Exhibit No.:	
Issue:	Minimum Filing Requirements; Fuel Adjustment Clause; Rate Design; Rules and Regulations
Witness:	Tim M. Rush
Type of Exhibit:	Direct Testimony
Sponsoring Party:	Aquila, Inc. dba KCP&L Greater Missouri Operations Company
Case No.:	ER-2009-____
Date Testimony Prepared:	September 5, 2008

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2009-____

DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

AQUILA, INC. dba
KCP&L GREATER MISSOURI OPERATIONS COMPANY

Kansas City, Missouri
September 2008

DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ER-2009-____

Q: Please state your name and business address.

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

Q: By whom and in what capacity are you employed?

A: I am employed by Kansas City Power & Light Company as Director, Regulatory Affairs.

Q: What are your responsibilities?

A: My general responsibilities include overseeing the preparation of the rate case, class cost of service and rate design of both KCP&L and Aquila, Inc., dba KCP&L Greater Missouri Operations Company ("Company" or "GMO") . I am also responsible for overseeing the regulatory reporting and general activities as they relate to the Missouri Public Service Commission ("MPSC" or "Commission").

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

A: In addition to public schools, I received a Master's Degree in Business Administration from Northwest Missouri State University in Maryville, Missouri. I did my undergraduate study at both the University of Kansas in Lawrence and the University of Missouri in Columbia. I received a Bachelor of Science Degree in Business Administration with a concentration in Accounting from the University of Missouri in Columbia.

Q: Please provide your work experience.

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

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

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

Q: What is the purpose of your testimony?

A: The purpose of my testimony is to explain how the Company has satisfied the MPSC's minimum filing requirements ("MFR"). I am sponsoring the adjustments to the off-system sales margin calculation and the fuel allocations methodology. I am also sponsoring the Company proposal for rate design and modifications to the Fuel Adjustment Charge ("FAC") through rebasing of the fuel cost contained in the current adjustment mechanism applicable to GMO territory formerly served by Aquila Networks-MPS ("MPS") and GMO territory formerly served by Aquila Networks-L&P ("L&P"). I am also addressing two suggested changes to the current rules and regulations.

I. MINIMUM FILING REQUIREMENTS

Q: What is the purpose of this part of your testimony?

A: The purpose of this part of my testimony is to confirm that GMO has satisfied the MPSC's MFR, as set forth in 4 CSR § 240-3.030.

Q: How did the Company satisfy the MFR?

A: The following information was prepared addressing the specific requirements of the MFR as outlined in 4 CSR § 240-3.030(3):

A: Letter of transmittal

B: General information, including:

1. the amount of dollars of the aggregate annual increase and percentage over current revenues;
2. names of counties and communities affected;
3. the number of customers to be affected;
4. the average change requested in dollars and percentage change from current rates;
5. the proposed annual aggregate change by general categories of service and by rate classification;
6. press releases relative to the filing; and
7. a summary of reasons for the proposed changes.

Q: Are you sponsoring this information?

A: Yes, I am.

Q: Was this information prepared under your direct supervision?

A: Yes, it was.

II. FUEL ADJUSTMENT CLAUSE FILING REQUIREMENTS

Q: Does the Company currently have an approved FAC?

A: Yes. The FAC was approved in Case No. ER-2007-0004 on May 17, 2007 (effective May 27, 2007). The first accumulation period for the FAC was June – November 2007. Recovery of the deficiency will occur over the period March 2008 – February 2009. The second accumulation period was December 2007 – May 2008. Recovery of the deficiency will occur over the period September 2008 – August 2009. The Company is currently in the third accumulation period of June 2008 – November 2008.

Q: What are the rules for requesting or continuing an FAC?

A: The requirements for requesting a FAC are found in Section 386.266 RSMo and Commission Rules 4 CSR 240-20.090 and 4 CSR 240-3.161(2)(A) through (S). In addition, the requirements to continue or modify a FAC are found in 4 CSR 240-3.161(3)(A) through (T). This supporting information is summarized in attached Schedules TMR-1 and TMR-2.

Q: Did the Company meet all of the filing requirements in the original filing?

A: No. The Report and Order for Case ER-2007-0004 found that all of the requirements were met except for 4 CSR 240-20.090(9) and 4 CSR 240-3.161(2) (P). The Commission granted waivers for these two requirements.

4 CSR 240-20.090(9) requires the electric utility to conduct a Missouri jurisdictional system loss study within twenty-four (24) months prior to the general rate proceeding in which it requests its initial rate adjustment mechanism ("RAM"). Additionally, the electric utility shall conduct a Missouri jurisdictional loss study no less often than every four (4) years thereafter, on a schedule that permits the study to be used

in the general rate proceeding necessary for the electric utility to continue to utilize a RAM.

4 CSR 240-3.161(2) (P) requires a proposed schedule and testing plan with written procedures for heat rate tests and/or efficiency tests for all of the electric utility's nuclear and non-nuclear generators, steam, gas, and oil turbines and heat recovery steam generators ("HRSG") to determine the base level of efficiency for each of the units.

Q: Has the Company conducted a Missouri jurisdictional system loss study?

A: The study is being initiated and will be completed before the rates go into effect in this proceeding.

Q: Has the Company completed the required heat rate tests?

A: The Company is currently in the process of testing its fleet. Most of the plants have been tested and others are scheduled to be tested in the near future. This is discussed in the Direct Testimony of Company witness Terry Hedrick.

Q: Is the Company requesting to continue the FAC?

A: Yes. Fuel and purchase power expense were approximately 45% of total operation and maintenance expense in 2007. Fuel and purchased power expense in the first two FAC accumulation periods have been approximately 17% higher than the calculated base amounts. The increasing prices for natural gas, coal and coal transportation are not costs that can be controlled by the Company, nor are they costs that can be absorbed by reducing other costs. The Company is requesting to continue the FAC.

Q: Is the Company proposing to change the base amounts included in the tariff?

A: Yes. The current base amounts are $0.02538 per kWh for MPS and $0.01799 per kWh for L&P. The proposed base amounts are $0.03578 per kWh for MPS and $0.02429 per kWh for L&P. These proposed amounts are calculated with values from the production cost model and weather normalized sales kWhs. This is addressed in the Rate Design portion of my Direct Testimony.

III. ADJUSTMENTS FOR OFF-SYSTEM SALES MARGINS

Q: Please explain the adjustment made to the off-system sales margin for the Company?

A: The Company's wholesale margins can be broken down into the following categories: sales from power generation, sales from power purchase agreements and risk based trading. Both sales from power generation and power purchase agreements should be reasonably recurring and included in any adjustments to off-system sales. However, risk-based trades should not be included in the off-system sales margin. Theses are speculative in nature and should not be expected to continue for purposes of setting rates. An adjustment was made to exclude risk based sales from the anticipated off-system sales margin included in this filing. This adjustment is reflected in R-35 and FPP-35. *See* Schedule RAK-4 in the Direct Testimony of GMO witness Ronald Klote for adjustment amounts.

IV. ADJUSTMENT TO FUEL ALLOCATION METHODOLOGY

Q: Was an adjustment made to the overall fuel allocation between MPS and L&P?

A: Yes. We are proposing to adjust the ratio between the two territories by shifting more fuel cost to MPS and away from the L&P territory.

Q: Please explain why you are making this adjustment?

A: In reviewing the current allocation methodologies for the allocation of fuel, as well as the overall cost of services for the two territories, it became apparent that we needed to address the overall fuel allocation methodology between MPS and L&P. As addressed in the Direct Testimony of H. Davis Rooney, parties in the last rate case agreed to an allocation based on an 81:19 ratio between MPS and L&P for purposes of determining the fuel allocation. The Company believes that further study needs to be done through the process period of this case. The Company expects that discussions with the parties to this proceeding will help in addressing the overall proper allocations.

V. RATE DESIGN

Q: Are you sponsoring the tariffs filed in this case?

A: Yes, I am.

Q: What are you proposing in this case?

A: I am proposing a percentage increase of the non-fuel portion of the proposed rate increase. The rebase amount would be included as a per kWh component in the rates. I am proposing to rebase the fuel costs to equal the expected costs for the test period filed in this case.

Q: Please describe how you intend to rebase the FAC.

A: Currently, the FAC recovers incremental costs for MPS above $0.02538 per kWh. The $0.02538 per kWh is the base fuel that is in rates. The FAC is 95% of the incremental rate that goes up or down from this rate, based on actual fuel, purchased power and emission cost which occurs above or below the base. I am proposing to increase the base amount in rates from $0.02538 per kWh to $0.03578 per kWh for the MPS territory. This will have the effect of increasing the energy component in rates by $0.01040 per kWh. The base fuel component for L&P is $0.01799 per kWh. I am proposing to increase this amount to $0.02429 per kWh, an increase of $0.0063 per kWh.

Q: Please describe how the tariff will be adjusted to reflect the rebasing in the FAC?

A: The FAC is determined by looking at prior period fuel, purchased power and emissions costs compared to the amount recovered in rates. This difference is then recovered over a future twelve month period for each territory. Because of the prior period reviews, I am proposing to modify the FAC tariff and provide for a separate FAC rate for each distinct time period.. The first FAC base rates use the base fuel component before the new rates go into effect. These rates would be used to determine the FAC amounts up to the time the new rates go into effect and recover those costs in future FAC filings. The second FAC base rates are calculated on the proposed base amount and will be for rates that go into effect when the rates change and for the FAC amounts which will be determined beginning after the rates go into effect. The revised tariff is attached as Schedule TMR-3.

VI. RULES AND REGULATIONS

Q: Are you recommending any changes to the rules and regulations?

A: Yes. I am recommending two changes. The first addresses the return check charge and the second address electronic billing.

Q: Please explain the proposed change to the Returned Check Charge found on Sheet R-66 in the Rules and Regulations?

A: GMO's returned check charge does not reflect current costs. I am proposing to adjust the charge to bring it in line with cost. A review of GMO's returned check charges for the period May 2007 through June 2008 yielded a total of 8,545 instances of returned check charges totaling $170,900 at $20 for each returned check. Using the difference between GMO's current returned check charge and that proposed in this case, provides an additional $85,450. The details for the Company's cost to process a returned check were provided in Case ER-2006-0314. A copy of the process is attached as Schedule TMR-4, “Memorandum for Testimony NSF ER-2006-0314.”

Q: Would you describe the need to amend Section 6.10 for Aquila “Voluntary Electronic Bill (E-Bill) Rendering and Payment,” found on Rules Sheet R-66, and other references to E-Bill?

A: The changes to Section 6.10 accomplish two things. First, they remove some specific requirements from the previous language; for instance, that the Company would use an "outsourced e-billing vendor" to provide e-billing. Second, they encompass the broad range of billing and payment options in a manner consistent with how those options are provided under rules for the legacy KCP&L territory.

Additionally, Sheets R-2, R-4, and R-5, each contain references to E-Bill. Upon approval to revise the E-Bill Rule to more broadly refer to Payment Options, we would ask that the E-Bill references on these other sheets be deleted.

Q: Does that conclude your direct testimony?

A: Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of Aquila, Inc. dba KCP&L Greater Missouri Operations Company to Modify Its Electric Tariffs to Effectuate a Rate Increase	)))	Case No. ER-2009-____

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 Aquila, Inc. dba KCP&L Greater Missouri Operations Company 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
Tim M. Rush

Subscribed and sworn before me this 5th day of ~~August~~ September 2008.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2011

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

Requirements to Continue or Modify the Fuel Adjustment Clause

4 CSR 240-3.161 (3) When an electric utility files a general rate proceeding following the general rate proceeding that established its RAM as described by 4 CSR 240-20.090(2) in which it requests that its RAM be continued or modified, the electric utility shall file with the commission and serve parties, as provided in sections (9) through (11) in this rule the following supporting information as part of, or in addition to, its direct testimony:

(A) An example of the notice to be provided to customers as required by 4 CSR 240-20.090(2)(D);
See Schedule TMR-2.

(B) If the electric utility proposes to change the identification of the RAM on the customer's bill, an example customer bill showing how the proposed RAM shall be separately identified on affected customers' bills, including the proposed language, in accordance with 4 CSR 240-20.090(8);
No change is proposed.

(C) Proposed RAM rate schedules;
See Schedule TMR-3.

(D) A general description of the design and intended operation of the proposed RAM;

The design and intended operation of the Fuel Adjustment Clause (FAC) is the same as approved in Case No. ER-2007-0004. The change proposed in this filing is for the amounts contained in base rates. Some key features of the FAC include:

- The FAC factor is based upon historical differences between the cost of fuel and energy built into base rates and the actual cost of fuel and energy.
- There is 95% recovery of the difference between the actual cost of fuel and energy and the amounts built into base rates.
- Items considered in the FAC are variable generating plant fuel costs, purchased power energy charges, emission allowance costs, hedging costs and carrying costs calculated monthly at the Company's short term debt rate.
- The under or over recovery will be accumulated for 6 months. The collection period for the accumulation is 12 months.
- The base amounts for the current tariff are $.02538 per kWh for KCP&L(MPS) and $.01799 per kWh for KCP&L(L&P).
- The proposed amounts are $.03578 per kWh for KCP&L(MPS) and $.02429 per kWh for KCP&L(L&P).

(E) A complete explanation of how the proposed RAM is reasonably designed to provide the electric utility a sufficient opportunity to earn a fair return on equity;
See Direct Testimony of Samuel C. Hadaway.

(F) A complete explanation of how the proposed FAC shall be trued-up to reflect over or under-collections, or the refundable portion of the proposed IEC shall be trued-up, on at least an annual basis;

Each month there is an accrual to reflect the over/under recovered current month FAC fuel costs in General Ledger Account 182380-Accrued Fuel Clause. The accrual calculation is Total FAC Actual Energy Costs less Base Energy Costs times 95%.

After defined 6 month accumulation periods (June-November and December-May) a filing in accordance with 4 CSR 240-20.090(4) is made with the Missouri Public Service Commission requesting a new cost adjustment factor. The collection periods for these FAC factors are 12 month periods (March-February and September-August).

Activity in account 182380 is manually tracked by accumulation period and separately identifies the accrual recovery, interest and over/under recovery balance for each open accumulation period.

After the 12 month recovery period is complete, any remaining over/under recovery identified is included as part of the next FAC filing.

(G) A complete description of how the proposed RAM is compatible with the requirement for prudence reviews;

4 CSR 240-20.090 sets forth the definitions, structure, operation, and procedures relevant to a Fuel Adjustment Clause. Section (7) is specific to prudence reviews, requiring a review no less frequently than at eighteen (18)-month intervals.

The Company agrees that prudence reviews should occur no less frequently than at 18 month intervals. This requirement is also in the FAC tariff.

It is anticipated that parties to any prudence review proceeding would apply the standard of determining whether decisions were prudent given the facts know at the time those decisions were made, as opposed to a "hindsight" review. If Staff or other parties believe that the evidence supports a prudence adjustment, they have the opportunity to bring that proposal to the Commission for an evidentiary hearing and decision.

(H) A complete explanation of all the costs that shall be considered for recovery under the proposed RAM and the specific account used for each cost item on the electric utility's books and records;

The Federal Energy Regulatory Commission (FERC) Code of Federal Regulations is the basis for the Company's accounting codes. Fuel used in the production of steam for the generation of electricity (Coal Plants) is included in FERC account 501. Fuel used in other power generation (Combustion Turbines) is included in FERC account 547. Purchased Power is in FERC account 555. The following six digit Company accounts expand from the FERC accounts. Only those costs assigned to Native Load are included in the FAC.

General Ledger Account	Expense
501020	Coal and Freight Cost (Variable)
547020	Gas Cost and Transportation (Variable)
555020, 555021	Purchase Power-Energy for Native Load
509000	Emission Allowances
547105	Hedge Settlements
504100	Contra Steam Customer Costs
555101	Fuel and Purchased Power Allocation
501020	Urea

(I) A complete explanation of all the revenues that shall be considered in the determination of the amount eligible for recovery under the proposed RAM and the specific account where each such revenue item is recorded on the electric utility's books and records;

FAC revenues are billed as a separate line item on a customer's bill and all FAC revenue is recorded in the following revenue accounts to accurately track revenues and facilitate the review process. In addition, the CIS+ billing system tracks the FAC billed line item. FAC revenues are reported separately on CIS+ Revenue Reports.

General Ledger Account	Revenue
440001	Residential Electric Revenue
442001	Commercial Electric Revenue
442202	Industrial Firm Electric Revenue
444001	Sales Street Lighting
445001	Sales Public Authority Electric

Billed FAC revenues are initially recorded as revenue (as shown above) when processed by CIS+. Accounting reverses the Billed FAC revenue exactly and offsets the Accrued Fuel Clause account (182380). The reclassification of the billed FAC revenue is through a separate set of revenue accounts, as follows:

General Ledger Account	Revenue
440007	Residential Electric Revenue FAC
442007	Commercial Electric Revenue FAC
442205	Industrial Firm Electric Revenue FAC
445005	Sales Street Lighting FAC
445005	Sales Public Authority Electric FAC

These FAC revenue accounts are also used to book the current period over/under accrual as defined above as Total FAC Actual Energy Costs less Base Energy Costs times 95% with the resulting accrual offset in General Ledger Account 182380, Accrued Fuel Clause. This accounting process, and the information used to support the recording of these entries, creates a paper audit trail to enable the audit of the accounts. The amount of over or under recovery is included as Factor C on the FAC Tariff Sheet No. 125 and is incorporated into a future FAC rate.

(J) A complete explanation of any incentive features designed in the proposed RAM and the expected benefit and cost each feature is intended to produce for the electric utility's shareholders and customers;

In the Report and Order for Case No. ER-2007-0004 issued May 17, 2007, the Commission explains the reasoning for allowing only 95% of FAC eligible costs to be collected from customers.

"The Commission also finds after-the-fact prudence reviews alone are insufficient to assure Aquila will continue to take reasonable steps to keep its fuel and purchased power costs down, and the easiest way to ensure a utility retains the incentive to keep fuel and purchased power costs down is to not allow a 100% pass through of those costs.

The Commission finds allowing Aquila to pass 95% of its prudently incurred fuel and purchased power costs, above those included in its base rates, through its fuel adjustment clause is appropriate. With a 95% pass-through, the Commission finds Aquila will be protected from extreme fluctuations in fuel and purchased power cost, yet retain a significant incentive to take all reasonable actions to keep its fuel and purchased power costs as low as possible, and still have an opportunity to earn a fair return on its investment." (page 54)

"The Commission concludes that a 95% pass-through would not violate Section 386.266.4(1), in that it would still afford Aquila a sufficient opportunity to earn a fair return on equity." (page 55)

The 5% loss to shareholders for two accumulation periods is approximately $1.6 mil.

(K) A complete explanation of any rate volatility mitigation features in the proposed RAM;

The hedge program costs and benefits, as discussed in the Direct Testimony of H. Davis Rooney, can mitigate fuel price volatility. In addition, accumulating the FAC adjustment for a 6 month period with a corresponding 12 month revenue recovery period lessens rate volatility.

(L) A complete explanation of any feature designed into the proposed RAM or any existing electric utility policy, procedure, or practice that can be relied upon to ensure that only prudent costs shall be eligible for recovery under the proposed RAM;

The Company's FAC expenses are subject to periodic Prudence Reviews to ensure that only prudently-incurred fuel and purchased power costs are collected from customers through the FAC.

Rules and procedures for contracts are outlined in the Sarbanes Oxley documentation.

Rules and procedures for the hedging program are in the Risk Management Policy.

(M) A complete explanation of the specific customer class rate design used to design the proposed RAM base amount in permanent rates and any subsequent rate adjustments during the term of the proposed RAM;

A class cost of service study and rate design change were not a part of ER-2007-0004 approving the FAC or this current rate request. The existing rate design is maintained by allocating the rate increase and the FAC as a percentage increase to all classes.

As required, the FAC allocates cost by voltage level using commission approved allocation methods.

(N) A complete explanation of any change in business risk to the electric utility resulting from implementation of the proposed RAM in setting the electric utility's allowed return in any rate proceeding, in addition to any other changes in business risk experienced by the electric utility;

See Direct Testimony of Samuel C. Hadaway.

(O) A description of how responses to subsections (B) through (N) differ from responses to subsections (B) through (N) for the currently approved RAM;

Urea expense is included in the variable fuel costs.

(P) The supply-side and demand-side resources that the electric utility expects to use to meet its loads in the next four (4) trueup years, the expected dispatch of those resources, the reasons why these resources are appropriate for dispatch and the heat rates and fuel types for each supply-side resource; in submitting this information, it is recognized that supply- and demand-side resources and dispatch may change during the next four (4) true-up years based upon changing circumstances and parties will have the opportunity to comment on this information after it is filed by the electric utility;

See Direct Testimony of H. Davis Rooney.

(Q) The results of heat rate tests and/or efficiency tests on all the electric utility's nuclear and non-nuclear steam generators, HRSG, steam turbines and combustion turbines conducted within the previous twenty four (24) months;

See Direct Testimony of Terry Hedrick.

(R) Information that shows that the electric utility has in place a long-term resource planning process, important objectives of which are to minimize overall delivered energy costs and provide reliable service;

See Direct Testimony of H. Davis Rooney.

(S) If emissions allowance costs or sales margins are included in the RAM request and not in the electric utility's environmental cost recovery surcharge, a complete explanation of forecasted environmental investments and allowances purchases and sales; and

See Direct Testimony of Wm. Edward Blunk.

(T) Any additional information that may have been ordered by the commission to be provided in the previous general rate proceeding.

In the Report and Order for Case No. ER-2007-0004, the Commission required Aquila to have finalized heat rate and/or efficiency testing procedures that are either agreed to by the parties, or approved by the Commission, in place no less than sixty days before the effective date listed on the tariff for Aquila's initial fuel adjustment clause adjustment filing. (page 29)

The Order from Case No. EO-2008-0156, effective January 25, 2008, approved Aquila's proposed heat rate schedule and testing plan. The Direct Testimony of Terry Hedrick describes the status of the heat rate testing.

Important Notice

Aquila, Inc., d/b/a KCP&L Greater Missouri Operations Company ("Company" or "GMO") has filed a rate increase request with the Missouri Public Service Commission (PSC). The increase would total approximately 14.4 percent in the territory formerly served by the Aquila Networks - MPS service area and approximately 13.6 percent in the territory formerly served by the Aquila Networks - L&P service area.

For the average MPS residential customer the proposed increase would be approximately $12.58 per month. For the average L&P residential customer the proposed increase would be approximately $10.03 per month.

The Company has also asked the PSC to continue the Fuel Adjustment Clause (FAC). The FAC allows the Company to adjust customers' bills two times per year based on the varying cost of fuel and power purchased in the current volatile market. Any increase or decrease in fuel costs is reflected in the FAC. This means the customer bill is based on more current fuel costs.

A local public hearing (or evidentiary hearing) has been set before the PSC at ___o'clock, on (date) at _________, (address), City, Missouri. The hearing will be held in a facility that meets the accessibility requirements of the Americans with Disabilities Act. Any person who needs additional accommodations to participate in this hearing should call the Public Service Commission's hotline at 1-800-392-4211 (voice) or Relay Missouri at 711 before the hearing.

Consumers who are unable to attend the local public hearing and wish to make written comments may contact the Office of the Public Counsel, Governor Office Building, 200 Madison Street, Suite 650, P.O. Box 2230, Jefferson City, Missouri 65102-2230, telephone (866) 922-2959, e-mail opcservice@ded.mo.gov or the Missouri Public Service Commission, P.O. Box 360, Jefferson City, Missouri 65102, telephone 800-392-4211, e-mail pscinfo@psc.mo.gov.

FUEL ADJUSTMENT CLAUSE
ELECTRIC

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DEFINITIONS

ACCUMULATION PERIOD:

The two six-month accumulation periods each year through August 5, 2013, the two corresponding twelve-month recovery periods and filing dates will be as follows:

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Accumulation Period	Filing Date	Recovery Period
June – November	By January 1	March – February
December – May	By July 1	September – August

RECOVERY PERIOD:

The billing months during which the Cost Adjustment Factor (CAF) for each of the respective accumulation periods are applied to retail customer billings on a per kilowatt-hour (kWh) basis.

COSTS:

Costs eligible for Fuel Adjustment Clause (FAC) will be the Company's allocated variable Missouri Jurisdictional costs for the fuel component of the Company's generating units, purchased power energy charges, and emission allowance costs. Eligible costs do not include the purchased power demand costs associated with purchased power contracts.

APPLICATION

The price per kWh of electricity sold will be adjusted subject to application of the FAC mechanism and approval by the Missouri Public Service Commission. The price will reflect accumulation period Missouri Jurisdictional costs above or below base costs for:

1. variable fuel components related to the Company's electric generating plants;
2. purchased power energy charges;
3. emission allowance costs;
4. an adjustment for recovery period sales variation. This is based on the difference between the values of the FAC as adjusted minus actual FAC revenue during the recovery period. This amount will be collected or refunded during a succeeding recovery period;
5. interest on deferred electric energy costs, which shall be determined monthly. Interest shall be calculated at a rate equal to the weighted average interest rate paid on short-term debt, applied to the month-end balance of deferred electric energy costs. The accumulated interest shall be included in the determination of the CAF.

The FAC will be the aggregation of (1), (2), (3), minus the base cost of fuel, all times 95%, plus or minus (4), plus (5), above.

The Cost Adjustment Factor is the result of dividing the FAC by estimated kWh sales during the recovery period, rounded to the nearest $.0001, and aggregating over two accumulation periods. The formula and components are displayed below.

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FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC

$$FAC_{Sec} = \{[95\% * (F + P + E – B)] * \{(S_{ASec} * L_{Sec}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]\}\} + C_{Sec}$$

$$FAC_{Prim} = \{[95\% * (F + P + E – B)] * \{(S_{APrim} * L_{Prim}) / [(S_{ASec} * L_{Sec}) + (S_{APrim} * L_{Prim})]\}\} + C_{Prim}$$

The Cost Adjustment Factor (CAF) is as follows:

Single Accumulation Period Secondary Voltage CAF = FAC_{Sec} / S_{RSec}

Single Accumulation Period Primary Voltage CAF = FAC_{Prim} / S_{RPrim}

Annual Secondary Voltage CAF =
Aggregation of the Single Accumulation Period Secondary Voltage CAFs still to be recovered

Annual Primary Voltage CAF =
Aggregation of the Single Accumulation Period Primary Voltage CAFs still to be recovered

Where:
FAC_{Sec} = Secondary Voltage FAC
FAC_{Prim} = Primary Voltage FAC
95% = Customer responsibility for fuel variance from base level
F = Actual variable cost of fuel in FERC Accounts 501 & 547
P = Actual cost of purchased energy in FERC Account 555
E = Actual emission allowance cost in FERC Account 509
B = Base variable fuel costs, purchased energy, and emission allowances are calculated as shown below:
Aquila Networks – L&P S_A x Applicable Base Energy Cost
Aquila Networks – MPS S_A x Applicable Base Energy Cost
C = Under / Over recovery determined in the true-up of prior recovery period cost, including accumulated interest, and modifications due to prudence reviews
C_{Sec} = Lower than Primary Voltage Customers
C_{Prim} = Primary and Higher Voltage Customers
S_A = Actual sales (kWh) for the accumulation period
S_{ASec} = Lower than Primary Voltage Customers
S_{APrim} = Primary and Higher Voltage Customers
S_R = Estimated sales (kWh) for the recovery period
S_{RSec} = Lower than Primary Voltage Customers
S_{RPrim} = Primary and Higher Voltage Customers
L = Loss factor by voltage level
L_{Sec} = Lower than Primary Customers
L_{Prim} = Primary and Higher Customers

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STATE OF MISSOURI, PUBLIC SERVICE COMMISSION
P.S.C. MO. No. 1 1st Original Sheet No. 126
Canceling P.S.C. MO. No. Sheet No. 126

Aquila, Inc., dba
KCP&L Greater Missouri Operations Company For Territory Formerly Served by
KANSAS CITY, MO 64106 Aquila Networks - L&P and Aquila Networks - MPS

FUEL ADJUSTMENT CLAUSE (CONTINUED)
ELECTRIC

The FAC will be calculated separately for Aquila Networks – L&P and Aquila Networks – MPS and by voltage level, and the resultant CAF's will be applied to customers in the respective divisions and voltage levels.

APPLICABLE BASE ENERGY COST

Company base energy cost per kWh sold:
$0.01799 for Aquila Networks – L&P until effective date of this tariff.
$0.02429 for Aquila Networks – L&P beginning with the effective date of this tariff.
$0.02538 for Aquila Networks – MPS until effective date of this tariff.
$0.03578 for Aquila Networks – MPS beginning with the effective date of this tariff.

TRUE-UPS AND PRUDENCE REVIEWS

There shall be prudence reviews of costs and the true-up of revenues collected with costs intended for collection. FAC costs collected in rates will be refundable based on true-up results and findings in regard to prudence. Adjustments, if any, necessary by Commission order pursuant to any prudence review shall also be placed in the FAC for collection unless a separate refund is ordered by the Commission. True-ups occur at the end of each recovery period. Prudence reviews shall occur no less frequently than at 18 month intervals.

Issued: September 5, 2008 Effective: August 5, 2009
Issued by: Chris B. Giles, Vice-President

Memorandum For Testimony NSF ER-2006-0314
Calculations of Non-Sufficient Funds (NSF) Fee in Missouri
Provided to: Tim Rush, Senior Director, Regulatory Services, KCP&L Co.
Provided by: Douglas Nickelson, Project Analyst, Regulatory Services, KCP&L Co.

Purpose: This memorandum provides the basis of testimony for KCP&L's calculation of non-sufficient funds fee used in the Company's Customer Information System (CIS).

Intent: To realign with the market and neighboring service territory in Kansas, to recover a reasonable cost for work required to resolve NSF payments in Missouri.

Background: Currently, KCP&L's fee for rendering payment with non-sufficient funds in Missouri $8.50, which is no longer the cost for KCP&L to process these transactions and tracts well below average cost currently recovered in the external market to handle such transactions.

Overview: KCP&L relied most heavily on 2005 data retrieved from CIS to determine the Missouri NSF segment size. Direct external, and internal cost and internal labor rates loaded at 1.45% for benefits were relied on to estimate current cost to process a single NSF transaction. Supervision expenses were not considered. No provision for future inflation of costs were considered.

Describe: CIS data retrieval. NSF transactions are tracked in CIS utilizing designated Adjustment Codes. The CIS system stores all 2005 Adjustment Codes assessed to KCP&L accounts. CIS Adjustment Codes are segmented by Kansas and Missouri. The CIS Adjustment Code for NSF Missouri is *NSFMO*. A CIS monthly data query, the CQM435 report, lists the total number of *NSFMO* adjustments made in each of the twelve months of 2005. The grand total for *NSFMO* adjustments in Missouri in 2005 was 8569, which is used as the basis for establishing the segment size of *NSFMO* transactions moving forward.

Cost data retrieval. NSF transactions require time and resources to remedy. The following items represent the cumulative cost of these efforts.

External
- Bank Charge: $1.75, which is the bank processing cost for the NSF transaction that is past on to KCP&L.

Internal
- Treasury processing: $2.82, which represents 6 minutes of loaded Senior Clerk labor devoted to reviewing the Bank NSF Report and entering/updating the NSF transaction on the associated account in CIS.

- Credit & Collection NSF Report process: $2.82, which represents 6 minutes of loaded Senior Clerk labor devoted to reviewing the CIS NSF Report and initiating collection action.
- Credit & Collection Written Notice Process: $2.00, which represents the cost to manually print and route NSF notice including the cost for postage, envelope and letterhead.
- Credit & Collection Telephone Notice Process: $2.82, which represents 6 minutes of loaded Senior Clerk labor devoted to calling customer and discussing account and pending disconnect.
- Credit & Collection Field Trip: $12.50, which represents 15 minutes of loaded Field Service Pro labor with vehicle, devoted to driving to, posting and disconnecting service.
- Credit & Collection processing: $2.82, which represents 6 minutes of loaded Senior Clerk labor devoted to reviewing the CIS account, updating C&C field activity, and noting.
- Customer Call: $3.00, which represents 6 minutes of loaded Customer Advocate labor devoted to reviewing CIS account with customer, making cash payment arrangements, agency and pay station referral, and noting CIS.

The total estimated cost to KCP&L for processing a single NSF transaction is currently $30.53 based on the above figures.

The projected revenue impact for Missouri was thus determined by applying the proposed NSF per unit fee of $30.00 to the 2005 NSF units of 8569, and subtracting the 2005 NSF fee of $8.50 to determine the difference in revenue of $184,234.

2005

8569 units x $30.00 proposed NSFMO fee =	$257,070
8569 units x $8.50 existing NSFMO fee =	$72,837
2007 Projected Net Revenue Impact	**$184,234**