

Exhibit No.:
Issue: Integration of Delivery Systems
Witness: William P. Herdegen, III
Type of Exhibit: Direct Testimony
Sponsoring Party: Great Plains Energy Incorporated and
Kansas City Power & Light Company
Case No.: EM-2007-____
Date Testimony Prepared: April 2, 2007

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-____

DIRECT TESTIMONY

OF

WILLIAM P. HERDEGEN, III

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
April 2007**

DIRECT TESTIMONY
OF
WILLIAM P. HERDEGEN, III

Case No. EM-2007-_____

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

2 A: My name is William P. Herdegen, III. My business address is 1201 Walnut, Kansas City,
3 Missouri 64106.

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

5 A: I am employed by Kansas City Power & Light Company (“KCPL” or “Company”) as
6 Vice President, Customer Operations.

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

8 A: My responsibilities include the engineering, design, construction, maintenance, and
9 operation of KCPL’s distribution system, as well as the call center and revenue
10 management. My role includes the recent assignment as lead of the Delivery transition
11 teams, responsible for the integration of Aquila, Inc. (“Aquila”) with Great Plains Energy
12 Incorporated (“Great Plains Energy”).

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

14 A: I graduated from the University of Illinois, Champaign-Urbana in 1976 with a Bachelor
15 of Science degree in Electrical Engineering, and in 1981, I received my M.B.A. from The
16 University of Chicago. I was first employed at KCPL in 2001. I have nearly 30 years of
17 experience in the electric utility industry. Prior to joining KCPL, I served as chief
18 operating officer for Laramore, Douglass and Popham, a consulting firm providing
19 engineering services to the electric utility industry. Additionally, I was vice president of

1 Utility Practice at System Development Integration, an IT consulting firm focused on
2 development and implementation of technology systems. I began my utility career at
3 Commonwealth Edison and over a course of more than 20 years held various positions,
4 including field engineer, district manager, business unit supply manager, operations
5 manager and vice president - Engineering, Construction & Maintenance.

6 **Q: Have you previously testified in a proceeding at the Missouri Public Service**
7 **Commission or before any other utility regulatory agency?**

8 A: I have previously testified before both the Missouri Public Service Commission
9 (“MPSC”) and the Kansas Corporation Commission (“KCC”).

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

11 A: The purpose of my testimony is to provide an overview of KCPL’s current electric
12 distribution system and customer service operations, as well as the combined distribution
13 system and customer service operations resulting from Great Plains Energy’s proposed
14 acquisition of Aquila.

15 **Q: Please provide a general description of KCPL’s existing distribution system.**

16 A: KCPL owns and operates electric distribution facilities in the States of Missouri and
17 Kansas. We serve approximately 500,000 customers. Our service territory is comprised
18 of 11,710 distribution primary circuit miles over 4,600 square miles.

19 **Q: How do KCPL’s electric distribution facilities compare to those of Aquila?**

20 A: By acquiring Aquila’s Aquila Networks-MPS and Aquila Networks-L&P electric service
21 divisions, Great Plains Energy’s service areas will increase to approximately 800,000
22 customers in western Missouri and eastern Kansas. It will create a footprint that spans
23 the majority of the Kansas City Metropolitan area, covering the northwest corner of

1 Missouri to the Iowa border and links KCPL's metropolitan areas with its East District.
2 This will enable efficiencies in terms of improved service, design and maintenance of
3 infrastructure. The KCPL and Aquila service territory will be comprised of 21,770
4 distribution primary circuit miles over approximately 18,000 square miles.

5 **Q: How does Great Plains Energy plan to operate the distribution systems of KCPL**
6 **and Aquila?**

7 A: Aquila's Missouri field employees will become KCPL employees and KCPL will operate
8 both distribution systems.

9 **Q: Do you anticipate synergy savings or other benefits attributable to KCPL operating**
10 **the distribution systems?**

11 A: Yes. KCPL's preliminary analysis indicates that having KCPL operate the systems of the
12 two companies will result in synergy savings and efficiencies in the overall delivery
13 operations, including transmission operations. Great Plains Energy witness Richard
14 Spring will provide testimony in this proceeding on the details of the transmission
15 operations efficiencies.

16 **Q: What areas of distribution operations will comprise the anticipated synergy savings**
17 **and efficiencies?**

18 A: Efficiencies have been identified in the following areas:

- 19 • Safety and Training
- 20 • Engineering
- 21 • Resource Management
- 22 • Vegetation Management
- 23 • Emergency Preparedness

- Field Operations

Q: Please discuss Great Plains Energy's plans in connection with Safety and Training.

A: Safety is a core value at Great Plains Energy. We continue toward our stated goal of attaining a World Class Safety culture by 2008.

KCPL will review current training requirements associated with safety at both companies. We will continue our pioneering partnership with OSHA to ensure all compliance issues are addressed. The Company will evaluate safety procedures currently in place and create a single manual for all employees to follow. We will review current safety councils at KCPL and their applicability to Aquila.

Additionally, the Company will build on the current training efforts of both companies. One example is that KCPL and Aquila are partnering with the Metropolitan Community College Business and Technology Campus and have created an associate's degree program for electric utility line technicians. Students will work for one of the utility partners in a paid internship each summer and will receive priority hiring consideration for advanced placement in a utility apprenticeship program. These efforts will result in higher quality jobs within our community, as well as increased synergy savings.

We will develop a strategic plan to create a single, positive safety and training culture. The Company will evaluate the recent implementation of an automated safety communication process and identify information technology needs to implement across both companies. Programs utilized by both companies will be benchmarked and we will develop a strategy to maximize content retention.

1 **Q: Please discuss integration of the Engineering areas.**

2 A: KCPL will review the approach taken at Aquila to engineering the distribution system,
3 and blend practices to evaluate the entire distribution system against a common set of
4 parameters. We will continue the KCPL focus on customers experiencing frequent
5 outages, and the investment decisions necessary to address those facilities. We will
6 review the current five-year engineering plans of both companies against the new
7 parameters to identify any necessary adjustments. For our larger customers, we will
8 evaluate demand-side investment options, distributed generation or other avenues to
9 reduce the system demand peaks that require investment. These savings can then be
10 applied to reinvesting in the aging facilities prioritized across the combined territory.

11 We recognize the addition of the Aquila service area creates a larger rural
12 component to our business approach. We will review our engineering organization to
13 balance the needs of our rural customers against the larger Kansas City metropolitan area.
14 System-wide, we will evaluate different approaches to project field design, creating
15 strategies to accomplish the work in the most efficient manner.

16 The Company will evaluate the current computer Geographic Information
17 Systems (“GIS”), field design systems, and distribution automation systems currently in
18 use at both companies and on the market. We will develop a strategy for a combined
19 computer engineering system that will provide reliability benefits to our customers. We
20 will also focus our field design process to create a common procedure that can be easily
21 accessed by developers and customers. The goal is to provide a low stress, high value
22 process to connect new customer growth in our service territory.

23 **Q: Please discuss integration of Resource Management.**

1 A: KCPL defines Resource Management as the area responsible for providing our
2 distribution operation with the materials, equipment, vehicles, and additional work force
3 necessary to meet customer demand. In the materials area, we will evaluate the total
4 supply chain approach of both companies and create a single approach to material
5 acquisition. We will create a plan to contact current suppliers in both companies to
6 evaluate material specifications and determine best suppliers based on overall long-term
7 value. We will evaluate a central management approach to material storage and supply
8 for both companies. This review will include third party warehouse supply approaches
9 and current industry trends. In the area of vehicles, we will evaluate various fleet
10 standards in both companies and adopt one standard specification for various classes of
11 vehicles. We will review the current fleet size, compare against benchmarks and adjust
12 as necessary. We will review replacement and purchase plans at both companies and
13 consider changing orders to take advantage of economies of scale. We will expand our
14 presence in the area of alternative fuel usage and seek fleet opportunities to increase the
15 use of bio-diesel and ethanol “E85” fuels.

16 Additionally, we will evaluate parts acquisition and stocking practices at both
17 companies with a focus on creating a single practice. We will evaluate third-party
18 maintenance options. The Company will review the current practices of multiple garage
19 locations at KCPL versus centralized locations at Aquila. We will formulate a future
20 plan for fleet maintenance before service centers are altered or built.

21 For the management of contractor resources, the industry is presently split
22 between unit-bid style contracting and time and equipment contracting. We will develop
23 a strategy of best practice and create a strategic approach. The Company will evaluate

1 the benefits of the current Quality Assurance/Quality Control approach at KCPL versus
2 the operation management approach at Aquila. We will consider organization shifts to
3 manage the field forces in the most efficient manner. KCPL will coordinate a joint team
4 with training personnel to review contract workforce versus building an in-house
5 workforce, and develop a long-range plan to manage staffing needs.

6 **Q: Please discuss the plans for Vegetation Management.**

7 A: KCPL will review the current practices of both companies for tree trimming. We will
8 develop a single approach to cycle trimming and associated vegetation management
9 needs. KCPL will expand its strategy to address vegetation management as a reliability-
10 based effort to increase the performance of our system.

11 We will evaluate funding levels for trimming in the current separate companies
12 and review problem areas, developing a strategy to best allocate funds. KCPL will
13 review current trimming vendors, associated contracts and existing strategic alliances.

14 **Q: How will Emergency Preparedness be addressed in the integration process?**

15 A: Since our 2002 ice storm, KCPL has revised, streamlined, and trained on what some
16 consider an industry-best practice approach to storm restoration. KCPL will assess the
17 current capabilities to respond to emergencies by both companies. We will review
18 current response plans for emergencies, business continuity and pandemic planning. The
19 Company will develop a unified approach and identify organizational assignments of
20 responsibilities. Additionally, KCPL will coordinate current storm response plans to take
21 advantage of synergies during the pendency of the acquisition.

22 For daily outage response, KCPL will evaluate our current dispatch center and the
23 customer service center approach at Aquila.

1 **Q: Please discuss the plans for integration of Field Operations.**

2 A: KCPL will conduct a detailed review of field management resources at both companies.
3 We will develop a labor strategy for field employees, assessing options to streamline job
4 specifications. The Company will review organizational options and develop a strategy
5 to maximize efficiencies.

6 KCPL will evaluate vehicle and equipment assignments in use at both companies
7 and develop a strategy around standardizing crew complements for the work involved,
8 including quantities of employees, trucks and equipment needed. We will create a best
9 practice organizational hierarchy that manages the operation, maximizes communication
10 to employees and responds to customer needs in the most efficient manner.

11
12 **Q: Please describe KCPL's customer service operations.**

13 A: KCPL's customer service operations consist of the following departments:

- 14 • Call Center
- 15 • Billing Services
- 16 • Credit and Collection
- 17 • Customer Relations
- 18 • Meter Reading/Field Service
- 19 • Revenue Protection

20 **Q: Please briefly describe the function of the Call Center and KCPL's plans for**
21 **integration.**

22 A: KCPL has a single call center, and Aquila currently utilizes two call centers to address
23 the electric and gas systems. We refer to our call center as the Customer Care Center

1 (“CCC”). It is the direct link between the utility and its customer base. Daily, the CCC
2 handles residential and business customer contacts for time-saving, self-service options
3 for any service or account need including service requests, new construction or service
4 upgrades, billing and account information, payment options, and special programs and
5 services. We will evaluate the call center approaches currently in place and determine
6 any changes necessary following Great Plains Energy’s acquisition of Aquila. Our
7 intention is to create a single call center for the new Great Plains Energy customer base
8 and provide all customers currently served by Aquila a seamless transition to their service
9 needs.

10 **Q: Please explain the Billing Services function and integration efforts.**

11 A: Billing Services ensures the accurate and timely billing of retail customers. Major
12 functions include account adjustments, entering rate changes, set-up of area light billings,
13 processing customer refunds, adding and removing customers on Easy Pay program and
14 resolution of various issues within our computer systems. KCPL has responded to
15 customer desires in the areas of Internet web payment and credit card payment. We will
16 evaluate the approaches each company is taking to payment options, to the delivery and
17 printing of bills and to the information flow from our meter systems. Our intent is to
18 create one approach to the bill process that customers will understand, regardless of
19 geographic location. Our overall focus will be to provide options to our customers for
20 doing business with us in an easy and efficient manner.

21 **Q: Please explain the Credit and Collection function and integration efforts.**

22 A: Credit and Collection handles the collection of past due receivables. KCPL will review
23 the current work force approach taken at both companies, and evaluate the outbound

1 telephone calling technology currently utilized. We will also review third party
2 approaches taken in the industry. We plan to establish a single approach to this business
3 area, and treat all customers with the utmost respect.

4 **Q: Please describe the Customer Relations department responsibilities and integration**
5 **efforts.**

6 A: Customer Relations is responsible for the investigation and response to informal
7 commission complaints and inquires. The department works closely with the Law
8 Department and Regulatory Affairs when complaints escalate to formal status. Customer
9 Relations builds profiles on community action and social service agencies to strengthen
10 relationships. The department identifies low-income, elderly and disabled customers for
11 purposes of outreach and customer service that is targeted to their needs. Additionally,
12 Customer Relations takes a proactive approach with medical and hospice customers, as
13 well as nursing homes, by staying in touch with them during extended heat periods and
14 extended outages. These proactive steps are taken to help individuals make choices for
15 their best care.

16 The Customer Relations area will be reviewed in consideration of the added
17 customer base and service territory. Strategies that are customer-focused will require
18 expertise of Customer Relations and information from assistance agencies. Outreach
19 efforts in connection with assistance and community action agencies include in-person
20 visits to build profiles, along with frequent interaction to build partnerships, provide
21 reciprocal communication and to best serve our customers.

22 **Q. Please describe the Meter Reading/Field Service department responsibilities and**
23 **integration efforts.**

1 A. Meter Reading ensures the accurate and timely reads of electric meters for billing. Field
2 Service responds to customer-requested connects and disconnects, as well as collection of
3 past due receivables.

4 Initial review of integration for these areas will include meter reading integration,
5 mobile implementation and labor issues. KCPL currently utilizes an Automated Meter
6 Reading (“AMR”) system. Consistent with KCPL’s intent to demonstrate leadership in
7 efficiency and new delivery technologies, Great Plains Energy will review expansion of
8 metering technology to the acquired geographic areas. Installation of advanced
9 technology in Aquila’s service territory for automation of meter reading will allow
10 enhanced capabilities. This technology will also increase the level of program offerings
11 to customers. We will investigate Advanced Metering Infrastructure (“AMI”) solutions
12 for the integrated company, reviewing interface capabilities with the current meter
13 reading and CIS systems. Manual meter reading processes now in place in the Aquila
14 territory will initially be maintained.

15 **Q. Please explain the Revenue Protection function and integration efforts.**

16 A. Revenue Protection minimizes the Company’s loss of revenue due to fraud, theft of
17 service or other metering irregularities by identifying and investigating abnormal account
18 activity.

19 We will continue our focus on meter data management solutions to provide early
20 warning of abnormal conditions that enable transition to a proactive revenue assurance
21 approach within the Company

1 **Q: Will customer service operations be impacted by the integration of Aquila into**
2 **Great Plains Energy?**

3 A: Synergies are being evaluated and integration will focus on the best practices of KCPL
4 and Aquila. Customer satisfaction levels at both companies are expected to reach Tier 1.

5 **Q: Will Great Plains Energy provide customer service assistance to Black Hills**
6 **Corporation?**

7 A: The goal is to have Great Plains Energy and Black Hills Corporation operate as stand
8 alone companies immediately following the merger. In order to provide a seamless
9 integration of customer service functions to customers, there may be a short transition
10 period where Great Plains Energy provides assistance to Black Hills Corporation.

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

12 A: Yes, it does.

In the Matter of the Joint Application of Great Plains Energy Incorporated, Kansas City Power & Light Company, and Aquila, Inc. for Approval of the Merger of Aquila, Inc. with a Subsidiary of Great Plains Energy Incorporated and for Other Requester Relief)
)
) **Case No. EM-2007-**_____
)
)

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

1. My name is William P. Herdegen, III. I work in Kansas City, Missouri, and I am employed by Kansas City Power & Light Company as Vice President, Customer Operations.

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.

William P. Herdegen III
WILLIAM P. HERDEGEN, III

Subscribed and sworn before me this 2nd day of April 2007.

Nicol A. Wang
Notary Public

My commission expires: Feb. 4 2011

