

FILED  
June 26, 2015  
Data Center  
Missouri Public  
Service Commission

Exhibit No.: 114  
Issue: Company Overview/Policy  
Witness: Scott H. Heidtbrink  
Type of Exhibit: Direct Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2014-0370  
Date Testimony Prepared: October 30, 2014

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2014-0370**

**DIRECT TESTIMONY**

**OF**

**SCOTT H. HEIDTBRINK**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

Kansas City, Missouri  
October 2014

KCP&L Exhibit No. 114  
Date 6-15-15 Reporter AT  
File No. ER-2014-0370

**DIRECT TESTIMONY**  
**OF**  
**SCOTT H. HEIDTBRINK**  
**Case No. ER-2014-0370**

1 **Q: Please state your name and business address.**

2 A: My name is Scott H. Heidtbrink. My business address is 1200 Main Street, Kansas City,  
3 Missouri 64105.

4 **Q: By whom and in what capacity are you employed?**

5 A: I am employed by Kansas City Power & Light Company (“KCP&L” or “Company”) as  
6 Executive Vice President and Chief Operating Officer.

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

8 A: I am testifying on behalf of KCP&L.

9 **Q: What are your responsibilities?**

10 A: I am responsible for all aspects of KCP&L’s utility operations, including Generation,  
11 Transmission and Delivery Operations, Customer Service and Supply Chain, including  
12 KCP&L Greater Missouri Operations Company (“GMO”).

13 **Q: Please describe your education, experience and employment history.**

14 A: I received a Bachelor of Science degree in electrical engineering from Kansas State  
15 University in 1986. I previously served as Senior Vice President – Supply for KCP&L  
16 where I was responsible for power generation plants and for KCP&L and GMO’s energy  
17 resources, including integrated resource planning, generation dispatch, off-system sales,  
18 coal procurement, and asset management for the company’s ownership positions in other  
19 coal-fired plants and in the Wolf Creek nuclear plant.

1 I joined Aquila in 1987 as a Field Engineer at the company's Lee's Summit,  
2 Missouri service center and held gas and electric utility operations engineering and field  
3 and customer operations management positions, including state President and General  
4 Manager – Kansas, from 1994 to 1997; Vice President, Network  
5 Management/Engineering, 1998 to 2000; Vice President, Aquila Gas Operations, 2001;  
6 and Vice President, Kansas/Colorado Gas, 2002 to 2004. I also led the deployment of  
7 Six Sigma into Aquila's utility operations from 2004 to 2006. From 2006 to 2008 I  
8 served as Aquila's Vice President – Power Generation and Energy Resources. I joined  
9 KCP&L in 2008 as part of the KCP&L acquisition of Aquila.

10 **Q: Have you previously testified in a proceeding at the Missouri Public Service**  
11 **Commission (“MPSC” or “Commission”) or before any other utility regulatory**  
12 **agency?**

13 **A:** I have previously testified before both the MPSC and the Kansas Corporation  
14 Commission (“KCC”).

15 **Q: What is the purpose of your direct testimony?**

16 **A:** The purpose of my testimony is to:

- 17 1) Provide the MPSC with an overview of KCP&L's and GMO's operations;
- 18 2) Discuss a number of KCP&L initiatives in recent years, including its Comprehensive  
19 Energy Plan (“CEP”), its efforts to remain focused on customers and some of  
20 KCP&L's ongoing initiatives and future expectations;
- 21 3) Discuss cost control measures KCP&L has undertaken; and
- 22 4) Discuss factors which have recently had a significant impact on KCP&L's financial  
23 performance.

1 **OVERVIEW OF KCP&L AND GMO**

2 **Q: Please discuss KCP&L's and GMO's operations and history.**

3 A: KCP&L was originally founded in 1882 and is recognized as one of the Midwest's most  
4 reliable and affordable energy suppliers. KCP&L is a wholly-owned subsidiary of Great  
5 Plains Energy Incorporated ("GPE"), which are both headquartered in Kansas City,  
6 Missouri. GPE is a public utility holding company which also owns GMO, formerly  
7 Aquila, Inc.

8 Through its regulated utility subsidiaries, GPE serves approximately 835,900  
9 customers in 47 counties in Missouri and eastern Kansas including approximately  
10 734,900 residences, 98,300 commercial firms, and 2,700 industrials, municipalities and  
11 other electric utilities. KCP&L alone serves approximately 519,100 customers, including  
12 approximately 457,700 residences, 59,300 commercial firms, and 2,100 industrials,  
13 municipalities and other electric utilities. KCP&L's electric service territory includes the  
14 Kansas City metropolitan area and surrounding cities.

15 KCP&L retail revenues – reflecting service provided to residences and businesses  
16 – averaged approximately 88 percent of its total operating revenues over the last three  
17 years. Wholesale firm power, bulk power sales and miscellaneous electric revenues  
18 accounted for the remainder of KCP&L's revenues. Like most electric utilities, KCP&L  
19 is significantly impacted by seasonality with approximately one-third of its retail  
20 revenues recorded in the third quarter. Approximately 55 percent of KCP&L's retail  
21 revenues come from Missouri.

22 To serve its customers, on a combined basis, KCP&L and GMO own more than  
23 4,300 mega-watts ("MW") of base load generating capacity and approximately 2,300MW

1 of peak load generating capacity. KCP&L's capacity is diversified with ownership in  
2 four large coal-fired generating stations, the Wolf Creek nuclear power generating  
3 station, 2,200MW of natural gas and oil-fired peaking capacity and 149MW of wind  
4 generating capacity located in Spearville, Kansas. During 2011, KCP&L added  
5 additional renewable capacity by entering into long-term power purchase agreements  
6 ("PPAs") for additional wind and hydro generation. In 2013, KCP&L negotiated a  
7 200MW wind-based PPA which is to become operational in late 2015.

8 On a combined basis, KCP&L and GMO operate and maintain approximately  
9 22,400 miles of distribution lines and approximately 3,700 miles of transmission lines to  
10 serve customers across their service territory. KCP&L's share of lines is 12,000 miles of  
11 distribution lines and 1,800 miles of transmission lines.

12 KCP&L is one of the largest employers in the region. The Company employs just  
13 under 3,000 employees, including more than 1,800 union employees. These employees  
14 are active in the communities we serve and conduct our business and activities under the  
15 guiding principle of "Improving Life in the Communities We Serve."

#### 16 RECENT KCP&L INITIATIVES

17 **Q: Has KCP&L undertaken initiatives in recent years that demonstrate its focus on**  
18 **servicing customers?**

19 **A:** Yes. KCP&L has been, and remains, focused on meeting its customers' needs and a  
20 number of KCP&L initiatives in various areas in recent years bear this out. From  
21 conceiving and implementing the CEP to implementation of renewable energy resources  
22 and energy efficiency to maintaining a highly reliable system, KCP&L has shown its  
23 commitment to meeting customers' needs in both the near-term and the long-term.

1 **Q: Please provide some background for KCP&L's CEP.**

2 A: Prior to 2006, the Company had not requested a rate increase request in more than 20  
3 years. In fact, rates had decreased over that period of time. However, it became evident  
4 that a plan was needed to address growing demand in our region. So, in 2004, KCP&L  
5 engaged in a highly collaborative process with its customers, community leaders and  
6 regulators to develop a regional CEP that outlined the investments needed to meet our  
7 customers' needs for safe, reliable and environmentally compliant service.

8 **Q: What were the major components of the CEP?**

9 A. In the Non-Unanimous Stipulation and Agreement that was approved by the Commission  
10 in Case No. EO-2005-0329, KCP&L committed to undertake commercially reasonable  
11 efforts to make the following investments:

- 12 • To build 100MW of wind generation in 2006;
- 13 • To explore the potential for an additional 100MW of wind in 2008;
- 14 • Proceed with environmental investments related to Iatan 1 and La Cygne 1 for  
15 accelerated compliance with environmental regulations;
- 16 • To invest in Transmission and Distribution facilities and upgrades;
- 17 • To build 800-900MW of new coal-fired generation at the Iatan Station, including  
18 state-of-the-art environmental equipment; and
- 19 • Propose a portfolio of Demand Response, Energy Efficiency and Affordability  
20 Programs for approval by the Commission.

21 **Q: Has the CEP been successful?**

22 A: Yes it has. The CEP investments are delivering value to our customers and the entire  
23 region. With the completion of the CEP, KCP&L has provided its customers with  
24 renewable energy, reliable transmission and distribution, programs to manage their  
25 energy usage, environmental upgrades to existing coal-fired generating facilities, and a

1 significant base load supply of electricity that will provide low-cost, reliable and  
2 environmentally-compliant power for decades. The CEP also positions the Company  
3 very well in terms of compliance with requirements of the Clean Power Plan currently  
4 under consideration by the Environmental Protection Agency (“EPA”).

5 **Q: The CEP included environmental investments for La Cygne Unit 1. Has KCP&L**  
6 **undertaken that work?**

7 A: Yes, for both La Cygne Unit 1 and La Cygne Unit 2, which was subsequently driven by  
8 other environmental regulations such as Best Available Retrofit Technology and the  
9 Cross-State Air Pollution Rule, and common. Although all of the environmental retrofit  
10 work on La Cygne Unit 1 addressed in the CEP did not occur within the time frames  
11 originally contemplated by the CEP, undertaking that work later than originally  
12 contemplated proved beneficial as more contractors were available to do the work later  
13 and doing the La Cygne Unit 1 work with the work at La Cygne Unit 2 provided  
14 efficiencies compared to working on the units separately and at different times. As  
15 discussed in more detail in the Direct Testimony of Company witnesses Paul Ling,  
16 Burton Crawford and Robert Bell, the Company has been engaged for several years in a  
17 significant construction project to install environmental equipment at the La Cygne  
18 Generating Station (the “La Cygne Environmental Project”). The La Cygne  
19 Environmental Project is necessary to meet governmentally-mandated environmental  
20 standards while also meeting KCP&L customer demands in a cost-effective fashion and  
21 is budgeted at approximately \$1.23 billion. In 2011, the KCC issued a pre-determination  
22 order finding the La Cygne Environmental Project to be prudent and approving the costs

1 associated with the project up to the budget level of \$1.23 billion.<sup>1</sup> While Missouri does  
2 not have a similar predetermination process, the Kansas process has been fully  
3 transparent to Missouri, the Missouri Integrated Resource Plan has anticipated the  
4 environmental retrofits for La Cygne and KCP&L has met periodically with MPSC Staff  
5 and the Office of the Public Counsel and provided monthly status reports to MPSC Staff.

6 When the La Cygne Environmental Project goes in-service, which is scheduled to  
7 occur by June 1, 2015, KCP&L's Missouri rate base will increase by approximately 16%  
8 above the rate base level used to set rates in KCP&L's last general rate case in Missouri.  
9 Notably, the capital expenditures made by the Company to complete the La Cygne  
10 Environmental Project will not provide the Company with access to new revenue streams  
11 or the ability to serve growing load; instead, the La Cygne Environmental Project will  
12 enable the Company to continue meeting the demand of customers that currently exists  
13 and comply with governmentally-mandated environmental standards described by  
14 Company witness Paul Ling.

15 The La Cygne Environmental Project is a key driver for this rate case and as a  
16 member of the Executive Oversight Committee overseeing the work on the project, I am  
17 pleased to report that, to date, the La Cygne Environmental Project is on time and  
18 expected to be at or below budget.

19 **Q: In addition to the CEP, has KCP&L made other achievements in the area of**  
20 **renewable energy resources?**

21 **A:** Yes. These achievements include:

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<sup>1</sup> Order Granting KCP&L Petition for Predetermination of Rate-Making Principles and Treatment, Docket No. 11-KCPE-581-PRE, p. 3 (Aug. 19, 2011).



- 1 • In 2011, KCP&L negotiated two wind-based Power Purchase Agreements (“PPA”)  
2 for a total of 231.9MW, both of which became operational in 2012.
- 3 • On November 3, 2011, KCP&L signed a PPA for 56MW of hydro-based generation  
4 from existing facilities in Nebraska under the control of Central Nebraska Public  
5 Power Irrigation District. Energy delivery under this PPA commenced on January 1,  
6 2014.
- 7 • In 2013, KCP&L negotiated a 200MW wind-based PPA which is to become  
8 operational in late 2015.
- 9 • Through September 30, 2014 KCP&L has issued nearly \$30 million in solar rebates  
10 to eligible customers since the Solar Photovoltaic Rebate Program tariff was initiated  
11 in 2010. Additionally, KCP&L has installed a 100kW solar facility at the Paseo High  
12 School in Kansas City with an additional 80kW of solar installed in 2012.

13 **Q: Please discuss KCP&L’s achievements in the area of energy efficiency.**

14 A: KCP&L was the primary electric utility advocate for the passage of the Missouri Energy  
15 Efficiency Investment Act (“MEEIA”) which Governor Nixon signed into law in 2009.  
16 KCP&L launched MEEIA programs on July 6, 2014 with a target to spend \$19 million  
17 on customer energy efficiency initiatives by the end of 2015. Even before rolling out its  
18 MEEIA programs, however, KCP&L had been engaged in demand side management and  
19 energy efficiency initiatives on behalf of its customers, having devoted more than \$65  
20 million (total company) to those efforts prior to July 6, 2014. While the above costs are  
21 shared by all customers, energy efficiency is an important investment in that it provides  
22 customers with tools to manage their overall bills.

1 **Q: Can you provide additional examples of how KCP&L maintains focus on meeting**  
2 **the needs of its customer base?**

3 A: Yes. Although all the things we do in this regard are too numerous to discuss  
4 comprehensively here, the following are examples:

- 5 • We continually monitor the reliability of our service and measure that reliability in a  
6 number of ways, including System Average Interruption Frequency Index (“SAIFI”),  
7 System Average Interruption Duration Index (“SAIDI”), and Customer Average  
8 Interruption Duration Index (“CAIDI”). SAIFI measures the average frequency of  
9 outages that customers on our system may experience in a year. We have several  
10 programs aimed at reducing the frequency of outages our customers experience  
11 including our vegetation and tree trimming program and our worst performing circuit  
12 program. CAIDI measures the average duration of outages that impact customers.  
13 We study this metric to adjust staffing levels at our service centers seasonally and we  
14 incentivize certain workgroups based on the Company’s performance in this metric.  
15 We have recently upgraded the Outage Management System software which is  
16 utilized to track, dispatch, and record outages. This software upgrade will allow our  
17 workgroups to benefit from the efficiencies of modern software and get their work,  
18 the restoration of outages, done faster. SAIDI is a measure that combines both  
19 frequency and duration for a ‘total picture’ view of our reliability. This metric and its  
20 trends are studied to find how our reliability is performing over time as a company. It  
21 is also used to track storm impacts and helps our company identify business processes  
22 that minimize the effect of outages on our customers. Additionally, this metric is  
23 utilized to compare our reliability to other companies in the Midwest region. I am

1           pleased to report that KCP&L's SAIDI was in the top 25<sup>th</sup> percentile when compared  
2           to 71 other Midwestern utilities through the Edison Electric Institute's Reliability  
3           Survey Report for the years 2011-2013. KCP&L was also awarded the Reliability  
4           One award from PA Consulting for having the best reliability performance in the  
5           Plains region for the year 2013. This is the seventh consecutive year KCP&L has  
6           received this recognition.

- 7           • We also know that contact center performance is important to our customers and  
8           monitor that performance using statistics including Abandons, Average Speed of  
9           Answer and Service Level (i.e., percentage of calls answered within 20 seconds).  
10          KCP&L's contact center performance has consistently provided quality service and  
11          performance over the past several years.

12 **Q:   What steps has KCP&L taken to assist its low-income customers during these**  
13 **difficult economic times?**

14 **A:**   As described in the Direct Testimony of Company witness Tim Rush, KCP&L has  
15          continued its Economic Relief Pilot Program ("ERPP") and is proposing to expand that  
16          program in this case. The ERPP is a fixed credit that reduces electric bills for low-  
17          income customers.

18 **Q:   Does KCP&L participate in other programs designed to assist its low-income**  
19 **customers?**

20 **A.**   Yes. KCP&L participates in Low-Income Weatherization Programs and a Dollar-Aide  
21          Program designed to assist low-income customers with weatherization of their homes.  
22          The Company also actively participates in community action programs, encourages

1 volunteerism among its employees, and makes charitable contributions intended to  
2 benefit various segments of low-income and elderly customer groups.

3 The Company also requests to continue to educate customers on options for  
4 managing their accounts, inform customers of ways to reduce their energy usage by  
5 participating in energy efficiency programs, provide information on workable payment  
6 plans and connect customers with LIHEAP funding and other financial assistance.  
7 Company witness Tim Rush discusses the Company's Connections program in more  
8 detail in his direct testimony.

### 9 ON-GOING AND FUTURE KCP&L INITIATIVES

10 **Q: Earlier in your testimony you discussed significant expenditures made by KCP&L**  
11 **for CEP, the La Cygne Environmental Project, renewable energy resources and**  
12 **energy efficiency. Are any modifications planned for the Wolf Creek nuclear plant?**

13 **A:** Yes, there are three major modifications planned for the next refueling outage at Wolf  
14 Creek, all of which relate to the Essential Service Water system. The Essential Service  
15 Water system is an original plant system that pumps lake water into the plant for cooling  
16 purposes. The three major modifications planned for Wolf Creek's Spring 2015 outage  
17 are:

- 18 • In-plant Essential Service Water Piping Inspection and Replacement – This is an  
19 ongoing process to replace the original system piping inside the plant. Because  
20 the Essential Service Water System cannot be taken out of service during plant  
21 operations and because it cools the spent fuel pool, only parts of it can be replaced  
22 during an outage.

- 1           • Containment Cooler Upgrade – The containment coolers are safety-related  
2           components that air condition the containment building during normal operations  
3           to maintain the proper temperature range for components to operate. Essentially  
4           comprised of a large fan that blows air across bundles of cooling tubes with  
5           Essential Service Water (i.e., lake water) flowing through them, this modification  
6           begins the upgrade of the existing cooling tube bundles with redesigned cooling  
7           tube bundles made out of corrosion resistant material designed to enable testing of  
8           the tubes while in service (something that cannot be done today). This  
9           modification is a commitment to the Nuclear Regulatory Commission (“NRC”).
- 10          • Essential Service Water System Water Hammer Mitigation – Also a commitment  
11          to the NRC, this modification will add check valves and vent piping to reduce the  
12          magnitude of the water hammer (a void within the piping that rattles pipes) that  
13          occurs during start-up.

14          The Spring 2015 outage is expected to conclude in April of 2015. These modifications  
15          are necessary to meet government mandates regarding aging infrastructure and will allow  
16          continued safe and reliable operation of Wolf Creek, which a clean and low-cost  
17          generation source.

18   **Q: Is KCP&L engaged in technology-related projects in order to continue to meet**  
19   **changing customer expectations?**

20   **A:** Yes, some of the major projects include:

- 21          • Advanced meter infrastructure (“AMI”) – In February 2014, KCP&L started a two-  
22          year AMI refresh project to upgrade the existing automated meter reading  
23          infrastructure in the legacy KCP&L territory and meters that were deployed in the

1 mid-1990's. The objective of this project is to replace the network technology and  
2 approximately 500,000 meters that are nearing the end of their useful life.

- 3 • Meter data management ("MDM") – The new MDM system will replace the current  
4 array of customer systems used for this purpose and, combined with AMI, will  
5 provide a foundation for centralized customer data that can be used to assess and  
6 improve operational efficiency in a number of areas, including billing, revenue  
7 protection, outage management and customer service.
- 8 • Outage management system ("OMS") – By mid-2015, KCP&L expects to complete  
9 replacement of its current OMS with a next generation OMS that will enhance the  
10 customer experience by providing expanded customer communication capabilities,  
11 particularly related to estimated restoration time.
- 12 • Critical infrastructure protection and Cybersecurity – A cyber attack is one of the  
13 greatest threats facing the electric industry today. In order to protect our critical  
14 assets from physical and cyber threats, the North American Electric Reliability  
15 Corporation ("NERC") has adopted Critical Infrastructure Protection Standards  
16 ("CIPS") for all utilities. Going forward, the Company will be dedicating significant  
17 additional resources to infrastructure protection, implementation of CIPS guidelines  
18 and preparation for future versions of NERC CIPS.
- 19 • Customer care and billing ("CC&B") – KCP&L is also contemplating a project to  
20 replace two existing customer information systems ("CIS"), one from legacy KCP&L  
21 and one from legacy Aquila, with one CC&B system. A CIS replacement would be a  
22 multi-year project.

1 All of these initiatives demonstrate a continued focus on our customer in spite of the fact  
2 that we have consistently been significantly underearning our Commission-authorized  
3 return. The fact of the matter is that shareholders have been paying more than their fair  
4 share to support the continued high level of service KCP&L provides to its customers in  
5 addition to continued deployment of capital to serve the public. This level of shareholder  
6 support is not sustainable over the longer term.

### 7 **FACTORS AFFECTING KCP&L'S RECENT FINANCIAL PERFORMANCE**

8 **Q: The Commission most recently approved a general rate increase for KCP&L in**  
9 **early 2013. Since then, has KCP&L achieved or come reasonably close to achieving**  
10 **its Commission-authorized return?**

11 **A:** No. As discussed in the Direct Testimony of Company witness Ives, KCP&L's Missouri  
12 jurisdictional achieved return on equity ("ROE") for 2013 was approximately 6.5%. This  
13 compares to KCP&L's Commission-authorized ROE of 9.7%.

14 **Q: To what do you attribute KCP&L's 2013 earnings shortfall?**

15 **A:** KCP&L's 2013 earnings shortfall was primarily driven by the following four factors:

- 16 a. Regional transmission system costs. KCP&L is a member of the Southwest Power  
17 Pool ("SPP") Regional Transmission Organization ("RTO"). SPP and the other  
18 RTOs have followed the Federal Energy Regulatory Commission's ("FERC") lead  
19 and have undertaken extensive transmission system infrastructure improvement  
20 projects in an effort to build out and refurbish the national transmission system.  
21 These improvements will not only improve the electrical grid, resulting in improved  
22 regional reliability, but will allow the delivery of renewable energy to this region.  
23 Another consequence of these improvements, however, has been a significant

1 increase in transmission costs allocated to KCP&L by SPP which, as discussed in the  
2 Direct Testimony of Company witness Tim Rush, have substantially exceeded the  
3 rate allowance included in KCP&L's rates. Part of this rate increase reflects the  
4 Company's allocated share of SPP's transmission upgrade costs and increases in  
5 associated SPP administrative fees. Company witness Tim Rush discusses in his  
6 direct testimony the Company's proposal to reflect SPP-allocated transmission costs  
7 in the FAC.

8 b. Property taxes. As discussed in more detail by Company witness Ronald A. Klote,  
9 actual property taxes paid by KCP&L have substantially exceeded the rate allowance  
10 included in the Company's rates for property taxes in its last general rate case.  
11 Additionally, as discussed in more detail by Company witness Ronald A. Klote, the  
12 Company estimates that the property taxes it pays will continue to rise after the new  
13 rates to be set in this case become effective. Company witness Tim Rush discusses  
14 the property tax tracker in more detail in his Direct Testimony.

15 c. Fuel costs. KCP&L is the only electric utility regulated by the Commission that does  
16 not have a fuel adjustment clause ("FAC") in place. Fuel costs comprise a substantial  
17 portion of KCP&L's total cost of service, and variations in fuel costs from year to  
18 year, or even from month to month, can be significant. As discussed by Company  
19 witness Darrin Ives, after KCP&L's last general rate proceeding was concluded,  
20 actual fuel costs in 2013 substantially exceeded the rate allowance for fuel costs.  
21 This item has been a significant contributor to the earnings shortfall KCP&L has  
22 experienced relative to its Commission-authorized earnings level since its rates were  
23 last determined.



1 d. Customer numbers and kWh sales. Revenue growth has flattened for KCP&L-MO.

2 As discussed in more detail by Company witness Darrin Ives, since KCP&L's rates  
3 were last increased in January 2013, the actual customer numbers and kWh sales  
4 experienced by the Company have fallen short of the levels used to set rates.

5 **Q: Do you expect any significant improvement in KCP&L's earnings for 2014 or 2015**  
6 **compared to 2013?**

7 A: No. The factors discussed above which created the KCP&L earnings shortfall in 2013  
8 have continued into 2014, and are expected to continue into 2015 as well.

9 **KCP&L COST CONTROL MEASURES**

10 **Q: What is KCP&L doing to keep costs down and reduce the requests for rate**  
11 **increases?**

12 A: We manage our costs to maintain competitive electric rates and we recognize that rate  
13 increase requests pose challenges for our customers. The Company has worked very hard  
14 to manage the costs that can be controlled, which ultimately reduce the rate increase  
15 request. KCP&L has undertaken a host of cost control measures over the past several  
16 years, including but not limited to, the supply chain transformation project, benchmarking  
17 initiatives in the generation, delivery and supply chain areas, and disciplined management  
18 of employee headcount. The Company's cost control efforts have allowed the Company  
19 (total Great Plains Energy) to reduce non-fuel operating and maintenance ("NFOM")  
20 costs by \$3 million since 2011. Actual NFOM for the Company (not including  
21 Regulatory Amortizations, MEIAA Costs, Weatherization, RTO Fees, and non-  
22 controllable Wolf Creek expenses) in 2011 totaled approximately \$614 million which  
23 decreased by \$2.6 million to approximately \$611.4 million in actual NFOM in 2013.

1 This translates into an annual rate of decrease in the Company's NFOM costs of (0.21%)  
2 annually from 2011-2013, which compares favorably to an annual rate of inflation  
3 increase for that time period of 1.68%. Merit increases paid to employees have increased  
4 by approximately 3% per year over that time period. Given these increases in employee  
5 pay rates and inflationary trends in the overall economy generally, NFOM cost increases  
6 would have been considerably higher in the absence of the Company's substantial cost  
7 control efforts.

8 Unfortunately, while our efforts to control costs have been substantial, those  
9 efforts have only mitigated the increase amount for this rate case, and – due to other  
10 factors described below – those efforts have not completely offset the need to increase  
11 rates.

12 **Q: Why can't KCP&L simply delay a rate increase?**

13 **A:** As part of the Regulatory Compact with customers, KCP&L is obligated to provide  
14 reliable electricity to all customers. The provision of reliable electric service requires the  
15 Company to continually expend the capital necessary to upgrade, replace and maintain  
16 facilities used to serve the public. In order to maintain the ability to do so, it is incumbent  
17 on the Commission to grant recovery of our prudently incurred cost of service and a  
18 realistic opportunity to earn a fair and reasonable return on capital that KCP&L has  
19 devoted to serving the public. As described in more detail in the Direct Testimony of  
20 Company witnesses Darrin Ives and Tim Rush, since rates were last set, the Company's  
21 actual earnings from its Missouri operations have fallen substantially short of the  
22 earnings level authorized by the Commission in that case. A portion of this rate increase  
23 request, therefore, is needed to remedy that situation on a going forward basis. In

1 addition, the Company has incurred significant additional costs. Because the Company's  
2 rates are set based on historical costs, these costs increases need to be recovered in a  
3 timely manner through a rate increase request.

#### 4 CONCLUSION

5 **Q: Do you have concluding remarks for the Commission's consideration?**

6 A: Yes. In this case, the Company is asking for recovery of significant investments which  
7 will provide long-term, safe and reliable energy to the customers of KCP&L. Many of  
8 these investments are federal and state-mandated environmental upgrade requirements  
9 and infrastructure and system improvements, many outside the control of the Company.  
10 The Company is asking the Commission to allow it to recover the costs it has incurred to  
11 provide service to its customers. While those costs have increased, the Company  
12 continues to mitigate the overall increase request as a result of cost management  
13 strategies discussed earlier in this testimony.

14 Second, over the last several years, in addition to the earnings shortfalls discussed  
15 earlier and by Company witnesses Darrin Ives and Tim Rush, our shareholders have  
16 shared some of the burden through cash dividend reductions. In the first quarter of 2009,  
17 the Company reduced its dividend to shareholders by 50 percent to conserve capital to  
18 reinvest in facilities needed by our customers. We have continued to pay-out dividends  
19 at a reduced level since that time. Through the third quarter of 2014, our quarterly  
20 dividend is 45% less than the quarterly dividend in the fourth quarter of 2008.

21 Finally, the Company is asking the Commission to allow the Company a realistic  
22 opportunity to earn a fair and reasonable return on the capital it has devoted to serving the  
23 public. This is especially important in light of all of the future capital expenditures that

1 will continue to need to be made on our systems and infrastructure, including projects  
2 related to critical infrastructure protection, hardening of the transmission and distribution  
3 system, replacement of aging transmission and distribution infrastructure for reliability  
4 purposes, information technology projects and environmental mandates which continue  
5 to develop. This case is not about increasing profits for the Company. In recent years,  
6 the Company has not earned its Commission-authorized return on equity and, frankly, has  
7 had no realistic opportunity to do so. Let me be clear that KCP&L is not asking for a  
8 guaranteed rate of return. However, by being allowed a realistic opportunity to earn a  
9 fair and reasonable return on its investments, KCP&L will be able to attract the capital it  
10 needs to continue serving its customers safely and reliably in the future.

11 **Q: What will allow the Company to have an opportunity to earn a fair and reasonable**  
12 **return on its investments and for the Company to address the challenges presented**  
13 **by regulatory lag?**

14 **A:** In addition to updating its overall cost of service and including the costs associated with  
15 the La Cygne Environmental Project in rates, the Company is proposing four regulatory  
16 mechanisms – an FAC which includes recovery of SPP-allocated transmission costs and  
17 reflects future volatility in OSS; a property tax tracker; a vegetation management cost  
18 tracker; and a tracker for costs associated with critical infrastructure protection and  
19 cybersecurity efforts. These mechanisms will improve the Company’s ability to address  
20 regulatory lag, which will in turn improve the Company’s ability to earn the full and fair  
21 return authorized by the Commission in this case. For example, the FAC will reflect  
22 future changes in fuel costs, help deal with the difficult issues surrounding the expansion  
23 of the transmission grid and help reduce the impact of the expected volatility in the OSS

1 markets in the near future. The property tax tracker will address property tax increases  
2 expected to occur after new rates to be set in this case become effective while also  
3 protecting customers from over-paying for such property taxes and the vegetation  
4 management cost tracker will address variations that occur year-over-year in vegetation  
5 management expense levels. The tracker for costs associated with critical infrastructure  
6 protection and cybersecurity efforts will avoid the effects of regulatory lag on costs of  
7 these important activities while protecting customers from paying for costs that are not  
8 incurred. These regulatory mechanisms are more fully discussed in the Direct Testimony  
9 of Company witness Darrin Ives and Company witness Tim Rush.

10 It is important for the Commission to allow the Company a realistic opportunity  
11 to earn a fair and reasonable rate of return so that the Company will be in a position to be  
12 financially strong as it accesses the capital markets. The utility industry is among the  
13 most capital-intensive industries in the world. Failure to attract capital would have  
14 significant cost implications to the Company and ultimately to our customers.

15 The combination of a reasonable allowed return and authorization of our  
16 requested regulatory mechanisms to manage regulatory lag will provide the Company a  
17 realistic opportunity to earn a return closer to the return authorized by the Commission.  
18 Earning close to our allowed return is essential to our credit metrics and maintaining an  
19 investment grade rating. Maintaining an investment grade rating for its bonds is an  
20 important goal to ensure that the costs of borrowing for the Company's projects will be  
21 reasonable and at the lowest realistic costs. These lower costs benefit all constituencies.

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

23 **A:** Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Kansas City Power & Light )  
Company's Request for Authority to Implement ) Case No. ER-2014-0370  
A General Rate Increase for Electric Service )

AFFIDAVIT OF SCOTT H. HEIDTBRINK

STATE OF MISSOURI )  
 ) ss  
COUNTY OF JACKSON )

Scott H. Heidtbrink, being first duly sworn on his oath, states:

1. My name is Scott H. Heidtbrink. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Executive Vice President and Chief Operating Officer.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony on behalf of Kansas City Power & Light Company consisting of Twenty (20) 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.

Scott H. Heidtbrink  
Scott H. Heidtbrink

Subscribed and sworn before me this 30<sup>th</sup> day of October, 2014.

Nicole A. Wehry  
Notary Public

My commission expires: Feb. 4, 2015

