

Exhibit No.:
Issue: Fuel Adjustment Clause
Witness: Tim M. Rush
Type of Exhibit: Direct Testimony
Sponsoring Party: KCP&L Greater Missouri
Operations Company
Case No.: EO-2010-____
Date Testimony Prepared: December 23, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2010-____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
December 2009**

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. EO-2010-

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

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

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

5 A: I am employed by Kansas City Power & Light Company ("KCP&L") as Director,
6 Regulatory Affairs.

7 **Q: What are your responsibilities?**

8 A: My general responsibilities include overseeing the preparation of the rate case,
9 class cost of service and rate design of both KCP&L and KCP&L Greater
10 Missouri Operations Company formerly Aquila, Inc. ("KCP&L-GMO" or "the
11 Company") . I am also responsible for overseeing the regulatory reporting and
12 general activities as they relate to the Missouri Public Service Commission
13 ("MPSC" or "Commission").

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

15 A: I received a Master's Degree in Business Administration from Northwest Missouri
16 State University in Maryville, Missouri. I received a Bachelor of Science Degree
17 in Business Administration with a concentration in Accounting from the
18 University of Missouri in Columbia.

1 **Q: Please provide your work experience.**

2 A: I was hired by KCP&L in 2001, as Director, Regulatory Affairs. Prior to my
3 employment with KCP&L, I was employed by St. Joseph Light & Power
4 Company (“Light & Power”) for over 24 years. At Light & Power, I was
5 Manager of Customer Operations from 1996 to 2001, where I had responsibility
6 for the regulatory area, as well as marketing, energy consultant and customer
7 services areas. Customer services included the call center and collections areas.
8 Prior to that, I held various positions in the Rates and Market Research
9 Department from 1977 until 1996. I was the manager of that department for
10 fifteen years.

11 **Q: Have you previously testified in a proceeding before the MPSC or before any**
12 **other utility regulatory agency?**

13 A: I have testified on numerous occasions before the MPSC on a variety of issues
14 affecting regulated public utilities. Additionally, I have testified at the Federal
15 Energy Regulatory Commission and the Kansas Corporation Commission.

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

17 A: My testimony supports the rate schedule filed by KCP&L-GMO to adjust rates for
18 Fuel Adjustment Clause (“FAC”) includable costs experienced during the six-
19 month period June 2009 through November 2009. This six-month period is the
20 fifth accumulation period under KCP&L-GMO’s FAC, which was originally
21 approved by the Commission in Case No. ER-2007-0004 and modified in Case
22 No. ER-2009-0090. This filing includes three months under the original FAC and
23 three months under the FAC effective September 1, 2009. The proposed change

1 will result in an increase to a typical residential customer's bill for an MPS
2 customer of approximately \$0.65 per month and a decrease to a typical residential
3 customer's bill for an L&P customer of approximately \$1.80 per month.

4 **Q: Please explain why KCP&L-GMO filed the FAC adjustment rate schedules**
5 **at this time.**

6 A: The Commission's rule governing fuel and purchased power cost recovery
7 mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires
8 KCP&L-GMO to make periodic filings to allow the Commission to review the
9 actual net FAC includable costs the Company has incurred and to allow rates to
10 be adjusted, either up or down, to reflect those actual costs. The Commission's
11 rule requires at least one such review and adjustment each year. KCP&L-GMO's
12 approved FAC calls for two annual filings – one filing covering the six-month
13 accumulation period running from June through November and another filing
14 covering the accumulation period running from December through May. Any
15 increases or decreases in rates in these filings is then collected from or refunded to
16 customers over a subsequent twelve-month recovery period. Since the conclusion
17 of Case No. ER-2007-0004, the costs of fuel and purchased power necessary to
18 meet the demand for electricity by the Company's customers has continued to
19 increase. A number of factors caused these cost increases, including the
20 following: (i) higher natural gas costs (although natural gas costs have fallen
21 during the most recent accumulation period, they remain higher than those costs
22 as set in the FAC base within Case No. ER-2007-0004.); (ii) higher purchased
23 power costs; and (iii) higher coal and freight costs.

1 For the accumulation period June 2009 through November 2009, KCP&L-GMO's
2 actual FAC includable costs exceeded the base costs included in base rates in
3 Case No. ER-2007-0004 (June-August) and Case No. ER-2009-0090 (September-
4 November) by approximately \$24 million. In accordance with the Commission's
5 rule and KCP&L-GMO's approved FAC, KCP&L-GMO is filing the FAC tariff
6 that provides for an increase in rates to recover 95% of those cost increases.

7 **Q: How did you develop the various values used to derive the proposed Cost**
8 **Adjustment Factor ("CAF") that are shown on Schedule TMR-1?**

9 A: The proposed tariff rates are shown in Schedule TMR-1. The filing made in
10 conjunction with this testimony contains all of the information as set in 4 CSR
11 240-3.161(7)(A) which supports these proposed rates. Because of the change in
12 the FAC beginning September 1, 2009 with the implementation of the tariff
13 changes determined in Case No. ER-2009-0090, the calculation of the current
14 accumulation period FAC rates cannot be fully shown on the actual tariff sheet.
15 As the current accumulation period includes three months of accumulation under
16 the formula approved in Case No. ER-2007-0004 and three months under the
17 formula approved in Case. No. ER-2009-0090, the combined calculation of the
18 current rate is shown on supporting documentation accompanying the tariff. In
19 addition, I am submitting a copy of the workpapers that support the determination
20 of the current CAF.

21 **Q: Please describe the impact of the increase in costs and how it will affect**
22 **typical customer.**

1 A: KCP&L-GMO consists of two rate jurisdictions identified as All Territories
2 Served as L&P and MPS (“L&P” and “MPS,” respectively). This FAC tariff
3 filing consists of a CAF for each of the rate jurisdictions. The CAF for the
4 current period is \$0.0038 per kWh for both secondary and primary voltage
5 customers for MPS and \$0.0008 per kWh for both secondary and primary voltage
6 customers for L&P. This is the difference between base FAC includable costs
7 and the actual costs incurred by the Company during the June-November
8 accumulation period over a recovery period running from March 2010 through
9 February 2011.

10 The proposed CAF was calculated in the manner specified in the Company’s
11 FAC. Attached to my testimony, as Schedule TMR-1, is a copy of the tariff sheet
12 with the current CAF, the prior period CAF and the total CAF that will be billed
13 to customers over the recovery period. The CAF calculated for the third
14 accumulation period has been removed as its recovery period will cease on
15 February 28, 2010. The CAF for the fourth accumulation period is added to the
16 CAF for the current accumulation period to provide the annual CAF. Thus, given
17 the proposed current CAF calculations, the annual CAF for L&P will be \$0.0012
18 per kWh for both secondary and primary voltages and \$0.0071 per kWh –
19 secondary and \$0.0070 per kWh – primary for MPS. As stated earlier, this will
20 result in an increase to a typical residential customer’s bill for an MPS customer
21 of approximately \$0.65 per month and a decrease to a typical residential
22 customer’s bill for an L&P customer of approximately \$1.80 per month.

1 **Q: If the rate schedules filed by KCP&L-GMO are approved or allowed to go**
2 **into effect, what safeguards exist to ensure that the revenues the Company**
3 **collects do not exceed the fuel and purchased power costs that KCP&L-**
4 **GMO actually incurred during the Accumulation Period?**

5 A: KCP&L-GMO's FAC and the Commission's rules provide two mechanisms to
6 ensure that amounts collected from customers do not exceed KCP&L-GMO's
7 actual, prudently-incurred fuel and purchased power costs. First, at the end of
8 each recovery period the Company is required to true up the amounts collected
9 from customers through the CAF with the excess fuel and purchased power costs
10 that actually were incurred during the accumulation period to which the CAF
11 applies. Second, KCP&L-GMO's fuel and purchased power costs are subject to
12 periodic Prudence Reviews to ensure that only prudently-incurred fuel and
13 purchased power costs are collected from customers through KCP&L-GMO's
14 FAC. These two mechanisms serve as checks to ensure that the Company's
15 customers pay only the prudently-incurred, actual costs of fuel and purchased
16 power used to provide electric service.

17 **Q: Have each of these mechanisms been in effect throughout the FAC process**
18 **since its inception in Case No. ER-2007-0004?**

19 A: Yes, KCP&L-GMO has been through a prudence review as well as a true-up
20 filing. A prudence review of the first two accumulation periods was completed
21 and the MPSC Staff indicated in their report that there were no areas of
22 imprudence identified within the audit. In addition, the Company made a true-up
23 filing following the completion of the recovery period for the first accumulation

1 period at the end of February 2009. This true-up filing was approved by the
2 Missouri Public Service Commission. Additionally, a second true-up filing is
3 being made concurrent with this filing covering the 2nd accumulation period of
4 December 1, 2007 through May 31, 2008 and its corresponding recovery period
5 of September 1, 2008 through August 31, 2009. The Company's calculation of
6 the under-recovery has been included in the calculation of the current proposed
7 tariff change.

8 **Q: Are there any corrections made within this filing?**

9 A: Yes, two additional tabs have been included in the work papers which show the
10 calculation of corrections that need to be made to the interest calculation. L&P
11 and MPS interest has been corrected for prior accumulated amounts that were not
12 properly rolled into the outstanding balance for the calculation of interest.
13 Additionally, MPS has a reduction of expense relating to a prior period billing
14 adjustment.

15 **Q: What action is KCP&L-GMO requesting from the Commission with respect**
16 **to the rate schedules that the Company has filed?**

17 A: KCP&L-GMO requests the Commission approve the rate schedules to be
18 effective as of March 1, 2010.

19 **Q: Does this conclude your testimony?**

20 A: Yes, it does.

In the Matter of KCP&L Greater Missouri Operations)
 Company for Authority to Implement Rate)
 Adjustments Required by 4 CSR 240-20.090(4) and) Case No. EO-2010-_____
 the Company's Approved Fuel and Purchased Power)
 Cost Recovery Mechanism)

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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.

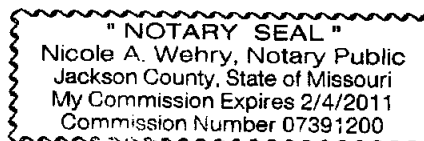
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.

Tim M. Rush

Subscribed and sworn before me this 23rd day of December 2009.

Alvin H. Wey
Notary Public

My commission expires: Feb. 4, 2011



STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1st
 Canceling P.S.C. MO. No. 1

Revised Sheet No. 127.5Original Sheet No. 127.5**KCP&L Greater Missouri Operations Company**

For Territories Served as L&P and MPS

KANSAS CITY, MO 64106

FUEL ADJUSTMENT CLAUSE (CONTINUED)

ELECTRIC

(Applicable to Service Provided September 1, 2009 and Thereafter)

COST ADJUSTMENT FACTOR

		MPS (1)	L&P (1)
Accumulation Period Ending		11/30/09	11/30/09
1 Total Energy Cost (TEC)			
2 Base energy cost (B)	-		
3 First Interim Total			
4 Jurisdictional Factor (J)	*		
5 Second Interim Total			
6 Customer Responsibility	*	95%	95%
7 Third Interim Total			
8 Adjustment for Under / Over recovery for prior periods and Modifications due to prudence reviews (C)	+		
9 Interest (I)	+		
10 Fuel and Purchased Power Adjustment (FPA)			
11 RNSI	÷		
12 Fourth Interim Total			
13 Current period CAF _{Prim} (= Line 12 * XF _{Prim})		\$0.0038	\$0.0008
14 Previous period CAF _{Prim}	+	\$0.0032	\$0.0004
15 Current annual CAF _{Prim}		\$0.0070	\$0.0012
16 Current period CAF _{Sec} (= Line 12 * XF _{Sec})		\$0.0038	\$0.0008
17 Previous period CAF _{Sec}	+	\$0.0033	\$0.0004
18 Current annual CAF _{Sec}		\$0.0071	\$0.0012

Expansion Factors (XF):Network:PrimarySecondary

MPS

1.0444

1.0679

L&P

1.0444

1.0700

(1) The base rate and calculation to determine the CAF changed September 1, 2009 in Case No. ER-2009-0090. The current CAF calculation thus includes two different computations. The details of the calculations are included on supporting workpapers.

Issued: December 23, 2009

Effective: March 1, 2010

Issued by: Tim M Rush, Director Regulatory Affairs

Schedule TMR-1