

Exhibit No.:
Issue: True-Up Adjustments
Witness: Tim M. Rush
Type of Exhibit: True-Up Rebuttal Testimony
Sponsoring Party: KCP&L Greater Missouri Operations Company
Case No.: ER-2012-0175
Date Testimony Prepared: November 13, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0175

TRUE-UP REBUTTAL TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
November 2012**

TRUE-UP REBUTTAL TESTIMONY

OF

TIM M. RUSH

Case No. ER-2012-0175

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

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

4 **Q: Are you the same Tim M. Rush who pre-filed Direct, Rebuttal and Surrebuttal**
5 **Testimony in Case No. ER-2012-0175?**

6 A: Yes, I am.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company (“GMO” or
9 “Company”) for its Light & Power (“L&P”) and Missouri Public Service (“MPS”) rate
10 jurisdictions.

11 **Q: What is the purpose of your True-Up Rebuttal Testimony?**

12 A: The *Order Consolidating Cases for Hearing and Setting Procedural Schedule, and*
13 *Amended Notice of Hearing*, issued by the Missouri Public Service Commission
14 (“MPSC” or the “Commission”) on April 26, 2012, specified a true-up date of August 31,
15 2012. The purpose of my testimony is to discuss the true-up adjustments filed by the
16 Missouri Public Service Commission Staff (“Staff”) and to address the testimony of Staff
17 witness V. William Harris on off-system sales (“OSS”) margins and Office of the Public
18 Counsel (“OPC”) witness Michael P. Gorman on proposed adjustments to the Company’s
19 capital structure.

1 **Q: How was the true-up deficiency determined?**

2 A: The Staff updated its revenue requirement model to incorporate data through or as of
3 August 31, 2012, as appropriate. Certain revenue requirement components were not
4 updated, to conform to the *Nonunanimous Stipulation and Agreement as to Certain*
5 *Issues*, approved by the Commission on November 7, 2012, and the Second
6 *Nonunanimous Stipulation and Agreement as to Certain Issues*, filed with the
7 Commission on November 8, 2012. If the Commission resolves the issues for any other
8 value, the revenue requirements will have to be adjusted to reflect the Commission's
9 value of those issues. The Staff's filed revenue requirement for MPS was \$16,062,796
10 and \$18,562,764 for L&P. These revenue requirements were filed by Staff in its
11 November 8, 2012 True-Up Direct filing, as well as addressed in the Second
12 *Nonunanimous Stipulation and Agreement as to Certain Issues*, filed with the
13 Commission on November 8, 2012.

14 **Q: Does GMO agree with the true-up adjustments proposed by Staff?**

15 A: Yes.

16 **Q: Since the Company and the Staff agree as to the true-up adjustment amounts, does**
17 **that mean the two parties agree on the revenue increase necessary in this case?**

18 A: No. Certain issues still remain at issue in this case and set aside for the Commission to
19 address. The following issues must be decided even if the Commission approves the
20 second stipulation and agreement: (1) return on common equity; (2) capital structure; (3)
21 cost of debt; and (4) Crossroads. The revenue requirements filed by the Staff, with which
22 we are in agreement, are based upon Staff's rate of return, including Staff's capital

1 structure, cost of debt and return on equity of 9.0%. Staff's revenue requirements would
2 be adjusted to implement the Commission's decision on those rate of return issues.

3 Other Issues to be addressed in this case include the transmission tracker; rate
4 design/class cost of service study issues (except for those rate design and class cost of
5 service issues that are resolved in the Non-Unanimous Stipulation and Agreement
6 Regarding Class Cost of Service / Rate Design filed on October 29, 2012 and approved
7 by the Commission on November 8, 2012); off-system sales margins issues; and the fuel
8 adjustment clause ("FAC"). The resolution of these issues by the Commission does not
9 have an effect on the revenue requirement in this case.

10 **Q: Does the Company believe that the True-Up Direct Testimony of Staff witness V.**
11 **William Harris regarding OSS margins needs to be addressed by the Commission at**
12 **the true-up hearing?**

13 A: No. Mr. Harris indicates at page 3 of his True-Up Direct Testimony that Staff supports
14 the level of OSS margin in Staff's direct filing. Therefore, there is no OSS margin
15 number for the Commission to "true-up." The majority of Mr. Harris's True-Up Direct
16 Testimony deals with his theory as to why GMO experiences negative margins. Such
17 opinions are not at issue in this true-up hearing. Moreover, Staff has the opportunity to
18 examine GMO's OSS margins in the FAC audits that it must conduct. To date, Staff has
19 not raised this issue in any FAC audit. The Company believes that an FAC audit would
20 be the proper forum to address this issue.

21 **Q: OPC witness Michael P. Gorman proposes to include short-term debt as a**
22 **component of its capital structure to support ongoing operations. This appears to**
23 **be a change in his position as presented in his Direct and Surrebuttal Testimonies.**

1 **Do you believe that the True-Up Testimony is the proper place to change testimony**
2 **positions?**

3 A: No. It is my belief that the purpose of True-Up Testimony is to file updated information
4 on prior positions taken by parties. It is also the time when true-up test period actual
5 results are presented to the Commission. No new issues should be brought up in the true-
6 up period or at the true-up hearing. Mr. Gorman's true-up position is a new position and
7 should not be considered in this proceeding. However, Company witness Kevin Bryant
8 has addressed the merits of Mr. Gorman's testimony in his True-up Rebuttal Testimony.

9 **Q: Does that conclude your testimony?**

10 A: Yes, it does.

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

In the Matter of Kansas City Power & Light Company's Request for Authority to Implement A General Rate Increase for Electric Service)) Case No. ER-2012-0174

In the Matter of KCP&L Greater Missouri Operations Company's Request for Authority to Implement General Rate Increase for Electric Service)) Case No. ER-2012-0175

AFFIDAVIT OF TIM M. RUSH

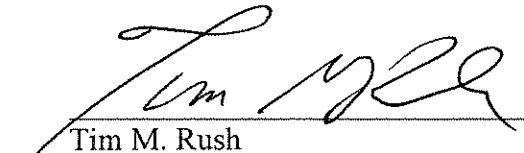
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

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

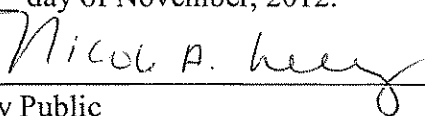
1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

2. Attached hereto and made a part hereof for all purposes is my True-Up Rebuttal Testimony on behalf of Kansas City Power & Light Company and KCP&L Greater Missouri Operations Company consisting of four (4) 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 13th day of November, 2012.


Notary Public

My commission expires: Feb. 4 2015

