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Witness: Scott H. Heidtbrink
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Case No.: ER-2016-0285
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0285

DIRECT TESTIMONY

OF

SCOTT H. HEIDTBRINK

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

Kansas City, Missouri
July 2016

DIRECT TESTIMONY

OF

SCOTT H. HEIDTBRINK

Case No. ER-2016-0285

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, major construction and Critical Infrastructure Protection Standards ("CIPS"), 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 Great Plains Energy Incorporated ("GPE") 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.

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 Company initiatives in recent years, including its efforts to remain focused on customers and some of KCP&L's ongoing initiatives and future expectations; and

3) Discuss cost control measures the Company has undertaken.

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 GPE, which are both headquartered in Kansas City, Missouri. GPE is a public utility holding company which also owns GMO, formerly Aquila, Inc. Additionally, on May 31, 2016, GPE announced its agreement to acquire 100% of Westar Energy, Inc.'s common stock outstanding for $8.6 billion and assume its $3.6 billion of outstanding long-term debt. Upon close, expected in the Spring of 2017, Westar will be a wholly-owned subsidiary of GPE, consistent with KCP&L and GMO.

Through its current regulated utility subsidiaries, GPE serves approximately 850,000 customers in 47 counties in Missouri and eastern Kansas including approximately 749,400 residences, 98,800 commercial firms, and 2,600 industrials, municipalities and other electric utilities. KCP&L alone serves approximately 530,700 customers, including approximately 468,700 residences, 59,900 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.

To serve its customers, on a combined basis, KCP&L and GMO own more than 4,000 mega-watts ("MW") of base load generating capacity and approximately 1,200 MW of peak load generating capacity. KCP&L's capacity is diversified with outright or joint ownership in four large coal-fired generating stations with a combined KCP&L capacity share of over 2,500 MW, the Wolf Creek nuclear power generating station, approximately 1,200 MW of natural gas- and oil-fired peaking capacity, 149 MW of wind generating capacity located in Spearville, Kansas, and almost 600 MW of wind generating capacity under contract located in Kansas. KCP&L has an additional 120 MW of wind generating capacity that is expected to begin at the end of 2016 and 180 MW that is expected to begin before the end of 2017 located in Missouri. In April 2016, KCP&L ceased burning coal at Montrose unit 1.

On a combined basis, KCP&L and GMO operate and maintain approximately 22,600 circuit miles of distribution lines and approximately 3,600 circuit 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 companies in the region, with just under 3,000 employees, including more than 1,800 union employees. These employees are active in the communities we serve, fulfilling our guiding corporate 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. KCP&L has implemented renewable energy resources and energy efficiency as well as maintaining a highly reliable system, in order to meet customers' needs in both the near-term and the long-term. See the Direct Testimony of KCP&L witness Charles Caisley for additional discussion of KCP&L's commitment to serving its customers.

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

A: Yes. In addition to the over 1000 MW of wind capacity owned or under contract discussed earlier, KCP&L has issued more than $36.5 million in solar rebates to eligible customers since the Solar Photovoltaic Rebate Program tariff was initiated in 2010.

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

A: KCP&L had been engaged in demand side management ("DSM") and energy efficiency initiatives on behalf of its customers since the implementation of the Comprehensive Energy Plan in 2005, devoting more than $65 million (total company). In July 2016, KCP&L launched its Missouri Energy Efficiency Investment Act ("MEEIA") DSM portfolio. Through December 31, 2015, KCP&L spent $26.8 million with 126.1 million kWh in energy savings and 42 MW of demand reduction in its MEEIA Cycle 1. We expect to achieve an additional 59.3 million kWh in Cycle 1 energy savings that is attributable to carryover projects from its Custom Business Energy Efficiency Rebate program. The Commission recently approved KCP&L's MEEIA Cycle 2 Stipulation and Agreement, which includes further investment of $50.4 million over the 36-month portfolio period. KCP&L's MEEIA Cycle 2 plan includes 198.1 million kWh of energy savings and 66 MW of demand reduction.

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 via several metrics, 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, completed 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 determine how our reliability is performing over time as a company. It is also used to track storm impacts and helps the Company identify business processes that minimize the effect of outages on our customers.

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

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

A: Yes. During KCP&L's most recent rate case, concerns were expressed by customers during the local public hearing in Marshall, Missouri about voltage flicker that was causing ongoing disturbances to lights and equipment during daytime hours. Investigation confirmed that this issue was related to the APAC quarry located on the same circuit as the customers experiencing the problems. Although previous efforts had been made by KCP&L to mitigate the issue, these short duration disturbances had not been adequately addressed due to the response time of typical line side voltage support devices (capacitors and regulators). KCP&L undertook an in-depth investigation into the nature of the problem, including installation of high-sensitivity monitors to record disturbances. KCP&L also worked closely with APAC staff to adjust the plant's start-up settings for its large motors. This reduced the disturbances, but did not fully achieve the desired thresholds based on technical guidelines for voltage flicker. KCP&L then researched and identified a piece of power quality equipment not previously installed on our system that is designed to compensate for short duration voltage dips. This Reactive

Power Conditioner has been specified and ordered and is expected to reduce the disturbance below threshold levels. Based on the manufacturer's projected delivery time frame, the device is expected to be installed and operational by the fourth quarter of 2016.

KCP&L has also been engaged in a proactive underground residential distribution ("URD") program by which the condition of URD cables is assessed proactively to identify cables with higher risk of failure using Partial Discharge testing that identifies weakened cable. Cables identified as meeting a certain threshold of discharge are slated for proactive (preemptive) replacement before they fail so as to avoid extended outages and emergency replacement. To date this program has resulted in assessment of more than 450,000 feet of cable and proactive replacement of approximately 100,000 feet (or about 300 segments) of cable system-wide, with just shy of half of that being in the KCP&L-MO service territory. This represents avoidance of potential outages and associated disruption of service to customers, while also avoiding added costs of emergency replacement. The URD program is notable in my mind because it represents the Company's focus on innovation and continuous improvement by identifying and resolving potential cable failures before they occur, producing benefits to customers in the form of both avoided service outages and avoided high cost emergency replacement.

Q: Has the Company taken steps to assist its low-income customers?

A: The Company has continued its Economic Relief Pilot Program ("ERPP") as recently expanded in the Company's last rate case (Case No. ER-2014-0370). The ERPP is a fixed credit that reduces electric bills for low-income customers. The Company is requesting continuation of its ERPP.

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

A. Yes. The Company 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. See further testimony on this topic in the Direct Testimony of KCP&L witness Charles Caisley.

ON-GOING AND FUTURE COMPANY INITIATIVES

Q: Is the Company 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 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 was to replace the network technology and approximately 500,000 meters that were nearing the end of their useful lives. That project was completed December 31, 2015.
- Meter data management ("MDM") – The new MDM system, which went live on May 28, 2015, 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") – In mid-2015 the Company completed 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") – A project is under way to replace two existing customer information systems ("CIS"), one from legacy KCP&L and one from legacy Aquila, with one CC&B system. The CIS replacement will be a multi-year project and is targeted to be in-service in the first half of 2018.

All of these initiatives demonstrate a continued focus on our customers.

Q: Earlier in your testimony you mentioned GPE's pending acquisition of 100% of the stock of Westar Energy, Inc. Please describe the Company's commitment to maintain continued focus on customers both during the acquisition process and after it closes.

A: Our employees understand that as a provider of electric service that is essential to modern life, KCP&L has a very specific responsibility upon which our customers depend. On behalf of all of the Company's employees, I take that responsibility very seriously and will ensure that we maintain our focus on day-to-day operations through the acquisition and integration process.

COMPANY COST CONTROL MEASURES

Q: What is being done 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. A host of cost control measures have been undertaken 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. As a result, non-fuel operating and maintenance ("NFOM") costs have been limited to an increase of $17.2 million from 2011-2015 (on a total Great Plains Energy basis). Actual NFOM (not including Regulatory Amortizations, MEIAA Costs, Weatherization, Regional Transmission Organizations ("RTO") Fees, and non-controllable Wolf Creek expenses) in 2011 totaled approximately $614.0 million versus approximately $631.2 million in actual NFOM in 2015. This translates into an increase in the NFOM costs of 0.69% annually from 2011-2015, which compares favorably to an annual rate of inflation increase for that time period of 1.49%. Merit increases paid to employees have increased employee pay rates 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 these 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 discussed in the Company's direct testimony in this proceeding – 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 in late September of 2015, the Company's actual earnings from its Missouri operations are expected to fall 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 costs necessary to provide long-term, safe and reliable energy to the customers of KCP&L. Many of these costs are federal and state-mandated and 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 efforts discussed earlier in this testimony.

Second, over the last several years, our shareholders have shared some of the burden through cash dividend reductions. In the first quarter of 2009, the GXP dividend to shareholders was reduced 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 end of 2015, our quarterly dividend is 35% 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. 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, the Company is proposing three new regulatory mechanisms – forecasted expense treatment for transmission costs paid to RTOs (including Southwest Power Pool and Midwest Independent System Operator) that are not flowed through the Fuel Adjustment Clause ("FAC"), for expenses associated with critical infrastructure protection and cybersecurity efforts, and for property taxes all of which expense items are expected to increase beyond current levels during the period when rates set in this case are in effect. Using forecasted expense in these areas 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, using forecasted expense for RTO transmission costs not flowed through the FAC will help KCP&L recover the costs of the expansion of the transmission grid in a more timely fashion. Similarly, the use of forecasted expense for critical infrastructure protection and cybersecurity improvements will allow KCP&L to avoid the effects of regulatory lag and to recover the costs of these important activities closer to when they are incurred, while protecting customers from paying for costs that are not incurred. Likewise, use of forecasted property tax expense as KCP&L proposes will mitigate regulatory lag for these increasing and unavoidable expenses while also protecting customers from paying for costs that are not incurred. These regulatory mechanisms are more fully discussed in the Direct Testimony of 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 close 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 cost. 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-2016-0285

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 fifteen (15) 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
Scott H. Heidtbrink

Subscribed and sworn before me this 1st day of July, 2016.

Nicole A. Wehry
Notary Public

My commission expires: Feb. 4 2019

NICOLE A. WEHRY
Notary Public - Notary Seal
State of Missouri
Commissioned for Jackson County
My Commission Expires: February 04, 2019
Commission Number: 14391200