

**BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS**

REBUTTAL TESTIMONY OF

TIMOTHY M. RUSH

**ON BEHALF OF
KANSAS CITY POWER & LIGHT COMPANY**

**IN THE MATTER OF THE APPLICATION OF
KANSAS CITY POWER & LIGHT COMPANY
TO MODIFY ITS TARIFFS TO CONTINUE THE
IMPLEMENTATION OF ITS REGULATORY PLAN**

DOCKET NO. 07-KCPE-905-RTS

1 **Q: Are you the same Timothy M. Rush who submitted direct testimony in this**
2 **proceeding?**

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

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

5 **A: The purpose of my Rebuttal Testimony is to respond to the testimony of certain**
6 **witnesses of the Staff of the Kansas Corporation Commission (“Commission”) and**
7 **intervenors regarding the subjects of (i) rules and regulations; (ii) rate design; (iii) the**
8 **proposed Energy Cost Adjustment (“ECA”) tariff; and (iv) the Municipal Ornamental**
9 **Streetlight tariff (Schedule MOL) of Kansas City Power & Light Company (“KCPL”**
10 **or the “Company”). Specifically, I address the testimony of Staff witness Sonya**

1 Cushinberry regarding her recommendations on the Company's proposed changes to
2 its rules and regulations. I address the testimony of Staff witness Al Maxwell
3 regarding his recommendation on rate design and, in particular, application of such
4 design to the Company's rates. I address the testimonies of Staff witnesses Larry
5 Holloway and John Cita, the testimony of Donald Johnstone representing Midwest
6 Utility Users Group ("MUUG"), and the testimony of Andrea Crane representing the
7 Citizens' Utility Ratepayer Board ("CURB") regarding their recommendations
8 concerning KCPL's proposed ECA tariff. Lastly, I discuss the testimony of witness
9 Courtney Christensen, representing the City of Mission Hills, Kansas concerning
10 KCPL's Schedule MOL.

11 **RULES AND REGULATIONS**

12 **Q: Have you reviewed the testimony of Staff witness Sonya Cushinberry with**
13 **respect to recommended changes to KCPL's rules and regulations?**

14 **A:** Yes, I have.

15 **Q: Please describe that testimony.**

16 **A:** In its initial filing, the Company proposed changes to three sections of the Rules and
17 Regulations of its tariffs: (1) ten additional definitions added to Section 1; (2) changes
18 to the Discontinuation of Service terms in Section 5; and (3) changes to the terms of
19 the Line Extension and Distribution Policies in Section 8. Ms. Cushinberry detailed
20 each change, noting Staff's acceptance or recommending a modification to the
21 proposed change.

22 **Q: Did Staff agree with the new definitions proposed by KCPL?**

1 A: Staff had no objections to adding the following five new definitions to Section 1 of
2 KCPL's rules and regulations as proposed by KCPL:

3 *1.15 – ADULT: One who has reached the legal age of majority, generally 18 years.*

4 *1.18 – FRAUD: The misrepresentation of material facts by a customer, or other*
5 *person, by giving false or misleading information or by concealment of that*
6 *which should have been disclosed as a deceptive means to gain or maintain*
7 *utility service, avoid payment for past, present or future service, or obtain a*
8 *refund and so cause the Company or others to rely upon such*
9 *misrepresentations to the Company's financial detriment. Includes, but is not*
10 *limited to: (a) furnishing the Company with false names, or customer*
11 *information not legally assigned to such person, (b) furnishing false or altered*
12 *customer identification, (c) furnishing false or altered residency history, (d)*
13 *furnishing false or altered ownership or lease papers, (e) rendering false*
14 *reports of unauthorized electronic fund transfers to the Company.*

15
16 *1.20 – METER ERROR: The incorrect registration of electric consumption resulting*
17 *from a malfunctioning or defective meter.*

18
19 *1.22 – TAMPERING: To rearrange, damage, injure, destroy, alter, or interfere with,*
20 *Company facilities, service wires, electric meters and associated wiring,*
21 *locking devices, or seals or otherwise prevent any Company equipment from*
22 *performing a normal or customary function.*

23
24 *1.24 – UNAUTHORIZED USE: To use or receive the direct benefit of all, or a*
25 *portion of, the utility service with knowledge of, or reason to believe that*
26 *diversion, tampering or other unauthorized connection existed at the time of*
27 *the use, or that the use or receipt was fraudulent and/or without the*
28 *authorization or consent of the utility. Includes but is not limited to:*
29 *(a) tampering with or reconnection of service wires and/or electric meters to*
30 *obtain metered use of electricity, (b) the unmetered use of electricity resulting*
31 *from unauthorized connections, alterations or modifications to service wires*
32 *and/or electric meters, (c) placing conductive material in the meter socket to*
33 *allow unmetered electricity to flow from the line-side to the load-side of the*
34 *service, (d) installing an unauthorized electric meter in place of the meter*
35 *assigned to the account, (e) inverting or repositioning the meter to alter*
36 *registration, (f) disrupting the magnetic field or wireless communication of*
37 *the meter causing altered registration, (g) damaging or altering the electric*
38 *meter to stop registration, (h) using electric service without compensation to*
39 *the utility.*

40
41 **Q: What recommendations did Staff have regarding the other definitions proposed**
42 **by KCPL?**

1 A: Staff proposed only minor changes to the following three new definitions:

2 1.16 – *BILLING ERROR: The incorrect billing of an account due to a Company or*
3 *Customer meter reading error, which results in incorrect charges.*

4
5 1.17 – *FIELD ERROR: Shall be considered to include lost/mishandled paperwork,*
6 *installing metering incorrectly, or failure to close the meter potential or test*
7 *switches], also considered a Billing Error.]. A Field Error may result in a*
8 *Billing Error.*

9
10 1.21 – *RESPONSIBLE PARTY: Any adult, landlord, property management company,*
11 *or owner applying for[, agreeing to take, and or receiving substantial use*
12 *and benefit of] electric service at a given premise.*

13
14 Wording in brackets is recommended for removal by Staff. Underlined wording is to
15 be added.

16 **Q: Does Staff object to any of the new definitions proposed by KCPL?**

17 A: Yes, it does. Staff objects to two of the new definitions requested by KCPL. First,
18 Staff objects to KCPL’s request to include a separate definition of “*Individual*
19 *Liability*” in its rules and regulations. Staff believes such liability is already
20 adequately defined within the Commission’s Billing Standards and, therefore,
21 allowing an alternate definition within KCPL’s rules and regulations would create
22 inconsistent practice between KCPL and other utilities. Second, Staff objects to
23 KCPL’s requested definition for “*Time of Application*” on the basis that Staff views
24 the time of application as a specific date as opposed to the 30-day period proposed in
25 KCPL’s definition.

26 **Q: What recommendations does Ms. Cushinberry make with regards to KCPL’s**
27 **requested changes to its Discontinuance of Service terms in Section 5 of its rules**
28 **and regulations?**

1 A: Staff does not object to KCPL's language changes in paragraph 5.08 but does object
2 to the proposed fee level changes. KCPL recommended that the fee for reconnection
3 of a service meter be raised from \$10.00 to \$25.00. Staff recommended that this fee
4 be raised to only \$20.00. KCPL recommended that the fee for reconnection of
5 service at the pole or service pedestal be raised from \$15.00 to \$50.00. Staff
6 recommended that this fee be raised to only \$30.00. And finally, KCPL requested
7 that a fee for reconnection of service after tampering and or diversion be implemented
8 at a level of \$150.00. Staff does not object to the implementation of such a charge
9 but believes the level should be only \$25.00. With Staff's changes, paragraph 5.08 of
10 KCPL's rules and regulations reads as follows:

11 *5.08 RECONNECTION CHARGE:*

12 *If electric service is discontinued for non-payment of a bill or for violation of*
13 *any other provision of the Customer's service agreement except tampering and/or*
14 *diversion, the Company shall assess reconnection charges to the Customer as*
15 *follows:*

16
17 *Reconnection of service meter* *[\$25.00]**\$20.00*
18 *Reconnection of service at the pole or service pedestal* *[\$50.00]**\$30.00*

19
20 *If electric service is discontinued for tampering and/or diversion, the*
21 *Company shall assess reconnection charges to the Customer as follows:*

22
23 *Reconnection regardless of point of reconnection* *[\$150.00]**\$25.00*
24 *(Excessive damage of Company property will result in additional charges.)*
25

26 **Q: What are Ms. Cushinberry's recommendations with regards to KCPL's**
27 **requested changes to its terms of the Line Extension and Distribution Policies in**
28 **Section 8?**

29 A: Staff had no objections to the wording changes requested by KCPL for paragraph
30 8.01, items A and B, of Section 8 and Staff had only minor changes to KCPL's

1 requested wording changes for paragraph 8.02. Those paragraphs of Section 8 are
2 shown below with Staff's deletions denoted by brackets [] and insertions shown as
3 underlined.

4 **8.01 OVERHEAD SINGLE-PHASE RESIDENTIAL AND RURAL RESIDENTIAL**

5 **EXTENSIONS:**

6 *(A) Company will make free extensions of its distribution lines as and when*
7 *necessary to serve any and all prospective customers applying for electric service,*
8 *located within one-quarter (1/4) mile of existing distribution lines in rural areas in*
9 *which utility holds certificates of convenience and necessity from the State*
10 *Corporation Commission. Extensions may involve application of the quarter-mile*
11 *(1/4 mile) provision to a Customer's property line, onto a Customer's property, or a*
12 *combination providing extension to the Customer's property line and onto a*
13 *Customer's property.*

14
15 *(B) The Company will build the first one-eighth (1/8) mile and the last one-*
16 *eighth (1/8) mile of single-phase line per residential or rural residential Customer*
17 *under its established rates and minimum charges. In the event the line extension*
18 *exceeds one-quarter (1/4) mile per residential or rural residential Customer, there*
19 *shall be a monthly Customer Charge or an increase in the existing monthly Customer*
20 *Charge. The amount of the Customer Charge or increase to an existing monthly*
21 *Customer Charge may be paid in equal installments over sixty consecutive bills.*

22
23 Items (C) and (D) of paragraph 8.01 remain unchanged.

24
25 **8.02 OTHER PERMANENT EXTENSIONS AND EXCESS FACILITIES:**

26 *Each Application to the Company for electric service (other than an overhead*
27 *single-phase extension for residential or rural residential electric service) to premises*
28 *requiring extension of the Company's existing distribution facilities will be studied by*
29 *the Company, as received, in order that the Company may determine the amount of*
30 *investment warranted by the Company in making such extension giving full*
31 *consideration to the Customer's load requirements and characteristics and the*
32 *Company's estimated revenue from the Customer during the term of the Customer's*
33 *service agreement as may be required by the Company. In the absence of special*
34 *arrangements between the Customer and the Company, any cost of such extension in*
35 *excess of the investment warranted by the Company shall be deposited by the*
36 *Customer with the Company. Should additional intervening Customers be attached*
37 *to the extension covered by the Customer's deposit, the deposit shall be refunded to*
38 *the Customer to the extent determined by the Company to be appropriate in each*
39 *case, but in no event shall refunds aggregate an amount greater than the deposit.*
40 *The Company shall not be obligated to refund any portion of a deposit after five years*

1 from the date of deposit. No interest shall accrue or be payable on any such deposit
2 held by the Company.
3

4 In those instances where a Customer requests facilities beyond that which
5 would normally be provided, this shall be considered **[on] an Excess Facilities**
6 **Request[, as such,].** Where the Company chooses to provide facilities at applicant's
7 request in variance with the Line Extension standard, applicant shall be required to
8 pay Company for the cost of such facilities including appropriate **[caring] carrying**
9 charges, cost of insurance, replacement (or cost of removal), license and fees, taxes,
10 operation and maintenance, and appropriate **[allocable]** administrative and general
11 expenses associated with such transmission, substation, and/or distribution facilities.
12 Specific Terms and Conditions shall be mutually agreed upon between Company and
13 Customer.
14

15 **Q: Are the recommendations presented in Ms. Cushinberry's testimony regarding**
16 **rules and regulations acceptable to KCPL?**

17 A: With the exception of the fee level for reconnection following tampering or diversion,
18 KCPL does not oppose the changes and recommendations made by Staff. As for the
19 reconnection fee following tampering or diversion, Staff comments "*While \$25.00*
20 *may not cover the entire costs, Staff believes that it is a move in the right direction.*"
21 While KCPL appreciates Staff's recognition that such a fee should be implemented,
22 KCPL believes that \$25.00 sets the fee far too low relative to KCPL's costs and that
23 the Company's recommended fee of \$150.00 is appropriate.

24 **Q: What is the basis for your recommendation?**

25 A: Attached to my Direct Testimony as Schedule TMR-4, is a study prepared by KCPL's
26 Revenue Management department entitled "Calculations of Unauthorized Use (UU)
27 Fee in Kansas." This study analyzes the associated costs to the Company in
28 responding to occurrences of tampering, diversion, and fraud. The study supports an
29 average minimum cost of \$157.34 that the Company incurs to respond to these
30 occurrences. The cost of responding to instances of tampering, diversion, and fraud

1 should not be borne by all customers, but should be paid for by the customer causing
2 this cost. KCPL's analysis supports the \$150 fee requested in this case. Further, the
3 cost should be sufficient enough to be a deterrent. Tampering or diversion of electric
4 service is a significant safety concern not to mention potentially theft of service.

5 RATE DESIGN

6 **Q: What issues regarding the proposed rate design recommendations of Staff**
7 **witness Al Maxwell do you wish to address?**

8 A: My main concern regarding the proposed changes recommended by Mr. Maxwell
9 deals with limiting the increase to the Staff recommendation and applying it only to
10 classes under the system average rate of return ("ROR"). Mr. Maxwell is
11 recommending Staff's proposed rate increase of 1.059% be applied exclusively to the
12 Other Lighting, Large Power, and Residential classes, in that order, and according to
13 two conditions detailed on page 5 of his testimony: (1) that the revenue increase not
14 result in any class exceeding the system average ROR, and (2) that no one class
15 receive more than a fifteen percent increase.

16 **Q: Please describe the nature of your concern with Mr. Maxwell's methodology.**

17 A: The primary goal of Mr. Maxwell's proposal is to align the respective classes with the
18 system average ROR. By focusing the increase on a specific revenue amount and
19 specific classes he creates a situation where any alternative other than the one
20 proposed may result in additional misalignment. Realignment might be better
21 achieved and maintained if the inter-class shifts were applied on a revenue neutral
22 basis before the application of any approved increase.

23 **Q: Please continue.**

1 A: Class cost of service (“CCOS”) studies are not precise endeavors. Many allocation
2 methods may be logically justified and applied to a study, resulting in varied and
3 sometimes dramatic impacts to the outcome of various classes. If you examine the
4 CCOS study presented by the Company in this case you will see that only the
5 Residential and Other Lighting classes are providing less than the system average
6 ROR. If the Company study were used for the basis of Mr. Maxwell’s rate design,
7 the Large Power class would not receive any of the proposed increase.

8 **Q: Please describe how this concern impacts the Staff’s proposed rate design.**

9 A: The rate design proposal offered by Mr. Maxwell is specifically tailored to Staff’s
10 recommended revenue increase and cannot be applied to all revenue values between
11 the Staff proposal and the Company’s requested increase without violating the
12 conditions detailed previously. For example, using the Kansas CCOS results for the
13 Staff’s proposed rates (Cushinberry direct testimony, Exhibit SAC-1, page 2) and
14 adding the approximate impact of the full 10.82% increase requested by KCPL, the
15 resulting increase would violate several of the conditions that Mr. Maxwell set out.
16 The following distributions would likely occur using the methodology recommended
17 by Mr. Maxwell. The assumptions made in the revenue increase distribution in this
18 table is to first apply the increase to the Lighting Class until it reached the system
19 average ROR and then to increase the Large General Service Class until it reached the
20 system average ROR. Next, to increase the Residential Class until it reached the
21 system average ROR. I then applied the increase to the next class that was below the
22 system average ROR, which was the Large General Service Class. While this class

1 was not addressed in Mr. Maxwell's testimony, his proposed method would follow to
2 increase this class.

3 **Table TMR-1**

4	5	6	7	8
Class	Approx. ROR %	Approx. Increase %	Approx. Increase \$	
7 Residential	10.888	15.76	36,785,000	
8 Small GS	14.289	0	0	
9 Medium GS	11.538	0	0	
10 Large GS	9.783	3.01	3,601,243	
11 Large Power	10.888	13.33	5,291,000	
12 O.P. Lights	12.658	0	0	
13 Other Lights	10.888	23.53	1,383,600	
14 Total System	10.888		47,060,843	

15
16 Under that revenue amount, the percent increase for both the Other Lighting and
17 Residential classes exceeds the recommended fifteen percent limit.

18 **Q: Do you agree with the rate design method proposed by Mr. Maxwell?**

19 A: No, I do not. Targeting a specific revenue amount and specific classes to which to
20 apply the increase, may result in additional misalignment.

21 **Q: Do you have any suggestions that may help to make Mr. Maxwell's proposal**
22 **agreeable, if he was attempting to shift revenues to an equal rate of return basis?**

23 A: While the Company proposed an overall equal percentage basis for increasing prices
24 along with an ECA, one suggestion to address some of the problems of Mr.
25 Maxwell's proposal would be to make a shift that is closer to equal RORs, but not
26 follow the prescriptive nature of adjusting specific classes. You could also follow his
27 recommended condition of limiting the increase to no greater than a certain
28 percentage. For example, moving to within a 20% boundary of the overall system
29 rate of return would provide a movement that levelizes class RORs close to an equal

1 basis, while at the same time recognizing various parties' different results from
2 CCOS studies and the variability of assumptions, cost drivers and allocation factors.

3 **ENERGY COST ADJUSTMENT TARIFF**

4 **Q: What is your understanding of Staff's position regarding the ECA tariff**
5 **proposed by KCPL?**

6 A: Overall, Staff supports the ECA mechanism for recovery of energy costs and
7 generally supports the basic construct of KCPL's proposed ECA tariff. However,
8 Staff witnesses Mr. Larry Holloway and Dr. John Cita each take issue with various
9 aspects of KCPL's proposal and offer alternative approaches for those areas.

10 **Q: Please describe the provisions of KCPL's ECA tariff with which Mr. Holloway**
11 **takes issue.**

12 A: Mr. Holloway has two primary issues related to KCPL's ECA tariff: (1) use of an
13 energy allocator to allocate off-system sales margins to Kansas; and (2) classification
14 of off-system sales margins between "asset-based" and "non-asset-based." In
15 addition, he recommends inclusion of a correction factor in the annual true-up
16 provisions of the ECA tariff for operational coal inventory variances from normalized
17 target coal inventory levels included in rate base. Mr. Holloway provided changes to
18 KCPL's proposed ECA tariff to reflect use of a different allocator for off-system sales
19 as part of his testimony. Also, Mr. Holloway proposed a time schedule for the
20 Company to address his concerns pertaining to asset-based and non-asset-based off-
21 system sales margins. No tariff changes were proposed for the coal inventory or the
22 classification issues.

23 **Q: How did KCPL allocate off-system sales margins in the proposed ECA tariff?**

1 A: In the KCPL proposal, allocation of all costs and margins to Kansas was based on the
2 Kansas sales kWh as a percent of the total KCPL sales kWh. This is an energy
3 allocation.

4 **Q: Please discuss Mr. Holloway's proposed change to allocation of off-system sales**
5 **margins.**

6 A: Mr. Holloway recommends that the allocator used to spread off-system sales profits
7 between Kansas, Missouri and wholesale customers be changed from the overall
8 energy allocation that KCPL proposed to a fixed percentage allocator of 47.0458%
9 for Kansas customers. He proposes to isolate the off-system sales margin and
10 allocate it differently than the other costs that will flow through the ECA. The
11 allocation method he proposed for off-system sales margins is referred to as an
12 "unused energy" allocator or "UE" allocator. This allocation was first proposed by
13 KCPL in its 2006 rate case. Mr. Holloway describes the methodology and provides
14 the calculation of the 47.0458% in his testimony. The methodology to calculate the
15 UE allocator is complex and would be difficult to incorporate into the ECA
16 methodology. Mr. Holloway simply inserted the fixed percentage of 47.0458%, the
17 Unused Energy w/Losses Allocator based on KCPL's response to Staff Data Request
18 No. 329 which uses 2006 data, into his tariff changes. This is an annualized factor
19 that changes over time and does not reflect actual levels, but is normalized for
20 weather. Mr. Holloway recommends that the Commission accept KCPL's ECA
21 tariff, as revised in response to Staff Data Request No. 377, with this significant
22 change.

1 **Q: What was KCPL's rationale in the 2006 rate case for recommending use of the**
2 **UE allocator?**

3 A: The initial thoughts behind using the UE allocator to allocate off-system sales
4 margins was to develop an allocation methodology that reflects the idea that unused
5 capacity for retail customers enables the Company to make the off-system sales that
6 result in the off-system sales margins. The UE allocator is calculated by subtracting
7 the actual energy usage from the "available energy." The available energy is defined
8 as the average of the 12 coincident peak demands multiplied by the total hours in the
9 test period. This allocation factor was created by KCPL. Many other methods could
10 be used to develop a similar conceptual allocation factor. For example, if you looked
11 at each available hour in the test period and assigned the plant needs for each
12 jurisdiction (*i.e.*, Kansas, Missouri and wholesale), and then determined what
13 remaining capacity was available for off-system sales margins a similar type
14 allocation method could be derived.

15 **Q: Why did KCPL propose this allocation methodology in its 2006 rate case but not**
16 **in the current docket?**

17 A: The Company proposed the UE allocation methodology in the last rate case for
18 several reasons. First, at the time of the filing, KCPL believed that it was the
19 appropriate allocation factor for addressing off-system sales margins. In both the
20 Kansas and Missouri rate cases, the Company was specifically addressing the issue of
21 risks associated with off-system sales margins. The Company has not found any
22 utility, Commission or state that used an allocation factor similar to the UE allocation
23 methodology, but in the 2006 rate cases, the Company felt at that time that the

1 method, if accepted by both Kansas and Missouri, would be a reasonable allocation
2 method for off-system sales margins. The Company was not recommending an ECA
3 in either state at that time.

4 As Mr. Holloway reports in his Direct Testimony (page 21), the Missouri
5 Public Service Commission (“MPSC”) rejected “KCPL’s novel unused energy
6 allocator”. The MPSC found that “application of the unused energy allocator ignores
7 the fact that, thanks to Missouri’s higher load factor, Kansas is already benefiting to a
8 greater extent than Missouri from a lower overall cost of energy.” *Kansas City*
9 *Power & Light Company*, Report and Order, at p. 39, MPSC Case No. ER-2006-0314
10 (issued December 21, 2006).

11 Because the UE allocator was not accepted by the MPSC, and because no
12 other states were found to be using this methodology, KCPL does not propose to
13 adopt the allocation method solely in Kansas. If this allocation methodology is
14 adopted solely in Kansas, it will create a total allocation between jurisdictions that is
15 greater than the off-system sales margins actually received by the Company. This
16 will create a gap of un-recovered costs for KCPL.

17 **Q: Is it true that Kansas customers may benefit from lower energy costs as a result**
18 **of the benefits provided by Missouri having a higher load factor.**

19 A: Yes, it is. Essentially, the argument to use the UE allocator methodology only looks
20 at one component of the equation for establishing rates for allocating fuels, purchased
21 power and revenues from off-system sales. Because of the higher load factor in
22 Missouri and applying an allocation methodology for fuel and purchased power costs

1 based on an energy allocator, it is very likely that Kansas customers benefit over
2 Missouri.

3 **Q: Does use of the UE allocator require other changes in the structure of KCPL's**
4 **ECA tariff?**

5 A: Yes, it does. Applying different allocators to different portions of the ECA
6 components (*i.e.*, the energy allocator against fuel and purchased power costs and the
7 UE allocator against the off-system sales margin) increases the complexity of the
8 ECA tariff calculations by requiring KCPL to track and split all costs between off-
9 system and retail sales. KCPL thinks this allocation is unnecessary and designed the
10 true-up equation to use total costs minus total revenues to yield the desired margin
11 credit.

12 **Q: Do you have other concerns regarding Mr. Holloway's revisions regarding the**
13 **UE allocator?**

14 A: Yes, I do. Mr. Holloway inserts a fixed percentage of 47.0458% for the UE allocator.
15 The UE allocator percentage for Kansas will vary from year to year depending upon
16 energy usage between Kansas, Missouri and wholesale customers among other things.
17 If energy usage for Kansas customers grows at a faster rate than energy usage for
18 KCPL's Missouri customers, then the UE allocator should reflect that change. For
19 example, the UE allocator changed from 47.61% in the 2006 filing to the 47.0458%
20 calculation for Staff Data Request No. 377.

21 **Q: Does Mr. Holloway propose other changes to the ECA tariff?**

22 A: While not reflected directly in his modifications to KCPL's ECA tariff, Mr. Holloway
23 expressed concern regarding KCPL's normalized target inventory levels of coal

1 versus actual inventory levels and proposed that a comparison be made at year-end in
2 conjunction with the Annual Cost Adjustment (“ACA”) report and that any material
3 differences be flowed through the ECA adjustment factor.

4 **Q: Does Mr. Holloway provide any details as to what would constitute a material**
5 **difference?**

6 A: No, he does not.

7 **Q: Does he say how such a difference would be incorporated into the ECA true-up**
8 **mechanism?**

9 A: Yes, but only to a limited extent. He recommends that KCPL file its running daily
10 coal inventory for the review period. This actual coal inventory would then
11 apparently be input into a revenue requirements model the results of which would be
12 compared to the revenue requirement output using the normalized target coal
13 inventory included in the case. Any material differences would then be considered
14 within the annual ECA true-up filing.

15 **Q: Does KCPL agree with this issue and process?**

16 A: No, as further discussed in the rebuttal testimony of Company witness Chris Giles, it
17 does not. KCPL witness Ed Blunk provides information as to why the inventory level
18 adjustment contemplated is unnecessary. I will describe why, even if such an
19 adjustment were necessary, processing such differences through the ECA tariff is not
20 appropriate. Coal inventory is a rate base item set through the traditional ratemaking
21 process. To take such an item and flow it through an energy cost recovery
22 mechanism would require the revenue requirement impact to be valued based on the
23 ROR impact of the fuel inventory difference. Because the required ROR and the

1 capitalization structure would change after the rate case, KCPL believes using the
2 ECA for this type of adjustment is inappropriate. Additionally, if the inventory level
3 exceeded the threshold amount, then the Company would be charging customers
4 through the ECA for the added costs of its coal inventory. It would be equally likely
5 that customers would be paying for the added coal requirements as they would be
6 receiving a credit.

7 Additionally, target coal inventory included is a normalized value similar to
8 various other values within the traditional ratemaking model. The process of
9 normalization is designed to reflect the effects of a normal year. Such items are not
10 typically the subject of annual true-ups.

11 **Q: Describe Mr. Holloway's recommendation regarding classification of off-system
12 sales.**

13 A: Mr. Holloway recommends that KCPL be required to meet with Staff and other
14 intervenors to discuss this issue prior to KCPL's next rate filing and that KCPL be
15 required to seek Commission approval of its non-asset-based off-system sales
16 procedures in a separate docket filed no later than May 1, 2008.

17 **Q: Does KCPL agree with Mr. Holloway's recommendations?**

18 A: KCPL is willing to meet with Staff and other intervenors to discuss its classification
19 of asset-based and non-asset-based sales. KCPL has concerns that filing for approval
20 of its non-asset-based off-system sales procedures will put in place an onerous
21 process requiring approval for even minor changes to its procedures. Not knowing
22 exactly what the term "procedures" encompasses, and given the fact that most
23 Company procedures do not require Commission approval and in some cases are

1 beyond the Commission's jurisdictional authority, KCPL would prefer to see this
2 issue addressed through discussions with Staff with such procedure review included
3 as a part of the annual ECA review/audit process.

4 **Q: Please describe the provisions of KCPL's ECA tariff with which Dr. Cita takes**
5 **issue.**

6 A: Dr. Cita has concerns with the frequency with which KCPL proposes to forecast its
7 monthly ECA factors and the associated reporting.

8 **Q: Please describe the difference in forecasting frequency between KCPL's**
9 **proposal and Dr. Cita's recommendations.**

10 A: KCPL proposed an annual filing prior to the beginning of each ECA year that would
11 forecast all of the components of the ECA tariff and set ECA factors for each month
12 of the coming year. As discussed on page 10, lines 7 – 15, of my Direct Testimony in
13 this case, changes to those factors, other than the annual true-up correction factor,
14 would only be initiated if the original annual projections on a total combined basis
15 (fuel/purchased power costs less off-system sales margins) and the then-current year-
16 end projections become significantly out of balance. KCPL would be required to file
17 quarterly reports on this comparison. While Dr. Cita's reporting requirements also
18 include an annual filing prior to the beginning of the ECA year, the Annual Budget
19 ECA Report, the report is used only for informational purposes and as a benchmark
20 against which KCPL's monthly ECA factors will be gauged. Dr. Cita would then
21 require KCPL to submit a report prior to the start of each month with a new
22 forecasted ECA factor for the coming month.

1 **Q: Why did KCPL recommend setting the ECA factors only once per year with**
2 **quarterly review and potential adjustment?**

3 A: In accordance with the Stipulation and Agreement approved by the Commission in
4 KCPL's 2006 rate case, Docket No. 06-KCPE-828-RTS, KCPL met with Staff and
5 other intervenors prior to filing this rate case with the express purpose of
6 understanding the issues and concerns of each party and working toward a
7 compromise position on an ECA tariff that would address as many of those concerns
8 as practical. One of the concerns expressed by MUUG was the need for customers to
9 be able to plan ahead and to have advance information regarding the level of ECA
10 factors to incorporate into their planning process. Changing the ECA factor each
11 month, just a few days before the start of each month, was not viewed as providing a
12 sufficient planning framework. Additionally, because off-system sales margins as
13 well as ECA costs are forecast, monthly swings could be significant yet have little
14 change to the year-end results.

15 **Q: Does Dr. Cita recommend forecasting off-system sales margins on a monthly**
16 **basis?**

17 A: No, he does not. Dr. Cita states in footnote 7 on page 5 of his testimony that the ECA
18 prices referred to throughout his testimony are gross of any credits due to off-system
19 sales profits and ACA factors. The monthly reports recommended by Dr. Cita would
20 include new monthly forecasts for all of the inputs to the ECA factor except off-
21 system sales margins, which would presumably remain at the levelized monthly value
22 provided in the annual filing prior to the beginning of the ECA year.

1 **Q: Dr. Cita argues that his monthly update process would provide for lower**
2 **adjustments at year-end. Do you agree with that argument?**

3 A: No, I do not. KCPL's process was designed, in part, to minimize the year-end
4 difference between the collected ECA revenue and actual ECA costs and off-system
5 sales margins. Dr. Cita's approach addresses only the costs included in the ECA
6 tariff and ignores the impact of variations in the projected off-system sales revenue.
7 Dr. Cita's approach relies on the premise that forecasts made nearer to the occurrence
8 of the event being forecast are likely to be closer to the actual resulting event. That
9 premise has merit; however, Dr. Cita leaves the off-system sales margin forecast
10 untouched throughout the year with no correction until year-end. I believe this
11 oversight may have resulted from the fact that other Kansas utility ECA tariffs
12 incorporate return of historical off-system sales margins, a figure that is known prior
13 to the calculation of the ECA factors and therefore does not require correction
14 throughout the year and with correction only for sales volumes at year-end. In the
15 case of KCPL's ECA tariff, the off-system sales margins are forecast for the coming
16 year and therefore require review and potential adjustment throughout the ECA year
17 in order to minimize the year-end correction factor. As KCPL's off-system sales
18 margins are a significant component of the ECA tariff and highly dependent on
19 market prices, they can be difficult to forecast. As KCPL is in the midst of a
20 significant construction program and must maintain adequate cash to fund that
21 construction, ensuring that the off-system sales margin forecast is not too high is
22 critical. Hence, KCPL's use of the 25th percentile of the forecast to begin the year.
23 The methodology for review within the ECA year compares expected year-end ECA

1 revenues to expected year-end ECA costs/margins and adjusts the remaining monthly
2 ECA factors to minimize the difference at year-end. Looking to the year-end
3 comparison to make adjustments is necessary to avoid making unnecessary monthly
4 adjustments based upon potential swings in the monthly off-system sales based on
5 market prices, available energy, or demand.

6 **Q: Will KCPL's proposal for in-year adjustments skew the monthly price signals to**
7 **customers?**

8 A: Any adjustment process will dampen or skew the price signal process. KCPL's
9 process will spread corrections across the remaining months of the ECA year with
10 minimal correction expected for the following ECA year. Dr. Cita's process will
11 spread corrections over the following ECA year.

12 **Q: Are Dr. Cita's recommendations reflected in the ECA tariff that Staff proposes?**

13 A: No they are not. The ECA tariff attached to Mr. Holloway's testimony as Exhibit
14 LWH-3 does not show any changes to the reporting proposed by KCPL. The
15 reporting described by Dr. Cita is contradictory to the tariff, in that it would replace
16 KCPL's proposed quarterly reporting and correction methodology with a monthly
17 calculation of the ECA factor. The proposed tariff allows for monthly ECA factors
18 that are prepared once a year, and only updated if necessary through out the year.

19 **Q: Does the Company support Mr. Cita's proposal?**

20 A: No, for the above stated reasons, it does not.

21 **Q: What is CURB's position regarding the ECA tariff proposed by KCPL?**

22 A: CURB opposes establishment of an ECA in favor of more traditional ratemaking
23 treatment for fuel and purchased power costs and off-system sales margins where

1 appropriate levels are defined and included in base rates. Ms. Crane notes a number
2 of reasons why KCPL's ECA proposal should not be approved including:

- 3 ▪ KCPL's primary dependence on nuclear and coal, both of which have relatively
4 stable fuel costs compared to oil and gas, thereby negating an underlying premise
5 of fuel adjustment clauses as a vehicle to recover rapidly changing costs;
- 6 ▪ KCPL's ability to file another rate case next year and KCPL's requirement to file
7 a rate case in two years thereby providing the opportunity to request rate relief for
8 fuel and purchased power cost increases if necessary; and
- 9 ▪ KCPL's decision not to file for an ECA in its 2006 rate case and the subsequent
10 requirement to file an ECA in this case.

11 **Q: Does CURB offer any other reasons for their opposition to implementation of an**
12 **ECA?**

13 A: Yes, it does. CURB also defines implementation of an ECA as single issue
14 ratemaking, as reimbursement ratemaking, and as a disincentive to KCPL to control
15 its fuel and purchased power costs. CURB goes on to state that an ECA mechanism
16 results in rate uncertainty for ratepayers, that Staff and CURB resources are
17 inadequate to conduct a comprehensive review of KCPL's purchasing decisions, that
18 Staff did not consider whether or not an ECA would reduce KCPL's overall risk, and,
19 finally, that an ECA effectively approves rate increases without knowing the
20 magnitude of those increases. Company witness Chris Giles addresses these points in
21 his testimony.

22 **Q: Do you agree with CURB's contention that KCPL is not significantly subject to**
23 **fuel price volatility because their primary generation fuels are nuclear and coal?**

1 A: No. Natural gas prices are extremely volatile. While natural gas is not a baseload
2 fuel for KCPL, off-system sales prices are correlated to natural gas prices. As off-
3 system sales are a significant component of KCPL's revenue, KCPL is, in fact,
4 subject to the volatile nature of the natural gas market.

5 **Q: Does rate relief through the traditional ratemaking process supported by CURB**
6 **provide for greater accuracy in recovery of fuel costs and off-system sales**
7 **margins and better protection for customers than the ECA mechanism proposed**
8 **by KCPL?**

9 A: No. In traditional ratemaking, fuel costs and off-system sales margins are projected
10 or otherwise set at a fixed level within the context of the rate case. If the level of off-
11 system sales margins are set too high or fuel costs are set too low, then the Company
12 does not fully recover its costs. If the level of off-system sales margins are set too
13 low or fuel costs are set too high, then customers pay more than necessary. The ECA
14 mechanism serves to better match fuel costs and off-system sales margins to actual
15 and provides a true-up mechanism at year-end.

16 **Q: Why does KCPL believe that an ECA is appropriate at this time?**

17 A: Fuel and purchased power costs are the most volatile of all costs the utility incurs.
18 They are dependent on many factors from plant availability, system configurations,
19 weather, etc. The proposed ECA, as presented in my Direct Testimony, was part of
20 an agreement in the last rate proceeding. KCPL agreed to work with the signatory
21 parties and try to find a common ground for a proposed ECA that would provide
22 some stability to the Company and its customers, while addressing Staff's interest in
23 having an ECA for all regulated utilities in the state of Kansas. An ECA, if correctly

1 applied will allow the utility to recover changes in costs more closely to when
2 incurred, which helps both the customer and Company. If prices drop, customers
3 receive the benefit sooner, while if costs increase, the utility receives reimbursement
4 for those expenses sooner and without need for a rate proceeding. This also provides
5 a more direct price signal to customers of changes that are occurring to the utility in
6 providing electricity.

7 **Q: What is your understanding of MUUG's position regarding the ECA tariff**
8 **proposed by KCPL?**

9 A: MUUG is also opposed to an ECA tariff. MUUG believes that the pass-through of
10 fuel and other costs provides a disincentive for KCPL to control costs. MUUG is also
11 concerned that implementation of an ECA tariff would create rate volatility. In his
12 Direct Testimony, MUUG witness Donald Johnstone offers suggestions to address
13 these concerns.

14 **Q: Do you agree that KCPL has a disincentive to control its fuel costs if an ECA**
15 **mechanism is in place?**

16 A: No. The ECA tariff proposed by KCPL does not provide any earnings or profits to
17 KCPL. It provides for 100% pass-through of both fuel and purchased power costs as
18 well as all off-system sales margins as an offset to the fuel costs. KCPL would not
19 have any incentive to increase its fuel costs passed through an ECA to increase its
20 earnings. Additionally, just as KCPL's fuel costs are reviewed within the context of a
21 rate case, the ECA methodology provides for a review process which would address
22 amounts from pass-through that Staff finds to be imprudent. KCPL shareholders
23 would have to absorb any such "imprudent" costs. Shareholders provide an

1 additional source of performance review and control. KCPL also continues to have
2 an incentive to maintain customer satisfaction. Failing to appropriately manage our
3 costs and then raising rates through the ECA simply because it is a pass-through
4 certainly would not bode well for customer satisfaction.

5 **Q: What alternative methods does MUUG propose?**

6 In answer to the cost control issue, MUUG proposes including 20% of ECA-related
7 costs in base rates and including minimum performance standards for major
8 generators. As outlined by Mr. Larry Holloway in his cross-answering testimony,
9 incentive clauses and performance standards were both addressed in the
10 Commission's April 19, 1977 order in Docket No. 106,850-U and found not to be
11 workable in the framework of an ECA. KCPL agrees with Mr. Holloway's
12 opposition to including ECA items in base rates or performance standards in an ECA
13 mechanism.

14 To address rate volatility, MUUG proposes a 5% rate cap for any ECA
15 increase. The KCPL proposed ECA tariff addresses rate volatility by identifying the
16 ECA factors prior to the beginning of a calendar year. These factors would change
17 only if the total projected annual net ECA cost significantly changes during the year,
18 thereby mitigating rate volatility

19 **Q: Does Staff also address MUUG's 5% rate cap proposal?**

20 A: Yes, it does. In Mr. Holloway's Cross-Answering Testimony (page 12), he states that
21 Staff could take action to smooth the ECA under their month-by-month proposal.

22 Setting the ECA month by month will create rate volatility, not mitigate it.

23 **Q: Does MUUG offer other modifications or suggestions?**

1 A: Yes, it does. MUUG also proposes to remove ECA costs from base rates on a month-
2 by-month basis; limit the duration of any ECA; provide for a prudence review; and
3 use a 50% probability for the off-system sales margin.

4 **Q: Does KCPL's proposal address these concerns?**

5 A: Yes. The ECA costs were removed from the base rates so that KCPL's base rate
6 structure will be higher in the summer months, as are the current rates, preserving fuel
7 price signals to consumers. As part of the Comprehensive Energy Plan, KCPL will
8 be filing additional rate cases, providing opportunity to review the ECA. The true-up
9 reconciliation filed after the end of an ECA year will be subject to review by the
10 Staff. As to the level of off-system margin to include in ECA, KCPL has proposed to
11 include the 25th percentile number in development of the ECA. During the year
12 KCPL could file for a change in the remaining monthly ECA factors to address any
13 anticipated difference in the ECA revenue collected and the ECA costs incurred.
14 ECA revenues and costs will always be trued-up to actual, flowing all off-system
15 sales margins to the retail rate payers.

16 **ORNAMENTAL STREET LIGHTS**

17 **Q: Please address the issue presented by the City of Mission Hills regarding**
18 **KCPL's Municipal Ornamental Street Lighting tariff?**

19 A: In September of 2004, in Docket No. 05-KCPE-087-TAR, the Commission approved
20 KCPL's Rate Schedule MOL - Municipal Ornamental Street Lighting Service
21 ("Schedule MOL"). Schedule MOL established a rate for ornamental lighting at
22 \$432-\$443 per light, per year. This specialized lighting service was provided at the
23 request of Mission Hills, and the specifications, size and design were established

1 based on the requirements of Mission Hills. The pricing of the tariff was based on the
2 incremental costs of providing and maintaining such lighting service. The tariff and
3 cost justification were both provided as part of the tariff filing.

4 **Q: Did the City of Mission Hills intervene in that Docket.**

5 A: No, it did not.

6 **Q: How can similar products within lighting tariffs differ between types of lights
7 and between different utilities?**

8 A: Pricing of outdoor lighting is very difficult to estimate. All cities, businesses and
9 many residents require outdoor lighting. Because it is capital intensive and requires
10 both operations and maintenance expense specific to the particular fixtures and types
11 of lights, it is often difficult to price, particularly when comparing products. This is
12 because utility rates are based on embedded costs and are established over time. Each
13 new lighting fixture installed typically is more costly to install than the existing
14 system costs for that type of fixture. Therefore, if the new fixture were priced at
15 current cost, it would be priced higher than the tariff rates charged by the Company.
16 The Company does not charge the higher price, but charges the tariff rate approved
17 by the Commission. However, when a utility has a request to provide a totally
18 different type of lighting fixture, pole, etc., such as the ornamental lights for the City
19 of Mission Hills, it must price that product and establish a tariff based on the current
20 cost of providing service, not on historical average costs of different equipment. This
21 causes significantly different prices within the tariffs of the utility particularly when
22 comparing prices by type of light.

1 **Q:** Ms. Christensen states that the City contacted Holophane, the ornamental
2 streetlight supplier, and inquired about purchasing such lights directly from
3 Holophane but was told by Holophane that KCPL objected to such a direct sale.
4 Is it KCPL's position that cities and other streetlight users may not secure their
5 own lighting and then request KCPL to supply the energy required to operate
6 such lights?

7 **A:** No, it is not. KCPL has a number of customers who own their streetlights and pay
8 KCPL only for the energy usage of those lights and other miscellaneous charges for
9 metering and distribution. In those situations, the customer is also responsible for
10 providing any maintenance service on the streetlights.

11 **Q:** The City of Mission Hills also intervened in KCPL's 2006 rate case, Docket No.
12 06-KCPE-828-RTS, regarding this same issue. Did KCPL discuss resolution of
13 this issue with the City during that proceeding?

14 **A:** ** [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED] **

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

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

Memorandum

Calculations of Unauthorized Use (UU) Fee in Kansas

Provided to: Tim Rush, Director, Regulatory Affairs, KCP&L Co.

Provided by: Steven Glenn, KCP&L Co.

Purpose: This memorandum provides the basis of KCP&L's calculation of the Unauthorized Use fee used in the Company's Customer Information System (CIS).

Intent: To recover a reasonable minimum cost for work required to resolve Unauthorized Use in Kansas.

Background: Currently, KCP&L's does not have an established minimum charge for resolving the Unauthorized Use (UU) of electricity in Kansas. KCP&L does not have the systems in place to capture exact labor costs, equipment costs, vehicle costs and overheads associated with each instance of UU in order to provide them in a timely, cost effective manner. As an alternative, the Company proposes a minimum UU charge that represents the average reasonable cost for KCP&L to investigate and remedy a basic UU field condition. Such a charge would facilitate and expedite the billing and resolution process, and provide the responsible customer a quick summary of restitution required to reestablish service. Since UU is a direct result of unauthorized action taken by an individual or his agent, the cost incurred by KCP&L to address this action most rightfully lies with the individual as opposed to the general ratepayers. UU in this context is defined as follows: to use or receive the direct benefit of all, or a portion of, the utility service with knowledge of, or reason to believe that, diversion, tampering, or other unauthorized connection existed at the time of the use, or that the use or receipt was fraudulent, and/or without the authorization or consent of the utility.

Overview: 2005 Direct internal cost and internal labor rates loaded at 1.45% for benefits were relied on to estimate current cost to investigate and remedy a single UU condition. Supervision expenses were not considered. No provision for future inflation of costs were considered here as well.

UU conditions require time and resources to remedy. The following items represent the average minimum cumulative cost of these efforts.

Tampering Investigation

- Pole work: \$30.00, which represents 15 minutes of loaded Journeyman Lineman labor, and 15 minutes travel with vehicle, devoted to responding to and disconnecting electric service at the pole to deter further tampering, and protect our commodity.
- Technical Assistance: \$28.00, which represents 15 minutes of loaded Journeyman Meterman Foreman labor, and 15 minutes travel with vehicle, devoted to responding to and providing Journeyman assistance to Revenue Protection Rep (RPR) investigating and documenting tampering condition.

- RPR Investigation: \$50.00, which represents 15 minutes of loaded RPR labor devoted to office investigation and preparation, 15 minutes travel with vehicle, 45 minutes of field investigation, and associated documentation, paperwork, billing, evidence storage and CIS updates.
- RPR Field Call: \$3.38, which represents 5 minutes of loaded Senior Clerk labor devoted to handling RPR field call and updating CIS.
- Miscellaneous Material: \$2.00, which represents cost of Seal, Boots, Door hangar and Warning Sticker.
- CCC Call: \$3.00, which represents 6 minutes of loaded Customer Advocate labor devoted to responding to customer call and reviewing and updating CIS, advising on cash payment/deposit arrangements, and pay station, or agency referral.
- RevPro Call: \$14.09, which represents 30 minutes of loaded Senior Clerk labor devoted to handling customer questions, disputes and screening including CIS UWO review, Pos ID/Credit Search, Landlord Check, Utility Check, billing questions/arrangements, and updating CIS.
- Meter Can Repair: \$20.00, which represents 15 minutes of loaded Journeyman Meterman labor, and 15 minutes travel with vehicle, devoted to responding to and performing meter can maintenance/repair so metering is safe and secure following tampering.

**In total, the estimated average minimum cumulative cost of these efforts is \$150.47.
(\$30.00 + \$28.00 + \$50.00 + \$3.38 + \$2.00 + \$3.00 + \$14.09 = \$150.47)**

Diversion Investigation

- Pole work: \$30.00, which represents 15 minutes of loaded Journeyman Lineman labor, and 15 minutes travel with vehicle, devoted to responding to and disconnecting electric service at the pole to deter further tampering, and protect our commodity.
- Technical Assistance: \$28.00, which represents 15 minutes of loaded Journeyman Meterman Foreman labor, and 15 minutes travel with vehicle, devoted to responding to and providing Journeyman assistance to Revenue Protection Rep (RPR) investigating and documenting tampering condition.
- RPR Investigation: \$50.00, which represents 15 minutes of loaded RPR labor devoted to office investigation and preparation, 15 minutes travel with vehicle, 45 minutes of field investigation, and associated documentation, paperwork, billing, evidence storage and CIS updates.
- RPR Field Call: \$3.38, which represents 5 minutes of loaded Senior Clerk labor devoted to handling RPR field call and updating CIS.
- Miscellaneous Material: \$2.00, which represents cost of Seal, Boots, Door hangar and Warning Sticker.
- Billing Adjustment: \$14.09, which represent 30 minutes of loaded Senior Clerk labor devoted to reviewing CIS account and CellNet usage history in order to calculate and generate a manual billing adjustment and process in CIS.

- CCC Call: \$3.00, which represents 6 minutes of loaded Customer Advocate labor devoted to responding to customer call and reviewing and updating CIS, advising on cash payment/deposit arrangements, and pay station, or agency referral.
- RevPro Call: \$14.09, which represents 30 minutes of loaded Senior Clerk labor devoted to handling customer questions, disputes and screening including CIS UWO review, Pos ID/Credit Search, Landlord Check, Utility Check, billing questions/arrangements, and updating CIS.
- Meter Can Repair: \$20.00, which represents 15 minutes of loaded Journeyman Meterman labor, and 15 minutes travel with vehicle, devoted to responding to and performing meter can maintenance/repair so metering is safe and secure following tampering.

In total, the estimated average minimum cumulative cost of these efforts is \$166.56. (\$30.00 + \$28.00 + \$50.00 + \$3.38 + \$2.00 + 14.09 + \$3.00 + \$14.09 = \$166.56)

Fraud Investigation

- Account Research: \$42.00, which represents 30 minutes of loaded Senior Clerk labor devoted to in depth CIS account review, plus 30-minute Utilities Check, and Credit Search, 30-minute Landlord Check and Public Records search to trace and document customers true whereabouts and fraudulent activity.
- Posting Notification: \$46.00, which represents 30 minutes of loaded Revenue Protection Rep. (RPR) labor, and 15 minutes travel with vehicle, devoted to preparation, posting request for information, customer contact and investigation to gather evidence, processing paperwork and updating CIS.
- Telephone Notification Call: \$7.00, which represents 15 minutes of loaded Senior Clerk labor devoted to discussing documentation provided, or needed from Customer, notice of pending disconnect and updating CIS.
- Field Disconnect: \$46.00, which represents 30 minutes of loaded Revenue Protection Rep. (RPR) labor, and 15 minutes travel with vehicle, devoted to preparation, posting, customer contact, documentation, disconnect, call-in and paperwork.
- 1st RevPro Call: \$7.00, which represents 15 minutes of loaded Senior Clerk labor devoted to responding to customer questions, disputes, screening, reviewing CIS/NetFYI documentation, advising on cash payment/deposit arrangements, and pay station, or agency referral.
- 2nd RevPro Call: \$7.00, which represents 15 minutes of loaded Senior Clerk labor devoted to including CIS UWO review, Pos ID/Credit Search, Landlord Check, Utility Check, billing questions/arrangements, and updating CIS.

In total, the estimated average minimum cumulative cost of these efforts is \$155.00. (\$42.00 + \$46.00 + \$7.00 + \$46.00 + \$7.00 + 7.00 + \$7.00 = \$155.00)

The average cumulative minimum cost to KCP&L for processing a single UU transaction is currently \$157.34 based on the above figures.