Exhibit No.: GMO-33
Issue: Transmission Tracker, Renewable Energy Standard and Missouri Energy Efficiency Investment Act of 2009; DSM; Low-Income Weatherization, Fuel Adjustment Clause
Witness: Tim M. Rush
Type of Exhibit: Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2010-0356
Date Testimony Prepared: December 15, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0356

REBUTTAL TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
December 2010

KCPL Exhibit No. GMO-33
Date 2/3/11 Reporter LMB
File No. ER-2010-0356

REBUTTAL TESTIMONY

OF

TIM M. RUSH

Case No. ER-2010-0356

Q: Please state your name and business address.

A: My name is Tim M. Rush. My business address is 1200 Main Street, Kansas City, Missouri 64105.

Q: Are you the same Tim M. Rush who prefiled Direct Testimony in this matter?

A: Yes.

Q: What is the purpose of your rebuttal testimony?

A: My testimony addresses a number of issues presented in the testimony of various parties. This includes

I.) The Missouri Public Service Commission Staff ("Staff") has recommended that the rates proposal included in its cost of service include the rebasing of the Fuel Adjustment Clause ("FAC"). KCP&L Greater Missouri Operations Company ("GMO" or the "Company") does not support FAC rebasing in this case.

II.) The Staff has recommended modifications to the FAC which would change the current sharing mechanism from 95%/5% to 75%/25%. The Company is not recommending any changes except to include transmission expenses as a component of the FAC.

III.) The Staff proposes to allocate a larger portion of the Iatan 2 project to the L&P division (100 Megawatts (MWs)) and a smaller portion to the MPS division (53MWs) than that recommended by GMO in its initial filing. Staff's allocation is made without any consideration for the overall impact this will have on the FAC and the fuel allocation methodology.

IV.) Staff's proposal by witness Henry E. Warren to place the low-income weatherization program funds into an account with Environmental Improvement and Energy Resources Authority ("EIERA") and that the program continue beyond 2010 with modifications.

V.) The current status of the Renewable Energy Stand ("RES") rulemaking that was previously addressed in my direct testimony.

VI.) The current status of the Missouri Energy Efficiency Investment Act of 2009 ("MEEIA") and GMO's proposed adoption of recovery methods for DSM program costs consistent with other Missouri utilities, Staff's recommendation to only allow recovery of DSM program costs using an Allowance for Funds used During Construction ("AFUDC") rate and the proposal by Missouri Department of Natural Resources (MDNR) witness Adam Bickford that asks the Commission to require GMO to continue their demand side management ("DSM") programs. MDNR also recommends a change in the current amortization period for DSM cost recovery from 10 years to 6 years.

VII.) To address Staff witness Curt Wells, the Office of the Public Counsel (OPC) witness Ted Robertson and Midwest Energy Users Association, Missouri Industrial Energy Consumers and Praxair, Inc.("Industrials") positions taken with regard to the Company's proposal to include transmission expenses as part of the FAC, or in the alternative to establish a separate tracker mechanism as part of the case.

I. RE-BASING THE FAC

Q: What is the issue regarding the re-basing of the FAC?

A: This is somewhat of a complicated issue, but essentially, the Company in its initial filing did not request an increase in rates for the portion of fuel and purchased power expenses, net of off-system sales, in excess of such amounts built into base rates. The Company elected to maintain the current base amount for both MPS ($0.02348 per kWh net system input) and L&P ($0.01642 per kWh net system input). The Company is proposing some modifications to include certain transmission expenses that are addressed later in my testimony. By electing to forgo increasing the FAC to reflect a re-base of the FAC, the Company essentially is agreeing to forgo the 5% increase in fuel and purchased power expenses, net of off-system sales that could be included in the request if it had elected to re-base in the initial filing. The Staff does not recognizing the Company's request and has included a re-basing of fuel and purchased power expenses, net of off-system sales in its proposal.

Q: Did the Company inform the Commission of its intent to not re-base its FAC in the original filing?

A: Yes. In the Company's application for the rate increase, page 4, item 11, the Company describes that it is requesting to continue the FAC, but is not proposing to re-base for increased fuel and purchased power expenses costs. The Company proposes to continue the 95%/5% sharing mechanism, as is presently set out in the FAC.

Q: What did the Company do in the last rate request regarding re-basing the FAC?

A: The Company filed its application to re-base the FAC, however, in the ultimate settlement of the rate case, the parties agreed that the Company not re-base the FAC.

Q: Has this subject caused some disagreements in this case?

A: Yes. In developing the customer notice to be placed in customer bills informing customers of the upcoming public hearings and rate case, both Staff and OPC had a substantial disagreement regarding what the notice should say and how the Staff would be proposing to re-base the FAC in this case. The issue was ultimately decided by the Commission and notices were developed based on the Company's filing and not what the Staff or other parties may be proposing.

II. FAC SHARING MECHANISM

Q: What is Staff's position regarding the sharing mechanism of the FAC?

A: Staff is recommending that the current sharing mechanism, which is 95% customer and 5% Company, be modified to 75% customer, 25% Company. This is described in the Staff Report – Revenue Requirement Cost of Service (Staff Report), beginning on page 192 thru 201.

Q: Please describe what is meant by the 95%/5% sharing mechanism and the potential impact of moving to a 75%/25% sharing mechanism?

A: The 95%/5% sharing mechanism simply means that if the cost of fuel and purchased power expenses, net of off-system sales, increase above the base energy cost in rates, then the Company will be allowed to recover 95% of the increase over a twelve month period beginning six months after the end of the accumulation period. The Company does not recover 5% of these costs. Moving this sharing mechanism to 75%/25% means that the Company will have to absorb 25% of the cost increases, rather than 5%.

Q: Has the Staff ever found imprudence concerning the costs of the Company's FAC.

A: No. The FAC has been in existence since 2007. The Company has filed six FAC's during that time and the Staff has filed two prudence review reports concerning its review of the costs of the Company's FAC and found no evidence of imprudent decisions by the Company's management related to procurement of fuel for generation, purchased power and off-system sales.

Q: Staff recommends continuation of the FAC, with modifications, including the sharing mechanism. Please describe some of the basis for the Staff recommendation to continue the FAC.

A: On page 195 of the Staff Report, Staff describes, after analysis, that FAC under-collected amount over the three years represents $121 million (18 percent of the total actual energy costs of $557 million). Staff goes on to say that without the FAC, GMO would have lost half of its test year net income before taxes due to under-collection of fuel and purchased power costs less off-system sales revenues during the timeframe of the FAC's first six accumulation periods.

It is obvious from this analysis that the FAC is a critical component of GMO's overall rate strategy and is critical to the financial health of the Company. The FAC plays a significant role to the Company in that it provides a recovery mechanism for the most significant primary driving variable cost to the Company.

Q: What does changing the sharing mechanism to 75%25% do to the Company's overall financial health?

A: Using the last six accumulation periods of the FAC as an example, it would mean that the Company would lose an additional $24 million of costs. These are costs that the Staff has already determined were prudently incurred.

Q: Do you think that excluding prudently incurred costs is contemplated by the legislation that established the FAC?

A: No. I do not think that is what the legislation was meant to do. The statute, Mo. Rev. Stat. §386.266.1 (2000) is quite clear:

> Subject to the requirements of this section, any electrical corporation may make an application to the commission to approve rate schedules authorizing an interim energy charge, or periodic rate adjustments outside of general rate proceedings to reflect increases and decreases in its prudently incurred fuel and purchased-power costs, including transportation. The commission may, in accordance with existing law, include in such rate schedules features designed to provide the electrical corporation with incentives to improve the efficiency and cost-effectiveness of its fuel and purchased-power procurement activities.

The FAC was enacted to provide a mechanism that allows recovery of prudently incurred fuel and purchased power costs, including transportation. The statute does not contemplate penalty measures as proposed by Staff.

Q: Do you believe that there are other provisions in the legislation that would support recovery of all prudently incurred fuel and purchased power costs, including transportation?

A: Yes. Subsection 4 of the FAC statute states that the mechanism shall consider adjustment mechanisms after a full hearing. Mo. Rev. Stat. § 386.226.4 (2000). Subsection 4 further provides that:

> The commission may approve such rate schedules after considering all relevant factors which may affect the costs or overall rates and charges of the corporation, provided that it finds that the adjustment mechanism set forth in the schedules:
> (1) Is reasonably designed to provide the utility with a sufficient opportunity to earn a fair return on equity; …
> (13) The public service commission shall appoint a task force, consisting of all interested parties, to study and make recommendations on the cost recovery and implementation of

conservation and weatherization programs for electrical and gas corporations.

Section (1) clearly requires that the Commission consider the opportunity for the utility to earn a fair return. Staff's 75%/25% proposal prevents GMO the opportunity to earn a fair return on costs which Staff has already determined prudent. Staff in its revenue requirements report, on page 195, indicated that the Company has under-collected amount over three years of $121 million (18 percent of total actual energy costs of $557 million). As I expressed earlier, if Staff's 75%/25% sharing mechanism were instituted for GMO, it would have resulted in a reduction of recovered costs of $24 million. This would have equated to an average annual earning loss of $8 million, which would represent approximately a 1% reduction in the Company's return on equity (ROE).

This means that if the Commission approved the requested ROE the Company originally filed at 11% and applied the 75%/25% sharing, the Company would really only have been granted a 10% ROE based on the above analysis.

Further, under Section (13) the Commission must establish a task force to study and make recommendations on the cost recovery and implementation of conservation and weatherization programs for electrical corporations. I am not aware of any task force involved that is looking at a change to the current FAC recovery mechanism.

Q: In the last AmerenUE rate case (ER-2010-0036), the Commission asked for parties to make suggestions as to the appropriateness of the FAC and any suggested changes. What was Staff's position in that case?

A: Staff did not recommend any change to the current FAC for AmerenUE, but instead supported the current recovery mechanism. Even though AmerenUE is significantly larger and its fuel costs less volatile than GMO, Staff supported AmerenUE's FAC mechanism, which is nearly identical to GMO's.

Q: Please describe the Staff's basis for the proposed shift in recovery percentage?

A: On page 196 of the Staff Report, Staff describes that they feel, based on their analysis, that moving to 75%/25% is appropriate. They state that "The Commission has stated the objective of the FAC sharing mechanism is to provide an incentive for the Company to "keep its fuel and purchased power costs down." To do so requires incenting the utility to develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply."

Q: Do you believe that changing the recovery mechanism from 95%/5% to 75%/25% would be an inducement for the utility to "develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply"?

A: Since the Staff's own prudence review and audits of the Company's FAC procurement practices and power purchase practices has done nothing but suggest that GMO has been prudent, I cannot imagine how shifting the incentive to a large "stick" could incent GMO beyond what it is doing. Staff's proposal would serve only to penalize the Company by potentially disallowing a larger percentage of costs.

Q: Do you believe that there are other mechanisms that serve to incent the utility to "develop and manage an effective energy procurement process which minimizes energy costs while managing risk of loss of energy supply"?

A: Yes, I do. I believe that there are number of ways that incent the utility beyond using a "stick" to penalize the utility for prudent actions. They include:

1.) The prudence review and audit is a significant annual event in which the utility records are reviewed by Staff and other parties in a docket to make sure that all actions taken by the utility pertaining to fuel procurement, purchased power purchases, etc, were done prudently.

2.) An incentive to retain a portion of the off-system sales would create an incentive to pursue prudent off-system sales.

3.) Other sharing mechanisms could be successful in encouraging successful contract negotiations.

Q: Do other states have mechanisms that address sharing similar to Missouri?

A: Very few states have sharing mechanisms similar to Missouri. Most utilities have some type of sharing, but it typically deals with sharing the benefits of the off-system sales, which I consider more an incentive than a penalty.

Q: Do you think it would be appropriate for one Missouri utility to have a radically different sharing mechanism more onerous penalty than another utility?

A: No. Particularly when the issue was just reviewed not too many months ago in the AmerenUE rate case. I believe that investors, creditors, customers and the utility want some certainty. Imposition of a harsh penalty on the Company at this time is not appropriate. Especially since Staff has not found any evidence of imprudent Company actions or shown that Staff's proposal will somehow induce some new behavior beneficial to the customer and Company.

III. IATAN 2 ALLOCATION BETWEEN MPS AND L&P

Q: **What is the Staff's position with regard to the allocation of Iatan 2 for purposes of serving the energy needs of both the MPS & L&P division?**

A: The Staff proposes to allocate 100 MWs to the L&P division and the remaining 53 MWs to the MPS division of the total 153 MWs that GMO owns of the Iatan 2 project. Staff's proposal is without any consideration of the overall impact this will have on the FAC and the fuel allocation methodology for either MPS or L&P. Staff's proposal will result in a disproportionately large share of L&P retail load being met with base load resource when compared to MPS. Company witness Burton Crawford addresses the Company's position and proposes a more appropriate allocation in his rebuttal testimony.

Q: **Why is there a need to allocate the Iatan 2 generating capacity between MPS and L&P?**

A: While these two divisions are owned by the same legal entity, they retain separate rate bases for retail rate making purposes. As such, GMO's share of Iatan 2 needs to be allocated or assigned in some way to MPS and L&P. Such an allocation must take into consideration all implications.

Q: **What is the possible impact on either MPS or L&P, if the allocations are not established appropriately and considerations given to both the base rates and the FAC allocation methodology?**

A: Rates in this case for both MPS and L&P will be based on the decision about the allocation of Iatan 2. This will include the amount of base energy included in the rates. MPS and L&P generating assets are jointly dispatched and an allocation is made between the two divisions based on each division's assigned generating capacity and purchase agreements. While the allocation of Iatan 2 capacity between MPS and L&P does not impact the dispatch decisions or the total production costs to serve GMO retail customers, it does impact what customers pay in the FAC for both MPS and L&P.

Q: **What is the Company recommending as to the appropriate allocation between MPS and L&P?**

A: Allocating 41 MW of Iatan 2 capacity to L&P and 112 MW to MPS is the recommended allocation and supported by Company witness Burton Crawford.

Q: **Why didn't the Company simply assign the Iatan 2 plant to one or the other divisions?**

A: First, both divisions will need some base-load energy by the time rates go into effect in this case. L&P will most likely not be able to replace its current capacity agreement with Nebraska Public Power District (100 MWs of base-load generation) at the same or similar price. In looking to replace this capacity, L&P will not look to acquire another 100 MWs of base-load, but will look for a mixture of base and peaking capacity. Similarly, MPS has a contract with Omaha Public Power District for 75 MWs of base-load capacity that is also set to expire. Unlike L&P, MPS has a more significant need for base-load capacity and has a larger load than L&P.

Q: **Would using the allocation proposal from the Staff cause any problems for the GMO rate request that is before the Commission?**

A: Yes. The way Staff's allocation gives a much higher percentage of the rate increase to L&P than MPS. In fact, it results in an increase to L&P that exceeds the request that the Company filed, while at the same time lowering the request the Company filed for MPS.

I do not believe it is fair to alter the allocations between GMO divisions in order to limit the overall rate request for GMO.

Q: Why is it important to get the allocation of the Iatan 2 plant right in this case?

A: Because the Iatan 2 impacts each division's rates due to the investment, depreciation, taxes, operation and maintenance expenses, etc. Iatan 2 also determines the allocation of fuels and purchased power and the FAC allocation.

IV. LOW-INCOME WEATHERIZATION PROGRAM

Q: Do you agree with Mr. Warren's proposal to have the low-income weatherization program funds placed into an account with EIERA?

A: No, GMO disagrees with Mr. Warren's proposal to have the low-income weatherization funds placed into an account with EIERA. GMO and community action weatherization agencies have excellent working relationships. The established process of distributing weatherization payments monthly, based upon actual weatherization services provided, has been seamless and effective.

Placing the low-income weatherization funds with EIERA would create an added administrative burden not currently experienced by the Company and not necessary. The Company already provides funds directly to its local community action weatherization agencies.

Q: Do you agree with Mr. Warren that the programs, with modifications, should continue at the same level as suggested in his testimony?

A: No. I do not think that this is the proper forum for a decision to continue the current funding levels for low income weatherization. I think it should be first vetted with the

Customer Program Advisory Group which consists of various interested parties. Second, the Commission should determine the recovery mechanism before a decision is made. Staff's proposal is similar to the proposal from MDNR to require the Company to continue DSM programs, which is discussed later in my testimony. Additionally, Staff is recommending that the Company modify its direct reimbursement payment method to the weatherization agencies from monthly to annual. This change would be harmful to the Company's cash flow and places an undue burden on the Company.

V. RENEWABLE ENERGY STANDARD ("RES")

Q: Would you describe the current status of the rulemaking for the RES, also known as Proposition C?

A: As a result of the rulemaking procedures at the Commission, a rule has been established that sets out the recovery mechanisms for the renewable energy credits ("RECs").

Q: Please explain the implication of the rulemaking and its effects in this rate case.

A: As I stated in my direct testimony, the Company has entered into a solar purchased power agreement that qualifies as a renewable energy resource that is included in annualized purchased power expense. Staff has also recognized the solar purchase power agreement in its fuel run.

Solar rebates and REC tracking costs are also being incurred and are included in the Company's annualized O&M expense. Staff has not recognized these expenses in its Cost of Service. GMO has spent nearly $109,000 in 2010.

Q: Based on the new rule, do you have a recommendation on how the solar rebates and REC tracking costs should be handled for purposes of setting rates?

A: Yes. I think that the experience of 2010 gives a good indication of what GMO's minimum expected costs will be over the next several years. The current rule provides a method for recovery of these costs that will provide the Company appropriate recovery. I recommend that an annualized amount equivalent to the expenses incurred in 2010 be included in cost of service as an ongoing expense level and that the expenses incurred in 2010 be included in cost of service to be amortized over a two-year period beginning with the implementation of rates in this case.

VI. MISSOURI ENERGY EFFICICENCY INVESTMENT ACT OF 2009

Q: Would you describe the current status of the rulemaking for the MEEIA?

A: My direct testimony in this case addressed the MEEIA, also known as Senate Bill 376 ("SB 376"). While preparing my direct testimony in June, a formal rule had not been developed. The Staff was holding informal workshops and in the process of developing a proposed rule to present to the Commission. I further addressed my concern that the current cost recovery mechanism for KCP&L did not reflect the policy goals of SB 376.

A rule was published in the Missouri Register in October and hearings are scheduled for December. The timing of the rule will most likely coincide with the effective date of rates from this case, but implementing a recovery mechanism consistent with the rule does not seem feasible in this case.

Q: Do you recommend any alternative until the proposed rule takes effect?

A: Yes. As I previously stated in my direct testimony, GMO had not taken any action in its initial filing to reflect the purposed rule. GMO was hopeful that rules would become effective in sufficient time prior to the conclusion of this case and become part of the outcome in this proceeding. However, that does not appear to be the case. As such, GMO requests that Commission consider granting GMO recovery consistent with the cost recovery recently granted in the last AmerenUE rate case, Case No. ER-2010-0036. As I stated in my rebuttal testimony in Case No. ER-2010-0355 (KCP&L rate case) I recommended that until the rulemaking process is completed, that GMO's revenue recovery mechanism be consistent with the recent Order approving the Stipulation and Agreement in the AmerenUE rate case. This would change GMO's current amortization period for the Demand Side Management ("DSM") regulatory asset from 10 years to 6 years and include the unamortized balance in rate base for actual expenditures booked to the DSM regulatory asset up through the true-up period of December 31, 2010. The six year amortization period would be applied to DSM program expenditures incurred subsequent to the last case beginning September 30, 2008. Prior expenditures would continue to be amortized over the originally authorized ten-year period. Additionally, GMO would defer the costs of the DSM programs in Account 182 and, beginning with the December 31, 2010 True Up date in this case, calculate allowance for funds used during construction (AFUDC) monthly using the monthly value of the annual AFUDC rate.

Q: **What is your position regarding MDNR's request to the Commission to require GMO to continue its DSM programs?**

A: GMO is committed to implementing cost effective DSM programs that are beneficial to customers, the communities we serve and the Company. My primary concern is MDNR's proposal to "require" the Company to implement DSM programs without addressing an appropriate cost recovery mechanism. It is the Company's position that an appropriate cost recovery mechanism must be in place to pursue the DSM programs.

Q: Does MDNR recommend changes to DSM cost recovery consistent with the six year amortization proposal you recommend above?

A: Yes. MDNR is supportive of moving the amortization period to six years until GMO can move to a recovery mechanism that addresses the merits of the MEEIA.

VII. TRANSMISSION EXPENSE RECOVERY

Q: The Company proposed that transmission expenses be recovered , either through the current FAC mechanism, or in the alternative, to establish a separate tracker mechanism. How did the parties to this case address the transmission proposal of the Company?

A: Staff's filing recommends that a transmission tracker which includes both revenues and expenses be established, similar to its position in the KCP&L case. Both OPC and the MIEC recommended that the neither Staff's proposed transmission tracker or the Company's proposal for inclusion of transmission costs in a tracker in the FAC, or in the alternative in a separate tracker mechanism, be approved.

Q: Do you have any corrections to your Direct Testimony in this case?

A: Yes, certain amounts in Schedule TMR2010-4 attached to my Direct Testimony were incorrect. Attached to this Testimony as Schedule TMR2010-6 is the corrected schedule.

Q: Please summarize the Company's proposal regarding transmission expenses to be included in the tracker, either through the FAC or in the alternative through a tracker mechanism.

A: The Company proposes establishing a mechanism to ensure appropriate recovery of certain transmission expenses. The expenses identified for inclusion in this recovery mechanism result from charges by Southwest Power Pool ("SPP") and other providers of transmission service.

Q: Why should these expenses be included in a recovery mechanism?

A: The transmission charges are expected to increase substantially in the next few years as demonstrated by analysis performed by the SPP Rate Impact Task Force ("RITF"), which operates under the purview of the Regional State Committee. The Regional State Committee, which is made up of commissioners from the state public utility commissions located in the SPP geographic footprint, formed the RITF for the express purpose of addressing concerns about the magnitude of impending costs that will result from transmission projects directed by SPP. In addition to the fact that changes in these expenses are expected to be substantial in magnitude, the large majority of the expenses will be outside of GMO's control. Therefore, these transmission expenses are the classic candidates for a tracker: 1) they are material, 2) they are expected to change significantly in the near future, and 3) they are primarily outside the control of the utility.

Q: The Staff supports the concept of a transmission tracker, but proposes to include changes in wholesale transmission revenue as an offsetting value to the changes in expense included in the tracker. Do you support the Staff's proposal?

A: No.

Q: What is your reason for opposing the Staff's suggestion to include revenue changes?

A: Essentially, this proposal would create a mismatch between costs and revenues. The wholesale transmission revenue received by GMO serves to offset its actual total cost of owning and operating transmission facilities. The magnitude of this actual total cost will be represented by the transmission functional component of the total cost-of-service established in this docket. The amount of total transmission cost allowed for recovery under GMO's Missouri rates will not change absent another future GMO rate case. The total transmission cost will be a fixed amount and unaffected by the tracker as proposed by either Staff or GMO. However, Staff proposes to include changes in wholesale transmission revenue for inclusion in the tracker as an offset to that fixed total cost of owning and operating transmission facilities. Thus, there will be a mismatch between the total transmission ownership cost included in GMO's rates, which will be fixed, and the amount of Staff's proposed revenue offset, which will vary over time.

Q: Why is this mismatch between cost and revenue a problem?

A: In FERC Docket No. ER10-230-000, GMO recently established a wholesale transmission "formula rate" that allows GMO's wholesale transmission rates to vary each year in accordance with its actual costs of owning and operating transmission facilities. As a result, GMO's future stream of wholesale transmission revenue is expected to be correlated with its actual total costs of transmission facility ownership and operation. As the total costs rise, the wholesale transmission revenue amount is expected to rise and as the total costs fall, the wholesale transmission revenue amount is expected to fall. For this reason, the Staff's proposal to include wholesale transmission revenue in the tracker (while the total cost-of-service included in rates is held constant at the test year level) is expected to have completely counter-intuitive effects. When the total cost of owning and operating transmission facilities increases, the amount of wholesale transmission revenue is expected to increase also, which would have the effect of *decreasing* the amount of transmission net cost recovered from retail customers under the Staff's tracker proposal. When the total cost of owning and operating transmission facilities decreases, the amount of wholesale transmission revenue is expected to decrease also, which would have the effect of *increasing* the amount of transmission net cost recovered from retail customers under the Staff tracker proposal. In short, the Staff proposal likely would have the long-term effect of pushing retail rates in the opposite direction of actual cost, which is clearly inappropriate ratemaking treatment.

Q: What remedies are available to address the problem with the Staff's proposal?

A: There are two basic approaches to address this problem. One approach would be to implement the Staff proposal to include wholesale transmission revenue in the tracker, but to supplement it with a mechanism whereby retail rates could be adjusted to reflect changes in the cost of owning and operating transmission facilities. In that manner, there would be a match between cost and revenue that would alleviate the problem described above. In this docket, however, GMO is not proposing such a mechanism. Instead, GMO is proposing the simpler approach of limiting the tracker to include only transmission expenses resulting from charges by other transmission providers. By excluding wholesale transmission revenue from the tracker, the problem outlined above is avoided.

Q: If the inclusion of wholesale transmission revenue in the tracker creates a mismatch problem, why does the inclusion of certain transmission expenses not create a similar issue?

A: There are two key differences between the ratemaking treatment of the transmission expense resulting from service charges and the transmission revenue resulting from the company's formula rate. First, these transmission expenses are excluded from the computation of transmission rates under the FERC-approved formula rate. These are expenses incurred due to GMO's role as a transmission customer, whereas the costs under the formula rate are those of GMO as an owner and operator of transmission facilities. Therefore, these expenses are of a fundamentally different nature and are largely uncorrelated with the primary segment of GMO's transmission costs, which is that of a transmission owner and operator. Second, inclusion in the tracker of expenses resulting from charges by other transmission providers does not result in retail rates moving in the opposite direction from actual total costs. On the contrary, including these expenses in the tracker results in retail rates that move in tandem with and more accurately reflect the costs incurred on behalf of retail customers.

Q: Do you have any comments regarding Staff's recommended reporting requirements for transmission projects constructed by GMO, as described on pages 163 of the Staff Report on revenue requirement and cost-of-service?

A: Staff proposes several reporting requirements in this section, including the filing of certain information with the Commission when GMO proposes a transmission project at a voltage greater than 100kV, the update of this information within seven days if a cost estimate changes by more than ten percent, and the filing of quarterly updates of costs incurred and progress made toward completion of all transmission projects regardless of size. GMO understands that the Commission has an interest in these issues given the very substantial transmission construction plans now being developed and directed by SPP. However, these matters can be more effectively addressed within a docket that focuses specifically on transmission development, where any problems can be more thoroughly analyzed and solutions can be more carefully tailored to address those problems. The Commission recently opened a docket, Case No. EO-2011-0134, in which such matters can be addressed on a general policy basis rather than in this rate case for an individual company. Therefore, GMO suggests that such reporting requirements not be adopted through this rate case.

Q: Why do OPC and the Industrials not recommend approval of inclusion of these costs in the FAC or in a transmission tracker?

A: The Industrials simply argue that inclusion in the FAC should be denied because these expenses do not differ from capital additions that GMO puts into service between rate cases. The Industrials further argue that such inclusion in a tracker does not give GMO an incentive to manage SP administrative costs and that the benefits associated with these projects are not offset against the costs. OPC argues that the Company's proposal for a transmission tracker should not be approved because a historic review of GMO's transmission costs show that these costs have not fluctuated substantially.

Q: Do you agree with the Industrial position that these costs should not be established as part of a recovery mechanism?

A: No. Inclusion in the FAC is appropriate because these expenses comprise a key component of the total costs of procuring bulk power supplies for customers and executing wholesale energy transactions. Alternatively, these expenses should be included in a tracker mechanism. While these are part of the cost of service of the Company, they are changing at a rapid pace as the transmission systems are changing. Many of these costs are not within the control of the Company and more driven by public policy. As I previously noted, a major factor in these increases is the push for renewable energy resources in the region and the need for significant transmission upgrades necessary to capture the benefits of wind generation in the region. The other reason is the need to reduce congestion in the region on the key transmission paths to create more efficient markets. The Industrials' argument that the expenses proposed for inclusion in the FAC or in a tracker mechanism are no different from GMO's capital additions is clearly inaccurate. GMO is proposing to include in these recovery mechanisms expenses resulting from charges by SPP and other transmission providers. As such, any increase or decrease in these costs will never be reflected in customers' rates between rate cases if there is no recovery mechanism as proposed. In contrast, capital additions made by GMO between rate cases are accumulated in plant asset accounts together with the AFUDC associated with those capital additions. When the next case is filed, those capital costs are recoverable through inclusion in rate base. The differences between these two types of costs and the potential for recovery of the costs are fundamental and clear. The Industrials' contention that denying GMO a recovery mechanism provides GMO an incentive to manage SPP's administrative costs disregards the realities that GMO is only one of many stakeholders involved in SPP decision-making, that SPP ultimately is governed by an independent board, and that most of SPP's administrative cost is driven by policy mandates and operating requirements. Finally, the Industrials' argument that GMO is ignoring the "benefits" that may offset those costs neglects the fact that many of the benefits cannot be translated directly into dollar quantification because they result from factors such as the need to improve system reliability or provide for development of wind power in response to renewable energy standards.

Q: In regard to the OPC argument, how do the Company's projected transmission costs compare to historical levels?

A: As can be seen on attached Schedule TMR2010-5 filed in my Direct Testimony, transmission costs have increased significantly in recent years. These costs are expected to grow at an even faster pace in the future in order to address these regional energy needs.

Q: Does that conclude your testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of KCP&L Greater Missouri Operations Company to Modify Its Electric Tariffs to Effectuate a Rate Increase	)))	Docket No. ER-2010-0356

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 Rebuttal Testimony on behalf of KCP&L Greater Missouri Operations Company consisting of twenty-three (23) pages, 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
Tim M. Rush

Subscribed and sworn before me this 15th day of December, 2010.

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

KCP&L Greater Missouri Operations Company
Transmission Expenses

	Account	Account Description	2005	2006	2007	2008	2009	Included in current filing
MPS								
	561400	Trans Op-Schd,Contr & Dis Serv	-	1,805,885	2,159,158	3,210,350	137,310	979,269
	561800	Trans Op-Reli Plan&Std Dv-RTO	-	6,668	14,030	23,475	127,636	171,019
	565000	Transm Oper-Elec Tr-By Others	12,117,025	20,861,920	14,615,281	4,413,823	3,445,095	5,711,708
	565021	Transm Oper-Elec Tr-Interunit	-	-	1,515,600	1,515,600	442,050	439,778
	565027	Transm Oper-Elec Tr-Demand	-	-	-	12,687,585	8,785,512	8,740,354
	565030	Transm Oper-Elec Tr-OffSys	-	-	1,605,563	149,484	5,292	5,265
	575700	Trans Op-Mkt Mon&Comp Ser-RTO	-	-	-	104,444	931,957	836,211
	928003	Reg Comm Exp-FERC Assessment	-	-	-	239,669	335,565	344,807
		Total	12,117,025	22,674,472	19,909,632	22,344,430	14,210,417	17,228,411
L&P								
	561400	Trans Op-Schd,Contr & Dis Serv	-	669,227	743,117	785,029	295,720	281,483
	561800	Trans Op-Reli Plan&Std Dv-RTO	-	1,577	3,949	3,061	39,351	49,311
	565000	Transm Oper-Elec Tr-By Others	4,174,803	4,231,449	2,646,461	81,158	(35,446)	(35,446)
	565021	Transm Oper-Elec Tr-Interunit	-	-	1,515,600	1,515,600	442,050	442,050
	565027	Transm Oper-Elec Tr-Demand	-	-	-	2,941,279	2,313,040	319,924
	565030	Transm Oper-Elec Tr-OffSys	-	-	26,970	7,135	-	-
	575700	Trans Op-Mkt Mon&Comp Ser-RTO	-	-	-	-	286,699	241,564
	928003	Reg Comm Exp-FERC Assessment	-	-	-	82,859	118,314	110,162
		Total	4,174,803	4,902,252	4,936,097	5,416,121	3,459,728	1,409,049