

Exhibit No.: **KCP-2-32**  
Issue: Generation O&M  
Witness: Terry S. Hedrick  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Kansas City Power & Light Company  
Case No.: ER-2010-0355  
Date Testimony Prepared: December 8, 2010

**MISSOURI PUBLIC SERVICE COMMISSION**

**CASE NO.: ER-2010-0355**

**REBUTTAL TESTIMONY**

**OF**

**TERRY S. HEDRICK**

**ON BEHALF OF**

**KANSAS CITY POWER & LIGHT COMPANY**

**Kansas City, Missouri  
December 2010**

KCP Exhibit No. KCP 32  
Date 2/4/11 Reporter LMB  
File No. ER-2010-0355

**REBUTTAL TESTIMONY**

**OF**

**TERRY S. HEDRICK**

**Case No. ER-2010-0355**

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

2 A: My name is Terry S. Hedrick. 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 the "Company")  
6 as Director of Supply Engineering.

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

8 A: My responsibilities include the direct supervision of; central engineering managers and  
9 supervising engineers at the facilities of KCP&L and KCP&L Greater Missouri  
10 Operations Company ("GMO"). These central engineering managers address key  
11 programs and projects and the supervising engineers work directly with the plant  
12 managers on the development of capital budgets and the actual implementation  
13 (development/design/procurement/construction/commissioning) of capital projects.  
14 Previously with Aquila, Inc. my role, as Director of Generation Services, held similar  
15 responsibilities which included the direct supervision of engineers that implemented  
16 capital budget projects. As part of the Jeffrey Energy Center ownership component, I  
17 have participated on the Operating Committee for both Aquila and GMO.

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

2 A: In 1985, I received a Bachelor of Science Degree in Mechanical Engineering from the  
3 University of Missouri – Columbia. After receiving my degree, I joined the Missouri  
4 Public Service Company, which later became UtiliCorp and ultimately Aquila, as Staff  
5 Engineer at the Sibley Generating Station. From that time until 1998, I held positions of  
6 Maintenance Engineer and Assistant Station Superintendent – Maintenance. In 1998, I  
7 began working in the corporate Production department in the capacity of Senior  
8 Production Engineer. From that time until the integration with KCP&L, I have held the  
9 positions of Generation Services Manager and Director of Generation. As stated  
10 previously, I am now employed with KCP&L as Director of Supply Engineering.

11 Q: **Have you previously testified in proceedings before the Missouri Public Service  
12 Commission or before any other utility regulatory agency?**

13 A: Yes, I have provided testimony before the Missouri Public Service Commission  
14 (“MPSC”) while at KCP&L and Aquila.

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

16 A: The purpose of my testimony is to rebut the direct testimony of MPSC Staff witness  
17 Karen Lyons concerning steam production maintenance expense normalization  
18 (Company adjustment CS-42). Ms. Lyons is proposing the use of a two-year (2008-  
19 2009) average using actual in-year dollars for steam production maintenance expenses  
20 (accounts 510-514) rather than a seven-year indexed average proposed by the Company.  
21 Ms. Lyons is proposing \$27,186,949 for production maintenance accounts 510-514  
22 normalization. The Company’s proposal for maintenance normalization of these  
23 accounts is \$28,461,137. The difference between these two proposals is \$1,274,188.

1 **Q: Why does Staff's proposal not reflect the Company's annualized maintenance**  
2 **expense?**

3 A: The principal behind normalizing test year amounts is so they are representative of  
4 ongoing maintenance expense. Staff's use of a two-year average of actual costs ignores  
5 the reality that turbine maintenance is scheduled roughly every seven years. As such,  
6 Staff proposal, if adopted, will not accurately reflect KCP&L's costs to serve its  
7 customers.

8 **Q: Can you explain why the Company is proposing the use of a seven-year average?**

9 A: Major boiler and turbine overhauls occur on a periodic cycle that may occur every two to  
10 seven years, depending on the type of maintenance. The Company currently schedules  
11 steam turbine overhauls roughly every seven years. The industry continues to investigate  
12 methods of lengthening the cycle for steam turbine overhauls. Scheduled turbine  
13 overhauls normally add several million dollars or more over the amount of costs  
14 experienced in a non-overhaul period. The Company recommends index averaging over  
15 a seven-year period to capture the longest maintenance cycle.

16 **Q: Can you explain why the Company is proposing the use of an indexed average?**

17 A: Yes. The Company is proposing the use of steam account expenses for years 2003-2009.  
18 When proposing the use of multi-year historical averaging, all years should be indexed to  
19 like-year dollars to match the test year and account for market pricing fluctuations. The  
20 Company is proposing that all years are indexed to 2009 dollars by the use of the Handy-  
21 Whitman index.

1 **Q: Has the Company provided an analysis of the cost fluctuations it has faced for its**  
2 **materials and contract labor costs related to generation maintenance and the**  
3 **correlation to the Handy-Whitman index?**

4 **A:** Yes. In response to Staff data request No. 0479, the Company provided historical cost  
5 analysis on both contract labor and material and demonstrated the conservative  
6 correlation to the Handy-Whitman index.

7 **Q: Did the Kansas Corporation Commission (“KCC”) in its recent order address these**  
8 **issues?**

9 **A:** Yes. The KCC adopted KCP&L’s position, finding (i) that using the Handy-Whitman  
10 index as proposed by KCP&L is appropriate and (ii) that KCP&L’s averaging over seven  
11 years is more preferable than the five year average proposed by [its] Staff.” KCC Order  
12 in Docket No. 10-KCPE-415-RTS (Nov. 22, 2010), p. 51.

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

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

