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Case No.: ER-2014-0370
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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

DIRECT TESTIMONY

OF

SCOTT H. HEIDTBRINK

Case No. ER-2014-0370

Q: Please state your name and business address.

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

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

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

Q: On whose behalf are you testifying?

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

Q: What are your responsibilities?

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

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

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

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

Q: Have you previously testified in a proceeding at the Missouri Public Service Commission ("MPSC" or "Commission") or before any other utility regulatory agency?

A: I have previously testified before both the MPSC and the Kansas Corporation Commission ("KCC").

Q: What is the purpose of your direct testimony?

A: The purpose of my testimony is to:

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

OVERVIEW OF KCP&L AND GMO

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

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

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

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

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

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

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

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

RECENT KCP&L INITIATIVES

Q: Has KCP&L undertaken initiatives in recent years that demonstrate its focus on serving customers?

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

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

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

Q: What were the major components of the CEP?

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

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

Q: Has the CEP been successful?

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

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

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

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

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

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

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

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

A: Yes. These achievements include:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ON-GOING AND FUTURE KCP&L INITIATIVES

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

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

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

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

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

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

A: Yes, some of the major projects include:

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

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

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

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

FACTORS AFFECTING KCP&L'S RECENT FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

d. Customer numbers and kWh sales. Revenue growth has flattened for KCP&L-MO. As discussed in more detail by Company witness Darrin Ives, since KCP&L's rates were last increased in January 2013, the actual customer numbers and kWh sales experienced by the Company have fallen short of the levels used to set rates.

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

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

KCP&L COST CONTROL MEASURES

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

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

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

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

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

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

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

CONCLUSION

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

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

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

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

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

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

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

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

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

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

Q: Does that conclude your testimony?

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 A General Rate Increase for Electric Service	)))	Case No. ER-2014-0370

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

Subscribed and sworn before me this 30th day of October, 2014.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4, 2015

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2015
Commission Number: 11391200