

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: June 30, 2010

**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  
June 2010**

**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.

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. Additionally, I have testified at the Federal  
14 Energy Regulatory Commission and the Kansas Corporation Commission.

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

16 A: KCP&L-GMO consists of two rate jurisdictions identified as All Territories  
17 Served as L&P and MPS (“L&P” and “MPS,” respectively). This FAC tariff  
18 filing consists of a CAF for each of the rate jurisdictions. My testimony supports  
19 the rate schedule filed by KCP&L-GMO to adjust rates for Fuel Adjustment  
20 Clause (“FAC”) includable costs experienced during the six-month period  
21 December 2009 through May 2010. This six-month period is the sixth  
22 accumulation period under KCP&L-GMO’s FAC, which was originally approved  
23 by the Commission in Case No. ER-2007-0004 and modified in Case No. ER-

1        2009-0090. The proposed change will result in a decrease to a typical residential  
2        customer's bill for an MPS customer of approximately \$0.55 per month and an  
3        increase to a typical residential customer's bill for an L&P customer of  
4        approximately \$.90 per month.

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

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

1 as set in the FAC base within Case No. ER-2007-0004.); (ii) higher purchased  
2 power costs; and (iii) higher coal and freight costs.

3 For the accumulation period December 2009 through May 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 both secondary and primary voltage  
20 customers for MPS and \$0.0014 per kWh for both secondary and primary voltage  
21 customers for L&P. This is the difference between base FAC includable costs  
22 and the actual costs incurred by the Company during the December-May

1 accumulation period over a recovery period running from September 2010  
2 through August 2011.

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 fourth  
7 accumulation period has been removed as its recovery period will cease on  
8 August 31, 2010. The CAF for the fifth accumulation period is added to the CAF  
9 for the current accumulation period to provide the annual CAF. Thus, given the  
10 proposed current CAF calculations, the annual CAF for MPS will be \$0.0065 per  
11 kWh for both secondary and primary voltages and \$0.0022 per kWh for both  
12 secondary and primary voltages for L&P. As stated earlier, this will result in a  
13 decrease to a typical residential customer's bill for an MPS customer of  
14 approximately \$0.55 per month and an increase to a typical residential customer's  
15 bill for an L&P customer of approximately \$.90 per month.

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

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

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

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

11 A: Yes, KCP&L-GMO has been through two prudence reviews as well as two true-  
12 up filings. A prudence review of the first four accumulation periods has been  
13 completed and the MPSC Staff indicated in each of their reports that there were  
14 no areas of imprudence identified within the audits. In addition, the Company has  
15 made two true-up filings following the completion of the recovery periods for the  
16 for the first and second accumulation periods. These true-up filings were  
17 approved by the Missouri Public Service Commission. Additionally, a third true-  
18 up filing is being made concurrent with this filing covering the 3<sup>rd</sup> accumulation  
19 period of June 2008 through November 2008 and its corresponding recovery  
20 period of March 2009 through February 2010. The Company's calculation of the  
21 under-recovery has been included in the calculation of the current proposed tariff  
22 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 September 1, 2010.

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

6    A:     Yes, it does.



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

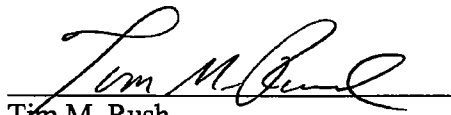
In the Matter of KCP&L Greater Missouri Operations )  
Company for Authority to Implement Rate )  
Adjustments Required by 4 CSR 240-20.090(4) and ) Case No. EO-2010-\_\_\_\_  
the Company's Approved Fuel and Purchased Power )  
Cost Recovery Mechanism )

**AFFIDAVIT OF TIM M. RUSH**

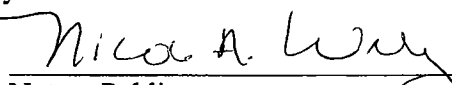
**STATE OF MISSOURI** )  
 ) ss  
**COUNTY OF JACKSON** )

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

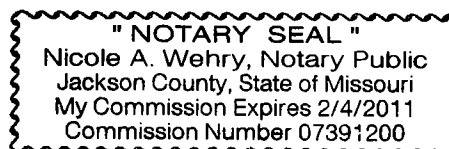
1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company For All Territories Served As L&P and MPS, consisting of Seven (7) 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 30<sup>th</sup> day of June 2010.

  
Notary Public

My commission expires: Feb. 4, 2011



## STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 12<sup>nd</sup>Revised Sheet No. 127.5Canceling P.S.C. MO. No. 11<sup>st</sup>Revised Sheet No. 127.5**KCP&L Greater Missouri Operations Company**

For Territories Served as L&amp;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   |   | 5/31/10       | 5/31/10       |
| 1 Total Energy Cost (TEC)  |   | \$90,226,379  | \$22,334,031  |
| 2 Base energy cost (B)   | - | \$74,249,464  | \$19,644,937  |
| 3 First Interim Total  |   | \$15,976,915  | \$2,689,094   |
| 4 Jurisdictional Factor (J)  | * | 99.448%       | 100%          |
| 5 Second Interim Total   |   | \$15,888,721  | \$2,689,094   |
| 6 Customer Responsibility  | * | 95%           | 95%           |
| 7 Third Interim Total  |   | \$15,094,285  | \$2,554,639   |
| 8 Adjustment for Under / Over recovery for prior periods and Modifications due to prudence reviews (C) | + | \$768,873     | \$377,151     |
| 9 Interest (I)   | + | \$421,355     | \$41,847      |
| 10 Fuel and Purchased Power Adjustment (FPA)   |   | \$16,284,513  | \$2,973,638   |
| 11 RNSI  | ÷ | 6,358,211,651 | 2,254,414,809 |
| 12 Fourth Interim Total  |   | \$0.0026      | \$0.0013      |
| 13 Current period CAF <sub>Prim</sub> (= Line 12 * XF <sub>Prim</sub> )                                |   | \$0.0027      | \$0.0014      |
| 14 Previous period CAF <sub>Prim</sub>   | + | \$0.0038      | \$0.0008      |
| 15 Current annual CAF <sub>Prim</sub>  |   | \$0.0065      | \$0.0022      |
| 16 Current period CAF <sub>Sec</sub> (= Line 12 * XF <sub>Sec</sub> )                                  |   | \$0.0027      | \$0.0014      |
| 17 Previous period CAF <sub>Sec</sub>  | + | \$0.0038      | \$0.0008      |
| 18 Current annual CAF <sub>Sec</sub>   |   | \$0.0065      | \$0.0022      |

Expansion Factors (XF):Network:PrimarySecondary

MPS

1.0444

1.0679

L&amp;P

1.0444

1.0700

Issued: June 30, 2010

Effective: September 1, 2010

Issued by: Tim M Rush, Director Regulatory Affairs