

Exhibit No.: 114

Issue: True-Up Adjustments

Witness: Tim M. Rush

Type of Exhibit: True-Up Direct Testimony

Sponsoring Party: Kansas City Power & Light Company

Case No.: ER-2010-0355

Date Testimony Prepared: February 22, 2011

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2010-0355**

**TRUE-UP DIRECT TESTIMONY**

**OF**

**TIM M. RUSH**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri**

**February 2011**

KCP&L Exhibit No. KCP&L 114  
Date 3/3/11 Reporter JMB  
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**TRUE-UP DIRECT TESTIMONY**

**OF**

**TIM M. RUSH**

**Case No. ER-2010-0355**

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 prefled direct, rebuttal and surrebuttal**  
5 **testimony in this matter?**

6 A: Yes.

7 **Q: What is the purpose of your true-up direct testimony?**

8 A: The purpose of my testimony is to discuss the revenue deficiency resulting from Kansas  
9 City Power & Light Company's ("KCP&L" or the "Company") true-up, to introduce the  
10 Company's witnesses that are providing true-up direct testimony.

11 **Q: What rate increase has the Company requested in this case, which is the last case**  
12 **under the Regulatory Plan?**

13 A: KCP&L's filed case included a request for a \$92.1 million rate increase, primarily driven  
14 by KCP&L's share of Iatan 2, an 850 MW super-critical, coal-fired generation facility  
15 that became fully operational and used for service on August 26, 2010, and increased  
16 freight costs for the transportation of coal to the majority of the Company's coal-fired  
17 generating units. Additionally, the Company completed in December the construction 32  
18 wind turbines (1.5 MW for a total of 48 MWs) in Spearville, KS. KCP&L's true-up  
19 reflects a revenue deficiency of \$55.8 million.

1 **Q: Why has the deficiency declined?**

2 A: While there are many reasons for the decline, the most significant reasons are: (1) lower  
3 fuel and purchased power costs, primarily driven by new freight rates lower than  
4 anticipated; (2) Congressional extension of bonus depreciation, which significantly  
5 increases accumulated deferred income taxes, which is a rate base offset; (3) cutting off  
6 the true-up of the Iatan 2 and Iatan Common costs as of October 31, 2010, in accordance  
7 with the *Order Approving Nonunanimous Stipulation and Agreement, Setting Procedural*  
8 *Schedule, and Clarifying Order Regarding Construction and Prudence Audit*, issued by  
9 the Commission on August 18, 2010; and (4) lowering the requested return on equity  
10 from 11% to 10.75%, which was addressed in the rebuttal testimony of Company witness  
11 Samuel Hadaway.

12 **Q: What other Company witnesses are providing true-up direct testimony?**

13 A: John Weisensee discusses the true-up process employed by the Company and sponsors  
14 the results of the Company's Revenue Requirement model, as reflected in his attached  
15 Schedule JPW2010-9. Burton Crawford provides testimony on the fuel and purchased  
16 power adjustments necessary for the true-up which are included in the Company's  
17 Revenue Requirement model. Michael Schnitzer provides the current projection for non-  
18 firm off-system sales margins based on fuel prices and availability, set at the 25<sup>th</sup>  
19 percentile level, consistent with prior rate cases under the Regulatory Plan, also included  
20 in the Company's Revenue Requirement model. Finally, Michael Cline provides support  
21 for the capital structure and cost of capital used in the true-up.

1 **Q: Were any issues settled and formalized in a Stipulation and Agreement between the**  
2 **parties in this proceeding?**

3 A: Yes. A number of issues were settled between the parties and formalized and filed with  
4 the Commission. Those agreements included:

- 5 1.) Depreciation and Accumulated Additional Amortizations
- 6 2.) Miscellaneous Issues
- 7 3.) Class Cost of Service/Rate Design
- 8 4.) MGE Rate Design Issue
- 9 5.) Outdoor Lighting Issues

10 **Q: Does that conclude your testimony?**

11 A: Yes, it does.

