Recommendation Testimony of Craig E. Brown

I. Introduction

Q. Please state your name and business affiliation.

A. Craig E. Brown, Manager, B&V Management Consulting Division of Black & Veatch Corporation.

Q. On whose behalf are you appearing?

A. I am appearing on behalf of the Board of Public Utilities of the Unified Government of Kansas City, Kansas and Wyandotte County, Kansas ("BPU").

Q. Have you previously provided testimony in this matter?

A. Yes. I previously sponsored direct and rebuttal testimony in this Rate Hearing.

Q. What is the purpose of your recommendation testimony?

A. The purpose of my testimony is to present changes to the original "Rate Plan" (consisting of a series of four rate increases over four years designed to recover the prudently incurred costs and to meet the minimum financial requirements to maintain the current favorable bond rating and to increase liquidity) developed by the BPU staff and Black & Veatch working together. I will present the results of the revised Rate Plan, including recommended rate design for all classes for 2011 through 2013.

Q. How is your testimony organized?

A. My testimony is organized into four sections as follows:

I. Introduction

II. Summary of Changes to Revenue Requirements

III. Revised Rate Plan Cost of Service

IV. Recommended Rate Design

V. Environmental Surcharge

II. Summary of Changes to Revenue Requirements

Q. Can you please summarize the changes to revenue requirements that you previously presented in your rebuttal testimony?

A. Yes. The following summarizes the modifications that BPU staff has made to the revenue requirements that affect the five-year financial forecast:

1. Recover currently known capacity charges related to purchase power in base rate. The original Rate Plan proposed to recover all capacity charges related to purchase power in the Energy Rate Component (ERC).
2. Delay the construction schedule for the planned combustion turbine generating facility (CT5) by one year.
3. Reduce the non-labor escalation factor for operation and maintenance expense from 4% to 3%.
4. Change the timing of the first bond issues for both capital and environmental projects from July 2010 to January 2011. This adjustment also includes shifting certain projects previously scheduled for 2010 into 2011.
5. Reduce the number of currently open positions that will be filled by 2014. The original rate plan planned to fill all 681 currently approved positions by 2014. The BPU's current plan is to build to 635 positions in the study period.

Q. Have any additional changes been made to the revenue requirements?

A. Yes, as fully described in the Recommendation Testimony of Ms. Lori Austin, the BPU made some changes to its Capital Improvement Program (CIP).

Q. Please describe the additional changes to the CIP.

A. The following additional changes have been made to the CIP:

1. $4 million was removed from the study period CIP by delaying the start of a project to purchase a new Electric Emergency Radio System and related equipment that would support the BPU and Unified Government of Wyandotte County operations.
2. The $11 million Nearman – Wolcott 161 kW transmission line project was delayed for two years. The project was originally scheduled to be completed in 2011 and 2012. The current plan is to complete the project in 2013 and 2104.
3. The timing of certain Electric Substation projects has been revised. In general, projects that were scheduled for 2010 and 2011 have been delayed until the later years of the study period. The total dollars planned for Electric Substations remains the same.

Q. How have these changes affected the proposed bond issues?

A. By removing some projects and delaying others, the amounts of the 2011 and 2012 Capital Bonds have been reduced. The 2014 Capital Bonds have increased and the 2011 Environmental Bonds are the same. The table below summarizes the recommended bond issues required to complete the CIP.

Description	Issue Date	Total Amount of Bond
2011 Capital Bonds	January 2011	$14.3 million
2011 Environmental Bonds	January 2011	$40.8 million
2012 Capital Bonds	July 2012	$67.4 million
2014 Capital Bonds	July 2014	$73.5 million

Q. What are the results of the revised Rate Plan?

A. Based on the changes described herein and in my rebuttal testimony, the revised Rate Plan indicates a lower rate increase for January 2011 of 5%. The recommended rate increases for 2012 and 2013 remain 7%. The revised five-year financial forecast and cash flow pro forma that compiles all the changes made to the revenue requirements is shown in Tables 1 through 5 of Exhibit CEB-2. As shown on Table 5, Line 48, the BPU gradually improves its days of cash on hand each year and meets the goal of 60 days in 2013. Line 53 of Table 5 shows that the BPU maintains a debt service coverage ratio of at least 1.60 times maximum debt service without PILOT revenue from 2010 through 2014. The coverage ratio stabilizes at 1.62 times in 2014, without the support of a rate increase.

III. Revised Rate Plan Cost of Service

Q. Please summarize any changes to the cost of service analysis.

A. As discussed in my rebuttal testimony, we have changed the allocation of proposed debt service to allocate the debt service related to the Advanced Metering Infrastructure (AMI) program on the basis of weighted meters. In my rebuttal testimony, the amount to be allocated was $820,000, which is the debt service payment related to AMI in 2013, once both bonds have been issued. Because the 2011 Capital Bond issue in the revised Rate Plan is reduced to $14.3 million because of changes in the timing of certain projects, the 2011 payment is now $786,000. Since this amount is now below the level I proposed to allocate on meters in my rebuttal testimony, I have revised the allocation to be based on the 2012 debt service for AMI of $683,200. The 2011 debt service payment was

not used because it was only a part-year interest payment on the first bond issue. The revised allocation of costs of the AMI program is shown below.

Rate Class	Meters Allocator (CUS3)	Allocated Costs by Rate Class
100 - Residential	73.1%	$ 499,100
200 – SGS	15.9%	$ 108,700
300 – LGS	7.1%	$ 48,700
400 – LPS	1.2%	$ 8,300
USD 500	0.9%	$ 6,400
700 – Private Area Lights	0.0%	$ 200
KCK/BPU/Borderline	1.7%	$ 11,800
Total	100.0%	$ 683,200

Q. Have any other changes been made to the cost of service analysis?

A. No. While the detailed revenue requirements that are allocated have changed in value, the methodologies used to allocate those costs are the same as proposed by Mr. Ed Overcast.

Q. What are the results of the cost of service analysis for the revised Rate Plan?

A. As shown on Exhibit CEB-3, Table 7, the revised cost of service analysis using a 2011 test year shows the same relative relationships as the original filing. The Residential and Large Power Service (LPS) classes are under recovering their costs of service and all other classes are over recovering their costs of service.

IV. Recommended Rate Design

Q. Please describe the process used to develop recommended rates for the revised Rate Plan.

A. The revised rate design was prepared in the same manner as the original proposal and was prepared by Mr. Overcast and myself. The first step was to develop target levels of adjustment based on the overall annual adjustment and reflective of the cost of service results. Similar to the plan originally proposed, we recommended rate increases above the system average for the Residential and Large Power Service (LPS) classes, and below the system average or no increases for all other classes. The target increases by class are shown in the table below.

Recommended Base Rate Adjustments by Class				
Rate Class	2010 (1)	2011	2012	2013
Rate 100 - Residential	7.0%	5.5%	7.5%	7.5%
Rate 200 - Small General Service	7.0%	4.7%	6.7%	6.4%
Rate 250 - Medium General Service	7.0%	4.7%	6.7%	6.4%
Rate 300 - Large General Service	7.0%	4.7%	6.7%	6.4%
Rate 400 - Large Power Service	7.0%	6.0%	8.5%	8.5%
USD 500 - School District	7.0%	0.0%	0.0%	3.0%
Rate 700 - Lighting	7.0%	0.0%	0.0%	3.0%
System Average	7.0%	5.0%	7.0%	7.0%
(1) Rate increase implemented July 1, 2010				

Q. How were the individual rate components developed for each rate?

A. Mr. Overcast and I followed the same approach described in his direct testimony and used for the initial recommended rates. The recommended rates to support the revised Rate Plan are presented in Exhibit CEB-4.

V. Environmental Surcharge

Q. Please describe how the Environmental Surcharge (ESC) will be recovered from each class.

A. Exhibit CEB-5 shows the development of the ESC for 2011. The amount to be recovered from each class is based on the capacity allocator for the production function. As shown in Exhibit CEB-5, the percentage allocable to each class is adjusted to assign the cost to only Retail classes. By multiplying the percentage allocable to each class by the total amount to be recovered through the ESC, the dollars to be recovered from each class are established. For customer classes that are primarily billed on an energy basis (not demand metered), the monthly charge is based on a dollar per kWh basis. For customer classes that are all demand metered, the charge will be based on the total billed demand for the class. For Retail Lighting customers, the charge will be based on a per light charge.

Q. How will this analysis be adjusted in future years?

A. The first step will be to determine the amount to be recovered for the following year. This is based on the debt service payment for bonds specific to environmental projects, less contribution from wholesale customers, plus the amortized portion of any cash financed projects, plus or minus a true-up of any over or under recovery in the prior period. The next step will be to update the analysis shown in Exhibit CEB-5 with the billing units forecast for the year. The allocation of costs will remain the same until the next rate hearing that a cost of service analysis is performed.

Q. Does this conclude your recommendation testimony?

A. Yes, it does.

Table 1
Electric System
Annual Sales (MWh)

Line No.	Description	2009	2010	2011	2012	2013	2014
	Forecast Retail Sales (MWh)						
1	Rate 100 - Residential	503,500	525,200	525,200	528,400	531,800	535,600
2	Rate 200 - Small General Service	201,100	210,400	210,400	211,200	212,600	214,200
3	Rate 300 - Large General Service	623,300	659,900	665,800	669,100	676,900	685,900
4	Rate 400 - Large Power Service	758,200	796,000	799,900	803,600	811,600	820,600
5	Rate 500 - School District	44,700	51,300	48,800	49,500	49,500	49,600
6	Rate 700 - Lighting	7,700	8,300	8,300	8,400	8,400	8,400
7	Total Retail	2,138,500	2,251,100	2,258,400	2,270,200	2,290,800	2,314,300
8	KCK Use	24,000	23,400	23,100	23,100	23,200	23,400
9	KCK Unmetered	26,600	26,000	25,700	25,700	25,800	26,000
10	BPU Interdepartmental	32,600	31,800	31,500	31,500	31,600	31,900
11	Borderline	13,300	18,400	18,800	19,200	19,500	19,800
12	Wholesale MWh	655,400	654,400	655,400	651,400	653,400	656,400
13	Total MWh (no losses)	2,890,400	3,005,100	3,012,900	3,021,100	3,044,300	3,071,800

Table 2
Electric System
Projected Operation and Maintenance Expense by Function

	2010	2011	2012	2013	2014
Non-ERC Capacity Purch	$ 2,535,100	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000
Production	41,687,000	45,554,300	46,543,300	44,328,600	46,707,800
Transmission	2,526,400	2,588,100	2,688,300	2,772,400	2,859,000
Distribution	20,665,800	21,132,400	21,963,800	22,605,900	23,265,600
Customer Accounts	5,759,200	5,937,200	6,164,100	6,349,400	6,477,900
Sales	497,100	509,400	525,500	538,600	551,900
Admin & General	18,608,200	19,118,200	19,765,500	20,346,700	20,933,800
Total Non-Fuel O&M	**$92,278,800**	**$97,439,600**	**$100,250,500**	**$99,541,600**	**$103,396,000**

Table 3
Electric System
Capital Improvement Program

Line	Description	2010	2011	2012	2013	2014	Total
	Electric System Capital Projects						
1	Electric Unit Equipment	$ 500,000	$ 400,000	$ 4,400,000	$ 4,400,000	$ 4,900,000	$ 14,600,000
2	Electric Ops General Construction	970,000	890,000	740,000	740,000	640,000	$ 3,980,000
3	Electric Supply General Construction						$ 0
4	Electric Accident Claims	108,200	108,200	108,200	108,200	108,200	$ 541,000
5	Electric Overhead Distribution	4,658,777	9,744,506	5,720,000	3,720,000	3,220,000	$ 27,063,283
6	Electric UG Distribution	3,250,000	6,750,000	6,250,000	3,750,000	3,000,000	$ 23,000,000
7	Electric Reimbursable	100,000	100,000	100,000	100,000	100,000	$ 500,000
8	Electric Transmission	8,950,000	2,100,000	800,000	8,300,000	10,500,000	$ 30,650,000
9	Electric Transformers	1,150,000	1,250,000	1,250,000	1,400,000	1,500,000	$ 6,550,000
10	Electric Meters	-	6,000,000	3,000,000	3,000,000	1,000,000	$ 13,000,000
11	Electric Lighting & Signals	250,000	250,000	250,000	250,000	275,000	$ 1,275,000
12	Electric Substations	6,339,630	1,400,000	14,200,000	5,700,000	7,550,000	$ 35,189,630
13	Storm Expenses	1,000	1,000	1,000	1,000	1,000	$ 5,000
14	Nearman Unit 1	995,000	1,022,000	3,675,000	-	-	$ 5,692,000
15	Nearman Common	1,090,000	1,870,000	1,450,000	550,000	-	$ 4,960,000
16	Nearman CT5		-	1,000,000	13,000,000	52,000,000	$ 66,000,000
17	Nearman General Annual Capital		1,000,000	2,000,000	3,000,000	3,000,000	$ 9,000,000
18	Quindaro Unit 1	660,000	4,095,000	2,095,000	2,000,000	2,000,000	$ 10,850,000
19	Quindaro Unit 2	90,000	1,680,000	2,400,000	2,000,000	4,000,000	$ 10,170,000
20	Quindaro Common	830,000	2,465,000	2,355,000	2,225,000	2,225,000	$ 10,100,000
21	Quindaro CT1		1,000,000				$ 1,000,000
22	Quindaro CT2			1,355,000			$ 1,355,000
23	Quindaro CT3		1,800,000				$ 1,800,000
24	Electric Control Center	600,000	500,000	1,500,000	-	-	$ 2,600,000
25	**Total Electric Capital Projects**	**$ 30,542,608**	**$ 44,425,706**	**$ 54,649,200**	**$ 54,244,200**	**$ 96,019,200**	**$ 279,880,914**
	Environmental/AQC Projects						
26	N1 LNB & OFA	$ 0	$ 17,000,000	$ 10,000,000			$ 27,000,000
27	Q2 LNB & OFA	-	13,000,000				13,000,000
28	**Total Environmental/AQC Projects**	**$ -**	**$ 30,000,000**	**$ 10,000,000**	**$ -**	**$ -**	**$ 40,000,000**
	Common Projects						
29	Common Furnish and Equipment	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 25,000	$ 125,000
30	Common Facility Improvements	261,210	217,400	225,500	225,500	225,500	$ 1,155,110
31	Common Grounds	10,000	10,000	10,000	10,000	10,000	$ 50,000
32	Common Technology	360,000	360,000	360,000	360,000	360,000	$ 1,800,000
33	Administrative Service Technology	435,000	440,000	445,000	445,000	445,000	$ 2,210,000
34	Common Tele Communications	50,000	50,000	50,000	50,000	50,000	$ 250,000
35	**Total Common Projects**	$ 1,141,210	$ 1,102,400	$ 1,115,500	$ 1,115,500	$ 1,115,500	$ 5,590,110
36	**Electric Portion of Common Projects @ 80%**	**912,968**	**881,920**	**892,400**	**892,400**	**892,400**	**4,472,088**
37	**Total CIP**	**31,455,576**	**75,307,626**	**65,541,600**	**55,136,600**	**96,911,600**	**324,353,002**
38	**Environmental/AQC Projects**	-	30,000,000	10,000,000	-	-	40,000,000
39	**Net CIP After Environmental**	**31,455,576**	**45,307,626**	**55,541,600**	**55,136,600**	**96,911,600**	**284,353,002**
40	**Financing Recap**						
41	Series 2009 (25 yrs @ 5.00%)	20,000,000	19,347,844				55,272,000
42	Series 2011 (25 yrs @ 5.5%)	-	14,000,000	-	-	-	14,000,000
44	Series 2011 Environmental (20 yrs @ 5.5%)	-	30,000,000	10,000,000	-	-	40,000,000
45	Series 2012 (25 yrs @ 5.5%)	-	-	36,000,000	30,000,000	-	66,000,000
46	Series 2014 (25 yrs @ 5.5%)	-	-	-	-	72,000,000	72,000,000
47	**Net Amount to Cash Finance**	**11,455,576**	**11,959,782**	**19,541,600**	**25,136,600**	**24,911,600**	**104,529,265**

Note: All dollar amounts are shown in real dollars unless otherwise noted.

Table 4
Electric System
Capital Financing Plan

Line	Description	2010	2011	2012	2013	2014
1	**Beginning Fund Balance**	39,347,800	19,347,800	10,000,000	30,000,000	-
	Sources of Funds					
2	Cash Funded Capital Projects	11,455,600	11,959,800	19,541,600	25,136,600	24,911,600
3	Environmental Bond Proceeds at Par	-	40,820,000	-	-	-
4	Capital Bond Proceeds at Par	-	14,290,000	67,350,000		73,470,000
5	Total Sources	11,455,600	67,069,800	86,891,600	25,136,600	98,381,600
	Uses of Funds					
6	Capital Improvements	31,455,600	75,307,600	65,541,600	55,136,600	96,911,600
7	Debt Issuance Expense	-	1,110,000	1,350,000	-	1,470,000
8	Total Uses	31,455,600	76,417,600	66,891,600	55,136,600	98,381,600
9	**Ending CIP Fund Balance**	**$ 19,347,800**	**$ 10,000,000**	**$ 30,000,000**	**$ -**	**$ -**

Table 5
Projected Operating Results Under Recommended Rates
Revised Rate Plan - September 2010
Electric System

Line	Description			Year					
				2009	2010	2011	2012	2013	2014
1	Retail Sales (MWh)			2,138,519	2,251,148	2,258,454	2,270,189	2,290,777	2,314,291
	REVENUES ($)								
	Base:								
2	Retail Base Revenue Existing Rates			103,049,800	108,551,300	108,772,700	109,410,500	110,526,200	111,847,200
	Additional Base Rate Revenue		Months in						
3	Date rate increase effective	% Increase	First Year						
4	July 1, 2010	7.00%	6		3,799,300	7,614,100	7,658,700	7,736,800	7,829,300
5	January 1, 2011	5.00%	12			5,819,300	5,853,500	5,913,200	5,983,800
6	January 1, 2012	7.00%	12				8,604,600	8,692,300	8,796,200
7	January 1, 2013	7.00%	12					9,300,800	9,412,000
8	January 1, 2014	0.00%	12						-
9	Recommended Base Rate Revenue Increases			-	3,799,300	13,433,400	22,116,800	31,643,100	32,021,300
10	Non-Retail Revenue			7,876,300	12,770,700	11,689,700	11,558,200	10,516,800	9,125,400
11	**Total Base Revenue**			110,926,100	125,121,300	133,895,800	143,085,500	152,686,100	152,993,900
	Fuel:								
12	Retail ERC Revenue			55,156,000	52,809,300	61,900,400	64,898,900	71,873,900	79,785,300
13	Non-Retail Fuel Revenue			11,915,400	14,272,800	14,618,100	15,384,700	16,813,200	13,485,400
14	**Total Fuel Revenue**			67,071,400	67,082,100	76,518,500	80,283,600	88,687,100	93,270,700
15	Environmental Surcharge Revenue			-	-	1,749,900	2,920,600	2,920,600	2,920,600
16	**Total Rate Revenue**			**177,997,500**	**192,203,400**	**212,164,200**	**226,289,700**	**244,293,800**	**249,185,200**
	Other Revenue:								
17	PILOT Rate			9.90%	12.80%	11.90%	9.90%	9.90%	9.90%
18	PILOT			17,087,200	23,558,300	24,340,600	21,521,900	23,349,000	24,125,200
19	Other Revenue			6,957,200	6,491,500	6,873,200	7,309,100	7,590,000	7,791,200
20	**Total Other Revenue**			**24,044,400**	**30,049,800**	**31,213,800**	**28,831,000**	**30,939,000**	**31,916,400**
21	**Total Revenue**			**202,041,900**	**222,253,200**	**243,378,000**	**255,120,700**	**275,232,800**	**281,101,600**
	REVENUE REQUIREMENTS ($)								
	Fuel Expense								
	Retail								
22	Generation Fuel Costs			33,565,500	33,237,000	40,485,000	39,874,700	50,164,900	48,191,000
23	Purchased Power			21,590,500	19,572,300	21,415,400	25,024,200	21,709,000	31,594,300
24	Total Retail Fuel			55,156,000	52,809,300	61,900,400	64,898,900	71,873,900	79,785,300
25	Non-Retail Fuel Costs			11,915,400	14,272,800	14,618,100	15,384,700	16,813,200	13,485,400
26	**Total Fuel Expense**			67,071,400	67,082,100	76,518,500	80,283,600	88,687,100	93,270,700
	Operation and Maintenance Expense								
27	Non-ERC Capacity Purchases			1,764,100	2,535,100	2,600,000	2,600,000	2,600,000	2,600,000
28	Operation and Maintenance Expense			85,304,100	89,743,700	94,839,600	97,650,500	96,941,600	100,796,000
29	**Total O&M Expense**			87,068,200	92,278,800	97,439,600	100,250,500	99,541,600	103,396,000
30	**Total Expenses**			154,139,600	159,360,900	173,958,100	180,534,100	188,228,700	196,666,700
31	**Net Revenues**			47,902,300	62,892,300	69,419,900	74,586,600	87,004,100	84,434,900
	Debt Service								
32	Existing Debt Service			20,644,000	22,956,300	22,368,700	22,345,700	22,361,700	22,364,000
33	Proposed Debt Service			-	-	3,031,100	6,333,200	9,502,000	11,522,400
34	**Total Debt Service**			20,644,000	22,956,300	25,399,800	28,678,900	31,863,700	33,886,400
35	Balance Available for Transfers Out			27,258,300	39,936,000	44,020,100	45,907,700	55,140,400	50,548,500
	Recommended Uses of Balance Available for Transfers Out:								
36	PILOT			17,087,200	23,558,300	24,340,600	21,521,900	23,349,000	24,125,200
37	Cash Financed Capital Projects			11,524,100	11,455,600	11,959,800	19,541,600	25,136,600	24,911,600
38	Other Expenses			532,400	517,600	508,200	269,200	185,200	185,200
39	**Total Other Exp. And Transfers**			**29,143,700**	**35,531,500**	**36,808,600**	**41,332,700**	**48,670,800**	**49,222,000**
40	**Annual Operating Income**			(1,885,400)	4,404,500	7,211,500	4,575,000	6,469,600	1,326,500
	Operating Cash Balance								
41	Beg Balance			12,184,800	8,856,400	13,260,900	20,472,400	25,047,400	31,517,000
42	Cash Balance Adjustment			(1,443,000)					
43	Annual Cash Flow			(1,885,400)	4,404,500	7,211,500	4,575,000	6,469,600	1,326,500
44	End Balance			8,856,400	13,260,900	20,472,400	25,047,400	31,517,000	32,843,500
45	Target Days of O&M Expense			60	60	60	60	60	60
46	Target Operating Balance to Meet Financial Policies			25,338,000	26,196,300	28,595,900	29,676,800	30,941,700	32,328,800
47	Target Cash (Deficiency)/Surplus			(16,481,600)	(12,935,400)	(8,123,500)	(4,629,400)	575,300	514,700
48	**Days of O&M in Reserve**			**21**	**30**	**43**	**51**	**61**	**61**
	Debt Service Coverage Under Recommended Rates								
	PILOT revenue included in coverage								
49	Parity Debt			**2.20**	**2.89**	**2.71**	**2.43**	**2.84**	**2.34**
50	Total System Achieved (Total Debt)			**2.09**	**2.74**	**2.59**	**2.34**	**2.73**	**2.26**
51	Target Minimum Coverage			1.60	1.60	1.60	1.60	1.60	1.60
	Without PILOT revenue								
52	Parity			**1.42**	**1.81**	**1.76**	**1.73**	**2.08**	**1.67**
53	**Total System Achieved**			**1.34**	**1.71**	**1.68**	**1.67**	**2.00**	**1.62**
54	Minimum Coverage Target			1.60	1.60	1.60	1.60	1.60	1.60

Table 6
Test Year Cost of Service - Revised Rate Plan
Summary of Revenue Requirements

Line	Description	2011 Test Year	Pro Forma Adjustment	Notes	Test Year 2011 Test Year Base COS
	CASH BASIS				
1	**Revenue Requirements:**				
2	**Fuel Expense**				
3	Retail				
4	Generation Fuel Costs	$ 40,485,000	$ (40,485,000)	(a)	$ -
5	Purchased Power	21,415,400	(21,415,400)	(a)	-
6	Total Retail Fuel	**$ 61,900,400**	**$ (61,900,400)**		**$ 0**
8	Borderline Fuel Costs	$ 385,900	$ (385,900)	(c)	$ -
9	Nearman Participants Fuel Cost	6,610,700	(6,610,700)	(c)	-
10	Off System Fuel Costs	7,621,500	(7,621,500)	(c)	-
11	**Total Fuel Expense**	**$ 14,618,100**	**$ (14,618,100)**		**$ 0**
12	**Operation and Maintenance Expense**				
13	Non-ERC Capacity Purchases	$ 2,600,000			$ 2,600,000
14	Production	45,554,300			45,554,300
15	Transmission	2,588,100			2,588,100
16	Distribution	21,132,400			21,132,400
17	Customer Accounts	5,937,200			5,937,200
18	Sales	509,400			509,400
19	Administrative and General	19,118,200			19,118,200
20	**Total O&M Expense**	**$ 97,439,600**	**$ 0**		**$ 97,439,600**
21	**Total Expenses**	**$ 173,958,100**	**$ (76,518,500)**		**$ 97,439,600**
22	**Debt Service**				
23	Existing Debt Service	$ 22,368,700			$ 22,368,700
24	2011 Capital Bonds ($14.3 million)	102,800			102,800
25	Meters Program	683,200			683,200
26	2011 Environmental Bonds ($40.8 million)	2,245,100		(b)	2,245,100
27	**Total Debt Service**	**$ 25,399,800**	**$ 0**		**$ 25,399,800**
28	**Recommended Uses of Balance Available for Transfers Out:**				
29	PILOT	$ 24,340,600	$ (24,340,600)	(d)	$ -
30	Cash Financed Capital Projects	11,959,800			11,959,800
31	Less: Reimbursable Projects	(734,700)			(734,700)
32	Capital Lease Payments	293,000			293,000
33	Heat Pump Program	449,900			449,900
34	Economic Development Fund Authorization	500,000			500,000
35	Deposit to Operating Reserve		7,211,500		7,211,500
36	**Total Other Exp. And Transfers**	**$ 36,808,600**	**$ (17,129,100)**		**$ 19,679,500**
37	**Total Revenue Requirements**	**$ 236,166,500**	**$ (93,647,600)**		**$ 142,518,900**
38	**Less: Other Revenue**				
39	**Other Revenue:**				
40	PILOT	$ 24,340,600	$ (24,340,600)	(d)	$ -
41	Forfeited Discounts	2,228,500			2,228,500
42	Connect/Disconnect Fees	1,061,200			1,061,200
43	Tower/Pole Attachment Rentals	1,027,100			1,027,100
44	Ash Disposal	159,200			159,200
45	Diversion Fines	63,600			63,600
46	Service Fees	1,273,500			1,273,500
47	Other Miscellaneous Revenues	147,700			147,700
48	Investment Income	912,400			912,400
49	Environmental Surcharge	1,749,900		(b)	1,749,900
50	Nearman Participants Margin	8,751,400			8,751,400
51	Borderline Margin	380,000			380,000
52	Off System Sales Margin	2,558,300			2,558,300
53	**Total Other Revenue**	**$ (44,653,400)**	**$ 24,340,600**		**$ (20,312,800)**
54	**Total Revenue Requirement**	**$ 191,513,100**	**$ (69,307,000)**		**$ 122,206,100**
	Margin Adjustment		$ -		$ -
	Net Revenue Requirement	**191,513,100**	**(69,307,000)**		**122,206,100**
55	**Revenues:**				
56	Retail Base Revenues	$ 108,772,700	$ 7,614,100	(e)	$ 116,386,800
57	ERC Revenues	61,900,400	(61,900,400)	(a)	-
58	Borderline Fuel Costs	385,900	(385,900)	(c)	-
59	Nearman Participants Fuel Cost	6,610,700	(6,610,700)	(c)	-
60	Off System Fuel Costs	7,621,500	(7,621,500)	(c)	-
61	**Total Revenues**	**$ 185,291,200**	**$ (68,904,400)**		**$ 116,386,800**
62	**Base Revenue Increase:**				
63	Amount				**$ 5,819,300**
64	Percent				**5.00%**

(a) Fuel and Purchased Power recovered in ERC
(b) Environmental Debt Service recovered in ERSC and AQC Revenue from Nearman Participants
(c) Wholesale Fuel and Purchased Power recovered in Wholesale Revenue
(d) PILOT direct billed to customers, not included in Cost of Service
(e) Additional Revenue from 2010 7% Rate Increase

Table 7
Cost of Service Summary - Revised Rate Plan
Electric System

						Test Year 2011	
		(a)	(b)	(c)	(d)	(e)	(f)
Line	Description	2011 Retail Sales	Base Revenue Existing Rates	Base Net COS	Base COS Adjustment	Base Difference Amount	Base Difference Percent
		MWh				(c) + (d) - (b)	(e) / (b)
1	Rate 100 - Residential	525,174	$ 35,933,320	$ 38,646,876	$ 1,974,503	$ 4,688,059	13.0%
2	Rate 200 - Small General Service	210,426	17,007,038	15,044,613	$ 784,637	(1,177,788)	-6.9%
3	Rate 300 - Large General Service	665,784	36,233,357	30,865,358	$ 2,235,432	(3,132,567)	-8.6%
4	Rate 400 - Large Power Service	799,922	22,269,511	25,749,263	$ 2,518,427	5,998,179	26.9%
5	USD 500 - School District	48,829	3,345,049	2,850,779	$ 172,618	(321,652)	-9.6%
6	Rate 700 - Lighting	8,320	1,598,483	1,321,831	$ 41,759	(234,893)	-14.7%
7	Borderline		379,982	976,021	(596,039) (1)		
8	KCK		-	5,060,766	(5,060,766) (1)		
9	BPU Interdepartmental		-	1,690,588	(1,690,588) (2)		
10	Total	2,258,454	$ 116,766,741	$ 122,206,095	$ 379,983	$ 5,819,337	5.0%

(1) Allocated to Paying Classes on basis of Retail Sales, Column (a)
(2) Allocated to Paying Classes on basis of Base Net COS, Column (c)

Kansas City Board of Public Utilities
RECOMMENDED RATES TABLE
2011 TEST YEAR

Rate Class: Residential

Description	Present Rate	Recommended Rate 2011	2012	2013
100 - Residential				
Customer Charge	$ 7.06	$ 12.25	$ 13.75	$ 15.25
Energy Charge				
First 1000 kWh				
Summer (1)	$ 0.06020	$ 0.06300	$ 0.06690	$ 0.07120
Winter	$ 0.06020	$ 0.04950	$ 0.05250	$ 0.05590
Next 1000 kWh				
Summer (1)	$ 0.07190	$ 0.07400	$ 0.07850	$ 0.08360
Winter	$ 0.02850	$ 0.04800	$ 0.05090	$ 0.05420
All Additional kWh				
Summer (1)	$ 0.10610	$ 0.09500	$ 0.10080	$ 0.10730
Winter	$ 0.02850	$ 0.04800	$ 0.05090	$ 0.05420
101 - Residential Electric Heating				
Customer Charge	$ 7.06	$ 12.25	$ 13.00	$ 13.84
Energy Charge				
First 1000 kWh				
Summer (1)	$ 0.06020	$ 0.06300	$ 0.06690	$ 0.07120
Winter	$ 0.06020	$ 0.04950	$ 0.05250	$ 0.05590
Next 1000 kWh				
Summer (1)	$ 0.07190	$ 0.07400	$ 0.07850	$ 0.08360
Winter	$ 0.02850	$ 0.03500	$ 0.03710	$ 0.03950
All Additional kWh				
Summer (1)	$ 0.10610	$ 0.09500	$ 0.10080	$ 0.10730
Winter	$ 0.02850	$ 0.03000	$ 0.03180	$ 0.03380

(1) Existing Summer season is May - October. Proposed billing units reflects proposed May - August Summer season.

Kansas City Board of Public Utilities
RECOMMENDED RATES TABLE
2011 TEST YEAR

Rate Class: Small General Service

Description	Present Rate	Recommended Rate 2011	2012	2013
200 - Small General Service				
Customer Charge	$ 17.66	$ 25.00	$ 27.50	$ 30.00
Facilities Demand				
Secondary Service	$ 2.64	$ 2.20	$ 2.34	$ 2.48
Primary Service	$ 1.38	$ 1.75	$ 1.86	$ 1.97
Billed Demand				
First 10 kW	$ -	$ -	$ -	$ -
All Additional kW	$ 6.47	$ 6.28	$ 6.68	$ 7.09
Energy Charge				
First 3500 kWh				
Summer (May - August)	$ 0.07580	$ 0.07580	$ 0.08060	$ 0.08560
Winter	$ 0.07580	$ 0.06580	$ 0.06990	$ 0.07420
All Additional kWh				
Summer (May - August)	$ 0.01200	$ 0.03210	$ 0.03410	$ 0.03620
Winter	$ 0.01200	$ 0.02210	$ 0.02350	$ 0.02490
Metering Adjustment				
Secondary	0.0%	0.0%	0.0%	0.0%
Primary	-2.3%	-2.0%	-2.0%	-2.0%

Kansas City Board of Public Utilities
RECOMMENDED RATES TABLE
2011 TEST YEAR

Rate Class: Medium General Service

Description	Present Rate	Recommended Rate 2011	2012	2013
250 - Medium General Service				
Customer Charge	$ 41.17	$ 55.00	$ 60.00	$ 65.00
Facilities Demand				
Secondary Service	$ 2.59	$ 2.71	$ 2.85	$ 2.99
Primary Service	$ 1.35	$ 2.16	$ 2.27	$ 2.38
Billed Demand				
All kW	$ 6.17	$ 6.47	$ 6.79	$ 7.11
Energy Charge				
First 300 kWh per kW				
Summer (May - August)	$ 0.03710	$ 0.04500	$ 0.04730	$ 0.04950
Winter	$ 0.03710	$ 0.03500	$ 0.03680	$ 0.03850
All Additional kWh				
Summer (May - August)	$ 0.01090	$ 0.01500	$ 0.01580	$ 0.01660
Winter	$ 0.01090	$ 0.01300	$ 0.01370	$ 0.01440
Metering Adjustment				
Secondary	2.3%	2.0%	2.0%	2.0%
Primary	0.0%	0.0%	0.0%	0.0%

Kansas City Board of Public Utilities
RECOMMENDED RATES TABLE
2011 TEST YEAR

Rate Class: Large General Service

Description	Present Rate	Recommended Rate 2011	2012	2013
300 - Large General Service				
Customer Charge	$ 41.17	$ 90.00	$ 97.00	$ 107.00
Facilities Demand				
Secondary Service	$ 2.59	$ 2.71	$ 2.87	$ 3.03
Primary Service	$ 1.35	$ 2.16	$ 2.29	$ 2.42
Billed Demand				
All kW	$ 6.17	$ 7.46	$ 7.89	$ 8.33
Energy Charge				
First 300 kWh per kW				
Summer (May - August)	$ 0.03710	$ 0.03900	$ 0.04130	$ 0.04360
Winter	$ 0.03710	$ 0.03000	$ 0.03170	$ 0.03350
All Additional kWh				
Summer (May - August)	$ 0.01090	$ 0.01300	$ 0.01380	$ 0.01460
Winter	$ 0.01090	$ 0.01300	$ 0.01380	$ 0.01460
Metering Adjustment				
Secondary	2.3%	2.0%	2.0%	2.0%
Primary	0.0%	0.0%	0.0%	0.0%

Kansas City Board of Public Utilities
RECOMMENDED RATES TABLE
2011 TEST YEAR

Rate Class: Large Power Service

Description	Present Rate	Recommended Rate 2011	2012	2013
400 - Large Power Service				
Customer Charge	$ 117.64	$ 175.00	$ 225.00	$ 275.00
Facilities Demand				
Secondary Service	$ 2.59	$ 2.22	$ 2.40	$ 2.59
Primary Service	$ 1.35	$ 1.78	$ 1.93	$ 2.08
Substation Service	$ 0.41	$ 0.66	$ 0.71	$ 0.77
Billed Demand				
All kW	$ 7.30	$ 7.67	$ 8.30	$ 8.95
Energy Charge				
First 300 kWh per kW				
Summer (May - August)	$ 0.02170	$ 0.02140	$ 0.02310	$ 0.02490
Winter	$ 0.02170	$ 0.01940	$ 0.02100	$ 0.02264
All Additional kWh				
Summer (May - August)	$ 0.01080	$ 0.01020	$ 0.01100	$ 0.01186
Winter	$ 0.01080	$ 0.00920	$ 0.01000	$ 0.01078
Metering Adjustment				
Secondary	2.0%	2.0%	2.0%	2.0%
Primary	0.0%	0.0%	0.0%	0.0%
Substation	-3.8%	-2.8%	-2.8%	-2.8%
Transmission	-4.3%	-3.3%	-3.3%	-3.3%

Table 8
Development of Environmental Surchage Rates
2011 Test Year

Rate Class	AED Allocator	Adjusted for Retail	Allocated Cost	2011 Billing Units kWh	kW	Lights	Charge per Month
	CAP4						
Rate 100 - Residential	26.54%	27.69%	$484,547	525,174,299			$ 0.0009 $/kWh
Rate 200 - Small General Service	12.07%	12.59%	$220,312	210,425,754			$ 0.0010 $/kWh
Rate 300 - Large General Service	28.67%	29.90%	$523,220		133,150		$ 0.327 $/kW
Rate 400 - Large Power Service	25.59%	26.69%	$467,048		110,760		$ 0.351 $/kW
Rate 500 - School District	2.80%	2.92%	$51,097	48,828,793			$ 0.0010 $/kWh
Rate 700 - Lighting	0.20%	0.21%	$3,675			4,375	$ 0.0700 $/light
KCK/BPU/Borderline	4.13%						
	100.00%	100.00%	$1,749,900				

Exhibit CEB-5
Environmental Surcharge
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