

**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 BEGIN THE
IMPLEMENTATION OF ITS REGULATORY PLAN**

DOCKET NO. 06-KCPE-828-RTS

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

2 A: My name is Timothy M. Rush. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106.

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

5 A: I am employed by Kansas City Power & Light Company (“KCPL” or the
6 “Company”) as Director, Regulatory Affairs.

7 **Q: Are you the same Timothy M. Rush who pre-filed direct testimony in this case?**

8 A: Yes, I am.

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

10 A: The purpose of my testimony is to respond to the testimony of certain witnesses of
11 the Staff of the Kansas Corporation Commission (“Staff”) and intervenor witnesses
12 regarding the subjects of rate design and rules and regulations. Specifically, I will
13 address Staff witness Sonya Cushinberry regarding her recommendations on the
14 Company’s proposed changes to its rules and regulations, including the approval of

1 the use of credit or debit cards and the cost recovery of the program. I will address
2 Staff witness Al Maxwell regarding his recommendation on rate design and
3 particularly how it would be applied to the Company's rates in determining the
4 appropriate rate design. I will address the testimony of James Selecky, representing
5 Wal-Mart, Inc., regarding his recommendation on the implementation of the rate
6 increase. Additionally, I will address the testimony of Don Johnstone, representing
7 Midwest Utility Users Group ("MUUG"), regarding his recommendation to utilize his
8 class cost of service ("CCOS") study and then increase rates by an equal percentage.
9 Lastly, I will discuss the street lighting tariff filed and approved by the Kansas
10 Corporation Commission ("KCC"), which is the subject of testimony by witness
11 Courtney Christensen, representing the City of Mission Hills, Kansas.

12 **Rules and Regulations**

13 **Q: Please address the issues that the Company has with Ms. Cushinberry's**
14 **proposal regarding its rules and regulations.**

15 **A:** As I understand, Ms. Cushinberry is recommending approval of certain rules and
16 regulation changes proposed by the Company. This includes:

- 17 a. The increase in the check charges from \$10 to \$30.
- 18 b. Approval of the use of credit and debit cards for residential customers.

19 Although Ms. Cushinberry recommends approval of this program, she
20 recommends no recovery of the cost of the program on the basis that KCPL
21 uses an estimated cost. I disagree with her position. Throughout this case, the
22 Company, Staff and other parties have used estimates in determining the
23 appropriate level of cost of service, rate base and revenue requirements. The

1 Company recommends that an estimate be placed in this case to recover the
2 estimated costs for allowing payment by credit or debit cards. The Company
3 will be before this Commission as early as next year at which time any costs
4 can be trued-up. Without cost recovery of the program, the Company will not
5 be able to proceed with the program.

6 c. Ms. Cushinberry also supports the wording changes to reflect the deletion of
7 “seasonal.”

8 d. Approves of the merging of LIABILITY OF COMPANY and CONTINUITY
9 OF SERVICE into a single discussion.

10 Ms. Cushinberry recommends that KCPL spin-off in a separate docket the remaining
11 Company-proposed changes to be addressed at a later time. This includes:

12 a. Definitions

13 b. Changes to the proposed charges for terminating services at the meter, pole,
14 and several other Company proposed changes.

15 **Q: Do you agree with her recommendation regarding a separate docket for these**
16 **issues?**

17 A: In part, I would accept Staff’s recommendation to spin-off some of the Company
18 proposed changes to a separate docket if the Commission could approve those
19 changes without the requirement of a full rate case. Some of the proposed changes
20 reflect changes in the tariff prices charged for services. The Company believes that
21 most of these issues can easily be addressed in this proceeding.

1 Rate Design

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

4 A: My main concern regarding the proposed changes recommended by Mr. Maxwell
5 deal with clarity. He is recommending that the rate design recommended by the
6 Company be approved with certain limitations. Mr. Maxwell recommends changes to
7 the residential service charge from \$5.78 to \$7.00 for single-metered services and
8 from \$7.23 to \$8.75 for customers with two-meter service, both less than requested.
9 He further accepts the Company's proposed modifications to the residential class rate
10 design, except he limits the modifications to no more than a 50 percent increase or
11 decrease of the amount recommended by the Company. Therefore, if the Company
12 were recommending to modify a price by \$0.03/kwh before the rate increase, this
13 would be limited to \$0.015/kwh. The Company spent a great deal of time addressing
14 the proposed tariff changes and believe that the changes are appropriate. To place a
15 limitation on the proposed changes may cause some problems in determining the
16 appropriate revenues linked to the rate design. Mr. Maxwell's recommendation to
17 determine if the rate design reflects the appropriate revenue level after the overall
18 case is determined is a wise recommendation.

19 **Q: Do you have any other issues with the testimony presented by Mr. Maxwell?**

20 A: The Company recommended a change in the General Service classes for space
21 heating. The Company modified the rate design, but specifically modified the
22 language to increase the flexibility of customer qualifications. This was not

1 addressed in any testimony by Staff witnesses and my assumption is that the Staff has
2 no issue with the proposal.

3 **Q: What is the recommendation of Wal-Mart witness James Selecky regarding the**
4 **implementation of any rate increase approved by this Commission?**

5 A: Mr. Selecky testifies that the KCC should reject KCPL's use of the average and peak
6 method to allocate its fixed production and transmission costs among KCPL's rate
7 classes. He argues that KCPL's method over-allocates costs to high load factor
8 customers. Mr. Selecky recommends instead that the KCC use either the coincident
9 peak method, or the average and excess demand method to allocate such costs.

10 **Q: Do you agree with his statements?**

11 A: No. As presented by Company witness Lois J. Liechti, the Company's allocation
12 method recognizes the peak demands placed on the system, as well as the types of
13 generation equipment installed to support both the peak demand and energy
14 consumption of the customer on the system. Mr. Selecky's proposed methodology
15 would allocate a base load nuclear or coal power plant in the same manner it would
16 allocate a peaking gas-fired plant through the coincident peak method. While gas
17 peaking units are typically designed for only peaking requirements, base load units
18 are designed to essentially run around the clock. By allocating the base load units on
19 the coincident peak demand only would disproportionately charge peaking type
20 customer classes a higher capacity costs than customers whose use is more spread out
21 through the year. This would not be appropriate given the mix of generating units the
22 Company has installed and the manner in which they are used. The base load
23 generating units are more reflective of full-time units. If they are not selling to retail

1 customers, those units are selling to the open market and providing support for retail
2 customers by providing off-system margins. These units should not be allocated
3 simply on four summer peak demands, as suggested by Mr. Selecky. The Company's
4 allocation method of average and peak reflects the types of units and the manner in
5 which they are used. The second allocation method recommended by Mr. Selecky is
6 the average and excess method. This method only focuses on the retail load's load
7 factors and the utilization of equipment.

8 **Q: Is Mr. Selecky recommending the use of his proposed methodologies?**

9 A: Yes. While Mr. Selecky accepts KCPL's recommendation that a rate increase should
10 be applied equally to the customer classes, he qualifies that it should only occur if the
11 full, request is granted. If a reduced increase is granted, Mr. Selecky recommends that
12 any such reductions be applied in a manner that corrects excess revenues that have
13 been assigned to particular classes, based on the rates established through his study.

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

15 A: Not completely. It is the Company's position that the rate increase be equally
16 distributed to all classes and that all additional changes recommended by the
17 Company in its initial filing be implemented. However, if the Commission accepts
18 Mr. Selecky's position, KCPL would recommend that proposed changes be in
19 conformance to the CCOS study as presented by the Company.

20 **Q: Please describe your understanding of Mr. Johnstone's proposed rate design.**

21 A: Mr. Johnstone recommends that the first step in rate design should be to adjust
22 KCPL's *current* rates to reflect the results of its CCOS study. Specifically,

1 Mr. Johnstone suggests that KCPL's current rates be adjusted as follows to reflect the
2 actual cost of serving the various classes.

3	Residential	4.4%
4	Small General Service	-1.4%
5	Medium General Service	-11.4%
6	Large General Service	-4.9%
7	Large Power Service	-0.6%
8	Off-Peak Lighting	-4.1%
9	Other Lighting	45.3%

10 Mr. Johnstone suggests that after these adjustments are made, it would be appropriate
11 to allocate any increase in KCPL's revenue requirement granted in this case among all
12 classes of customers on an equal percentage basis.

13 **Q: Do you agree with his recommendation?**

14 A: No. Mr. Johnstone fails to address some of the most critical components of the
15 Company's position on rate design. While the Company recommends an equal
16 percentage to the classes, the Company is proposing numerous changes to reflect
17 changes in the residential rates and general service rates.

18 **Ornamental Street Lights**

19 **Q: Please address the issue presented by Mission Hills regarding the Municipal
20 Ornamental Street Lighting tariff?**

21 A: Yes. In September of 2004, the KCC approved KCPL Rate Schedule MOL -
22 Municipal Ornamental Street Lighting Service ("Schedule MOL"). Schedule MOL
23 establishes a rate for ornamental lighting at \$432-\$443 per light, per year. The

1 lighting service was provided at the request of Mission Hills. The specifications, size
2 and design were established based on the requirements of Mission Hills. The pricing
3 of the tariff was based on the incremental costs of providing and maintaining the
4 lighting service. The tariff and cost justification were both provided as part of the
5 tariff filing. The tariff was approved by the KCC.

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. It is something that all cities,
9 businesses and residents require. Because it is capital intensive, and requires both
10 operations and maintenance expense specific to the particular fixtures and types of
11 lights, it can often become difficult to price, particularly when comparing products.
12 This is because utility rates are based on embedded costs and are established over
13 time. Each new fixture installed typically is more costly to install than the existing
14 system costs for that type of fixture and the cost for the new fixture, if priced at
15 current prices, would have a price higher than the tariff price charged by the
16 Company. The Company does not charge the higher price, but charges the tariff
17 approved by the Commission. However, when the utility is requested by a city to
18 provide a totally different type of lighting fixture, pole, etc., it must price its product
19 based on the current cost of providing service, not historical averages of different
20 equipment. This will cause significantly different prices within the tariffs of the
21 utility and particularly different if you are comparing prices by type of light.

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

23 A: Yes, it does.

