

Exhibit No.:  
Issue: Rate Design of Base Rates and Fuel  
Adjustment Clause  
Witness: Tim Rush  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: KCP&L Greater Missouri  
Operations Company  
Case No.: ER-2009-0090  
Date Testimony Prepared: March 19, 2009

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2009-0090**

**REBUTTAL TESTIMONY**

**OF**

**TIM RUSH**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
March 2009**

**REBUTTAL TESTIMONY**

**OF**

**TIM RUSH**

**Case No. ER-2009-0090**

1 **Q: Are you the same Tim Rush who submitted Direct Testimony in this case on behalf**  
2 **of KCP&L Greater Missouri Operations Company (“GMO” or the “Company”) on**  
3 **or about September 5, 2008?**

4 **A: Yes, I am.**

5 **Q: What is the purpose of your Rebuttal Testimony?**

6 **A: The purpose of my testimony is to respond to positions taken by the Missouri Public**  
7 **Service Commission Staff (“Staff”) in its Class Cost of Service and Rate Design report**  
8 **and the Direct Testimony of Walt Cecil concerning rate design and the Company’s Fuel**  
9 **Adjustment Clause (“FAC”) tariff. I will also address the Direct Testimony of Maurice**  
10 **Brubaker on behalf of Ag Processing, Inc., Sedalia Industrial Energy Users Association,**  
11 **Wal-Mart Stores, Inc. and Whiteman Air Force Base (collectively, the “Industrials”)**  
12 **regarding rate design and the timing of a class cost of service study.**

13 **FUEL ADJUSTMENT CLAUSE (“FAC”)**

14 **Q: What is the position taken by Staff?**

15 **A: In the Class Cost of Service and Rate Design report sponsored by Staff witness John**  
16 **Rogers, he makes a number of proposed changes to the current FAC.**

17 **Q: Do you agree with the changes as proposed?**

1 A: I am in general agreement with the proposals made by Staff.

2 **Q: In what ways do you agree?**

3 A: I agree and support Staff's position that off-system sales should be included in the overall  
4 FAC. I also agree with Staff's suggestion to include in the FAC the net costs associated  
5 with the Company's participation in the Southwest Power Pool ("SPP"). I also agree that  
6 the tariff should include explicit statements as to which costs and revenues are to be  
7 included in the calculation of the Cost Adjustment Factor ("CAF").

8 **Q: Does the Company have any additional suggestions to the Staff's proposed FAC?**

9 A: Yes. The Company has taken the proposal provided in Attachment 1 from Staff's Class  
10 Cost of Service and Rate Design Direct Testimony and added some additional language  
11 in an attempt to be more specific regarding the inclusion of costs and revenues. The  
12 Company has also clarified kWh sales to be accrued sales. My proposed changes are  
13 reflected in the redlined version found in Schedule TMR-3 and a clean version in  
14 Schedule TMR-4.

15 **Q: Are there areas in the FAC in which the Company disagrees with the Staff  
16 proposal?**

17 A: No. However, I believe that additional discussions need to occur with all of the parties in  
18 this proceeding to refine the details to be included in the final tariff. As I said previously,  
19 I believe that we are in agreement with the conceptual proposal Staff made, but I would  
20 propose some changes to the specific language implementing that proposal, as identified  
21 in Schedule TMR-3.

22 **Q: Can you determine the base rate amounts to be included in the tariff at this time?**

1 A: No. The final costs to be identified in the base rates attributable to the FAC will not be  
2 identified until after the true-up period.

### 3 **RATE DESIGN**

4 **Q: What are the rate design proposals of Staff and the Industrials?**

5 A: The Staff recommendation is that an equal percentage increase be applied to all rates.  
6 The Industrials recommend that the fuel costs be re-based to reflect the overall fuel cost,  
7 purchased power, and off-system sales. The Industrials recommend that the non-fuel  
8 increase be applied to the non-fuel portion of the existing rates.

9 **Q: What are you proposing in this case?**

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

14 **Q: Are there specific reasons why you prefer your proposal over the proposals  
15 presented by Staff and the Industrials?**

16 A: Yes. I believe that the rate design proposal of the Company fairly recognizes the two  
17 primary cost drivers for the Company in this case: (i) the Company's capital  
18 expenditures associated with the addition of air quality control system ("AQCS")  
19 equipment on the Company's major coal units at Iatan 1, the Jeffery Energy Center, and  
20 Sibley 3 and (ii) fuel cost, purchased power cost, and off-system sales margins. These  
21 drivers are primarily energy related. The coal units at Iatan 1, the Jeffery Energy Center,  
22 and Sibley 3 are base load plants. The capital additions associated with the AQCS  
23 equipment are necessary in order for the plants to continue to run as base load plants.





**KCP&L Greater Missouri Operations Company**

For Territory Formerly Served by

**KANSAS CITY, MO 64106**

Aquila Networks - L&amp;P and Aquila Networks – MPS (L&amp;P and MPS)

FUEL ADJUSTMENT CLAUSE  
ELECTRICDEFINITIONS

## ACCUMULATION PERIODS, FILING DATES AND RECOVERY PERIODS:

The two six-month accumulation periods each year through August 5, 2013, the two corresponding twelve-month recovery periods and the filing dates will be as shown below. Each filing shall include detailed work papers in electronic format to support the filing.

<u>Accumulation Periods</u>	<u>Filing Dates</u>	<u>Recovery Periods</u>
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 Missouri Jurisdictional costs for the fuel component of the Company's generating units, including costs associated with the Company's fuel hedging program; purchased power energy charges, including applicable transmission fees; Southwest Power Pool (SPP) costs and emission allowance costs – all as incurred during the Accumulation Period. These costs will be offset by off-system sales margin and any emission allowance revenues collected during the Accumulation Period.

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APPLICABILITY

The price per kWh of electricity sold to retail customers will be adjusted (up or down) periodically subject to application of the FAC mechanism and approval by the Missouri Public Service Commission.

The CAF is the result of dividing the FAC by forecasted net system input (NSI) during the recovery period, rounded to the nearest \$.0001, and aggregating over two accumulation periods. A CAF will appear on a separate line on retail customers' bills.

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Issued: September 5, 2008

Effective: August 5, 2009

Issued by: Chris B. Giles, Vice-President

**KCP&L Greater Missouri Operations Company**

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**KANSAS CITY, MO 64106**

Aquila Networks - L&amp;P and Aquila Networks – MPS (L&amp;P and MPS)

**FUEL ADJUSTMENT CLAUSE (CONTINUED)**  
**ELECTRIC**
**FORMULAS AND DEFINITIONS OF COMPONENTS**

$$FAC = 95\% * ((TEC * J) - B) + C + I$$

$$CAF = FAC/NSI$$

$$\text{Single Accumulation Period Secondary Voltage } CAF_{Sec} = CAF * XF_{Sec}$$

$$\text{Single Accumulation Period Primary Voltage } CAF_{Prim} = CAF * XF_{Prim}$$

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:

95% = Customer responsibility for fuel variance from base level.

TEC = Total energy cost, which consists of the sum of fuel costs incurred to support sales to all retail customers and Off-system Sales allocated to Missouri Retail electric operations, including transportation, associated with the Company's generating plant, and Off-system Sales Revenues.

These net costs consist of the following:

1. The following costs reflected in Federal Energy Regulatory Commission (FERC) Account Number 501: coal commodity, applicable taxes, gas, alternative fuel (i.e. tires and bio-fuel), fuel additives, Btu adjustments assessed by coal suppliers, railroad transportation, switching and demurrage charges, railcar repair and inspections costs, railcar depreciation, railcar lease costs, similar costs associated with other applicable modes of transportation, fuel hedging cost (hedging is defined as realized losses and costs minus realized gains associated with mitigating volatility in the Company's cost of fuel and purchased power, including but not limited to, the company's use of futures, options and over-the counter derivatives including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps), and fuel oil adjustments included in commodity and transportation costs, broker commissions and fees associated with price hedges, oil costs, revenues and expenses resulting from fuel and transportation portfolio optimization activities, and non-labor fuel handling expenses.
2. The following costs reflected in FERC Account Number 547: natural gas generation costs related to commodity, oil, transportation, storage, capacity reservation charges, fuel losses, hedging costs, revenues and expenses resulting from fuel and transportation portfolio optimization activities, fuel additives, and non-labor fuel handling expenses.

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3. The following costs reflected in FERC Account Number 509 or any other account FERC may designate for emissions expenses in the future: Emission allowances costs and revenues from the sale of emission allowances including but not limited to Carbon, Mercury, and Nitrogen.
4. The following costs reflected in FERC Account Numbers 555, 565, and 575: Purchased power costs excluding SPP and MISO administrative fees and excluding capacity charges for purchased power contracts with terms in excess of one (1) year.
5. OSSR = Revenues from Off-System Sales allocated to Missouri electric operations that are reflected in FERC Account Number 447: Off-system Sales shall include all sales transactions allocated between MPS and L&P, (including SPP and MISO revenues in FERC Account Number 447) but excluding Missouri retail sales and long-term full and partial requirements sales.

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$J =$  Missouri energy retail ratio = Accrued Missouri retail kWh sales/total accrued system kWh sales.

$B =$  Base energy costs are costs as defined in the description of TEC (Total Energy Cost). Base Energy costs will be calculated as shown below:  
 $L\&P S_A \times$  Applicable Base Energy Cost  
 $MPS S_A \times$  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

$I =$  Interest on deferred electric energy costs calculated at a rate equal to the weighted average interest paid on short-term debt applied to the month-end balance of deferred electric energy costs.

$NSI =$  Forecasted Missouri net system input in kWh for the Recovery Period

$XF =$  Expansion factor by voltage level  
 $XF_{Sec} =$  Expansion factor for lower than primary voltage customers  
 $XF_{Prim} =$  Expansion factor for primary and higher voltage customers

$S_A =$  Accrued sales (kWh) for the accumulation period

Deleted: <#>Actual variable cost of fuel in FERC Accounts 501 & 547¶  
 <#>Actual cost of purchased energy in FERC Account 555¶  
 <#>Actual emission allowance cost in FERC Account 509¶  
 <#>SPP variable costs associated with energy imbalance market settlements and revenue neutrality uplift charges¶  
 Less:¶  
 <#>Off-system sales margin revenue and any emission allowance sales revenue¶

Deleted: including variable fuel costs, purchased energy, transportation costs and emission allowances less off-system sales

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

Effective: August 5, 2009

**KCP&L Greater Missouri Operations Company**

For Territory Formerly Served by

**KANSAS CITY, MO 64106**

Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

**FUEL ADJUSTMENT CLAUSE (CONTINUED)  
ELECTRIC**

The FAC will be calculated separately for L&P and 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:

~~\$X.XXX~~ for L&P for October through May

~~\$X.XXX~~ for L&P for June through September

~~\$X.XXX~~ for MPS for October through May

~~\$X.XXX~~ for MPS for June through September

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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

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

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
ELECTRIC

COST ADJUSTMENT FACTOR

		MPS	L&P
Accumulation Period Ending		11/30/08	11/30/08
1 Total Energy Cost (TEC)			
2 Jurisdictional Factor (J)	*		
3 First Interim Total			
4 Base energy cost (B)	-		
5 Second Interim Total			
6 Customer Responsibility	*	95%	95%
7 Third Interim Total			
8 Adjustment for Under / Over recovery for prior periods and Modifications due to prudence reviews (C)	+		
9 Interest (I)	+		
10 Fuel Adjustment Clause (FAC)			
11 NSI	÷		
12 Fourth Interim Total			
13 Current period CAF <sub>Prim</sub> (= Line 12 * XF <sub>Prim</sub> )			
14 Previous period CAF <sub>Prim</sub>	+		
15 Current annual CAF <sub>Prim</sub>			
16 Current period CAF <sub>Sec</sub> (= Line 12 * XF <sub>Sec</sub> )			
17 Previous period CAF <sub>Sec</sub>	+		
18 Current annual CAF <sub>Sec</sub>			

Expansion Factors (XF):

<u>Network:</u>	<u>Primary</u>	<u>Secondary</u>
MPS	1.0444	1.0679
L&P	1.0444	1.0700

Issued: December 30, 2008

Effective: March 1, 2009

Issued by: Tim Rush, Regulatory Affairs

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1<sup>st</sup> Original Sheet No. 124  
Canceling P.S.C. MO. No. \_\_\_\_\_ Sheet No. 124

**KCP&L Greater Missouri Operations Company** For Territory Formerly Served by  
**KANSAS CITY, MO 64106** Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

FUEL ADJUSTMENT CLAUSE  
ELECTRIC

DEFINITIONS

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

Effective: August 5, 2009

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1<sup>st</sup> Original Sheet No. 125  
Canceling P.S.C. MO. No. \_\_\_\_\_ Sheet No. 125

**KCP&L Greater Missouri Operations Company** For Territory Formerly Served by  
**KANSAS CITY, MO 64106** Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
ELECTRIC

FORMULAS AND DEFINITIONS OF COMPONENTS

$$FAC = 95\% * ((TEC * J) - B) + C + I$$

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

Effective: August 5, 2009

STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

P.S.C. MO. No. 1 1<sup>st</sup>  
Canceling P.S.C. MO. No. \_\_\_\_\_

Original Sheet No. 126  
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**KCP&L Greater Missouri Operations Company**

For Territory Formerly Served by

**KANSAS CITY, MO 64106**

Aquila Networks - L&P and Aquila Networks – MPS (L&P and MPS)

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
ELECTRIC

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STATE OF MISSOURI, PUBLIC SERVICE COMMISSION

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Original Sheet No. 127  
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**KCP&L Greater Missouri Operations Company  
 for all territories formerly served by Aquila Networks, Inc. – L&P and Aquila Networks, Inc. MPS  
 (L&P and MPS)  
 KANSAS CITY, MO 64106**

FUEL ADJUSTMENT CLAUSE (CONTINUED)  
 ELECTRIC

COST ADJUSTMENT FACTOR

		MPS	L&P
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11 NSI	÷		
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