

Exhibit No.:
Issue: True-Up Adjustments to
Revenue Requirement
Witness: Timothy M. Rush
Type of Exhibit: True-Up Direct Testimony
Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2007-0291
Date Testimony Prepared: November 2, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2007-0291

TRUE-UP DIRECT TESTIMONY

OF

TIMOTHY M. RUSH

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
November 2007**

**Certain Schedules Attached To This Testimony Designated "HC"
Have Been Removed
Pursuant To 4 CSR 240-2.135.**

TRUE-UP DIRECT TESTIMONY

OF

TIMOTHY M. RUSH

Case No. ER-2007-0291

1 **Q: Are you the same Timothy M. Rush who filed direct and rebuttal testimony in this**
2 **case?**

3 A: Yes, I am.

4 **Q: What is the purpose of your True-Up Direct Testimony?**

5 A: The purpose of my testimony is to provide the revenue deficiency level and the true-up
6 adjustments in this case. In Case No. EO-2005-0329 (the “Regulatory Plan”), the
7 Company, the Missouri Public Service Commission Staff (“Staff”) and other signatories
8 agreed to the test period to be used in this proceeding. The test period was defined as the
9 twelve (12) months ending December 31, 2006 (initially filed with nine (9) months actual
10 and three (3) months budget data), with updates for known and measurable changes as of
11 June 30, 2007, and with a true-up through September 30, 2007. The update period for
12 known and measurable changes was changed to March 31, 2007. The true-up date of
13 September 30, 2007 remained unchanged. The filing date for true-up testimony was set
14 as November 2, 2007.

15 **Q: Please describe Kansas City Power & Light Company’s (“KCPL” or the**
16 **“Company”) current revenue deficiency based on the true-up through September**
17 **30, 2007.**

1 A: The current deficiency as calculated in the true-up is \$47.6 million, consisting of \$33.4
2 million of earnings and \$14.2 million of additional amortizations. The initial request as
3 filed by the Company on February 1, 2007 was \$45.4 million, which included an earnings
4 deficiency of \$36.1 million and additional amortizations of \$9.3 million. The additional
5 amortizations amount is the amount needed in addition to the earnings-related revenue
6 increase to meet certain credit metrics as provided in the Regulatory Plan Stipulation and
7 Agreement. The earnings-related portion of the overall increase has decreased by \$2.7
8 million, while the additional amortizations amount has increased by nearly \$5 million.
9 The current deficiency amounts are set out in Schedule TMR-5 (HC) and Schedule TMR-
10 7. Schedule TMR-5 (HC), referred to as the Revenue Requirements Model, or earnings-
11 related model, before additional amortizations, includes all adjustments to reflect the
12 overall true-up case as of September 30, 2007. The individual adjustments are listed on
13 Schedule TMR-6 (HC). Schedule TMR-7 is the additional amortizations calculation and
14 shows that an additional \$14.2 million in additional amortizations is needed. The
15 additional amortizations calculation and amount is addressed in the True-up Direct
16 Testimony of Michael W. Cline.

17 **Q: How does the true-up deficiency compare to the reconciliation presented at the**
18 **hearings just concluded?**

19 A: The current revenue deficiency of \$47.6 million provided in the true-up is higher than the
20 Company's \$38.1 million deficiency included on the Staff's Reconciliation filed with the
21 Commission on September 28, 2007. In the September 28 filing, the Company did not
22 anticipate the need for additional amortizations. As a result of the true-up with actual
23 results for September 2007, amortizations are necessary to meet the credit metrics.

1 **Q: Please describe the process you went through and the adjustments made to the case**
2 **that were the basis for the September 30, 2007 true-up?**

3 A: All rate base items, including plant-in-service and non-plant items, were trued up to
4 actual September 30, 2007, Missouri basis balances, or in the case of rate base items for
5 which a multi-month average is used the averaging was updated to include periods
6 through September 30, 2007. The capital structure was also updated through September
7 30, 2007, as set out in the True-up Direct Testimony of Michael W. Cline.

8 The following were the more significant revenue and expense true-up adjustments:

9 Retail Revenues- reflects customer growth through September 30, 2007. The
10 change in sales levels and system requirements resulted in updated allocation
11 factors that were used throughout the case.

12 Off-System Sales Margin- reflects the current projection for non-firm off-system
13 sales margins based on fuel prices and availability, set at the 25th percentile level.
14 Company witness Michael M. Schnitzer discusses this adjustment in more detail
15 in his True-Up Direct Testimony.

16 Fuel and Purchased Power- reflects updated fuel prices and unit availability. All
17 fuel prices were updated through September 30, 2007.

18 Payroll and Payroll-related Benefits- reflects September 30, 2007 employee
19 complements and pay levels.

20 Depreciation and Amortization- reflects September 30, 2007 plant balances and
21 depreciation rates authorized in the Regulatory Plan.

1 Rate Case Expense- reflects actual rate case expenses through September 30,
2 2007 and corresponding amortization of such costs over a two-year period
3 beginning January 2008, consistent with the amortization period ordered by the
4 Commission in the 2006 rate case. An agreement was made with Staff to include
5 only those expenses incurred to date through September 30, 2007. Any remaining
6 expenses will be set out in a deferred account to be included in the next rate case
7 filed by the Company. A Stipulation and Agreement is expected to be filed in this
8 case between the Company and Staff.

9 Pension and OPEB- reflects the 2007 actuarial information. The adjustments
10 were made consistent with the Stipulation and Agreement in the 2006 rate case.

11 Other Benefits- reflects the actual costs incurred during the twelve-month period
12 ending September 30, 2007.

13 Transmission Expense- reflects the actual costs incurred during the twelve-month
14 period ending September 30, 2007.

15 Customer Programs- reflects actual costs through September 30, 2007 and a
16 corresponding amortization of such costs over 10 years consistent with the
17 Regulatory Plan Stipulation and Agreement and consistent with the 2006 rate
18 case.

19 Stipulated Issues- reflects the ratemaking treatment for various issues agreed to by
20 the Company and Staff in the *Stipulation and Agreement As To Certain Issues*
21 filed with the Commission on October 3, 2007

1 **Q: Was a true-up adjustment made to reflect the effects of the Commission’s recently**
2 **ordered Vegetation Management Standards (CSR 240-23.030) and Infrastructure**
3 **Standards (CSR 240-23.020)?**

4 A: No. The Company anticipates annual increases of approximately \$2.1 million and \$3.0
5 million in Missouri for compliance with these two new standards, respectively, beginning
6 in 2008. However, since these incremental costs will be outside of the agreed upon true-
7 up period and are not specifically known and measurable, no adjustments were made in
8 the Company’s true-up case. KCPL witness William Herdegen discusses these recently
9 ordered Commission standards in more detail in his True-Up Direct Testimony.

10 **Q: Were any adjustments made to reflect other anticipated increases in costs beyond**
11 **the September 30, 2007, true-up period that are known and measurable?**

12 A: No. The Company is aware of a significant coal price increase that will take effect
13 January 1, 2007, which will increase Missouri jurisdictional costs by nearly \$7 million
14 annually. However, this known and measurable change is outside of the test period.
15 Other numerous increases are also expected, including labor rates, contractor costs and
16 material costs. None of these costs increases were included.

17 **Q: One of the reasons for the timing of this rate case was to coincide with the addition**
18 **of the selective catalytic reduction (“SCR”) equipment at LaCygne Unit 1. Is that**
19 **project completed and in service?**

20 A: Yes. The project achieved in-service criteria on May 28, 2007.

21 **Q: Are all of the bills associated with this project now paid?**

22 A: No. As with any construction project there are minor punch list items that need to be
23 completed before final payment can be made to the contractors. It is anticipated that all

1 work will be completed by the end of 2007 and that the project will remain within the
2 budgeted cost. KCPL plans to seek recovery of all remaining costs not included in the
3 September 30, 2007 true-up date in our next rate filing.

4 **Q: Are the adjustments made in the true-up filing consistent with the Commission's**
5 **order in this proceeding and consistent with the matching principles established in**
6 **rates cases before this commission?**

7 A: Yes. As set out in the Regulatory Plan Stipulation and Agreement, the parties agreed to
8 true up certain items, including revenues, off-system sales, fuel prices and purchased
9 power costs, payroll and payroll-related benefits, plant-in-service, property taxes,
10 depreciation and other items typically included in true-up proceedings. The Company
11 followed those guidelines. Additionally, we are consistent with the treatment of costs, as
12 ordered in our last rate case, with the exception of incentive and severance issues, which
13 are now before the Commission. In KCPL's last rate case, the Commission invited the
14 Company to better explain the link between these expenses and its provision of electric
15 service. KCPL has sought to do so in this case.

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

17 A: Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Application of Kansas City)
Power & Light Company to Modify Its Tariff to)
Continue the Implementation of Its Regulatory)
Plan)
)

Case No. ER-2007-0291

AFFIDAVIT OF TIMOTHY M. RUSH

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

Timothy M. Rush, being first duly sworn on his oath, states:

1. My name is Timothy 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 True-up Direct Testimony on behalf of Kansas City Power & Light Company consisting of Six (6) 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.


Timothy M. Rush

Subscribed and sworn before me this 2nd day of November 2007.


Notary Public

My commission expires: Feb 4, 2011

