PUBLIC VERSION

*"**[redacted]**" Designates Confidential Information Has Been Removed.*
Certain Schedules Attached to this Testimony Also
Contain Confidential Information And Have Been Removed.

BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

DIRECT TESTIMONY OF

TIM 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-____-RTS

Q: Please state your name and business address.

A: My name is Tim M. Rush. My business address is 1201 Walnut, Kansas City, Missouri 64106-2124.

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

A: I am employed by Kansas City Power & Light Company ("KCPL" or "Company") as Director, Regulatory Affairs.

Q: What are your responsibilities?

A: My general responsibilities include overseeing the preparation of the rate case, class cost of service and rate design of the Company. I am also responsible for overseeing the regulatory reporting and general activities specific to Missouri and the Missouri Public Service Commission ("MPSC").

Q: Please describe your education, experience and employment history.

A: In addition to public schools, I received a Master's Degree in Business Administration from Northwest Missouri State University in Maryville, Missouri. I did my undergraduate study at both the University of Kansas in Lawrence and the University of Missouri in Columbia. I received a Bachelor of Science Degree in Business Administration with a concentration in Accounting from the University of Missouri in Columbia.

Q: Have you previously testified in a proceeding at the Kansas Corporation Commission ("KCC") or before any other utility regulatory agency?

A: Yes. I provided testimony in KCPL's 2006 rate case, Docket No. 06-KCPE-828-RTS ("2006 Rate Case). I have also testified on numerous occasions before the MPSC.

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to provide the retail revenue adjustment to reflect the annualized and normalized revenue level for the Kansas jurisdiction. I will also support and explain KCPL's proposed Energy Cost Adjustment ("ECA") mechanism filed in compliance with the 2006 Rate Case Stipulation and Agreement. In addition, as part of the Stipulation and Agreement in our 2006 Rate Case, KCPL agreed to file a class cost of service study and rate design on or before May 1, 2007, after the initial case is filed. My direct testimony will discuss KCPL's rate design prior to the availability of the results of that class cost of service study, and including the implementation of the ECA mechanism.

Additionally, I am sponsoring several proposed changes to the Company's Rules and Regulations.

I. ANNUALIZED/NORMAIZED REVENUES

Q: Were the retail revenues included in this filing prepared by you or under your supervision?

A: Yes, they were.

Q: Will you describe the method used in developing the revenues for this case?

A: Both the kWh sales and customer levels by rate class were developed by Company witness George M. McCollister. Mr. McCollister explains those figures in his direct testimony. The Company developed monthly bill frequencies for 2006 that contained the actual billing units for each of the billing blocks for the various rate components. For example, the residential general use rate has several billing blocks in the winter period, while only one billing block in the summer period. The bill frequency collected the actual usage that is billed in each of the billing blocks for each month in the winter period. It also collects the actual number of customers in each of the months. By applying the actual rates to the usage in each of the billing blocks, the actual revenues can be reproduced. This method provided the basis for determining the overall revenues to be used in this case. The Company determined monthly revenues by applying the normalized sales and customer levels for each month represented in the test period to the corresponding billing frequency and the actual rates in effect for that period. This was done for each rate for each month. Because new rates became effective on January 1, 2007, the revenues from this calculation were then increased by the rate increase amounts that took effect on January 1, 2007. The sum of these revenues was compared to the actual 2006 revenues to determine the revenue adjustment contained in Adj-49 of Schedule JPW-2, attached to the direct testimony of John P. Weisensee.

II. <u>ENERGY COST ADJUSTMENT ("ECA")</u>

Q: Why is KCPL proposing an ECA mechanism in this case?

A: In accordance with the Stipulation and Agreement in the 2006 Rate Case, KCPL is proposing an ECA mechanism, including a proposed ECA tariff, in this case to take effect January 1, 2008.

Q: Are you sponsoring the ECA tariff filed in this case?

A: Yes, I am. The ECA tariff is attached to my direct testimony and identified as Schedule TMR-2.

Q: Does KCPL's proposed ECA mechanism comply with the requirements set out in the Regulatory Plan and 2006 Rate Case stipulation and agreements for any such proposed mechanism?

A: Yes, it does.

Q: How did KCPL develop the proposed ECA mechanism?

A: KCPL reviewed the structure of a number of current electric utility ECA tariffs, reviewed the testimony entered in the 2006 Rate Case regarding ECA mechanisms and tariffs proposed by the KCC Staff, and held several meetings with the signatory parties to the 2006 Rate Case Stipulation and Agreement to discuss the parties' specific individual concerns regarding an ECA mechanism.

Q: What parties participated in discussions that led up to this proposal?

A: The Company, KCC Staff, the Citizens' Utility Ratepayer Board ("CURB"), Wal-Mart and the Midwest Utility Users Group ("MUUG"), which includes several Kansas School

Districts and small commercial/industrial companies, participated in discussions that led to the development of the proposed ECA mechanism. As part of the Stipulation and Agreement in the 2006 Rate Case, the Company and other parties agreed to meet and discuss the ECA in collaboration. Since the December Order in that case, two meetings were held in which many of the issues and topics addressed in my testimony were addressed with the parties. While the proposed ECA mechanism is not a joint offering of the parties and does not represent a consensus of the parties, KCPL incorporated elements into the ECA mechanism to address concerns raised by the parties both in their testimony in the 2006 Rate Case and in the above-mentioned meetings. KCPL was precluded from including some of the parties' ideas, specifically those involving incentive-based mechanisms, because of restrictions within the Regulatory Plan Stipulation and Agreement that prevent KCPL from proposing such an option.

Q: **Did the Company consider other mechanisms in the development of its proposed ECA mechanism?**

A: Yes. The Company reviewed a number of mechanisms throughout the United States for investor-owned utilities, some of which serve in multiple jurisdictions. Attached as Schedule TMR-1 is a summary of the various utilities reviewed and some of the highlights of their ECA mechanisms.

Q: **Please provide some highlights of the results of the review of other utilities ECA mechanisms?**

A: The review of other utilities' existing mechanisms revealed a number of items worth noting and relevant for consideration in the development of the Company's proposed

ECA tariff. Those areas include the following, and are further described in Schedule TMR-1.

- The adjustment periods for the various ECAs vary. Annual revisions usually are supplemented by interim revisions, with triggers based on dollar amounts or percentages of energy cost in the settlement account;
- Rolling averages are not normally included as a component of these riders/tariffs;
- Most ECA mechanisms are based on forward-looking costs, with balancing accounts, typically over a period of at least a few months;
- Voltage level differentiation in the ECA is not normally included as a component of the ECAs;
- Environmental cost recovery is common, and sometimes included as a separate rider;
- Off-system sales are recognized in most cases; and
- Incentive mechanisms are not common.

One general observation is that regulatory practices differ across states and produce differences in structure as well as frequency of price changes and price revisions. Each standard may have its own conceptual boundaries but the outcome is fairly similar: monthly revisions, or annual revisions with provision for more frequent revision if needed, yielding a fairly stable ECA pattern over the course of the year.

Q: How will the proposed ECA mechanism affect the requested increase in this case?

A: KCPL calculated its total revenue requirement, including fuel expense, purchased power expense and off-system sales margins, and then subtracted from the revenue requirement amounts which will be recovered under the ECA tariff, with the remainder of the revenue requirement to be collected in base retail energy rates.

Q: Please describe generally the ECA mechanism you are proposing?

A: The proposed ECA mechanism is designed to reflect monthly changes in fuel and purchased power costs and to credit to retail customers the annual margins from off-system sales. The proposed ECA also includes an annual true-up provision to correct for any differences between projected and actual costs and margins, to assure complete cost recovery and assure that customers receive the full benefit of KCPL's off-system sales margins.

The Company is proposing that, prior to the beginning of each calendar year, KCPL will determine its expected monthly energy cost to serve its retail, requirements sales for resale and long-term bulk power customers. At the same time, the Company will determine the annual off-system sales margin at the 25^{th} percentile for serving short-term bulk power sales expected in the upcoming year. The purpose for selecting the 25^{th} percentile as the basis for determining the off-system sales margin is addressed later in my testimony and also in the direct testimonies of KCPL witnesses Chris B. Giles and Michael M. Schnitzer. The ECA factor for each month of the coming calendar year, in $/kWh, will then be calculated by taking the estimated monthly energy cost per kWh, less a credit for the estimated annual off-system sales margins at the 25^{th} percentile divided by the estimated annual kWh sales to retail, requirements sales for resale and long-term bulk power customers. A true-up provision is included to adjust for the actual revenues recovered through the ECA in comparison to the actual energy costs and actual off-system sales margins after each annual ECA period.

The ECA amount on each customer bill will be calculated such that the ECA factor for each calendar month within the billing period is applied to the estimated usage for the appropriate calendar month (i.e., prorated). The ECA charge for each month will be for usage on and after the 1^{st} of the month to correspond to the fuel and purchased power costs projected for the month.

Q. How will the ECA be computed?

A. The computation is detailed in Schedule TMR-2 which shows the proposed ECA tariff. Because KCPL provides retail electricity to Missouri and Kansas and also provides sales for resale to a number of communities, KCPL proposes to determine the ECA based on a total KCPL basis to appropriately determine allocations between jurisdictions. Each of the following components used in the calculation of the monthly ECA factors would be on a total KCPL basis. The resulting ECA factors are on a $/kWh basis.

Monthly Projected Energy Cost Portion:

The projected monthly cost of fuel, purchased power, emission compliance , and related transmission costs necessary to provide generation for KCPL retail, requirements sales for resale and long-term bulk power sales customers, divided by the projected monthly KCPL retail, requirements sales for resale and long-term bulk power sales customers.

LESS:

Projected Off-System Sales Margin Credit Portion:

The annual projected KCPL off-system sales margin at the 25^{th} percentile, divided by the annual projected KCPL retail, requirements sales for resale and long-term bulk power kWh sales.

LESS:

<u>Annual True-up Amount:</u>

After the first year of application of the ECA tariff, an annual true-up amount will be calculated each subsequent year in total Kansas jurisdictional dollars – by comparing actual revenue collected under the ECA vs. actual Kansas jurisdictional costs and credits, and taking into account any correction factor applied as the result of a true-up for previous years. The true-up adjustment will be filed on or before the 1st of March of each year and will take effect beginning with April kWh usage. The true-up amount will be spread over the projected kWh sales for Kansas retail, requirements sales for resale and long-term bulk power sales the following 12-month period (April 1 through March 31).

Q: Will KCPL monitor how the projected revenue from the ECA is tracking against projected costs and off-system sales margins throughout the year?

A: Yes. KCPL will submit a report on or before the 25th of April, July and October. In each report, KCPL will compare the original projections on a total combined revenue basis (Energy Cost – Off-System Sales Margin Credit) and the then-current year-end projections. If these two projections become significantly out of balance during the year, the remaining monthly ECA factors may be adjusted to address the anticipated year-end gap.

Q. What considerations were addressed in developing the ECA mechanism?

A. KCPL addressed nine specific issues in the development of the ECA. I will discuss each one:

1.) **<u>Minimize unfavorable cash flow impacts</u>:** As presented by the Company throughout the 2006 Rate Case and in the Regulatory Plan docket, Docket 04-

KCPE-1025-GIE, cash flow is a significant issue for KCPL over the next few years as we implement our Comprehensive Energy Plan. To ensure adequate cash flows, the Company proposes to use forecasted fuel and purchased power costs and the 25th percentile of projected off-system sales margins for determining the level of off-system sales margins to be included in the ECA mechanism each year. This is then trued-up each year to reflect actual levels of expense and margins.

2.) **Minimize frequency of changes to ECA factor:** At the beginning of each calendar year, KCPL proposes to set the ECA factor (on a $/kWh basis) for each month of the upcoming year. Changes to monthly ECA factors within the year, other than for application of the annual true-up correction factor, would only be initiated if the original annual projections on a total combined basis (fuel/purchased power costs – off-system sales margins) and the then-current year-end projections become significantly out of balance. This methodology minimizes the frequency of changes to the ECA factor and provides customers the opportunity to plan for expected changes in the ECA factor.

3.) **Maintain reasonable level of fuel cost variability for price signaling:** At the beginning of each calendar year, KCPL proposes to project fuel/purchased power costs for each month of the upcoming year. This methodology retains monthly fuel cost variability for price signaling to consumers and, because the ECA factors would be set for the entire year, customers would be able to plan and adjust based upon expected monthly ECA factors.

4.) **Provide for 100% of Kansas jurisdictional asset-based off-system sales margins to be credited back to Kansas retail customers using forward-**

looking/projected off-system sales margins: While Westar's Retail ECA tariff uses the actual annual average for the three-year period ending June 30 of the year prior to the effective year for determining asset-based sales revenue and cost, KCPL believes that a preferable approach is to use the projected off-system sales margin consistent with the effective year to determine the credit. For example, projected off-system sales margins for 2008 at the 25th percentile, determined prior to the start of the calendar year in KCPL's budgeting process, would provide the basis for the off-system sales margin credit for the ECA charges during calendar year 2008. As described in the testimony of KCPL witness Michael M. Schnitzer, such a forward-looking approach provides a better estimate of anticipated margins than a historical average.

In order to protect for the high risk associated with off-system sales margins, the Company proposes to use the 25th percentile in the determination of the proposed ECA mechanism. The annual true-up mechanism provides for all asset-based off-system sales margins to be credited back to Kansas retail customers. The inclusion of only asset-based off-system sales margins in the ECA is consistent with the Westar Retail ECA.

5.) **Price signal vs. smoothing of variability of ECA charge**: Given the magnitude of KCPL's off-system sales margins, using monthly projections of fuel and purchased power costs and off-system sales margins will likely result in significant price volatility with high prices in the summer months when fuel and purchased power costs tend to be higher due to increased gas generation and purchased power costs while, at the same time, off-system sales margins tend to be low as there is little generation available for sale outside the retail market. ECA charges in the winter months would likely be low due to KCPL primarily using coal generation to serve retail load in combination with higher off-system sales margins. The magnitude of these swings in the ECA might be too wide for customers. KCPL proposes smoothing the variability by levelizing the annual off-system sales margin credit over the year while allowing the projected energy cost to fluctuate monthly.

6.) **Provide appropriate cost recovery of environmental compliance costs:** KCPL includes an emissions factor in its proposed ECA tariff, which is similar to the Emissions Factor (E_P) for projected emission allowance costs used in Westar's Retail ECA tariff. While SO_2 emission allowance sales/purchases are addressed within the scope of KCPL's SO_2 Emissions Allowance Management Policy, NOx emission laws are scheduled to go into effect in 2009 and mercury appears to be on the horizon. Carbon controls also remain on the list of compliance costs but the form of such costs is still in question. An appropriate emissions factor should be included to address these impending costs.

7.) **Provide appropriate jurisdictional allocation:** KCPL's proposed ECA tariff separates, on an energy basis, off-system sales margins, the revenues and costs of serving short-term bulk power sales to be allocated. This method is consistent with Westar's and Empire District's energy adjustment mechanisms in Kansas.

8.) **Provide for symmetrical true-up application:** KCPL proposes an annual symmetrical true-up (over- or under-recovery) to occur in the first few months of each calendar year and be applied prospectively over a 12-month period. Such annual process would avoid the need for in-depth monthly reviews by Staff and other parties, but would allow for an annual review. Regular reporting is proposed in the tariff to keep track of the status of actual revenues against projections.

9.) **<u>Provide opportunity for out of period adjustment</u>:** It is essential to have the opportunity to adjust the ECA charge more frequently than annually if revenues from the ECA appear to be inconsistent with actual costs or if projected off-system sales margins are significantly different than originally projected.

III. ELECTRIC RATE DESIGN

Q: Are you sponsoring the electric tariffs filed in this case?

A: Yes, I am.

Q: Please describe generally the electric tariffs and the proposed changes set out in these tariffs?

A: The Company is recommending an overall increase in rates of $47.1 million (10.82%). As just described, the Company is proposing an ECA mechanism to address changing fuel, purchased power, and related costs. The tariffs being filed as part of this case reflect both of these elements. In the 2006 Rate Case, the Company made several changes in rate design and shifted some revenues between classes to reflect the results of the class cost of service study. Also, as part of the 2006 Rate Case, the Company agreed to incorporate a proposed ECA mechanism into this 2007 Rate Case and to file another class cost of service study and new rate design by May 1, 2007. Therefore, the tariffs filed at this time are based on applying the overall percentage increase to all tariffs (10.82%) and then subtracting out the fuel and purchased power costs and crediting the off-system sales margins associated with the ECA. On or before May 1, 2007, the Company will file a full class cost of service study, along with proposed rate design, to reflect the results of the study and address any additional rate design issues.

Q. Please explain how the fuel and purchased power costs and the off-system sales margins were determined?

A. Attached as Schedule TMR-3 (Confidential) is a computation of the projected ECA amounts built into the proposed rate increase. Overall, this amounts to a Kansas retail jurisdictional amount of **[redacted]**. This amount was backed out of the retail tariffs after the overall rate increase percentage was applied.

Q. How was the ECA amount ([redacted]**) deducted from the tariffs?**

A. The Company's tariffs are seasonal rates, based on summer/winter rates. The summer period covers four equivalent months beginning May 15th and ending September 15th. The winter period is eight equivalent months beginning September 16th and ending May 14th. Our current prices to retail customers have higher summer rates than winter rates, partially because fuel and purchased power costs are higher in the summer than in the winter. Summer costs per unit of energy tend to be higher because the Company experiences increased gas and oil generation and increased purchased power costs in addition to its base load nuclear and coal generation. Gas and oil generation and summer purchased power costs tend to have a much higher cost per unit of energy than does nuclear and coal generation. In the winter months, the Company is able to generate electricity primarily with lower cost per unit of energy sources, nuclear and coal. The summer/winter cost split for fuel and purchased power costs for serving retail customers in 2005 and 2006 was 46.9% summer and 53.1% winter. This means that, while the summer period only covers only one third of the year, it has about 47% of the fuel costs. These percentages represent fuel and purchased power costs before credit for off-system sales margins. These percentages were applied to the overall fuel and purchased power costs determined in this filing, before any credit for off-system sales margins, to derive a summer and winter energy cost. The summer/winter costs were divided by the respective summer/winter usages (in kWh), to come up with energy rates prior to crediting the off-system sales margins. The next step was to calculate the annual credit to subtract from these energy rates to reflect the off-system sales margins. This was accomplished by simply taking the off-system sales margin divided by the annual sales (in kWh). This amount was subtracted from the summer and winter energy rate to derive the overall projected ECA amount to be subtracted from the base rate. The ECA rate subtracted from the summer retail rate schedules was $0.0103 /kWh while $0.0066 /kWh was subtracted from the winter retail rate schedules.

Q. Are there any other changes the Company is recommending?

A: Yes, we are proposing several modifications in the Rules and Regulations of the Company.

IV. RULES AND REGULATIONS

Q: Does KCPL's filing address changes to the Company's Kansas Rules and Regulations?

A: Yes. In the 2006 Rate Case, the Company filed a number of proposed changes to its electric Rules and Regulations. KCC Staff witness Sonya Cushinberry testified regarding the need to wait until the next proceeding to address several of the changes proposed by KCPL. Based on her recommendations, the Company agreed not to pursue these changes to its Rules and Regulations at that time and agreed to file them in this proceeding. Therefore, much of what is presented here was addressed in the 2006 Rate Case. As I said in the last case, KCPL identified three guiding principles to better serve Kansas customer: (i) clarity; (ii) consistency; and (iii) simplification.

Q: Would you discuss, in greater detail, what is meant by adding clarity to the Kansas Rules?

A: We are seeking to clarify our Kansas Rules by providing clearer definitions. For instance, in our current Rules and Regulations we use the word "Adult," however, that word is not defined. To address this and similar issues, we are proposing to add ten (10) new definitions to the Kansas Rules: Adult, Billing Error, Field Error, Fraud, Individual Liability, Meter Error, Responsible Party, Tampering, Time of Application and Unauthorized Use.

We also recommend clarifying the treatment of "Other Extensions" in Kansas Rule 8.02. As currently written, a customer could infer that the rule for Other Extensions may be applied for line extensions for temporary service. To eliminate this possible misunderstanding, we are proposing revising the language by adding the word "permanent" to the opening sentence.

Q: How would you generally describe what you refer to as providing for consistency in the Kansas Rules?

A: We propose to make the language consistent concerning the application of a minimum $150 charge for reconnection where there is evidence of tampering and or diversion, to increase the charges for reconnection of service at the meter from $10 to $25, and for reconnection of service at the pole or service pedestal from $15 to $50. This is found in Kansas Rule 5.08, and is in line with the overall cost of service.

Q: You mentioned simplification; what sorts of changes do you propose to simplify matters for Customers and Customer Care personnel?

A: Within the context of single-phase, single family residential extensions, we are proposing a change in the monthly recovery rate applied to amounts customers owe in excess of costs provided by KCPL for residential customer extensions. We recommend modifying this provision to provide more flexibility in arranging payments.

Another area of simplification for our customers and employees is dealing with customer needs for provision of service beyond what is normally provided a similarly situated customer. In an effort to add simplicity to our operations and relationships with customers between Kansas and Missouri, and to provide a basis for our employees in their dealings with customers in these matters, we are recommending an "Excess Facilities Charge." The Excess Facilities Charge is a charge to customers for facilities and services above and beyond the normal amount required for providing service. This is found in Kansas Rule 8.02.

Q: Does that conclude your testimony?

A: Yes, it does.

Test BEFORE THE STATE CORPORATION COMMISSION
OF THE STATE OF KANSAS

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-____-RTS

AFFIDAVIT OF TIM M. RUSH

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Tim M. Rush, being first duly sworn on his oath, states:

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

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of Seventeen (17) pages and Schedules TMR-1-TMR-3, all of which having been prepared in written form for introduction into evidence in the above-captioned docket.

3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Tim M. Rush

Subscribed and sworn before me this 28th day of February 2007.

Nicole A Wehry
Notary Public

My commission expires: Feb 4, 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

Summary of Energy Cost Adjustment Structures

ECA Structure	Xcel Energy		Minnesota Power
Jurisdiction/Operating Company	PS Colorado	Northern States Power (Minnesota)	Minnesota
Rider Title	**Electric Commodity Adjustment (ECA)**	**Fuel Clause Rider**	**Resource Adjustment**
Periodicity for cost and load measurement	*quarterly*	monthly	monthly
effective date	*first day of calendar quarter*	1st of each month	
Rolling average	no	no	first two of preceding three months
Within-period adjustment	*short-term sales margin adjustment on 4/1; deferred accounting threshold of +/-$40 million removed due to increased frequency of use*	none	none
Time frame (historical/forecast)	forecast	forecast	historical
Frequency of change	*quarterly*	monthly	monthly
Voltage level differentiation	yes	not mentioned in tariff	none, *but just introduced differentiation based on customer class and marginal cost-based load profile*
Environmental costs	separate Air Quality Improvement Rider; Commission-approved costs, levelized annual historical costs, with over/under recovery, per forecasted sales; effective 1/1, measured 6/30	separate Environmental Improvement Rider; levelized annual historical costs, with true-up by 5/1, per forecasted sales; effective 1/1	not mentioned
Off-system sales	not distinguished from conventional sales, but see incentive text below	fuel-related costs recovered through intersystem sales are deducted from energy costs	fuel-related costs recovered through intersystem sales are deducted from energy costs
Other costs included/excluded	includes fuel risk management; separate purchased capacity cost rider; *PCCR revised to be zero based in rates; i.e. all recovery through rider*	includes small "tracker"-based factors for state energy policy cost recovery and for transmission costs associated with mandated renewable projects.	
RTO cost recovery	not mentioned in tariff	not mentioned in tariff	provisional: recovery of MISO Day 2 energy market costs
Incentive mechanisms	*Deferred account incentives removed; full recovery now; Additional incentives introduced: 1) Base Load Energy Benefit: incentive to shift generation toward base load, 20% of savings; 2) Economic Purchase Benefit: 20% of savings from purchasing instead of generating.*	full recovery	partial recovery
	short-term sales margins: negative margins not recovered, positive margins shared with customers; *weights changed*		
True-up Mechanisms	true-up aims to recover deferred account balance (DAB) fully from coming quarter's consumption. DAB of month t applies to months t+2, 3&4.	monthly recalculation with one-month lag.	No true-up clause. MP reports overages and underages to the MPUC.
Multiple jurisdictions	*correction: RJA was retail vs. wholesale only, not multiple jurisdiction.*	*not applicable*	not applicable

Summary of Energy Cost Adjustment Structures

ECA Structure	Oklahoma Gas & Electric		Entergy
Jurisdiction/Operating Company	**Oklahoma**	**Arkansas**	**Entergy Arkansas, Inc.**
Rider Title	**Rider for Fuel Cost Adjustment (FCA)**	**Energy Cost Recovery Rider (ECR)**	**Energy Cost Recovery Rider (ECR)**
Periodicity for cost and load measurement	annual	annual	annual
effective date	1/1	4/1	4/1
Rolling average	no	no	no
Within-period adjustment	quarterly at most; triggered by forecast of permanent cost change or collected amounts >+/- 5% of jurisdictional fuel cost	interim revisions possible, initiated by either OG&E or PSC staff; collected amounts >+/- 10% of historical energy cost	interim revisions possible, initiated by either EAI or PSC staff; collected amounts >+/-10% of historical energy cost
Time frame (historical/forecast)	historical	forecast	forecast
Frequency of change	annual	annual	annual
Voltage level differentiation	yes - computation is by service level	yes - computation is by service level	not known
Environmental costs	not mentioned	not mentioned	not mentioned
Off-system sales	separate rider -OSSE, Off-System Sales of Electricity; appears to vary monthly but based on annual data	not mentioned	not mentioned
Other costs included/excluded			Nuclear Refueling Outage Adjustment to cover natural gas cost of energy replacement
RTO cost recovery	not mentioned in tariff	not mentioned in tariff	not mentioned
Incentive mechanisms	full recovery	full recovery	full recovery
	OSSE includes profit sharing; after three years share will be 80:20 customers:shareholders		
True-up Mechanisms	true-up aims to recover all of previous year's (through October) error, in following calendar year	true-up aims to recover all of previous year's (through December) error, in following year beginning April 1	true-up aims to recover all of previous year's (through December) error, in following year beginning April 1
Multiple jurisdictions	no mention	no mention	no mention

Summary of Energy Cost Adjustment Structures

ECA Structure	Empire District Electric		
Jurisdiction/Operating Company	Kansas	Arkansas	Oklahoma
Rider Title	**Energy Cost Adjustment (Rider ECA)**	**Energy Cost Recovery Rider (ECR)**	**Fuel Adjustment (Rider FA)**
Periodicity for cost and load measurement	monthly	annual	monthly
effective date		4/1	
Rolling average	no	no	
Within-period adjustment	no	interim revisions possible, initiated by either EDE or PSC staff; collected amounts >+/-10% of historical energy cost	
Time frame (historical/forecast)	"current month": "...month during which the energy to be billed under the adjustment will be delivered."	forecast	historical: 2nd calendar month preceding billing month
Frequency of change	monthly	annual	monthly
Voltage level differentiation	none	not known	not known
Environmental costs	cost of emissions allowances is included in ECA	not mentioned	not mentioned
Off-system sales	net interchange included, with sales revenue excluding margin; previous 12 months' margin for year ending 10/31 deducted over year beginning subsequent 1/1	not mentioned	deducted from FA
Other costs included/excluded			
RTO cost recovery	not mentioned in tariff	not mentioned in tariff	not mentioned in tariff
Incentive mechanisms	full recovery	full recovery	full recovery
True-up Mechanisms	annual settlement factor: aggregates accumulated balances for 12 months ending Oct. 31, applies annually beginning subsequent Jan.1.	true-up aims to recover all of previous year's (through December) error, in following year beginning April 1	true-up spreads historical overage/underage over projected usage for current month
Multiple jurisdictions	off-system sales computation includes weighting based on KS share of retail sales (kWh)	no mention	no mention

Summary of Energy Cost Adjustment Structures

ECA Structure	Louisville Gas & Electric	Indianapolis Power & Light	Westar Energy
Jurisdiction/Operating Company	**Kentucky**	**Indiana**	**Kansas**
Rider Title	**Fuel Adjustment Clause (FAC)**	**Fuel Cost Adjustment**	**Retail Energy Cost Adjustment (RECA)**
Periodicity for cost and load measurement	monthly	quarterly	monthly
effective date		approx. start of calendar month	
Rolling average	no	three month average of upcoming months	
Within-period adjustment	none	none	none
Time frame (historical/forecast)	historical, two-month lag	forecast	forecast
Frequency of change	monthly	quarterly	monthly
Voltage level differentiation	not mentioned in tariff	not mentioned in tariff	not mentioned in tariff
Environmental costs	not mentioned, but LG&E also has an Environmental Cost Recovery Surcharge (ECR), *a percentage factor, varying monthly so as to collect a fixed amount per month, itself an average of environmental costs over the preceding 12 months*	not mentioned, but IPL has an Environmental Compliance Cost Recovery Adjustment, Rider No. 20, similar in form to FCA; periodicity uncertain, likely annual	includes projected emission allowance cost
Off-system sales	excludes energy from interchange deliveries	fuel-related costs recovered through intersystem sales are deducted from energy costs	deducts three-year moving average of wholesale margins from fuel adjustment; computed annually
Other costs included/excluded			
RTO cost recovery	not mentioned in tariff	not mentioned in tariff	not mentioned in tariff
Incentive mechanisms	full recovery	partial recovery	full recovery
True-up Mechanisms	none	no true-up in tariff formula. Tariff states that FCA ***may*** be adjusted to reflect historical differences between billed and actual fuel cost for the 2nd preceding quarter.	true-up is annual, recovering calendar year amounts in subsequent year beginning April 1; denominator is historical, not projected kWh, creating slight upward bias in rate
Multiple jurisdictions	*no mention*	not applicable	no mention

ENERGY COST ADJUSTMENT
Schedule ECA

APPLICABILITY:

This Energy Cost Adjustment (ECA) Schedule shall be applicable to all Kansas Retail Rate Schedules for KCPL.

BASIS:

Energy costs will be measured and applied to a customer's bill using an ECA factor. The ECA factor is applied on a kilowatt-hour basis ($/kWh). Retail customer charges for energy costs are determined by multiplying the kilowatt-hours of electricity during any calendar month by the corresponding ECA factor for that calendar month.

ENERGY COST ADJUSTMENT:

Prior to January 1 of each ECA year, an ECA factor (ECA_P) will be calculated for each calendar month of the ECA year as follows:

$$ECA_P = \frac{(F_P + P_P + E_P + T_P)}{S_P} - \frac{OSS_{PY}}{S_{PY}} - \frac{TRUE_A}{S_{TRUE}}$$

Where:

F_P = Projected cost of nuclear and fossil fuel to be consumed for the generation of electricity during the month in which the ECA is in effect for all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers, to be recorded in Account 501, Account 518 and Account 547, excluding any KCPL internal labor cost.

P_P = Projected cost of purchased power during the month in which the ECA is in effect for all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers, to be recorded in Account 555, and KCPL's projected charges or credits incurred due to participation in markets associated with Regional Transmission Organizations (RTOs).

E_P = Projected cost of emission allowances during the month in which the ECA is in effect for all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers, to be recorded In Account 509.

T_P = Projected transmission costs, to be recorded in Account 565, and RTO, FERC and NERC fees, to be recorded in Account 560 and Account 928, during the month in which the ECA is in effect for all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers.

S_P = Projected kWhs to be delivered to all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers during the month in which the ECA is in effect.

OSS_{PY} = Projected annual asset-based Off-System Sales (OSS) Margin from Short-term Bulk Power Sales at the 25^{th} percentile for the effective ECA year.

S_{PY} = Projected annual kWhs to be delivered to all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers during the effective ECA year.

S_{TRUE} = Projected kWhs for Kansas Retail customers for the twelve-month period beginning in April of the year following the ECA year.

ENERGY COST ADJUSTMENT
Schedule ECA

$TRUE_A$ = The annual true-up amount for an ECA year, to be calculated by March 1 of the year following the ECA year and to be applied for a twelve-month period beginning April 1 of the year following the ECA year. The true-up amount will reflect any difference between the total ECA revenue for the Retail sales during the ECA year and the actual costs incurred to achieve those Retail sales less the credits applied for Off-System Sales Margin for the ECA year. Such true-up amount may be positive or negative. Any remaining balances from prior true-up periods will be added.

$$TRUE_A = ECAREV_A - [(F_A + P_A + E_A + T_A - STBPC_A - OSS_A) \times \frac{S_{AK}}{S_{AT}}] + TRUE_{PRIOR}$$

Where:

$ECAREV_A$ = Actual ECA revenue for Kansas Retail sales during the ECA year.

F_A = Actual total company cost of nuclear and fossil fuel consumed for the generation of electricity for the ECA year recorded in Account 501, Account 518 and Account 547, excluding any internal KCPL labor cost.

P_A = Actual total company cost of purchased power incurred during the ECA year recorded in Account 555, and KCPL's actual charges or credits incurred due to participation in markets associated with Regional Transmission Organizations (RTOs).

E_A = Actual total company emission allowance costs incurred during the ECA year recorded in Account 509.

T_A = Actual total company transmission costs recorded in Account 565 and RTO, FERC and NERC fees recorded in Account 560 and Account 928 for the ECA year.

$STBPC_A$ = Actual total company cost for both asset-based and non-asset-based sales to Short-term Bulk Power customers during the ECA year, as reflected in F_A, P_A, E_A, and T_A.

OSS_A = Actual total company asset-based Off-System Sales Margin from Short-Term Bulk Power Sales for the ECA year. The calculated cost to achieve asset-based Short-term Bulk Power Sales includes the cost of fuel and purchased power expense, emissions expense, transmission expense and variable operations and maintenance expense.

S_{AK} = Actual kWhs delivered to KCPL's Kansas Retail customers during the ECA year.

S_{AT} = Actual kWhs delivered to all KCPL Retail, Requirements Sales for Resale, and Long-term Bulk Power Sales customers during the ECA year.

$TRUE_{PRIOR}$ = Remaining true-up amounts from previous ECA years (positive or negative).

THE STATE CORPORATION COMMISSION OF KANSAS

SCHEDULE 2

KANSAS CITY POWER & LIGHT COMPANY
(Name of Issuing Utility)

Replacing Schedule ______ Sheet ______

Rate Areas No. 2 & 4
(Territory to which schedule is applicable)

which was filed ______

No supplement or separate understanding shall modify the tariff as shown hereon.

ENERGY COST ADJUSTMENT
Schedule ECA

NOTES TO THE TARIFF:

1. A monthly ECA factor will be projected on a $/kWh basis for each month of the ECA year.
2. The ECA factor will be expressed in dollars per kilowatt-hour rounded to four decimal places.
3. Each ECA year will be a calendar year, with the first year beginning January 1, 2008.
4. The ECA amount on each customer bill will be calculated such that the ECA factor for each calendar month within the billing period is applied to the estimated usage for the appropriate calendar month (i.e., prorated).
5. The references to Accounts are from the FERC uniform system of accounts.
6. KCPL will submit a report on or before the 25th day of April, July, and October of each ECA year that compares the original ECA revenue projections and the then-current ECA year-end projections on a total revenue basis. If the original projection and the then-current projection become significantly out of balance at any time during the ECA year, KCPL may elect to file for a change in the remaining monthly ECA factors to address the anticipated difference.
7. KCPL will submit a report on or before the 1st day of March each year beginning March 1, 2009 that provides the True-up reconciliation for the preceding ECA year.
8. Retail Customers are customers that receive service under one of the KCPL Retail tariffs.
9. Requirements Sales for Resale Customers are wholesale customers receiving firm service under an FERC rate schedule (Account 447).
10. Short-term Bulk Power Sales Customers are wholesale customers receiving service under Power contracts with a term of less than one year. These are Non-Requirements Sales for Resale customers (Account 447).
11. Long-term Bulk Power Sales Customers are wholesale customers receiving service under Power contracts with a term of one year or greater. These are Non-Requirements Sales for Resale customers (Account 447).
12. This tariff is subject to KCPL's Rules and Regulations as approved by the State Corporation Commission of Kansas.

Issued: March 1, 2007 (Month Day Year)	FILED
Effective: ______ (Month Day Year)	THE STATE CORPORATION COMMISSION OF KANSAS
By: Chris Giles, Vice President (Title)	By: ______ (Secretary)

SCHEDULE TMR-3

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ORIGINAL FILED UNDER SEAL