

Exhibit No.:
Issue: 2011 Missouri River Flooding
Witness: Tim M. Rush
Type of Exhibit: Supplemental Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2012-0174
Date Testimony Prepared: May 4, 2012

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2012-0174

SUPPLEMENTAL DIRECT TESTIMONY

OF

TIM M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
May 2012**

“** [REDACTED] **” Designates “Highly Confidential” Information
Has Been Removed
Pursuant to 4 CSR 240-2.135.

SUPPLEMENTAL DIRECT TESTIMONY

OF

TIM M. RUSH

Case No. ER-2012-0174

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 prefiled Direct Testimony in this matter on**
5 **behalf of Kansas City Power & Light Company (“KCP&L” or the “Company”)?**

6 A: Yes, I am.

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

8 A: The purpose of my testimony is to discuss the Company’s proposed accounting and
9 regulatory treatment of costs and losses incurred as a result of the 2011 Missouri River
10 flood (“Missouri River flooding”). Company witness Wm. Edward Blunk discusses the
11 Missouri River flooding and its impacts on the Company’s operations in his
12 Supplemental Direct Testimony. Company witness Ryan A. Bresette discusses the
13 financial tracking and accounting for the requested amounts.

14 **Q: Why is the accounting treatment for the Missouri River flooding impact being**
15 **addressed in this rate case and not in an Accounting Authority Order (“AAO”)**
16 **application, the regulatory mechanism traditionally utilized for extraordinary**
17 **weather-related impacts?**

18 A: KCP&L filed an AAO application with the Missouri Public Service Commission
19 (“Commission”) on December 19, 2011 in File No. EU-2012-0130. On April 3, 2012,

1 the Commission consolidated that AAO application into File No. ER-2012-0174, the
2 Company's current general rate case proceeding.

3 **Q: What was the dollar impact of the costs and losses incurred by the Company as a**
4 **result of the Missouri River flooding?**

5 A: The non-fuel incremental operating and maintenance cost was \$1,412,290. The
6 incremental fuel and purchased power cost to serve retail customers was ** [REDACTED] **.
7 The shortfall in margins associated with off-system sales ("OSS margins") totaled
8 ** [REDACTED] **. All of these amounts are Missouri jurisdictional. They do not
9 represent the total costs and losses incurred by KCP&L. The fuel and purchased power
10 costs and the lost OSS margins are discussed by Mr. Bresette and Mr. Blunk in their
11 respective Supplemental Direct testimonies. Mr. Bresette also discusses the non-fuel
12 incremental operating and maintenance costs.

13 **Q: How does KCP&L propose that these impacts be handled for accounting and**
14 **regulatory purposes?**

15 A: KCP&L is requesting deferral of the costs/losses attributable to the Missouri River
16 flooding and the constraints placed on the Company's electric generation due to the
17 limited availability of coal to produce electricity. These constraints caused a significant
18 increase in fuel costs to serve retail customers and a loss of OSS margins. KCP&L is
19 different from other investor-owned electric utilities in Missouri in that it does not have a
20 fuel adjustment clause that would have provided a mechanism to recover a majority of
21 these increased costs. For these reasons and because the magnitude of the Missouri River
22 flooding was extraordinary, unanticipated, and unusually severe, and was comparable to
23 other events for which the Commission has previously authorized deferral, KCP&L seeks

1 Commission authorization to defer and record to a regulatory asset, FERC Account
2 182.3, the non-fuel incremental operating and maintenance cost and fuel and purchased
3 power costs and to defer and record to a separate regulatory asset account the lost OSS
4 margins (as defined below).

5 **Q: Would it be appropriate to characterize these costs and losses as “incremental”**
6 **costs/losses?**

7 A: Yes, it would. Missouri River flooding costs/losses are those costs that would not have
8 been incurred absent the flood and “losses” that would not have occurred absent the flood
9 (i.e., “incremental”). For example, we have not included in the non-fuel incremental
10 operating and maintenance cost impact any internal payroll costs other than overtime
11 costs. For the fuel and purchased power cost impact and the OSS margin loss impact, we
12 have modeled what such costs/losses were by comparing actual results with those that
13 would have occurred absent the flood, as discussed by Mr. Blunk in his Supplemental
14 Direct Testimony.

15 **Q: Please elaborate on your request for a regulatory asset related to lost OSS margins.**

16 A: The Commission’s April 12, 2011 Report and Order in KCP&L’s last rate case, File No.
17 ER-2010-0355 (“2010 Rate Case”), required that the Company track its OSS margins and
18 return to ratepayers any excess margins over a set threshold, with KCP&L retaining
19 margins up to that threshold amount. The OSS margins amount included in the 2010
20 Rate Case as a revenue requirement reduction did not reflect the magnitude of a risk as
21 extraordinary as the Missouri River flooding, nor did it reflect the resultant coal
22 conservation measures.

1 As a result of the Missouri River flooding's impact on KCP&L's 2011 OSS margins, it is
2 likely that KCP&L will not reach the margin threshold level for the period May 2011
3 through April 2012, as set by the Commission, thereby resulting in a significant financial
4 detriment to the Company for the shortfall from the OSS margins set as a revenue
5 requirement reduction in the 2010 Case.

6 Therefore, KCP&L requests that the Commission authorize the Company to establish a
7 separate Account 182.3 regulatory asset to which KCP&L would defer the lesser of the
8 impact of the Missouri River flooding on OSS margins calculated in the Company's Coal
9 Conservation Study (**[REDACTED]**, as discussed by Mr. Bresette.) or the actual
10 shortfall for the accumulation period (in other words, the actual margins versus the
11 amounts included in base rates).

12 **Q: Will the actual May 2011 through April 2012 OSS margin shortfall be known prior**
13 **to the true-up in this rate case?**

14 A: Yes, it will.

15 **Q: Over what period of time does KCP&L propose that these regulatory assets be**
16 **amortized?**

17 A: Consistent with Commission treatment of weather-related extraordinary events in the
18 past, the Company proposes a five-year amortization for both the non-fuel incremental
19 operating and maintenance costs, fuel and purchase power regulatory asset and the OSS
20 margin regulatory asset. This would be consistent with the five-year amortization period
21 authorized for KCP&L's 2002 ice storm AAO (File No. EU-2002-1048) and the five year
22 amortization authorized for Aquila, Inc.'s 2007 St. Joseph ice storm AAO (File No. EU-
23 2008-0233).

1 **Q: Does the Company's filing in this rate case reflect such an amortization?**

2 A: A five-year amortization of the non-fuel incremental operating and maintenance costs
3 and fuel and purchase power regulatory asset was included in KCP&L's rate case filing,
4 as reflected in adjustment CS-110 on Schedule JPW-4 attached to the Direct Testimony
5 of Company witness John P. Weisensee. The fuel and purchased power impact reflected
6 in this testimony is slightly higher than the amount reflected in adjustment CS-110 as
7 final numbers have become available. KCP&L did not include an amortization of the
8 OSS margin regulatory asset in its filing because the amount of such a regulatory asset
9 was not known at the time of the filing. The OSS margins realized for the tracking period
10 May 2011 through April 2012 will be known well before the true-up in this case and
11 therefore the Company anticipates an amortization of the OSS margin regulatory asset
12 being included in the true-up process.

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

14 A: Yes, it does.

