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**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2016-0156**

Missouri Public  
Service Commission

**DIRECT TESTIMONY**

**OF**

**SCOTT H. HEIDTBRINK**

**ON BEHALF OF**

**KCP&L GREATER MISSOURI OPERATIONS COMPANY**

Kansas City, Missouri  
February 2016

\*\*\* [REDACTED] \*\*\* Designates "Highly Confidential" Information  
Has Been Removed  
Pursuant To 4 CSR 240-2.135.

**DIRECT TESTIMONY**

**OF**

**SCOTT H. HEIDTBRINK**

**Case No. ER-2016-0156**

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”) as Executive Vice  
6 President and Chief Operating Officer.

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

8 A: I am testifying on behalf of KCP&L Greater Missouri Operations Company (“GMO” or  
9 the “Company”) for St. Joseph Light & Power (“L&P”) and Missouri Public Service  
10 (“MPS”) service territories.

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

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

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

16 A: I received a Bachelor of Science degree in electrical engineering from Kansas State  
17 University in 1986. I previously served as Senior Vice President – Supply for KCP&L  
18 where I was responsible for power generation plants and for KCP&L and GMO’s energy  
19 resources, including integrated resource planning, generation dispatch, off-system sales,

1 coal procurement, and asset management for the company's ownership positions in other  
2 coal-fired plants and in the Wolf Creek nuclear plant.

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

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

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

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

18 A: The purpose of my testimony is to:

- 19 1) Provide the MPSC with an overview of KCP&L's and GMO's operations;
- 20 2) Discuss a number of Company initiatives in recent years, including its efforts to  
21 remain focused on customers and some of GMO's ongoing initiatives and future  
22 expectations;
- 23 3) Discuss cost control measures the Company has undertaken; and

1 4) Discuss the impact on transmission costs for the Company's Crossroads power plant  
2 resulting from Entergy's decision to join the Midcontinent Independent System  
3 Operator, Inc. ("MISO") in 2013.

#### 4 OVERVIEW OF KCP&L AND GMO

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

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

11 Through its regulated utility subsidiaries, GPE serves approximately 843,000  
12 customers in 47 counties in Missouri and eastern Kansas including approximately  
13 742,000 residences, 98,400 commercial firms, and 2,600 industrials, municipalities and  
14 other electric utilities. GMO alone serves approximately 318,150 customers, including  
15 approximately 278,740 residences, 38,850 commercial firms, and 560 industrials,  
16 municipalities and other electric utilities. GMO's electric service territory includes 32  
17 counties in central, western and northwestern Missouri, including the cities of Lee's  
18 Summit, St. Joseph and Sedalia.

19 GMO retail revenues – reflecting service provided to residences and businesses –  
20 averaged approximately 97 percent of its total operating revenues over the last three  
21 years. Wholesale firm power, bulk power sales and miscellaneous electric revenues  
22 accounted for the remainder of GMO's revenues. Like most electric utilities, GMO is

1 significantly impacted by seasonality with approximately one-third of its retail revenues  
2 recorded in the third quarter.

3 To serve its customers, on a combined basis, KCP&L and GMO own more than  
4 4,250 mega-watts ("MW") of base load generating capacity and approximately 2,270  
5 MW of peak load generating capacity. GMO's capacity is diversified with outright or  
6 joint ownership in four large coal-fired generating stations with a combined GMO  
7 capacity share of over 1000 MW, 1,069 MW of natural gas and oil-fired peaking  
8 capacity, 60 MW of wind generating capacity under contract located in Gray County,  
9 Kansas, and 99 MW of wind generating capacity under contract located at Ensign,  
10 Kansas.

11 On a combined basis, KCP&L and GMO operate and maintain approximately  
12 22,400 miles of distribution lines and approximately 3,700 miles of transmission lines to  
13 serve customers across their service territory. GMO's share of lines is 12,400 miles of  
14 distribution lines and 1,900 miles of transmission lines.

15 KCP&L employs all of the employees serving GMO and is one of the largest  
16 companies in the region, with just under 3,000 employees, including more than 1,800  
17 union employees. These employees are active in the communities we serve, fulfilling our  
18 guiding corporate principle of "Improving Life in the Communities We Serve."

19 **RECENT GMO INITIATIVES**

20 **Q: Has GMO undertaken initiatives in recent years that demonstrate its focus on**  
21 **servicing customers?**

22 **A:** Yes. GMO has been, and remains, focused on meeting its customers' needs. GMO has  
23 implemented renewable energy resources and energy efficiency as well as maintaining a

1 highly reliable system, in order to meet customers' needs in both the near-term and the  
2 long-term.

3 **Q: Has the Company made achievements in the area of renewable energy resources?**

4 A: Yes. In addition to the 159 MW of wind capacity under contract discussed earlier, GMO  
5 has issued more than \$50 million in solar rebates to eligible customers since the Solar  
6 Photovoltaic Rebate Program tariff was initiated in 2010. Additionally, GMO is  
7 currently proposing to install approximately 3 MW of solar capacity in Greenwood,  
8 Missouri.

9 **Q: Please discuss GMO's achievements in the area of energy efficiency.**

10 A: GPE acquired GMO in 2008 and was the primary electric utility advocate for the passage  
11 of the Missouri Energy Efficiency Investment Act ("MEEIA") which Governor Nixon  
12 signed into law in 2009. GMO launched MEEIA programs on July 6, 2014 with a target  
13 to spend \$19 million on customer energy efficiency initiatives by the end of 2015.  
14 Through December 31, 2015, GMO spent \$45.0 million with 149.8 million kWh in  
15 energy savings in its MEEIA Cycle 1. Prior to the passage of MEEIA, GMO invested  
16 \$26.3 million in energy efficiency measures on behalf of customers. Currently GMO is  
17 awaiting Commission approval of its MEEIA Cycle 2 Stipulation and Agreement, which  
18 includes further investment of \$52.6 million over the 36-month portfolio period. GMO's  
19 proposed MEEIA Cycle 2 plan includes 185 GWh of energy savings and 106 MW of  
20 demand reduction.

1 **Q: Can you provide additional examples of how GMO maintains focus on meeting the**  
2 **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.

- 1           • We also know that contact center performance is important to our customers and  
2           monitor that performance using statistics including Abandon Rate, Average Speed of  
3           Answer and Service Level (i.e., percentage of calls answered within 20 seconds).  
4           The Company's contact center has consistently provided quality service and  
5           performance over the past several years.

6   **Q: Can you provide a specific example of action the Company has undertaken since its**  
7   **last rate case to improve system reliability and performance?**

8   A: As a result of concerns expressed by customers regarding outages in the area of Weston,  
9   Missouri, the Company embarked on a Weston reliability improvement and substation  
10   construction project in late 2014 which was completed in October 2015. This project,  
11   which cost approximately \$7 million, consisted of a number of elements, including:

- 12           • A new substation for Weston;  
13           • A rebuilt 25 KV circuit from the new substation to Weston; and  
14           • An additional 25 KV feeder from the Weston substation to further split load on  
15           the existing circuit in the south portion of this area that serves the town of Farley.

16   Although the new facilities have only been in place a short time, the results so far have  
17   been promising and we will continue to monitor the situation closely as we move into the  
18   spring storm season.

19   **Q: What steps has the Company taken to assist its low-income customers during these**  
20   **difficult economic times?**

21   A: As described in the Direct Testimony of Company witness Brad Lutz, the Company has  
22   continued its Economic Relief Pilot Program ("ERPP") and is proposing to expand that



1 program in this case. The ERPP is a fixed credit that reduces electric bills for low-  
2 income customers.

3 **Q: Does the Company participate in other programs designed to assist its low-income**  
4 **customers?**

5 A. Yes. The Company participates in Low-Income Weatherization Programs and a Dollar-  
6 Aide Program designed to assist low-income customers with weatherization of their  
7 homes. The Company also actively participates in community action programs,  
8 encourages volunteerism among its employees, and makes charitable contributions  
9 intended to benefit various segments of low-income and elderly customer groups.

#### 10 ON-GOING AND FUTURE COMPANY INITIATIVES

11 **Q: Is the Company engaged in technology-related projects in order to continue to meet**  
12 **changing customer expectations?**

13 A: Yes, some of the major projects include:

- 14 • Advanced meter infrastructure (“AMI”) – In January 2016, GMO started a nine-  
15 month project to upgrade manually read meters to AMI meters in the GMO-MPS  
16 metro area. The GMO AMI deployment will upgrade approximately 180,000 meters  
17 in the expanded Kansas City metro area and allow for automated meter reading,  
18 outage notifications, and power restoration events.
- 19 • Meter data management (“MDM”) – The new MDM system will replace the current  
20 array of customer systems used for this purpose and, combined with AMI, will  
21 provide a foundation for centralized customer data that can be used to assess and  
22 improve operational efficiency in a number of areas, including billing, revenue  
23 protection, outage management and customer service.



1 of employee headcount. \*\* [REDACTED]

2 [REDACTED]  
3 [REDACTED]\*\* Actual NFOM (not including Regulatory Amortizations,  
4 MEIAA Costs, Weatherization, RTO Fees, and non-controllable Wolf Creek expenses) in  
5 2011 totaled approximately \$614.0 million versus approximately \*\* [REDACTED]

6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]\*\* Merit increases paid to employees have  
9 increased employee pay rates by approximately 3% per year over that time period.

10 \*\* [REDACTED]

11 [REDACTED]  
12 [REDACTED]\*\*

13 Unfortunately, while our efforts to control costs have been substantial, those  
14 efforts have only mitigated the increase amount for this rate case, and – due to other  
15 factors discussed in the Company’s direct testimony in this proceeding – those efforts  
16 have not completely offset the need to increase rates.

17 **Q: Why can’t GMO simply delay a rate increase?**

18 **A:** As discussed more specifically in the Direct Testimony of Company witness Darrin Ives,  
19 the timing of this rate case is driven by the requirement in the Commission’s fuel  
20 adjustment clause (“FAC”) rule that a general rate proceeding be filed within a time  
21 certain after the completion of a previous rate case as well as necessary cost recovery for  
22 increased capital investment and cost of service since GMO’s rates were last set.

1 **CROSSROADS POWER PLANT**

2 **Q: What is the Crossroads Power plant?**

3 A: Crossroads is a 300 MW GMO generating facility located in Clarksdale, Mississippi and  
4 consists of four gas-fired 75 MW combustion turbines. After Aquila was acquired by  
5 GPE in 2008, GMO as the owner of Crossroads signed a 20-year transmission agreement  
6 with Entergy in 2009 to move the power to GMO's service territory in Missouri. As  
7 discussed in more detail in the Direct Testimony of GMO witness Burton Crawford,  
8 studies at the time showed that Crossroads was the least cost option to meet GMO's  
9 capacity needs.

10 **Q: Has the Commission previously addressed ratemaking treatment for Crossroads?**

11 A: Yes. In prior rate orders (Case Nos. ER-2010-0356 and ER-2012-0175) the Commission  
12 set the rate base value for Crossroads below the level requested by GMO and, in Case  
13 No. ER-2012-0175, disallowed recovery of transmission costs of \$4,915,609 per year as  
14 described in the Direct Testimony of Ronald Klote.

15 **Q: Did anything change with regard to Crossroads after the Commission's rate order  
16 in GMO's last rate case (ER-2012-0175)?**

17 A: Yes. In December 2013 Entergy, with whom GMO entered into a 20-year agreement for  
18 transmission service for Crossroads in 2009, joined the regional transmission  
19 organization ("RTO") known as MISO. As a result and as discussed in more detail in the  
20 Direct Testimony of GMO witness John Carlson, transmission costs necessary to move  
21 Crossroads power to GMO's service territory immediately increased to approximately  
22 \$12 million per year and those costs have since grown to approximately \$13 million per  
23 year.

1 **Q: Was Entergy's decision to join MISO in 2013 expected?**

2 A: No. In fact, prevailing thought at the time GMO entered into the transmission agreement  
3 in 2009 was that Entergy would join the RTO known as Southwest Power Pool ("SPP"),  
4 in which case the transmission cost paid by GMO to move Crossroads power to GMO's  
5 market area would have fallen to \$0 per year.

6 **Q: How does GMO propose to treat costs related to Crossroads for ratemaking**  
7 **purposes in this case?**

8 A: GMO proposes to continue the disallowance levels adopted by the Commission in Case  
9 Nos. ER-2010-0356 and ER-2012-0175 with respect to rate base and transmission costs.  
10 In addition to rate base for Crossroads at the level determined by the Commission in Case  
11 No. ER-2012-0175 (the specific value of which is addressed in the Direct Testimony of  
12 GMO witness Ronald Klote), GMO also proposes to include in rates the incremental  
13 increase in transmission cost above \$4,915,609. The precise transmission cost dollar  
14 amounts are detailed in the Direct Testimony of GMO witness Ronald Klote.

15 **Q: Why is this proposal reasonable?**

16 A: Crossroads is an incredibly good asset for GMO's customers. As discussed in more  
17 detail in the Direct Testimony of GMO witness Burton Crawford, it was the least cost  
18 option in GMO's 2007 IRP, and even with Entergy-related transmission costs it remains  
19 the least cost option. Crossroads thus provides low-cost capacity equal to 16% of GMO's  
20 2015 peak demand in addition to operational benefits resulting from its location outside  
21 of GMO's service territory. For example, during the so-called polar vortex of January-  
22 February 2014, gas was available at Crossroads when it was unavailable for gas-fired  
23 generation located near GMO's market area.



1 needed by our customers. We have continued to pay-out dividends at a reduced level  
2 since that time. Through the end of 2015, our quarterly dividend is 35% less than the  
3 quarterly dividend in the fourth quarter of 2008.

4 Finally, the Company is asking the Commission to allow the Company a realistic  
5 opportunity to earn a fair and reasonable return on the capital it has devoted to serving the  
6 public. This is especially important in light of all of the future capital expenditures that  
7 will continue to need to be made on our systems and infrastructure, including projects  
8 related to critical infrastructure protection, hardening of the transmission and distribution  
9 system, replacement of aging transmission and distribution infrastructure for reliability  
10 purposes, information technology projects and environmental mandates which continue  
11 to develop. By being allowed a realistic opportunity to earn a fair and reasonable return  
12 on its investments, GMO will be able to attract the capital it needs to continue serving its  
13 customers safely and reliably in the future.

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

17 **A:** In addition to updating its overall cost of service, the Company is proposing two new  
18 regulatory mechanisms – forecasted expense treatment for both transmission costs paid to  
19 RTOs (SPP and MISO) that are not flowed through the FAC and for costs associated with  
20 critical infrastructure protection and cybersecurity efforts. Using forecasted expense in  
21 these areas will improve the Company’s ability to address regulatory lag, which will in  
22 turn improve the Company’s ability to earn the full and fair return authorized by the  
23 Commission in this case. For example, using forecasted expense for RTO transmission

1 costs not flowed through the FAC will help GMO recover the costs of the expansion of  
2 the transmission grid in a more timely fashion. Similarly, the use of forecasted expense  
3 for critical infrastructure protection and cybersecurity improvements will allow GMO to  
4 avoid the effects of regulatory lag and to recover the costs of these important activities  
5 closer to when they are incurred, while protecting customers from paying for costs that  
6 are not incurred. These regulatory mechanisms are more fully discussed in the Direct  
7 Testimony of Company witness Tim Rush.

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

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

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

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



