so. Those base rates will be established based upon the true-up in this case.

Q: Do you agree with Staff's presentation of the rebased fuel and purchased power costs net of OSS?

A: Staff has indicated on page 29 of the CCOS report that it intends to set the base FAC rates based upon 1) Staff's adjusted base energy costs, 2) updated voltage expansion factors and 3) normalized net system inputs. In order to clarify, please note that the voltage expansion factors do not impact the establishment of base rates as related to the

FAC. The base rates are set on a net system input basis. The voltage factors are applied after the net over or under recovery is determined in order to set the Cost Adjustment Factor (Staff proposal to change to the Fuel Adjustment Rate ("FAR")). Otherwise, yes, the Company is in agreement that new base rates will be set based upon the true-up information to be provided in this case as determined appropriate. A number of issues were presented in testimony of Company witnesses Ed Blunk, John Carlson and Burton Crawford addressing problems with Staff's fuel and purchased power results. These issues and the true-up data, including unit sales and net system inputs through August 31, 2012, would need to be addressed in order for the Company to agree to use Staff's data.

Q: On page 30 of the CCOS Report filed by Staff on August 21, 2012, the Staff recommends that the language included on the tariff sheet to describe fuel charged to Federal Energy Regulatory Commission ("FERC") accounts 501 and 547 be changed to only include the cost of hedging associated with fuel actually burned in GMO's generating units. Do you agree with this proposed change?

A: No. As stated earlier in this Rebuttal Testimony, the Commission has clearly ruled that the Company was prudent in cross hedging its price volatility risk associated with purchased power with natural gas hedges, that the Company appropriately accounted for those costs in FERC account 547, and that those prudent costs should continue to flow through the FAC mechanism. Thus, the Company does not agree with this proposed change to FAC tariff. Company witness Ed Blunk addresses this issue in more detail.

Q: On page 31 of the Staff's CCOS report, it is noted that GMO refers to its dollar amount of adjustment as Cost Adjustment Factor ("CAF"), Current Annual CAF, annual CAF and Fourth Interim Total. Is this a true statement?

A: Not exactly. Each of these phrases has a different meaning as they accumulate to provide the ultimate rate charged to the customer. The Fourth Interim total is the current semi-annual rate prior to the voltage level expansion factor being applied. The CAF is the factor as calculated and expanded for the current semi-annual period. The Current Annual CAF is the summation of the prior period and current period CAFs. This accumulation is what is ultimately charged to the customer. The distinctions are important for the calculation to work. Staff is proposing to change the CAF designation to FAR. While the Company believes it is unnecessary to make these changes as there are only three utilities in the state which have an FAC and each tariff plainly sets out the definitions and calculations, the Company is willing to make changes that do not change the meaning or intent of the current calculation nor that restrict the Company's ability to flow prudently incurred costs through its FAC.

Q: On page 31 of the Staff CCOS Report, Staff has recommended that instead of adding more FAC tariff sheets as was originally proposed by the Company, to replace the original set of FAC tariff sheets. Do you agree with this recommendation?

A: When the Company originally filed its tariff sheets in this rate case, there was a prudence review still outstanding that included months covered by the original tariff sheets. It was the Company's intent to retain those sheets until that prudence review had been settled.

An order has been issued in that review and thus the Company is agreeable with replacing the original sheets with the new FAC tariff sheets.

Q: On page 32 of the CCOS Report, Staff recommends that GMO's FAC continue to only include the transmission costs GMO incurs that are necessary for it to serve the load requirements of its customers and those that are necessary for it to make OSS, but excluding the transmission costs related to GMO's Crossroads Energy Station. Do you agree with this recommendation?

A: In part, yes. Although GMO does not currently include such native load transmission costs in its FAC it agrees with Staff's proposal to include such costs. GMO does not agree that transmission costs associated with Crossroads should be excluded for the reasons contained in the rebuttal testimony of Burton Crawford.

Q: Please review the Staff's proposed tariff changes included in its CCOS Report.

A: Starting on Schedule MJB-3-2, I note the following items:

- As stated above, the Company does not agree with the change of the sharing amount from 95% to 85%,
- The definition of the FAR should be FPA/S_{RP} not S_{AP}
- "ANEC =" should proceed the description of the Actual Net Energy Costs
- The Company does not agree with the inclusion of only hedge costs associated with fuel burned in its generating units, thus the Company does not agree with this proposed change to the definition within FC. (Starts on Schedule MJB-3-2 and continues on to Schedule MJB-3-3).

Schedule MJB-3-3:

- Under the definition of FC for FERC account 547, the word "and" has been removed from the definition. To be consistent with the definition for FERC account 501 and to retain the intended meaning, that word should not be removed.
- If the Company were to agree to offset overall FPA costs with the revenues from Renewable Energy Credits as defined on page Schedule MJB-3-4 R=, the costs of those credits used by the Company will need to be included in the definition of E = Net Emissions Costs.

TC = Although GMO does not currently include such native load transmission costs in its FAC it agrees with Staff's proposal to include such costs. GMO does not agree that transmission costs associated with Crossroads should be excluded for the reasons contained in the rebuttal testimony of Burton Crawford. Schedule MJB-3-4:

- J = The ratio should be Retail kWh net system input divided by S_{AP} not Retail kWh sales. The extended definition also requires this change.
- I = (i) should state "the difference between the retail ANEC and B…"

Schedule MJB-3-6

- Line 2.2 should be "Accumulation Period NSI" not sales.
- Lines 6 and 7 – As stated before the Company does not agree with the change in sharing from 95% to 85%.
- Line 12 should have the word "sales" replaced with "NSI."
- Each of the expansion factor by voltage level references on the remainder of the page are mislabeled as VAR instead of VAF.

Q: Does this conclude your review of the FAC Tariff Sheet changes?

A: Yes, it does.

Comprehensive Rate Design Studies

Q: In Staff's Rate Design and CCOS Report, Staff recommends the Commission order GMO to undertake two (2) comprehensive studies for its next general rate case.

1.) The first study is a comprehensive study on the impacts to its retail customers of eliminating the MPS and L&P rate districts and implementing company-wide uniform rate classes, and rates and rate elements for each rate class.

2.) The second study the Staff recommends the Commission order is for GMO to do a comprehensive CCOS study to determine the differences in its cost of service for each of the classes of MPS and L&P customers.

A: The Company is supportive of these two proposals so long as the phase-in for the L&P jurisdiction is completed by the time that the rates would go into effect from the comprehensive studies. This was one of the issues that kept the Company from proposing some rate consolidation in this proceeding. The studies suggested by Staff have merit and can provide rate continuity with the two jurisdictions that currently does not exist.

Q: Please explain what you mean by the point that the two jurisdictions do not have rate continuity?

A: Currently, the MPS and L&P rate jurisdictions have specific plant assigned to each jurisdiction. Because of this, they have separate tariffs and separate FACs. Generation plant assignments are specific to each jurisdiction. For example, the Lake Road and Iatan 1 plants are assigned to the L&P jurisdiction and the Sibley, Crossroads and South

Harper plants are assigned to the MPS jurisdiction. Iatan 2 is allocated 53 MW to L&P and 100 MW to MPS. By studying the rate structures and CCOS studies, it may be possible to come up with pricing for GMO that would provide consolidation of the rate jurisdictions.

Q: As a result of agreeing to these studies, does this impact any of the other recommendations by the Staff?

A: Yes, on several fronts.

The Staff is proposing to reallocate some generation plant from MPS and assign it to L&P. This is the Ralph Green plant. Further, Staff is recommending assigning a portion of a purchased power agreement currently assigned to L&P to MPS. This reassignment of plant will result in changes to the FAC and the base energy tariffs. From what I understand, it will place more costs to L&P and less to MPS.

Staff is recommending changes to each class revenue requirements by shifting revenues between classes based on each jurisdictional CCOS study. As addressed in my testimony under the section of rate design, I do not support such changes and by agreeing to the comprehensive study, do not believe it would be beneficial to make such changes in this case.

Staff is also recommending changes to the rate design within the classes to shift more of the increase to the space heating rates. Previously, Staff recommended shifts to the small general service and large general service space heating rates. In this case, they are proposing similar shifts as before, but in addition, Staff is recommending increasing the residential space heating rates more than the other class rates. As I stated in my rate

design section of this testimony, I do not support making such changes, and particularly, if we are undertaking a comprehensive study to evaluate rates and class revenues.

Capacity Planning

Q: **Staff witness Lena Mantle recommends that the Commission not allow GMO and KCP&L to conduct joint resource planning of capacity and resources. Do you agree with Ms. Mantle?**

A: No, I do not. Ms. Mantle seems to be concerned with how the costs associated with resources would flow to the various rate jurisdictions. I share this concern, but believe these details can be resolved. In some ways this issue is a "chicken and egg" issue. What comes first, the plan or the allocation of cost?

Q: **Ms. Mantle voices the opinion that if the Commission considers allowing joint resource planning, *before* the Commission allows KCP&L and GMO to share capacity resources or engage in capacity resource planning together, it should require: 1) GMO and KCP&L to file a detailed proposal for allocating capacity and energy between KCP&L and GMO, and if GMO's MPS and L&P rate districts are not eliminated, between GMO's MPS and L&P rate districts; and 2) KCPL and GMO to file a definitive plan for merging KCPL and GMO into one electrical corporation.**

Do you believe KCP&L and GMO need to be merged into one electrical corporation to share capacity resources and conduct joint planning?

A: That would depend on what Staff and Ms. Mantle means by "share". There are multiple avenues available to KCP&L and GMO when it comes to capacity resources and planning. If Staff is of the opinion that KCP&L and GMO's joint capacity planning

means that all the resources from KCP&L and GMO are to be merged and then re-assign the plants, I would agree that Staff and Ms. Mantle have a point. I do not share that opinion, but believe that joint planning of KCP&L and GMO can provide benefits for determining both future generation needs, as well as retirements. By simply looking at the IRP filed by the Company in April, 2012, you can see the benefits of joint planning.

From the GMO volume 7 It should be noted that this plan is based upon resource planning in tandem with Kansas City Power and Light Company (KCP&L) and provides benefit to Missouri retail customers by planning on a combined company basis. The results of resource analysis assuming a combined-company basis is that GMO benefitted by +$140 Million on a 20-year NPVRR basis in savings in comparison to the plan that would be selected for GMO on a stand-alone basis. This savings is due to GMO being able to delay building new capacity by seven years and the opportunity to share with KCP&L a smaller portion of a new combined cycle facility that would be built in 2021 under a combined-company scenario.

From the KCPL volume 7 It should be noted that this plan is based upon resource planning in tandem with KCP&L-Greater Missouri Operations Company (GMO) and provides benefit to Missouri retail customers by planning on a combined company basis. The results of resource analysis assuming a combined-company basis is that KCP&L benefitted by $8 Million on a 20-year NPVRR basis in savings in comparison to the plan that would be selected for KCP&L on a stand-alone basis. This savings is due to increased capacity sales and the opportunity to share with GMO a smaller portion of a new combined cycle facility that would be built in 2021 under a combined-company scenario.

Q: Other than allocating the cost of resources, how could KCP&L and GMO capture the benefit of joint planning and the use of capacity resources?

A: The companies could enter a purchased power agreement or a transfer payment agreement, or other forms such as ownership agreements. For example, currently KCP&L and GMO have an ownership agreement with Iatan 2.

Q: Would this be a violation of the Missouri affiliate transaction rule?

A: In Case No. EM-2007-0374, the Commission's *Report and Order* spoke directly to affiliate transactions between KCP&L and GMO. It recognized that "Because both Aquila and KCP&L will continue to be regulated electrical corporations after the approval of the transaction and both meet the Rule's definition of "affiliates," and because many of the synergies to be realized by the Applicants post-merger are premised on the ability of KCP&L and Aquila to exchange good and services at cost, the Rule would actually prevent benefits from accruing to Missouri ratepayers." (page 263)

On page 264 of the Report and Order, 3. Final Conclusions Regarding the Affiliate Transactions Rule, "The Commission determines that substantial and competent evidence in the record as a whole supports the conclusions that...(3) to the extent that the Affiliate Transactions Rule is applicable to the transactions between KCPL and Aquila, a variance shall be granted; and (4) more specifically, the variance shall be granted for all transactions except for wholesale power transactions, which would be based on rates approved by FERC."

MEEIA Application

Q. Has GMO reached an agreement with stakeholders on their MEEIA filing?

A. GMO and all parties to the MEEIA application (Case No. EO-2012-0009) are still currently working toward a possible agreement and as of the date of this testimony, a final settlement has not been reached.

Q. What MEEIA assumptions have been built into this rate case filing?

A. GMO used the latest information known at the time of the last rate case update & filing. This information included estimates on program costs and lost margins. Due to ongoing negotiations with parties and changes in certain assumptions, those estimates need to be updated. GMO is hopeful that negotiations will lead to resolution on various issues and result in a stipulation and agreement. Should GMO and parties reach final agreement, we will request that the Commission allow GMO to incorporate those terms that affect the current rate case.

Q. What will happen if an agreement is not reached before the conclusion of this case?

A. The Company will either withdraw its MEEIA application filing from consideration before the Commission or will move forward to try the case. It is our hope that the case can be resolved.

Low Income Weatherization

Q: Do you agree with MDNR witness Adam Bickford's concerns regarding GMO's Low Income Weatherization program?

A: No. I disagree with two areas in particular: (1) Mr. Bickford states his concern that GMO is not distributing all of the weatherization funds collected from ratepayers; and (2)

that GMO does not disclose to the community action agencies ("CAA") the amount allocated for distribution.

Q: Please elaborate.

A: First, GMO does not collect funding from ratepayers and then distribute to the CAAs. The process occurs on a historical basis. The CAAs provide low income weatherization to eligible homes in their territory and then invoice GMO. GMO then expends the appropriate amount of funding and accounts for the payments in the month paid. As part of GMO's rate case, the amounts booked during the test year are included. There is no collection prior to actual dollars spent.

Q: Please discuss the second issue of disclosure of funding levels.

A: GMO enters into an annual contract with each approved CAA delivering low income weatherization services in its service territory. The annual contracts disclose the allocated amount in the "Compensation" section. The contract with the City of Kansas City, Missouri, a CAA in the GMO territory, is attached hereto as Schedule TMR-10.

Q: Do you have anything additional to discuss regarding Low Income Weatherization testimony?

A: Yes, I would like to discuss the annual funding level. Mr. Bickford requests that the Commission consider ordering GMO to increase its "collections" for its weatherization program and provide revenue requirement treatment for these additional weatherization funds. City of Kansas City, Missouri witness Douglas Bossert also requests an increase to the annual funding level due to the expiration of The American Recovery and Reinvestment Act of 2009 funding.

Q: Is GMO providing the amount of funding outlined in the Report and Order in Case No. ER-2010-0356?

A: No it is not. It has been the Company's experience that with the exception of a select few, the CAAs have not been able to utilize the annual funding allocations. Therefore, before execution of the 2012 contracts with the CAAs, GMO met with each agency and arrived at an agreed upon funding level in line with the expected level of weatherization projects.

Q: If an agency depletes its annual allocation of weatherization funding provided by GMO, is there a way for the agency to receive additional funding?

A: Yes, KCP&L would discuss the request with the DSM Advisory Group and work within the DSM Advisory Group to provide additional funding.

Rate Case Expense

Q: What adjustments did Staff make to the post true-up in Case No. ER-2010-0355 ("2010 Rate Case") expenses?

A: Staff made several adjustments to the post true-up 2010 Rate Case expense amounts. Staff made disallowances in the amount of $421,500 for certain Communication Counsel of America, SNR Denton and Schiff Hardin charges.

Q: Is the Company opposed to the disallowance of The Communication Counsel of America costs removed by Staff?

A: The Company believes these costs are valid and prudent; however, since they were disallowed by the Commission in the 2010 Rate Case the Company agrees with removing them from the post true-up amounts. The amount of this adjustment is $13,408.

Q: Is the Company opposed to the disallowance of the SNR Denton costs made by Staff?

A: Those costs are related to the Advanced Coal Tax Credit issues and the Company agrees with the removal of those costs. The adjustment amount is $15,365.

Q: Is the Company opposed to the disallowance of Schiff Hardin costs made by the Staff?

A: Yes. The services provided by Schiff Hardin for the 2010 Rate Case were prudent and reasonable and should be recovered. Staff is removing non-witness personnel costs that occurred post true up. While these Schiff Hardin personnel were not witnesses at the hearing they were necessary to provide behind the scene support to those witnesses that were testifying on behalf of the Company and assisting in the preparation and presentation of the Company's Iatan 2 case. Though they may not have had a highly visible presence before this Commission, these Schiff Hardin personnel and expenses were indispensable in assisting the Company in presenting a high-quality record and briefs for most of the prudence issues in this case. Several Schiff Hardin personnel were witnesses for this case but there were many other services provided by other Schiff Hardin attorneys and staff, including; assisting in testimony preparation, coordination of prudence strategy, document analysis and review, preparation of exhibits, legal research regarding prudence, analysis of prior MPSC disallowances, cross-examination preparation, and issue identification. Schiff Hardin provided insight and advice on almost every issue related to the prudence of the management of the Iatan 2 project and its costs. Schiff Hardin's attorneys had a unique level of on-the-ground construction

experience and vast project documentation related to this specific project. The amount of Staff's disallowance for Schiff Hardin costs is $392,727.

Q: Staff's position is that the Company should not have used Schiff Hardin attorneys to help present the Iatan prudence issues in the 2010 Rate Case and instead should have staffed the case with either KCP&L employees that happen to be licensed to practice law in Missouri or attorneys from other law firms. Does that make sense to you?

A: No. In the 2010 Rate Case, the Commission, on page 52 of the Report and Order, found that Schiff Hardin brought value to the Iatan project. The Company used the same individuals that "brought value" to the Iatan project to help present its case regarding the prudence of the Iatan project to the Commission. The use of Schiff Hardin made sense since these individuals were the same individuals that were involved in all of the issues that Staff and others challenged in the Iatan prudence portion of the 2010 Rate Case, such as the Alstom settlement and the Pullman adjustment.

Under Staff's position, the Company should have hired different attorneys to attend the hearing and present the case on the Iatan prudence issues. Staff's position doesn't take into account the fact that the new attorneys would have had to spend many hours getting up to speed on the Iatan issues. Indeed, Staff's adjustment simply removes the Schiff Hardin costs, but it doesn't calculate what it would cost to hire comparable personnel from another law firm. Nor does Staff's position take into account the specialized construction law and regulatory experience of the Schiff Hardin employees. Hiring a different law firm to help present the Iatan prudence issues in the case instead of

using the experienced Schiff Hardin personnel who were intimately familiar with the issues that were to be tried would not have been a prudent decision by the Company.

Staff also maintains that the Company should have used employees with law licenses to perform the work that Schiff Hardin performed at the 2010 Rate Case. First, just because an employee possesses a law license does not necessarily mean that they are engaged in the active practice of law. In addition, most of these employees have limited or no experience with the Iatan prudence issues, construction law or the regulatory process and have a job to perform at the Company.

Q: Which Schiff Hardin personnel is Staff disallowing post true up costs?

A: Staff is removing the post true up costs of Kevin Kolton, Virgil Montgomery, Carrie Okizaki, Amanda Schermer, Shawn Hoadley, Eric Gould, Ned Markey, Tonja Dean, Heidi Hennig Rowe, and Kathy Skagerberg,

Q: Did these individuals from Schiff Hardin bill excessive time to the 2010 Rate Case after the true-up date?

A: No. Several individuals billed less than 65 hours post true up. Montgomery only billed 2.5 hours, Skagerberg only 2 hours, Dean billed 10 hours, Kolton billed 29.2 hours, and Rowe billed 29.3 hours. The majority of the work performed post true-up was by Roberts, Okizaki, Schermer, Hoadley, Gould, and Markey.

Q: Did the Commission rule to disallow any Schiff Hardin costs in their order for the 2010 Rate Case?

A: No. The Commission ruled that Schiff Hardin costs related to the 2010 Rate Case were prudent and reasonable and granted their recovery.

Economic Considerations

Q: In reviewing the Staff Report, Section IV Economic Considerations, were you surprised by any of the facts and statistics supplied?

A: No. Staff's discussion regarding the challenging economic conditions since 2007 rings true. The Company is keenly aware of the economic conditions of our service territory.

Q: Staff Report cites a number of areas where the economic conditions of the service territory have not kept up with the changes in the economy. For example

a. wages and earnings are not keeping up with increasing costs of living;

b. Missouri falls behind the nation in Gross Domestic Product in 2010 and 2011;

c. Missouri mortgage delinquency has increased greatly between the fourth quarter of 2007 and the fourth quarter of 2011; and

d. unemployment rates are higher in 2011 than in pre-recession 2007.

How do these facts affect the Company and its service to customers?

A: These facts affect the Company in a number of ways how it serves its customers. As such, the Company has:

- expanded its "Connections" program in an effort to help those who need it most;
- increased the Company match on DollarAide from 50% to 100% (shareholder dollars);
- instituted the "Family Relief Fund" (shareholder dollars);
- filed for approval to extend the "Economic Relief Pilot Program" until new rates are set in this case;

- implemented extended arrearage payment arrangements to get customers who have been disconnected for non-payment, reconnected; and
- continued its energy efficiency programs, particularly those designed to help low income customers, as well as educational programs designed to help customers better manage their electrical use.

It will take healthy companies, including utilities, to improve the economy. Without adequate earnings and returns to shareholders, the Company will have to pay more to borrow the necessary funds to operate the Company which increases the cost of service to customers.

Q: What comments do you have regarding Barbara Meisenheimer's Direct Testimony where she asserts that the Commission should decide this case "in a manner that recognizes the economic challenges faced by households in GMO's service area"?

A: While I am not an attorney, I am familiar with the Commission's responsibilities to set just and reasonable rates for a utility. Ms. Meisenheimer's testimony ignores that fact that under Missouri law, the Commission must afford GMO and its shareholders the opportunity to recover a reasonable return on the assets it has devoted to public service.

Renewable Energy Standards ("RES")

Q: Does the Company have any concerns with Staff's proposal on RES costs?

A: Yes. Staff has not included deferred RES costs in rate base, as GMO did in its filed case.

Q: Did Ms. Lyons state why Staff did not include deferred RES costs in rate base?

A: No.

Q: Why does GMO believe deferred RES costs should be included in rate base?

A: The primary objective of the RES is to increase the use of renewable energy and thereby reduce future coal generation. Therefore, and particularly as relates to solar renewable energy, the deferred RES costs are similar in nature to deferred DSM costs. Since both the Staff and the Company have consistently included deferred, unamortized DSM costs in rate base, GMO has included deferred RES costs in rate base in this rate case. Amortization will not begin until the effective date of new rates in this case; therefore, the entire deferral RES balance should be included in rate base.

Q: What is that balance?

A: The balances at March 31, 2012 were $1.7 million and $0.4 million for MPS and L&P, respectively. This balance should of course be updated through August 31, 2012 as part of the True-up process.

Q: Should the deferred cost balance include carrying costs?

A: Yes, consistent with the Commission's Order in Case No. EU-2012-0131 the deferred balance should include carrying costs.

Q: Does GMO have any other concerns with Staff's proposed treatment of RES costs?

A: No. Ms. Lyons states in the Staff Report that an ongoing level of RES costs and a three-year amortization of deferred RES costs should be included in cost of service. GMO had proposed an ongoing level and a five-year amortization, but is not opposed to the three-year amortization.

Q: Does the Company have any concerns regarding any other party's treatment of RES costs in this proceeding?

A: Yes. GMO has two concerns. First, and most important, MIEC witness Greg Meyer recommends that an ongoing level of RES costs not be included in cost of service, whereas, as I stated earlier, both GMO and Staff include an ongoing level.

Q: What reasoning does Mr. Meyer present?

A: He states that the "RES Rule" does not contemplate an ongoing or normalized level of expense, other than the amortization of prior deferrals.

Q: Do you agree that with Mr. Meyer?

A: No. The "RES Rule" that Mr. Meyer refers to is the cost recovery mechanism for utilities not pursuing a Renewable Energy Standard Rate Adjustment Mechanism, addressed in 4 CSR 240-20.100(6)(d). That section states:

> In the interim between general rate proceedings the electric utility may defer the costs in a regulatory asset account, and monthly calculate a carrying charge on the balance in that regulatory asset account equal to its short-term cost of borrowing. All questions pertaining to rate recovery of the RES compliance costs in a subsequent general rate proceeding will be reserved to that proceeding, including the prudence of the costs for which rate recovery is sought and the period of time over which any costs allowed rate recovery will be amortized.

This section is clear that all questions pertaining to rate recovery, such as whether or not to include an ongoing level of expense, will be addressed in a rate proceeding; i.e., the current rate case. It is unreasonable to state that just because the question of ongoing costs was not specifically addressed in this regulation that such costs should not be considered in this rate case.

Q: Assuming it is appropriate to address the issue of an ongoing level of expense in this proceeding, why does GMO believe an ongoing level should be included in cost of service?

A: An ongoing level of RES expense should be included for the same reason that any other ongoing, reasonable and necessary cost should be included in cost of service, such as payroll, fuel, etc. GMO expects to continue to incur these costs, unless the rules are changed, and therefore such costs should be included in rates unless found to be imprudent.

Q: You mentioned that you have two concerns with Mr. Meyer's RES recommendation. What is the other concern?

A: Mr. Meyer recommends a six-year amortization of deferred costs, whereas, as I discussed earlier, KCP&L recommends five years and Staff three years.

Q: The Commission now has before it three recommended amortization periods? Is there room for middle ground on this issue?

A: Yes. GMO considers its five-year amortization period to be that middle ground, between Staff's three years and Mr. Meyer's recommended six years. None of the parties presented specific reasons for their recommendations, which confirms that there is no precise answer.

Q: Mr. Meyer stated he has concerns about GMO's application of its Allowance for Funds Used During Construction ("AFUDC") rate rather than the required short-term debt rate as the carrying cost related to these investments. Why did the Company choose to use the AFUDC rate?

A: The Company incorrectly utilized the AFUDC rate in its filing and agrees with Mr. Meyer that the appropriate carrying cost rate should be a short-term debt rate. Consistent with its approved accounting authority order request for RES costs recovery, the Company will include in its true-up case carrying costs at the required short-term debt rate.

Q: Did Mr. Meyer recommend rate base treatment of deferred RES costs?

A: Yes, he did.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement General Rate Increase for Electric Service	)))	Case No. ER-2012-0175

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 KC&PL Greater Missouri Operations Company consisting of forty-eight (48) 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 12th day of September, 2012.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2015

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200

Cooperative Agreement
Effective January 1, 2012 entered into between
KCP&L Greater Missouri Operations Company
and
City of Kansas City, Missouri
a Missouri Municipal Corporation
for a
Residential Conservation Program

THIS COOPERATIVE AGREEMENT, made and entered into January 1, 2012, between KCP&L Greater Missouri Operations Company, hereinafter referred to as "KCP&L GMOC" and the City of Kansas City, Missouri, a constitutionally chartered municipal corporation of the state of Missouri hereinafter referred to as "AGENCY", consists of two parts: Part I, General Terms and Conditions and Part II, Statement of Work..

WITNESSETH THAT:

WHEREAS, KCP&L GMOC desires to engage AGENCY to administer and conduct certain services (as set forth in Part I, Section 3 below) in connection with a residential conservation program; hereinafter referred to as "Program", and

WHEREAS, KCP&L GMOC desires to engage AGENCY to conduct certain administrative services (as set forth in Part II, below) in connection with the Program, and

WHEREAS, the AGENCY desires to perform such services on behalf of KCP&L GMOC subject to the terms and conditions of this Cooperative Agreement.

NOW, THEREFORE, IT IS AGREED BY THE PARTIES AS FOLLOWS:

PART I - GENERAL TERMS AND CONDITIONS

Section 1 - **Time of Performance** - The services, set out in Section 3, to be performed by the AGENCY shall begin on January 1, 2012. This Cooperative Agreement shall terminate at midnight on December 31, 2012, unless otherwise terminated by KCP&L GMOC or the AGENCY, or amended by all parties pursuant to the terms, conditions, and provisions of this Cooperative Agreement hereinafter set forth.

Section 2 - **Compensation**

AGENCY

1. **Administrative Charges**. The maximum compensation for administrative services payable by KCP&L GMOC to AGENCY under this Cooperative Agreement shall not exceed 13% of the Program Total Compensation that is detailed in Part I, Section 2 (3) for the current year and that is utilized by AGENCY. If AGENCY's services under this Cooperative Agreement are terminated prior to completion of all administrative services on any household, AGENCY shall be compensated for administrative services it has completed prior to termination that it can reasonably justify as costs it incurred prior to termination.

2. **Charges for Conservation Measures**. The average amount payable to AGENCY by KCP&L GMOC for conservation measures on any one household shall not exceed the Adjusted Average Expenditure Limit for weatherization determined by the U.S. Department of Energy that is applicable for the month that the weatherization is completed on the total households serviced by AGENCY in the Time of Performance detailed in Part I, Section 1 above, excluding AGENCY's administrative costs.

3. **Program Total Compensation**. The total Program compensation payable by KCP&L GMOC to AGENCY for administrative services and conservation measures on all households shall not exceed $60,000.00. The average expenditure per customer in each program year will not exceed the adjusted average expenditure limit for weatherization determined by the U. S. Department of Energy that is applicable for the month that the weatherization is completed. For Fiscal Year 2012, that amount is not to exceed $6500.00

4. **Program Funding.** AGENCY agrees to spend approximately 50% of the total funding within six (6) months of the program start. The 50% can include work either completed or in progress. If this amount of expenditure has not been met, KCP&L GMOC can reallocate the differences to another social agency of KCP&L GMOC's choice.

Section 3 - **Services To Be Performed**

AGENCY. AGENCY shall provide home energy conservation measures, as defined in this Cooperative Agreement to customers of KCP&L GMOC from the verified applications supplied by KCP&L GMOC, on a first come, first served basis (within the income and home ownership parameters set forth in this Cooperative Agreement), in the KCP&L GMOC service area. In addition, AGENCY shall:

1. Perform initial audits of the premises of potential recipients of conservation measures;

2. Determine which premises are suitable for implementation of conservation measures;

3. To the maximum extent possible, blend KCP&L GMOC funding with Missouri Department of Natural Resources Division of Energy funds or other eligible funding sources;

4. Prepare and let bids for the work to be performed;

5. Award agreements to contractors for the work;

6. Complete post-audit inspections;

7. Pay the contractors for work performed; and

8. Submit bills to KCP&L GMOC.

Section 4 - **Method of Payment**

Bills will be submitted on a monthly basis in a form agreed upon between KCP&L GMOC and AGENCY. KCP&L GMOC will ensure that AGENCY is paid in accordance with this Cooperative Agreement. The billing will be summarized with one billing reflecting line by line the homes receiving conservation measures that month, the dollar amount of weatherization services performed, and a detailed listing of conservation measures implemented at the premises. For each location, AGENCY will maintain a copy of the original bid sheets reflecting the bid on each conservation measure and a copy of the final contractor billing sheets, which would reflect any changes from the original bid. KCP&L GMOC shall have the right to inspect AGENCY records regarding the Program at any reasonable time during regular business hours with seven (7) calendar day's written notice to AGENCY.

Section 5 - **Representations and Warranties** - KCP&L GMOC and AGENCY represent and warrant that each has the power and authority to execute and deliver this Cooperative Agreement, to use the funds as contemplated hereby, and to perform this Cooperative Agreement in accordance with its terms.

Section 6 - **Binding Effect** - This Cooperative Agreement shall be binding upon the parties hereto and upon their successors in interest.

Section 7 - **Amendment** - This Cooperative Agreement may be amended only in writing signed by all the parties hereto.

Section 8 - **Termination for Cause** - Any party may terminate this Cooperative Agreement by giving five (5) days written notice, if one of the other parties substantially fails to fulfill its obligations under this Cooperative Agreement through no fault of the terminating party. Prior to such termination, the terminating party shall provide written notice to the other party of its failure to perform and shall give that party a reasonable period of time to correct its failure to perform.

Section 9- **Termination for Convenience** - Any party may terminate this Cooperative Agreement at any time by giving five (5) days notice in writing to the other parties. If any party under this Section terminates the Cooperative Agreement, AGENCY shall be paid in accordance with this Cooperative Agreement for work completed up to the time of termination.

Section 10 - **No Discrimination** - No party hereto shall discriminate against any individual because of race, color, religion, sex, national origin, age or disability.

Section 11 - **Entire Agreement** - This Cooperative Agreement, together with any aforementioned exhibits, constitutes the entire agreement of the parties with respect to the subject matter hereof.

Section 12 - **Governing Law** - This Cooperative Agreement was executed and made in Missouri and shall be construed in accordance with the laws of the state of Missouri.

Section 13 - **No Obligation to Other Parties** - Neither KCP&L GMOC nor AGENCY will be obligated or liable hereunder to any other party.

Section 14 - **Notices** - Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be deemed given three (3) days after deposit in the United States mail, regular mail, postage prepaid, or upon receipt by personal or facsimile delivery addressed as follows:

A. If to KCP&L GMOC: Roland Maliwat
Manager of Sustainability, Weatherization Program
Kansas City Power and Light Company
P. O. Box 418679
Kansas City, Missouri 64141-9679
Facsimile number (816) 654-1970

B. If to AGENCY: John A. Wood
City of Kansas City, Missouri
11th Floor City Hall
414 E 12th Street
Kansas City, MO 64106
Facsimile number (816) 513-3049

or to such other place as the parties may designate by notice in accordance with this section.

PART II

STATEMENT OF WORK

Section 1. **Selection Process**

A. First, AGENCY will screen KCP&L GMOC customers for participation in this Program. The initial screening will be performed based on information in AGENCY's database.

The total amount of grants offered by KCP&L GMOC to the agency for each qualifying home shall not exceed the Adjusted Average Expenditure Limit for weatherization determined by the U.S. Department of Energy that is applicable for the month that the weatherization is completed refer to: http://apps1.eere.energy.gov/weatherization/.

B. Second, KCP&L GMOC will further screen customers to verify that the household energy consumption is greater than 3,000 kWh per year and that the customer has received electric service from KCP&L GMOC for a minimum of one year immediately preceding the date of the application. Eligible customers with electric heat shall be served before others without electric heat within a category.

Section 2 - **Audit Request**

A. KCP&L GMOC - Upon receipt of a printout from AGENCY of potential candidates, KCP&L GMOC will determine that energy consumption and length of service requirements have been met and that the customer has made attempts to maintain a payment history, no matter how small. KCP&L GMOC will also disqualify any customer with a history of diversion. KCP&L GMOC will notify AGENCY of those clients that qualify and AGENCY will work with the client to complete the application. AGENCY will request that an audit be made of the Customer's premises.

B. AGENCY shall:

1. Perform the audit following the guidelines of the NEAT (National Energy Audit).
2. Perform a computerized analysis using NEAT or REM/Rate software to determine the economics and pay back of the various improvements.
3. If the computer analysis proves that the pay back period is reasonable; develop site-specific work specifications for the work to be done.
4. Work specifications shall be based on the items listed in Exhibit I, Allowable Energy Conservation Measures, which is attached hereto and incorporated herein by reference.
5. Ensure that all work performed must be in compliance with all building and other applicable codes.
6. Within ten (10) business days of conducting the audit and, subject to availability of the Customer, shall discuss with the Customer the relative cost-effectiveness of each component of the proposed conservation measures determined to be effective and necessary by the energy audit. The customer must approve (or disapprove) the project in total; he or she will not be allowed to select certain specific conservation measures and reject other conservation measures.
7. Issue requests for bids as needed from program approved contractors.
8. Obtain agreement from landlords to perform work on rental properties where the renter is responsible for the electric bills, to share at least 25% of the cost of weatherization, and to refrain from rent increases for a minimum of 2 (two) years.

Section 3. **Contractor Requirements and Bid Process** - AGENCY shall be responsible for the following:

A. Contractor Requirements. All Contractors participating in the conservation program must:

1. Have the required liability insurance as required by AGENCY's Weatherization Program and have attended mandatory pre-bid conferences before being awarded any work.
2. Abide by the requirements contained in the contractor pre-bid package developed by AGENCY.

B. Bids Process.

1. All bids shall be competitively bid to the greatest extent possible.

Section 4. **Post-Project Inspection and Approval** - Within ten (10) business days after completion of the conservation measures at any single premise; AGENCY shall inspect the premise using diagnostic equipment to analyze the acceptability and effectiveness of the Contractor's work. The inspection shall determine compliance with specifications for the conservation measures; materials utilized therein, quality of services rendered, and compliance with all building and other applicable codes.

AGENCY or its approved subcontractor will require that Contractors complete the work within the contracted time frame take corrective action within the ten (10) calendar days.

Section 5. **Applicant Exclusion** - AGENCY shall advise KCP&L GMOC of exclusion of any applicant from the program due to AGENCY's or its approved subcontractor's determination that the premises are structurally unsound or hazardous. If an applicant is excluded for the foregoing reason, AGENCY or its approved subcontractor shall advise applicant that he or she may choose to resubmit the application with such additional information as may substantiate eligibility, including information regarding completion of remedial steps to make the premises structurally sound or free from hazards. To the extent funds are available; AGENCY or its approved subcontractor shall resume the weatherization process.

Section 6. **Payments** -KCP&L GMOC will receive a monthly report from AGENCY detailing each project completed, including inspection and acceptance, and the total expenditure for that household. KCP&L GMOC shall pay AGENCY an amount, which includes:

1. Cost of the cost-effective conservation measures on each household completed that month. The cost of conservation measures on the total households service by AGENCY shall not exceed the Adjusted Average Expenditure Limit for weatherization determined by the U.S. Department of Energy that is applicable for the month; and

2. Administrative costs for each household receiving conservation measures that month. Total maximum compensation for administrative services shall not exceed 13% of the Program Total Compensation for the current year and that is utilized by AGENCY.

3. The total amount to be paid to AGENCY by KCP&L GMOC for conservation measures and administrative fees shall not exceed $60,000.00 for the Program.

Section 7. **Administrative Arrangements**

B. AGENCY shall:

1. Monitor and maintain records of customer complaints concerning conservation measures, and make every effort to resolve the complaints.

2. Document and submit to KCP&L GMOC (if requested), in conformance with provisions of this Cooperative Agreement organized for each of the premises, bid requests and subsequently submitted bids by Contractors and the executed contracts. AGENCY shall retain all relevant documents for two years from the date of submittal to KCP&L GMOC.

3. Allow observation of conservation measures work by KCP&L GMOC to be conducted at any reasonable time during regular business hours with written or facsimile notice to the

AGENCY by KCP&L GMOC.

4. Submit monthly reports to KCP&L GMOC detailing the progress for each home. AGENCY agrees to submit the following reports, and such other reports as may be reasonably required, to KCP&L GMOC:

   a. Monthly Program Status Report in the form provided by KCP&L GMOC to AGENCY; and

   b. Monthly Report in the form of conservation measure specifications and change orders for each conservation project completed for the month of the reported period.

5. Agency shall replace the light bulb in the central light fixture of any room in the household with a CFL light bulb during the post–inspection period.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized representatives the day and year first above written:

ATTEST:

KCP&L Greater Missouri Operations Company

Allen Dennis
Director of Products & Services

CITY OF KANSAS CITY, MISSOURI
A Constitutionally Chartered Municipal Corporation of the State of Missouri

John A. Wood
Interim Director, Housing and Community Development Department

APPROVED AS TO FORM:

for City Clerk

Assistant City Attorney

EXHIBIT 1

RESIDENTIAL CONSERVATION PROGRAM

ALLOWABLE ENERGY CONSERVATION MEASURES

The AGENCY shall select energy conservation measures for installation in KCP&L GMOC's Residential Weatherization Program based on the positive cost effectiveness results of the energy audit and NEAT or REM/Rate computer analysis. The following numerical priorities are a guideline for AGENCY to use if needed:

Priority #1) Install smoke detector

Priority #2) Air infiltration
a) Caulking/weather stripping
b) Door & window repair
c) Ceiling & wall repair

Priority #3) Ceiling insulation and ventilation
a) Roof repair

Priority #4) Wall insulation

Priority #5) Basement/floor/crawl space insulation

Priority #6) Repair air conditioner

Priority #7) Replace air conditioner

Priority #8) Replace furnace and gas or electric hot water tank

Priority #8) Replace energy inefficient refrigerator per allowable measures under the DNR WAP

Priority #8) Replace incandescent bulbs with CFL