

Exhibit No.:
Issue: Rate Design & Class Cost of Service
Witness: Timothy M. Rush
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2007-0291
Date Testimony Prepared: August 30, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2007-0291

REBUTTAL TESTIMONY

OF

TIMOTHY M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
August 2007

Exhibit No. 20
Case No(s). ER-2007-0291
Date 10/1/07 Rptr WV

REBUTTAL TESTIMONY

OF

TIMOTHY M. RUSH

Case No. ER-2007-0291

1 **Q: Are you the same Timothy M. Rush who pre-filed Direct Testimony in this case?**

2 **A: Yes, I am.**

3 **Q: What is the purpose of your Rebuttal Testimony?**

4 **A: The purpose of my testimony is to respond to issues presented in the Direct Testimonies**
5 **filed by other parties in this case addressing rate design and class cost of service**
6 **("CCOS").**

7 **RATE DESIGN & CCOS**

8 **Q: Please explain the position of Kansas City Power & Light Company ("KCPL" or the**
9 **"Company") regarding Rate Design in this proceeding.**

10 **A: As stated in my Direct Testimony in this proceeding, "The Company is recommending an**
11 **equal percentage increase to all customer classes with no changes in rate design. The**
12 **overall increase recommended is 8.3% to each of the tariffs." We are not recommending**
13 **any shifts in revenues between customer classes, often referred to as CCOS.**

14 **Q: Does this follow the requirements established in the Stipulation and Agreement**
15 **("S&A") in the Experimental Regulatory Plan in Case No. EO-2005-0329?**

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

17 **Q: What requirements were established in the S&A regarding CCOS and Rate Design?**

1 A: As stated in Section III, paragraph 3.b.iv, of the S&A, "Rate Design. The Signatory
2 Parties agree not to file new or updated class cost of service studies or to propose changes
3 to rate structures in Rate Filing #2." The Company believes that any change to the rates
4 that will cause customers to re-evaluate the rate they have chosen, represents a rate
5 structure change. It is the Company's opinion that anything other than an equal shift in
6 rates uniformly to all classes does not comply with the provisions of the S&A.

7 **Q: Have you read the testimony of Maurice Brubaker pertaining to CCOS and Rate**
8 **Design?**

9 A: Yes, I have.

10 **Q: Are there issues that the Company would like to address regarding Mr. Brubaker's**
11 **Rate Design proposal?**

12 A: First, the Company believes that the proposal by Mr. Brubaker is not consistent with the
13 terms of the S&A regarding rate structure changes. Ford Motor Company and Praxair
14 both were signatories to that agreement.

15 **Q. Please comment on the details of his rate design proposal.**

16 A: Mr. Brubaker recommends realignment of the Large Power Service ("LPS") Rate by
17 reducing the revenue collected in the energy charge and correspondingly increasing the
18 revenue collected in the demand charge. Essentially, his proposal is to decrease the per
19 Kwh energy rate by one (1) cent and to increase the demand charge by the resulting
20 revenue reduction. This has the effect of increasing the demand charges over 100% to
21 compensate for the reduction in the energy rates.

22 **Q: What do you believe would be the impact of implementing Mr. Brubaker's**
23 **proposal?**

1 A: First, the LPS rate class currently included about 100 of the Company's largest customers
2 with relatively high demand and load factors. By load factor, I mean that these customers
3 typically operate more constantly throughout the day and year. Demand is somewhat
4 constant throughout the year. Mr. Brubaker's proposed rate design change applies only
5 to the LPS rate class. Mr. Brubaker's proposal will benefit the highest load factor
6 customers in this class, while increasing the cost above the average for the lower load
7 factor customers in the class. Mr. Brubaker's proposal requires additional adjustment
8 because many of the customers on this rate would be better off moving to the large
9 general service class. If Mr. Brubaker's proposal is adopted, then the Company will not
10 collect all the revenues as a result of this shift. In order to correct for this shift in
11 revenues between classes, an adjustment would be needed to correct for the deficiency.
12 The general results of this recommended change will result in an increase to some
13 customers of over 6% and decrease others around 9%. These revenue shifts are before
14 reflecting any change in rates due to the increase requested by the Company.

15 **Q: Do you have any other concerns or issues regarding Mr. Brubaker's proposal?**

16 A: Yes, I do. The apparent basis of Mr. Brubaker's proposal is the difference in the overall
17 average fuel and purchased power costs among LPS customers. While these costs are
18 approximately 1.4 cents per Kwh annually, they reflect the average and not the system
19 incremental cost. KCPL's recent parallel generation tariff filing, which is based on
20 incremental energy costs, is 2.4 cents per Kwh.

21 **Q. On a cents per Kwh basis, what does Mr. Brubaker's proposal result in?**

22 A. The energy charge in the LPS rate are higher in the summer months than the winter
23 months and are declining in price based on hours use blocks. They currently range

1 between 4.828 cents per Kwh to 2.386 cents per Kwh. The overall average is 3.378 cents
2 per Kwh. Under Mr. Brubaker's proposal, the range is from 3.828 cents per Kwh to
3 1.386 cents per Kwh, with an average energy rate of 2.378 cents per Kwh. If the
4 Commission adopted the changes suggested by Mr. Brubaker, the energy charge in some
5 blocks per Kwh would fall below the parallel generation tariff.

6 **Q. Have you read the testimony of Missouri Public Service Commission**
7 **("Commission") Staff witness Mr. James C. Watkins and the supporting CCOS and**
8 **Rate Design Report prepared by Ms. Janice Pyatte?**

9 A. Yes, I have.

10 **Q: Please describe the rate design proposal offered by Ms. Pyatte and Mr. Watkins.**

11 A: The Commission Staff proposes a revenue shift between the medium general service
12 ("MGS") class and the residential class. Specifically,

- 13 1. On an overall company, revenue-neutral basis, shift \$3,536,542 of current revenue
14 responsibility from the MGS customer class to the residential class. This shift
15 represents a 5.0% reduction to current MGS revenues and a 1.8% increase to
16 residential revenues. No revenue-neutral changes are proposed for any other
17 classes.
- 18 2. Reduce MGS energy charge rates and demand charge rates to reflect the reduction
19 in class revenue responsibility. MGS customer charge rates and facilities charge
20 rates would be preserved at existing levels to ensure that the existing relationships
21 between rate values on the MGS rate schedule and on other non-residential rate
22 schedules are maintained.

1 3. Any Commission-ordered overall revenue increase should be implemented as an
2 equal percentage increase to each rate component of each rate schedule.

3 All changes were based on the CCOS study completed by Staff in the Case No. ER-
4 2006-0314 case and the resulting rate design approved by the Commission.

5 **Q: Are there issues that the Company would like to address regarding the Rate Design**
6 **proposal of Ms. Pyatte and Mr. Watkins?**

7 A: Yes, there are. First, the Company believes that the proposal by the Commission Staff is
8 not consistent with the agreement entered into by the parties in the Experimental
9 Regulatory Plan S&A regarding rate structure changes. The Company believes that any
10 change to rates that will cause customers to re-evaluate the rate they have chosen
11 represents a rate structure change, and is therefore contrary to the S&A in Case No. EO-
12 2005-0329. This proposed shift will require evaluating all customer usage that may
13 potentially shift between classes. The revenue shortfall as a result of the shifts will need
14 to be included in the overall rates established in this case.

15 **Q: Please comment on why you believe the S&A specifically forbid rate design and**
16 **CCOS studies out of this case.**

17 A: Rate design and CCOS studies were specifically excluded from this case because it
18 would not be in the best interest to keep making changes in rate design and shifting
19 revenues between classes during the series of rate cases contemplated in the S&A. The
20 initial case, which just concluded with rates going into effect on January, 2007, reflected
21 numerous rate design changes and CCOS changes. In my testimony in that case, I
22 suggested that at the conclusion of this series of cases, it would be in our customers best

1 interest to address rate design and CCOS. This could be sometime after the Iatan 2
2 power plant comes on line.

3 **Q. Do you have any general comments about the rate design presented by Ms. Pyatte**
4 **and Mr. Watkins?**

5 A. Generally, the rate design proposed by Staff continues the effort to levelize class
6 revenues while maintaining the key elements of rate continuity established in the rate
7 design effort that concluded in 1996. Further, the proposal is consistent in structure to
8 the design approved in the ER-2006-0314 case. However, the Company maintains that
9 the levelization effort will result in Customers reevaluating their chosen rate and
10 therefore constitutes a prohibited rate structure change under the S&A, of which the
11 Commission Staff was a signatory.

12 **Q. Have you read the testimony of Gary Price, testifying for The Department of Energy**
13 **- National Nuclear Security Administration ("DOE"), pertaining to CCOS and Rate**
14 **Design?**

15 A. Yes, I have.

16 **Q: Are there issues that the Company would like to address regarding the DOE CCOS**
17 **proposals?**

18 A: Yes, there are. Mr. Price proposes that the Commission require the Company to file a
19 CCOS study in this case. He offers the rational that, given discrepancies in the relative
20 revenue contribution between two of the six classes, a study is necessary.

21 **Q: Do you agree with this proposal?**

22 A: No, I do not. As stated before in my Direct Testimony in this proceeding, as a signatory
23 to the S&A, we agreed not to file new or updated CCOS studies or to propose changes to

1 rate structures as part of this filing. In further compliance with that agreement, the
2 Company is recommending an equal percentage increase to all customer classes with no
3 changes in rate design. The overall increase recommended is 8.3% to each of the tariffs.
4 We are not recommending any shifts in revenues between customer classes.

5 **Q: Are there issues that the Company would like to address regarding the DOE Rate**
6 **Design?**

7 Yes, there are. Mr. Price recommends that his proposed changes in CCOS be
8 implemented over the next three rate cases. He presented testimony based on his CCOS
9 study and recommended changes to rates both in this case and in future cases. His
10 proposal would cause significant problems in implementation because it would require
11 ongoing evaluation and adjustment to achieve the proposed levels. Impacts from Mr.
12 Price's proposal would not be contained to this case, but would impact all of the
13 remaining cases anticipated by the S&A.

14 **Q: Do you agree with his proposal?**

15 A: No, I do not. At this time, the Company believes that any changes, as suggested by
16 Mr. Price, be held in abeyance until the Company's first rate case following the
17 completion of the Iatan 2 power plant.

18 **Q: Have you read the testimony of Joseph Herz, testifying for Trigen, pertaining to**
19 **Rate Design?**

20 A: Yes, I have.

21 **Q: Please describe the rate design proposal offered by Mr. Herz.**

22 A: The proposal offered by Mr. Herz has five parts summarized as follows:

1. Until rate parity is attained, the discounted rates relating to space-heating should increase a minimum of 5% more than the standard general service rates as in KCPL's last rate case.
2. Require KCPL, as soon as possible but not later than its next rate case, to present complete cost of service and/or cost-effectiveness studies and analyses of the general service space-heating rate discounts.
3. In the absence of a cost-effectiveness study, require KCPL to impute revenues associated with the discounted rates in the all-electric general service tariffs and separately metered space-heating provisions, and impute revenues equal to KCPL's cost of administering the general service discounted space-heating rates as part of KCPL's next rate case Application.
4. Restrict the availability of such tariffs and tariff provisions to those qualifying commercial and industrial physical locations being served under such general service discounted rates related to space-heating tariffs or tariff provisions as of the true up date.
5. Require KCPL to investigate and determine whether the commercial and industrial customers currently served under the general service all-electric tariffs, and the separately metered space-heating provisions of the standard general service tariffs, meet the eligibility requirements for those discounted rates.

Q: What are the conclusions offered in the testimony of Mr. Herz?

A: Mr. Herz contends that the all-electric and separately metered space-heating rates "unfairly discriminate between commercial and industrial customers," "send price signals that favor low load factor, high demand use for selective end use customers," duplicate

1 "programs already in place to support desirable space heating equipment," "create
2 additional, and unnecessary burdens and cost to administer, monitor and police," and
3 "have not been shown that such discounted rates are beneficial or needed for competitive
4 reasons." (Page 3 and 4, Mr. Herz Direct Testimony)

5 **Q: How does Mr. Herz support these conclusions?**

6 A: In general, Mr. Herz relies mainly on philosophical discussions and ultimately states it is
7 the obligation of the Company to justify the rates as part of this rate case or otherwise
8 "the discounted rates can be only viewed as discriminatory and preferential." (Page 13,
9 Mr. Herz Direct Testimony)

10 **Q: What is your opinion concerning the obligation of the Company in this regard?**

11 A: I disagree that, in the absence of studies, the all-electric and separately metered space-
12 heating rates are discriminatory and preferential. The all-electric and separately metered
13 space-heating rates were purposefully created and supported as part of a comprehensive
14 rate design case, Case No. EO-94-199, concluded in 1996. At that time, rates were
15 established based on the CCOS, and rate design changes were made that changed the
16 overall price structure, which included the space heating rates. The resulting rates
17 maintained the price differentials between customers with electric heating that were in
18 place prior to the rate design case. The structure, pricing elements, and eligibility
19 requirements were reviewed and approved by the Commission.

20 **Q: Was Trigen a party to that case?**

21 A: No, it was not. Trigen attempted to intervene but did so too late and Trigen's proposed
22 intervention was rejected by the Commission. However, Trigen did participate in the
23 Technical Conferences related to the case and ultimately filed a Request for Hearing

1 concerning the Commission's final decision on that case. During that case, Trigen
2 argued the same general theme that it addressed in this case and in KCPL's 2006 rate
3 case.

4 **Q: What was done to resolve the appeal filed by Trigen?**

5 A: Following negotiations between Mr. Steve Swinson, President of Trigen and Mr. Steve
6 Catron, who was then Vice President of Marketing and Regulatory Affairs for KCPL, an
7 agreement was reached and memorialized in a letter dated June 11, 1996 (Schedule
8 TMR-4). The letter stipulates terms under which Trigen would "withdraw the Request
9 for Hearing... .. and agree to support and endorse before the Commission the
10 Stipulation and Agreement filed by the signatory parties on May 29, 1996."

11 **Q: Did Trigen agreed to support the current rate design?**

12 A: By accepting the terms of the agreement, Trigen agreed to "support and endorse" the
13 results of Case EO-94-199, including any basis offered in the establishment of the all-
14 electric and separately metered space-heating tariffs within the general service classes.
15 This is the very rate design they have now decided to argue is unfounded and
16 unsupported. Trigen's position in this case is inconsistent with its agreement to support
17 and endorse the rate design approved in Case No. EO-94-199, which is the basis for the
18 current rate design.

19 **Q: In the previous rate case, Case No. ER-2006-0314, the Commission ruled that the**
20 **existing all-electric rates schedules and separately metered space-heating provisions**
21 **be restricted until a cost study can be completed. What is the Company's position**
22 **with regard to that ruling?**

1 A: We support that ruling. We agree that no changes should be made until the cost studies
2 are completed that will evaluate the all-electric rates schedules and separately metered
3 space heating provisions. We believe any studies concerning the all-electric rates
4 schedules and separately metered space-heating provisions should be part of a larger
5 comprehensive rate design study that would be completed after the latan 2 rate case.

6 Q: **Would you address the points made by Mr. Herz?**

7 A: Yes, I will. The following is a summary of each of Mr. Herz's recommendations and
8 KCPL's response to each:

- 9 1. Trigen recommends that the discounted rates relating to space-heating increase a
10 minimum of 5% more than the standard general service rates until parity is
11 attained.

12 KCPL Response: As has been presented, in the last rate design case, Trigen
13 supported the overall stipulation and agreement, which contained the space
14 heating rates. The Company in the last rate case did in fact increase the space
15 heating rates by 5%. No further adjustments should be made until a study is
16 completed.

- 17 2. Require KCPL, as soon as possible but not later than its next rate case, to present
18 complete cost of service and/or cost-effectiveness studies and analyses of the
19 general service space-heating rate discounts.

20 KCPL Response: The Company recommends that a study similar to that
21 recommended by Trigen be performed after the last rate case in the regulatory
22 plan when latan 2 is place into rates. This study will not be completed before the
23 next rate case as suggested by Trigen.

- 1 3. In the absence of a cost-effectiveness study, require KCPL to impute revenues
2 associated with the discounted rates in the all electric general service tariffs and
3 separately metered space-heating provisions, and impute revenues equal to
4 KCPL's cost of administering the general service discounted space-heating rates
5 as part of KCPL's next rate case Application.

6 KCPL Response: The Company does not understand Trigen's recommendation, but
7 opposes imputing revenues for these classes. The rates have been approved by
8 this Commission.

- 9 4. Restrict the availability of such tariffs and tariff provisions to those qualifying
10 commercial and industrial physical locations being served under such general
11 service discounted rates related to space-heating tariffs or tariff provisions as of
12 the true up date.

13 KCPL Response: Trigen recommends that the Commission restrict the availability of
14 the Company's approved all-electric tariffs to existing customers of KCPL who
15 qualify for the rate at a specific location at the time of the true-up. This issue was
16 addressed in the last KCPL rate case and the Commission ruled against Trigen's
17 position on this issue. Trigen is appealing the Commission's decision. The Cole
18 County Circuit Court has not yet issued its opinion. KCPL disagrees with
19 Trigen's position and believes that this issue can be addressed in the context of an
20 overall study as recommended by the Company.

- 21 5. Require KCPL to investigate and determine whether the commercial and
22 industrial customers currently served under the general service all-electric tariffs,

1 and the separately metered space-heating provisions of the standard general
2 service tariffs, meet the eligibility requirements for those discounted rates.

3 KCPL Response: This is currently addressed through the internal processes in place
4 at the Company for placing customers on the appropriate rates. KCPL believes
5 that it has the appropriate procedures and safeguards for correctly placing
6 customers on the appropriate rates. No such study is warranted.

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


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

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariff to) Case No. ER-2007-0291
Continue the Implementation of Its Regulatory Plan)

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

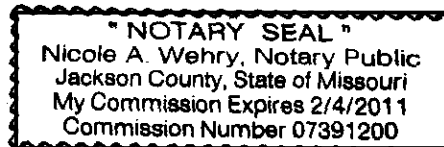
1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

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

Nica A. Wiley
Notary Public

My commission expires: Feb 4 2011





June 13, 1996

copy to
Chamber &
Terry
BA

Mr. Richard W. French
French & Stewart Law Offices
1001 Cherry Street, Suite 302
Columbia, MO 65201

RE: Trigen-Kansas City Energy Corporation / Kansas City Power & Light Company
Agreement; Case No. EO-94-199



Dear Mr. French:

The purpose of this letter is to memorialize the agreements that were reached between Mr. Steve Swinson, President Trigen-Kansas City Energy Corporation ("Trigen-Kansas City"), and Mr. Steve Catron, Vice-President, Marketing and Regulatory Affairs, Kansas City Power & Light Company ("KCPL"), on Thursday, June 6, 1996. Pursuant to these discussions between Messrs. Swinson and Catron, Trigen-Kansas City and KCPL have agreed to the following matters:

1. KCPL will make available KCPL's Thermal Storage Rider (Schedule TS, Original Sheet No. 22) to all customers using chilled water equipment to charge thermal energy storage systems. If this Agreement requires modification of the Thermal Storage Rider, KCPL will file substitute tariff sheets for approval with the Missouri Public Service Commission ("Commission"). (Based upon discussions with the Commission Staff, KCPL believes that there will be support for this proposal from the Commission Staff.) In addition, KCPL agrees to extend the applicability of the TS tariff to the revenue months of May through October (subject to Commission approval).
2. KCPL's Interruptible Tariff (Schedule PLCC, Original Sheet Nos. 21A to 21E) is currently available to Trigen-Kansas City.
3. KCPL and Trigen-Kansas City agree to split (on a 50%/50% basis) the cost of the equipment needed to transfer the Trigen service feed from BUS #1 to BUS #2 in the existing substation. KCPL estimates the total cost of the necessary equipment will not exceed \$20,000. KCPL will continue to provide an equivalent level of service to Trigen for a three year period beginning with the date of this agreement. Any action by KCPL which would cause additional service modifications to be made in order to continue to provide an equivalent level of service will be provided at KCPL's expense unless Trigen cancels the agreement to provide steam to KCPL during this three year period.

KANSAS CITY POWER & LIGHT COMPANY
1201 WALNUT P.O. BOX 418679 KANSAS CITY, MO 64141-9679 • 816-556-2200

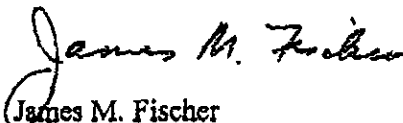
Schedule TMR-4

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4. KCPL agrees to purchase excess energy from Trigen-Kansas City at a price equivalent to KCPL's hourly system lambda energy costs. Trigen-Kansas City will provide KCPL with telemetry signals for automated generation control purposes.
 5. KCPL and Trigen's existing contract for KCPL's purchase of steam will be amended to provide for a 12-month notification of cancellation by Trigen.
 6. KCPL and Trigen-Kansas City agree to evaluate the economic and technical feasibility of establishing a joint venture between KCPL and Trigen-Kansas City for the provision of energy services to commercial and industrial energy consumers. The parties mutually agree to meet and negotiate in good faith to define the specifics of such a joint venture over the next 60 days.
 7. In consideration of the above discussed agreements, Trigen-Kansas City agrees to immediately withdraw its Request For Hearing filed in Case No. EO-94-199, and agrees to support and endorse before the Commission the Stipulation and Agreement filed by the signatory parties on May 28, 1996.

If this letter has accurately reflected the agreements discussed by Mr. Swinson and Mr. Catron and are acceptable to Trigen-Kansas City, please sign below and return an executed original to me at your earliest convenience.

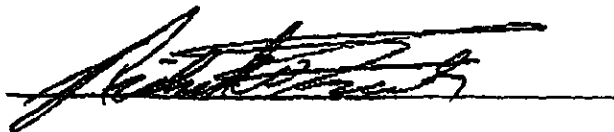
Thank you for your help and cooperation in this matter.

Very truly yours,



James M. Fischer

Attorney for Kansas City Power & Light Company



Accepted by Trigen-Kansas City Energy Corporation

Richard W. French

Attorney for Trigen-Kansas City Energy Corporation