

Exhibit No.:
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Witness: Darrin R. Ives
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Sponsoring Party: Kansas City Power & Light Company
Case No.: ER-2016-0285
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

SURREBUTTAL TESTIMONY

OF

DARRIN R. IVES

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
January 2017**

1 **DIRECT TESTIMONY**

2 **OF**

3 **DARRIN R. IVES**

4 **Case No. ER-2016-0285**

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

6 A: My name is Darrin R. Ives. My business address is 1200 Main Street, Kansas City,
7 Missouri 64105.

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

9 A: I am employed by Kansas City Power & Light Company (“KCP&L” or “Company”) and
10 serve as Vice President – Regulatory Affairs for KCP&L and KCP&L Greater Missouri
11 Operations Company (“GMO”).

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

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

14 **Q: Are you the same Darrin R. Ives who pre-filed Direct Testimony in this matter?**

15 A: Yes, I am.

16 **Q: Are you adopting the Direct Testimony of KCP&L witness Mr. Scott Heidtbrink in
17 this case, consisting of 15 pages filed on July 1, 2016?**

18 A: Yes, I am adopting Mr. Heidtbrink’s Direct Testimony as if it were my own testimony.

19 **Q: What is the purpose of your testimony?**

20 A: The purpose of my testimony is to respond to OPC witness Charles Hyneman.

1 **Q: Are you surprised at the volume of Mr. Hyneman's testimony in response to your**
2 **discussion of the effects of regulatory lag on KCP&L and the vitriol with which it**
3 **was written?**

4 A: Unfortunately, no. In each case I have been involved with over the last several years, Mr.
5 Hyneman has consistently displayed a high level of animosity toward our Company and
6 management. I will not give his continued vitriol much response; however, it is
7 regrettable that Mr. Hyneman's work with our company has left him with so much
8 animosity toward us. We strive to never have a stakeholder harbor such feelings toward
9 our management and organization.

10 **Q: What about his accusations of poor management?**

11 A: They are reflective of his views over a number of years. I disregard them completely as
12 should this Commission.

13 **Q: Why should his views in this area be disregarded?**

14 A: The inflammatory statements come with no foundation. I choose rather to look at recent
15 activities undertaken by management that are strongly supportive of the performance and
16 credibility of our management team.

17 - \$12.2 billion enterprise value acquisition recommended by management and
18 unanimously approved by the GPE Board of Directors.

19 - The same acquisition approved by over 92% of voting GPE shareholders and 95% of
20 Westar voting shareholders (whom are accepting 15% of their consideration in GPE
21 stock)

22 - Over \$2 billion of Transaction-related equity issued overnight one day after
23 shareholder approvals.

- 1 o Demand for equity supporting the Transaction extremely high as the issuance
- 2 was approximately 100% over subscribed (meaning we could only meet half
- 3 of the requested orders for the new equity)
- 4 - Over 60 support letters from customers, civic and community leaders provided in
- 5 regulatory approval proceedings for the Transaction.

6 This short list provides overwhelming support for significant corporate activities
7 undertaken by this management team that absolutely cannot happen if the Company's
8 Board, investors, community and customers do not have confidence in management's
9 performance and capabilities. I frame my view of management performance from the
10 perspective of this list of stakeholders with "skin in the game" as opposed to Mr.
11 Hyneman's perspective and his consistently one-sided, jaded view.

12 **Q: Mr. Hyneman alleges at p. 46 of his rebuttal testimony that KCP&L does not apply**
13 **any reasonable standards to its spending, that Company management does not focus**
14 **on cost control and that KCP&L management is pre-occupied with non-Missouri**
15 **utility operations. What is your response?**

16 **A:** As shown in the testimony of Company witness Busser, KCP&L does have appropriate
17 expense report spending controls. Moreover, Mr. Hyneman's focus on executive expense
18 reports is not productive. The total executive expenses amount to 0.03% of the total
19 O&M in the test year in this case. As for his unsupported insinuation regarding
20 management's time spent on the AllConnect project, the Commission noted on p. 21 of
21 its April 27, 2016 Report and Order in Case No. EC-2015-0309 that there was nothing
22 inherently wrong with the service that AllConnect offers to KCP&L customers and that
23 many customers seemed to appreciate this service. Similarly, Mr. Hyneman's one

1 sentence denunciation of the time senior management spent on the Westar acquisition
2 ignores the fact that management has responsibilities to Kansas customers and that the
3 acquisition savings are expected to benefit Kansas and Missouri customers.

4 **Q: Mr. Hyneman dismisses the Company's regulatory lag concerns. Do you agree?**

5 A: No. First, as discussed and depicted in the charts included in the Rebuttal Testimony of
6 Company witness Tim Rush, transmission expense and property tax have contributed a
7 significant amount to the regulatory lag that the Company has experienced in recent years
8 with a very significant amount being unrecovered. In addition to property tax and
9 transmission expense, capital expenditures have contributed significantly to regulatory
10 lag concerns of the Company. These issues have been primary drivers in past cases and
11 continue to be drivers in this case. It is no coincidence. The system is not working when
12 the same fact pattern continues over a number of years. The issue is that historical costs
13 do not accurately represent what is impacting the Company when future rates are
14 effective. That is the picture of why current system does not work and why we continue
15 to actively pursue changes with the Commission and legislatively. In my view, this is a
16 clear case of "It's broke and it needs to be fixed."

17 **Q: At p. 10 of his rebuttal testimony, Mr. Hyneman compares KCP&L's earnings to**
18 **Ameren's earnings over the last 12 years. Is his comparison meaningful?**

19 A: No. He ignores fundamental investment philosophies between the two companies. For
20 the period of 2006-2015, KCP&L operated under a proactive capital expenditure policy
21 and did not curtail capital projects due to the ratemaking practices used in Missouri which
22 rely almost exclusively on historical data to set rates prospectively. KCP&L had made
23 significant commitments under the Comprehensive Energy Plan that needed to be

1 completed to serve current and future customer demand with reliable, cost-effective, and
2 environmentally-compliant energy. These projects included the construction of the Iatan
3 2 coal-fired generating unit, environmental retrofits at Iatan 1, development of 100 MW
4 of wind generation, environmental retrofits on Units 1 and 2 at La Cygne Generating
5 Station, and system load reduction through various energy efficiency programs. Ameren,
6 on the other hand, has been vocal about redeploying capital where better returns are
7 earned. In its November 7, 2016 comments in File No. EW-2016-0313, Ameren
8 indicated that its investments in its Missouri infrastructure are falling significantly behind
9 other regulated utilities across the country. As such, Mr. Hyneman's comparison is
10 misplaced as the two companies have been in different stages of the investment cycle.

11 **Q: Does this difference in investment have other impacts which can affect earnings?**

12 A: Yes. As explained in the surrebuttal testimony of Company witness Hardesty, the
13 property tax expense of the Company is impacted by both capital investments (cost of
14 new plant placed in service) and the operating income generated due to capital
15 investments made by the Company. If a utility is not making plant investments, the
16 increase in property tax assessments by taxing authorities will be lower than that of a
17 utility that is making plant investments. Ameren's property tax assessment has not been
18 impacted (or increased as much) by new plant in service to the same extent as KCP&L's
19 assessment.

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

21 A: Yes, it does.

