

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.:
Date Testimony Prepared: December 23, 2010

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.:

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
December 2010**

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No.

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.

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

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

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

12 A: I have testified on numerous occasions before the MPSC on a variety of issues
13 affecting regulated public utilities.

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

15 A: KCP&L-GMO consists of two rate jurisdictions identified as All Territories
16 Served as L&P and MPS ("L&P" and "MPS," respectively). This FAC tariff
17 filing consists of a CAF for each of the rate jurisdictions. My testimony supports
18 the rate schedule filed by KCP&L-GMO to adjust rates for Fuel Adjustment
19 Clause ("FAC") includable costs experienced during the six-month period June
20 2010 through November 2010. This six-month period is the seventh
21 accumulation period under KCP&L-GMO's FAC, which was originally approved
22 by the Commission in Case No. ER-2007-0004 and modified in Case No. ER-
23 2009-0090. The proposed change will result in a decrease to a typical residential

1 customer's bill for an MPS customer of approximately \$0.90 per month and an
2 increase of approximately \$0.10 to a typical residential customer's bill for an
3 L&P customer 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 are then collected from or refunded
16 to customers over a subsequent twelve-month recovery period. Since the
17 conclusion of Case No. ER-2007-0004, the costs of fuel and purchased power
18 necessary to meet the demand for electricity by the Company's customers has
19 been higher than the amount included in the base energy costs. A number of
20 factors caused these cost to be higher, including the following: (i) higher natural
21 gas costs (although natural gas costs have fallen during the most recent
22 accumulation period, they remain higher than those costs as set in the FAC base

1 within Case No. ER-2007-0004.); (ii) higher purchased power costs; and (iii)
2 higher coal and freight costs.

3 For the accumulation period June 2010 through November 2010, KCP&L-GMO's
4 actual FAC includable costs exceeded the base costs included in base rates by
5 approximately \$19 million. In accordance with the Commission's rule and
6 KCP&L-GMO's approved FAC, KCP&L-GMO is filing the FAC tariff that
7 provides for an increase in rates to recover 95% of those cost increases.

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

10 A: The proposed tariff rates are shown in Schedule TMR-1. The filing made in
11 conjunction with this testimony contains all of the information as set in 4 CSR
12 240-3.161(7)(A) which supports these proposed rates. In addition, I am
13 submitting a copy of the workpapers that support the determination of the current
14 CAF.

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

17 A: As stated above, KCP&L-GMO consists of two rate jurisdictions. This FAC tariff
18 filing consists of a CAF for each of the rate jurisdictions. The CAF for the
19 current period is \$0.0027 per kWh for primary voltage customers and \$0.0028 per
20 kWh for secondary voltage customers for MPS and \$0.0008 per kWh for primary
21 voltage customers and \$0.0009 per kWh for secondary voltage customers for
22 L&P. This is the difference between base FAC includable costs and the actual

1 costs incurred by the Company during the June-November accumulation period
2 over a recovery period running from March 2011 through February 2012.
3 The proposed CAF was calculated in the manner specified in the Company's
4 FAC. Attached to my testimony, as Schedule TMR-1, is a copy of the tariff sheet
5 with the current CAF, the prior period CAF and the total CAF that will be billed
6 to customers over the recovery period. The CAF calculated for the fifth
7 accumulation period has been removed as its recovery period will cease on
8 February 28, 2011. The CAF for the sixth accumulation period is added to the
9 CAF for the current accumulation period to provide the annual CAF. Thus, given
10 the proposed current CAF calculations, the annual CAF for MPS will be \$0.0054
11 per kWh for primary voltage customers and \$0.0055 per kWh for secondary
12 voltage customers and \$0.0022 per kWh for primary voltage customers and
13 \$0.0023 per kWh for secondary voltage customers for L&P. As stated earlier, this
14 will result in a decrease to a typical residential customer's bill for an MPS
15 customer of approximately \$0.90 per month and an increase of approximately
16 \$0.10 to a typical residential customer's bill for an L&P customer per month.

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

21 **A:** KCP&L-GMO's FAC and the Commission's rules provide two mechanisms to
22 ensure that amounts collected from customers do not exceed KCP&L-GMO's
23 actual, prudently-incurred fuel and purchased power costs. First, at the end of

1 each recovery period the Company is required to true up the amounts collected
2 from customers through the CAF with the excess fuel and purchased power costs
3 that actually were incurred during the accumulation period to which the CAF
4 applies. Second, KCP&L-GMO's fuel and purchased power costs are subject to
5 periodic Prudence Reviews to ensure that only prudently-incurred fuel and
6 purchased power costs are collected from customers through KCP&L-GMO's
7 FAC. These two mechanisms serve as checks to ensure that the Company's
8 customers pay only the prudently-incurred, actual costs of fuel and purchased
9 power used to provide electric service.

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

12 A: Yes, KCP&L-GMO has been through two prudence reviews as well as three true-
13 up filings. A prudence review of the first four accumulation periods has been
14 completed and the MPSC Staff indicated in each of their reports that there were
15 no areas of imprudence identified within the audits. In addition, the Company has
16 made three true-up filings following the completion of the recovery periods for
17 the for the first, second and third accumulation periods. These true-up filings
18 were approved by the Missouri Public Service Commission. Additionally, a
19 fourth true-up filing is being made concurrent with this filing covering the 4th
20 accumulation period of December 2008 through May 2009 and its corresponding
21 recovery period of September 2009 through August 2010. The Company's
22 calculation of the over recovery for MPS and the under recovery for L&P has
23 been included in the calculation of the current proposed tariff change.

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

3 A: KCP&L-GMO requests the Commission approve the rate schedules to be
4 effective as of March 1, 2011.

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

6 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

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.
the Company's Approved Fuel and Purchased Power)
Cost Recovery Mechanism)

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 KCP&L Greater Missouri Operations Company For All Territories Served As L&P and MPS, consisting of nine (9) pages, having been prepared in written form for introduction into evidence in the above-captioned docket.

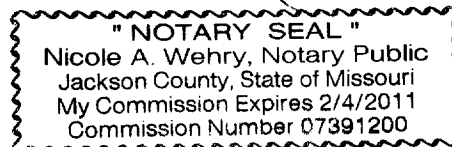
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Tim M. Rush

Subscribed and sworn before me this 23rd day of December 2010.


Notary Public

My commission expires: Feb. 4 2011



STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 3rd Revised Sheet No. 127.5
 Canceling P.S.C. MO. No. 1 2nd Revised 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	L&P
Accumulation Period Ending		11/30/10	11/30/10
1 Total Energy Cost (TEC)		\$99,179,661	\$21,055,370
2 Base energy cost (B)	-	\$82,048,643	\$19,254,831
3 First Interim Total		\$17,131,018	\$1,800,539
4 Jurisdictional Factor (J)	*	99.479%	100%
5 Second Interim Total		\$17,041,765	\$1,800,539
6 Customer Responsibility	*	95%	95%
7 Third Interim Total		\$16,189,677	\$1,710,512
8 Adjustment for Under / Over recovery for prior periods and Modifications due to prudence reviews (C)	+	(\$185,257)	\$35,349
9 Interest (I)	+	\$559,589	\$66,475
10 Fuel and Purchased Power Adjustment (FPA)		\$16,564,009	\$1,812,335
11 RNSI	÷	6,428,029,000	2,298,815,000
12 Fourth Interim Total		\$0.0026	\$0.0008
13 Current period CAF _{Prim} (= Line 12 * XF _{Prim})		\$0.0027	\$0.0008
14 Previous period CAF _{Prim}	+	\$0.0027	\$0.0014
15 Current annual CAF _{Prim}		\$0.0054	\$0.0022
16 Current period CAF _{Sec} (= Line 12 * XF _{Sec})		\$0.0028	\$0.0009
17 Previous period CAF _{Sec}	+	\$0.0027	\$0.0014
18 Current annual CAF _{Sec}		\$0.0055	\$0.0023

Expansion Factors (XF):

<u>Network:</u>	<u>Primary</u>	<u>Secondary</u>
MPS	1.0444	1.0679
L&P	1.0444	1.0700

Issued: December 23, 2010
 Issued by: Tim M Rush, Director Regulatory Affairs

Effective: March 1, 2011