

Exhibit No.:  
Issue: Fuel Adjustment Clause  
Witness: Tim M. Rush  
Sponsoring Party: KCP&L Greater  
Missouri Operations Company  
Case No.: EO-2009-\_\_\_\_  
Date Testimony Prepared: December 30, 2008

**MISSOURI PUBLIC SERVICE COMMISSION**

**DIRECT TESTIMONY**

**OF**

**TIM M. RUSH**

**DIRECT TESTIMONY**

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**TIM M. RUSH**

**Case No. EO-2009-\_\_\_\_\_**

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

2   A:   My name is Tim M. Rush. My business address is 1201 Walnut, Kansas City, Missouri  
3       64106-2124.

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 cases, class cost  
9       of service studies and rate design of both KCP&L and KCP&L Greater Missouri  
10      Operations Company (“KCP&L-GMO” or the “Company”). I am also responsible for  
11      overseeing the regulatory reporting and general activities as they relate to the Missouri  
12      Public Service Commission (“MPSC” or “Commission”).

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

14   A:   In addition to public schools, I received a Master's Degree in Business Administration  
15      from Northwest Missouri State University in Maryville, Missouri. I did my  
16      undergraduate study at both the University of Kansas in Lawrence and the University of  
17      Missouri in Columbia. I received a Bachelor of Science Degree in Business  
18      Administration with a concentration in Accounting from the University of Missouri in  
19      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 Company  
4       (“Light & Power”) for over 24 years. At Light & Power, I held the position of Manager  
5       of Customer Operations from 1996 to 2001, where I had responsibility for the regulatory  
6       area, as well as marketing, energy consultants and customer services area. Customer  
7       services included the call center and collections areas. Prior to that, I held various  
8       positions in the Rates and Market Research Department from 1977 until 1996. I was the  
9       manager of that department for fifteen years.

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

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

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

16   A:    My testimony supports the rate schedule filed by KCP&L-GMO to adjust rates for fuel  
17       and purchased power costs experienced during the six-month period June 2008 through  
18       November 2008. This six-month period is the third accumulation period under KCP&L-  
19       GMO’s Fuel Adjustment Clause (“FAC”), which was approved by the Commission in  
20       Case No. ER-2007-0004.

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

1 A. The Commission's rule governing fuel and purchased power cost recovery mechanisms  
2 for electric utilities – specifically 4 CSR 240-20.090(4) – requires KCP&L-GMO to  
3 make periodic filings to allow the Commission to review the actual fuel and purchased  
4 power costs the Company has incurred and to allow rates to be adjusted, either up or  
5 down, to reflect those actual costs. The Commission's rule requires at least one such  
6 review and adjustment each year. KCP&L-GMO's approved FAC calls for two annual  
7 filings – one filing covering the six-month accumulation period running from June  
8 through November and another filing covering the accumulation period running from  
9 December through May. Any increases or decreases in rates, in each of these two filings  
10 that are approved by the Commission are then collected from or refunded to customers  
11 over the two twelve-month recovery periods: March through February for the initial  
12 accumulation period and September through August for the second accumulation period  
13 each year.

14 Since the conclusion of KCP&L-GMO's last rate case, the costs of fuel and purchased  
15 power necessary to meet the demand for electricity by the Company's customers has  
16 continued to increase. A number of factors caused these cost increases, including the  
17 following: (i) higher natural gas costs; (ii) higher purchased power costs; and (iii) higher  
18 coal and freight costs.

19 For the accumulation period June 2008 through November 2008, KCP&L-GMO's actual  
20 fuel and purchased power costs have exceeded the base costs included in base rates in  
21 Case No. ER-2007-0004 by approximately \$25 million. In accordance with the  
22 Commission's rule and KCP&L-GMO's approved FAC, KCP&L-GMO is filing the FAC  
23 tariff that provides for an increase in rates to recover 95% of those cost increases.

1   **Q.     Please describe the impact of the increase in costs and how it will affect typical**  
2       **customer.**

3   A.    KCP&L-GMO consists of two rate jurisdictions identified as All Territory Formerly  
4       Served by Aquila Networks –L&P and Aquila Networks MPS (“L&P” and “MPS,”  
5       respectively). The FAC tariff filing consists of a Cost Adjustment Factor (“CAF”) for  
6       each of the rate jurisdictions. The CAF for the current period is \$0.0030 per kWh for  
7       MPS and \$0.0028 per kWh for L&P, for both primary and secondary service. This is the  
8       difference between its base costs of fuel and purchased power and the actual costs  
9       incurred by the Company during the June-November accumulation period over a  
10      recovery period running from March 2009 through February 2010.  
11      The proposed CAF was calculated in the manner specified in the Company’s FAC.  
12      Attached to my testimony, as Schedule TMR-1, is a copy of the tariff sheet that contains  
13      and explains the formula that KCP&L-GMO used to calculate the CAF that is included in  
14      the proposed FAC rate schedule. Also included in Schedule TMR-1, are the values for  
15      each element of the formula that were used to derive the CAF. The CAF calculated for  
16      the first accumulation period has been removed as its recovery period will cease on  
17      February 28, 2009. The CAF for the second accumulation period is added to the CAF for  
18      the current accumulation period to provide the annual CAF. Thus, given the proposed  
19      current CAF calculations, the annual CAF for L&P will be \$0.0036 per kWh for both  
20      secondary and primary voltages and \$0.0053 per kWh – secondary and \$0.0052 per kWh  
21      – primary for MPS. This will result in an increase to a typical residential customer’s bill  
22      of approximately \$1 per month.

1 **Q. How did you develop the various values used to derive the proposed CAF that are**  
2 **shown on Schedule TMR-1?**

3 A. The data upon which KCP&L-GMO based the values for each of the variables in the  
4 approved CAF formula are shown in Schedule TMR-1. This schedule contains all of the  
5 information that is required by 4 CSR 240-3.161(7)(A). In addition, as required by 4  
6 CSR 240-3.161(7)(B), I have submitted with the proposed rate schedules a copy of the  
7 work papers that support the data contained in Schedule TMR-1.

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

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

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

3 A. As provided by 4 CSR 240-20.090(4), Commission Staff ("Staff") has thirty (30) days  
4 from the date the FAC rate schedule is filed to conduct a review and to make a  
5 recommendation to the Commission as to whether the rate schedules comply with the  
6 Commission's rules, the requirements of Section 386.266, RSMo 2005, and KCP&L-  
7 GMO's approved FAC. If the Staff concludes that KCP&L-GMO's filing complies with  
8 applicable law, then the Commission has sixty (60) days to either approve the rate  
9 schedules or to allow them to take effect by operation of law. Because KCP&L-GMO  
10 believes its filing satisfies all of the requirements of applicable statutes, the  
11 Commission's rules, and KCP&L-GMO's approved FAC, KCP&L-GMO requests that  
12 subject to Staff's review, the Commission approve the rate schedules to be effective as of  
13 March 1, 2009, which is the first day of the recovery period prescribed in KCP&L-  
14 GMO's tariff.

15 **Q. Are there any other requests KCP&L-GMO is making along with this filing?**

16 A. Yes, since the mid-1970s KCP&L-GMO has provided a monthly surveillance report to  
17 the Staff. KCP&L-GMO now has a FAC quarterly surveillance reporting requirement  
18 under 4 CSR 240-3.161(6) and 4 CSR 240-20.090(10)(A). Because of the redundancy of  
19 the separate reporting requirements, KCP&L-GMO would like to respectfully request the  
20 discontinuation of the monthly surveillance reporting requirement.

21 **Q. Will pertinent information still be available for surveillance review purposes?**

22 A. Yes, the quarterly FAC Surveillance report contains the same information as the monthly  
23 report. The quarterly report provides income statement information for both the twelve

1 months ended as well as the current quarter ended. Rate Base information is also  
2 consistent between the two reports.

3 **Q. Why are you requesting to eliminate the monthly report?**

4 A. With the new reporting requirements outlined with the approval of the FAC, the monthly  
5 report is now redundant of the quarterly information and unnecessary.

6 **Q. Does this conclude your testimony at this time?**

7 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) ) Case No. EO-2009-\_\_\_\_  
and 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:

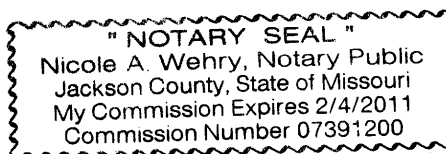
1. My name is Tim M. Rush. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.
2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of KCP&L Greater Missouri Operations Company (All Territories Formerly Served by Aquila Networks – L&P And Aquila Networks - 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 December 2008.

  
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  
 Canceling P.S.C. MO. No. 1 2nd Revised Sheet No. 127

**Kansas City Power & Light Greater Missouri Operations Company**  
**(for all territories formerly served by Aquila Networks, Inc. – L&P and MPS)**  
**KANSAS CITY, MO 64106**

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
 ELECTRIC

**COST ADJUSTMENT FACTOR**

<b>Aquila Networks – L&amp;P</b>		<b>Total</b>		<b>Secondary</b>		<b>Primary</b>
Accumulation Period Ending		11/30/08				
1 Total energy cost (F, P, and E)		\$24,933,313				
2 Base energy cost (B)	-	\$18,498,700				
3 First Interim Total		\$6,434,614				
4 Base energy (S <sub>A</sub> ) by voltage level				877,271,542		151,005,258
4.1 Loss factors (L)			*	108.443%	*	106.231%
4.2 S <sub>A</sub> adjusted for losses				951,341,054		160,414,874
4.3 Loss factor weights			*	85.571%	*	14.429%
5 Customer Responsibility	*	95%				
6 Second Interim Total by voltage level		\$6,112,883		\$5,230,857		\$882,026
7 Adjustment for Under / Over recovery for prior periods (C)			±	\$0	±	\$0
8 Fuel Adjustment Clause				\$5,299,700		\$893,876
9 Estimated recovery period sales kWh (S <sub>R</sub> )			÷	1,863,031,338	÷	320,684,662
10 Current period cost adjustment factor				\$0.0028		\$0.0028
11 Previous period cost adjustment factor			+	\$0.0008	+	\$0.0008
12 Current annual cost adjustment factor				\$0.0036		\$0.0036

<b>Aquila Networks – MPS</b>		<b>Total</b>		<b>Secondary</b>		<b>Primary</b>
Accumulation Period Ending		11/30/08				
1 Total energy cost (F, P, and E)		\$95,105,695				
2 Base energy cost (B)	-	\$76,374,769				
3 First Interim Total		\$18,730,926				
4 Base energy (S <sub>A</sub> ) by voltage level				2,589,516,360		419,733,793
4.1 Loss factors (L)			*	107.433%	*	104.187%
4.2 S <sub>A</sub> adjusted for losses				2,781,994,192		437,307,885
4.3 Loss factor weights			*	86.416%	*	13.584%
5 Customer Responsibility	*	95%				
6 Second Interim Total by voltage level		\$17,794,380		\$15,377,203		\$2,417,177
7 Adjustment for Under / Over recovery for prior periods (C)			±	\$0	±	\$0
8 Fuel Adjustment Clause				\$15,912,245		\$2,503,902
9 Estimated recovery period sales kWh (S <sub>R</sub> )			÷	5,235,810,348	÷	848,670,652
10 Current period cost adjustment factor				\$0.0030		\$0.0030
11 Previous period cost adjustment factor			+	\$0.0023	+	\$0.0022
12 Current annual cost adjustment factor				\$0.0053		\$0.0052