

Exhibit No.: 149  
Issue: True-Up Adjustments  
Witness: Tim M. Rush  
Type of Exhibit: True-Up Rebuttal Testimony  
Sponsoring Party: KCP&L Greater Missouri Operations Company  
Case No.: ER-2012-0175  
Date Testimony Prepared: November 13, 2012

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Service Commission

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2012-0175**

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**TIM M. RUSH**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

**Kansas City, Missouri  
November 2012.**

GMO Exhibit No. 149  
Date 11-13-12 Reporter KF  
File No. ER-2012-0175

**TRUE-UP REBUTTAL TESTIMONY**

**OF**

**TIM M. RUSH**

**Case No. ER-2012-0175**

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 pre-filed Direct, Rebuttal and Surrebuttal**  
5 **Testimony in Case No. ER-2012-0175?**

6 A: Yes, I am.

7 **Q: On whose behalf are you testifying?**

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company ("GMO" or  
9 "Company") for its Light & Power ("L&P") and Missouri Public Service ("MPS") rate  
10 jurisdictions.

11 **Q: What is the purpose of your True-Up Rebuttal Testimony?**

12 A: *The Order Consolidating Cases for Hearing and Setting Procedural Schedule, and*  
13 *Amended Notice of Hearing*, issued by the Missouri Public Service Commission  
14 ("MPSC" or the "Commission") on April 26, 2012, specified a true-up date of August 31,  
15 2012. The purpose of my testimony is to discuss the true-up adjustments filed by the  
16 Missouri Public Service Commission Staff ("Staff") ~~and to address the testimony of Staff~~  
17 ~~witness V. William Harris on off-system sales ("OSS") margins and Office of the Public~~  
18 ~~Counsel ("OPC") witness Michael P. Gorman on proposed adjustments to the Company's~~  
19 ~~capital structure.~~

1 **Q: How was the true-up deficiency determined?**

2 A: The Staff updated its revenue requirement model to incorporate data through or as of  
3 August 31, 2012, as appropriate. Certain revenue requirement components were not  
4 updated, to conform to the *Nonunanimous Stipulation and Agreement as to Certain*  
5 *Issues*, approved by the Commission on November 7, 2012, and the Second  
6 *Nonunanimous Stipulation and Agreement as to Certain Issues*, filed with the  
7 Commission on November 8, 2012. If the Commission resolves the issues for any other  
8 value, the revenue requirements will have to be adjusted to reflect the Commission's  
9 value of those issues. The Staff's filed revenue requirement for MPS was \$16,062,796  
10 and \$18,562,764 for L&P. These revenue requirements were filed by Staff in its  
11 November 8, 2012 True-Up Direct filing, as well as addressed in the Second  
12 *Nonunanimous Stipulation and Agreement as to Certain Issues*, filed with the  
13 Commission on November 8, 2012.

14 **Q: Does GMO agree with the true-up adjustments proposed by Staff?**

15 A: Yes.

16 **Q: Since the Company and the Staff agree as to the true-up adjustment amounts, does  
17 that mean the two parties agree on the revenue increase necessary in this case?**

18 A: No. Certain issues still remain at issue in this case and set aside for the Commission to  
19 address. The following issues must be decided even if the Commission approves the  
20 second stipulation and agreement: (1) return on common equity; (2) capital structure; (3)  
21 cost of debt; and (4) Crossroads. The revenue requirements filed by the Staff, with which  
22 we are in agreement, are based upon Staff's rate of return, including Staff's capital

1 structure, cost of debt and return on equity of 9.0%. Staff's revenue requirements would  
2 be adjusted to implement the Commission's decision on those rate of return issues.

3 Other Issues to be addressed in this case include the transmission tracker; rate  
4 design/class cost of service study issues (except for those rate design and class cost of  
5 service issues that are resolved in the Non-Unanimous Stipulation and Agreement  
6 Regarding Class Cost of Service / Rate Design filed on October 29, 2012 ~~and approved~~  
7 ~~by the Commission on November 8, 2012~~); off-system sales margins issues; and the fuel  
8 adjustment clause ("FAC"). The resolution of these issues by the Commission does not  
9 have an effect on the revenue requirement in this case.

10 ~~Q: Does the Company believe that the True-Up Direct Testimony of Staff witness V.~~  
11 **William Harris regarding OSS margins needs to be addressed by the Commission at**  
12 **the true-up hearing?**

13 A: No. Mr. Harris indicates at page 3 of his True-Up Direct Testimony that Staff supports  
14 the level of OSS margin in Staff's direct filing. Therefore, there is no OSS margin  
15 number for the Commission to "true-up." The majority of Mr. Harris's True-Up Direct  
16 Testimony deals with his theory as to why GMO experiences negative margins. Such  
17 opinions are not at issue in this true-up hearing. Moreover, Staff has the opportunity to  
18 examine GMO's OSS margins in the FAC audits that it must conduct. To date, Staff has  
19 not raised this issue in any FAC audit. The Company believes that an FAC audit would  
20 be the proper forum to address this issue.

21 **Q: OPC witness Michael P. Gorman proposes to include short-term debt as a**  
22 **component of its capital structure to support ongoing operations. This appears to**  
23 **~~be a change in his position as presented in his Direct and Surrebuttal Testimonies.~~**

1 ~~Do you believe that the True-Up Testimony is the proper place to change testimony~~  
2 ~~positions?~~

3 A: No. It is my belief that the purpose of True-Up Testimony is to file updated information  
4 on prior positions taken by parties. It is also the time when true-up test period actual  
5 results are presented to the Commission. No new issues should be brought up in the true-  
6 up period or at the true-up hearing. Mr. Gorman's true-up position is a new position and  
7 should not be considered in this proceeding. However, Company witness Kevin Bryant  
8 ~~has addressed the merits of Mr. Gorman's testimony in his True-up Rebuttal Testimony.~~

9 Q: Does that conclude your testimony?

10 A: Yes, it does.

