

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-2009-____
Date Testimony Prepared: July 1, 2009

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EO-2009-____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KCP&L GREATER MISSOURI OPERATIONS COMPANY

**Kansas City, Missouri
July 2009**

DIRECT TESTIMONY

OF

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,
3 Missouri 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 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 and purchased power costs experienced during the six-month period
19 December 2008 through May 2009. This six-month period is the fourth
20 accumulation period under KCP&L-GMO’s Fuel Adjustment Clause (“FAC”),
21 which was approved by the Commission in Case No. ER-2007-0004.

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

1 A. The Commission's rule governing fuel and purchased power cost recovery
2 mechanisms for electric utilities – specifically 4 CSR 240-20.090(4) – requires
3 KCP&L-GMO to make periodic filings to allow the Commission to review the
4 actual fuel and purchased power costs the Company has incurred and to allow
5 rates to be adjusted, either up or down, to reflect those actual costs. The
6 Commission's rule requires at least one such review and adjustment each year.
7 KCP&L-GMO's approved FAC calls for two annual filings – one filing covering
8 the six-month accumulation period running from June through November and
9 another filing covering the accumulation period running from December through
10 May. Any increases or decreases in rates in these filings, is then collected from or
11 refunded to customers over a subsequent twelve-month recovery period. Since
12 the conclusion of Case No. ER-2007-0004, the costs of fuel and purchased power
13 necessary to meet the demand for electricity by the Company's customers has
14 continued to increase. A number of factors caused these cost increases, including
15 the following: (i) higher natural gas costs (although natural gas costs have fallen
16 during the most recent accumulation period, they remain higher than those costs
17 as set in the FAC base within Case No. ER-2007-0004.); (ii) higher purchased
18 power costs; and (iii) higher coal and freight costs.
19 For the accumulation period December 2008 through May 2009, KCP&L-GMO's
20 actual fuel and purchased power costs exceeded the base costs included in base
21 rates in Case No. ER-2007-0004 by approximately \$20 million. In accordance
22 with the Commission's rule and KCP&L-GMO's approved FAC, KCP&L-GMO

1 is filing the FAC tariff that provides for an increase in rates to recover 95% of
2 those cost increases.

3 **Q. How did you develop the various values used to derive the proposed Cost**
4 **Adjustment Factor (“CAF”) that are shown on Schedule TMR-1?**

5 A. The data upon which KCP&L-GMO based the values for each of the variables in
6 the approved CAF formula are shown in Schedule TMR-1. This schedule
7 contains all of the information required by 4 CSR 240-3.161(7)(A). In addition, I
8 am submitting a copy of the work papers that support the data contained in
9 Schedule TMR-1.

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

12 A. KCP&L-GMO consists of two rate jurisdictions identified as All Territories
13 Served as L&P and MPS (“L&P” and “MPS,” respectively). This FAC tariff
14 filing consists of a CAF for each of the rate jurisdictions. The CAF for the
15 current period is \$0.0033 per kWh for secondary voltage customers and \$0.0032
16 for primary voltage customers for MPS and \$0.0004 per kWh for both primary
17 and secondary service for L&P. This is the difference between base costs of fuel
18 and purchased power and the actual costs incurred by the Company during the
19 December-May accumulation period over a recovery period running from
20 September 2009 through August 2010.

21 The proposed CAF was calculated in the manner specified in the Company’s
22 FAC. Attached to my testimony, as Schedule TMR-1, is a copy of the tariff sheet
23 that contains and explains the formula that KCP&L-GMO used to calculate the

1 CAF that is included in the proposed FAC rate schedule. Also included in
2 Schedule TMR-1, are the values for each element of the formula that were used to
3 derive the CAF. The CAF calculated for the second accumulation period has
4 been removed as its recovery period will cease on August 31, 2009. The CAF for
5 the third accumulation period is added to the CAF for the current accumulation
6 period to provide the annual CAF. Thus, given the proposed current CAF
7 calculations, the annual CAF for L&P will be \$0.0032 per kWh for both
8 secondary and primary voltages and \$0.0064 per kWh – secondary and \$0.0062
9 per kWh – primary for MPS. This will result in an increase to a typical residential
10 customer's bill for an MPS customer of approximately \$1 per month and a
11 decrease to a typical residential customer's bill for an L&P customer of
12 approximately \$0.35 per month.

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

17 A. KCP&L-GMO's FAC and the Commission's rules provide two mechanisms to
18 ensure that amounts collected from customers do not exceed KCP&L-GMO's
19 actual, prudently-incurred fuel and purchased power costs. First, at the end of
20 each recovery period the Company is required to true up the amounts collected
21 from customers through the CAF with the excess fuel and purchased power costs
22 that actually were incurred during the accumulation period to which the CAF
23 applies. Second, KCP&L-GMO's fuel and purchased power costs are subject to

1 periodic Prudence Reviews to ensure that only prudently-incurred fuel and
2 purchased power costs are collected from customers through KCP&L-GMO's
3 FAC. These two mechanisms serve as checks to ensure that the Company's
4 customers pay only the prudently-incurred, actual costs of fuel and purchased
5 power used to provide electric service.

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

8 A. Yes, KCP&L-GMO has been through a prudence review as well as a true-up
9 filing. A prudence review of the first two accumulation periods was completed
10 and the MPSC Staff indicated in their report that there were no areas of
11 imprudence identified within the audit. In addition, the Company has made a
12 true-up filing following the completion of the recovery period for the first
13 accumulation period at the end of February 2009. The Company's calculation of
14 the under-recovery has been included in the calculation of the current proposed
15 tariff change. This proceeding is still outstanding, with the Company fully
16 participating in the true-up process.

17 **Q. Are there any corrections made within this filing?**

18 A. Yes, two additional tabs have been included in the work papers which show the
19 calculation of corrections that need to be made to the interest calculation. L&P
20 has three corrections that need to be made. First, within the first accumulation
21 period filing, interest was inadvertently calculated on a compounded basis causing
22 a very minor overstatement of interest (\$224). Second, within the third
23 accumulation period, a portion of interest calculated was not brought forward to

1 the accumulation calculation (understated by \$79,541), and finally, four of the
2 interest rates originally used to calculate interest were slightly overstated
3 (\$2,728). The overall correction from these three issues is an understatement of
4 interest in the amount of \$76,589 for L&P.

5 For MPS, the only correction is for the interest rate over-statement. This amounts
6 to an overstatement of interest of \$10,751. Each of these errors has been
7 corrected in the current filing and is detailed in the work papers accompanying
8 this filing.

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

11 A. KCP&L-GMO requests the Commission approve the rate schedules to be
12 effective as of September 1, 2009,

13 **Q. Does this conclude your testimony?**


14 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-2009-____
 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.

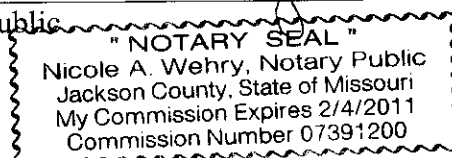
3. I have knowledge of the matters set forth therein. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded, including any attachments thereto, are true and accurate to the best of my knowledge, information and belief.


Tim M. Rush

Subscribed and sworn before me this 1st day of July 2009.

Notary Public

My commission expires: Feb. 2 2011



STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 4th Revised Sheet No. 127
 Canceling P.S.C. MO. No. 1 3rd Revised Sheet No. 127

KCP&L 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
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COST ADJUSTMENT FACTOR

Aquila Networks – L&P		Total		Secondary		Primary
Accumulation Period Ending		05/31/09				
1 Total energy cost (F, P, and E)		\$20,625,370				
2 Base energy cost (B)	-	\$19,859,094				
3 First Interim Total		\$766,276				
4 Base energy (S _A) by voltage level				955,322,554		148,573,718
4.1 Loss factors (L)			*	108.443%	*	106.231%
4.2 S _A adjusted for losses				1,035,982,044		157,831,817
4.3 Loss factor weights			*	86.779%	*	13.221%
5 Customer Responsibility	*	95%				
6 Second Interim Total by voltage level		\$727,962		\$631,720		\$96,242
7 Adjustment for Under / Over recovery for prior periods (C)			±	\$9,412	±	\$1,434
8 Fuel Adjustment Clause				\$808,160		\$123,123
9 Estimated recovery period sales kWh (S _R)			÷	1,843,670,186	÷	286,731,359
10 Current period cost adjustment factor				\$0.0004		\$0.0004
11 Previous period cost adjustment factor			+	\$0.0028	+	\$0.0028
12 Current annual cost adjustment factor				\$0.0032		\$0.0032

Aquila Networks – MPS		Total		Secondary		Primary
Accumulation Period Ending		05/31/09				
1 Total energy cost (F, P, and E)		\$92,813,847				
2 Base energy cost (B)	-	\$73,113,231				
3 First Interim Total		\$19,700,616				
4 Base energy (S _A) by voltage level				2,522,005,024		358,736,927
4.1 Loss factors (L)			*	107.433%	*	104.187%
4.2 S _A adjusted for losses				2,709,464,763		373,757,104
4.3 Loss factor weights			*	87.878%	*	12.122%
5 Customer Responsibility	*	95%				
6 Second Interim Total by voltage level		\$18,715,586		\$16,446,828		\$2,268,758
7 Adjustment for Under / Over recovery for prior periods (C)			±	\$384,524	±	\$53,043
8 Fuel Adjustment Clause				\$17,238,328		\$2,377,941
9 Estimated recovery period sales kWh (S _R)			÷	5,189,369,412	÷	738,150,170
10 Current period cost adjustment factor				\$0.0033		\$0.0032
11 Previous period cost adjustment factor			+	\$0.0031	+	\$0.0030
12 Current annual cost adjustment factor				\$0.0064		\$0.0062