Exhibit No.:	
Issue:	Company Overview/Policy
Witness:	Scott H. Heidtbrink
Type of Exhibit:	Direct Testimony
Sponsoring Party:	KCP&L Greater Missouri Operations Company
Case No.:	ER-2016-0156
Date Testimony Prepared:	February 23, 2016

MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2016-0156

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

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") as Executive Vice President and Chief Operating Officer.

Q: On whose behalf are you testifying?

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

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 and Construction, 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 KCP&L 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 ("KCC").

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 GMO's ongoing initiatives and future expectations;
3) Discuss cost control measures the Company has undertaken; and

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

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 Great Plains Energy Incorporated ("GPE"), which are both headquartered in Kansas City, Missouri. GPE is a public utility holding company which also owns GMO, formerly Aquila, Inc.

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

GMO retail revenues – reflecting service provided to residences and businesses – averaged approximately 97 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 GMO's revenues. Like most electric utilities, GMO 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 4,250 mega-watts ("MW") of base load generating capacity and approximately 2,270 MW of peak load generating capacity. GMO's capacity is diversified with outright or joint ownership in four large coal-fired generating stations with a combined GMO capacity share of over 1000 MW, 1,069 MW of natural gas and oil-fired peaking capacity, 60 MW of wind generating capacity under contract located in Gray County, Kansas, and 99 MW of wind generating capacity under contract located at Ensign, Kansas.

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

KCP&L employs all of the employees serving GMO and 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 GMO INITIATIVES

Q: Has GMO undertaken initiatives in recent years that demonstrate its focus on serving customers?

A: Yes. GMO has been, and remains, focused on meeting its customers' needs. GMO 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.

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

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

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

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

Q: Can you provide additional examples of how GMO 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 and measure that reliability in a number of ways, 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, done 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 find how our reliability is performing over time as a company. It is also used to track storm impacts and helps our 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: As a result of concerns expressed by customers regarding outages in the area of Weston, Missouri, the Company embarked on a Weston reliability improvement and substation construction project in late 2014 which was completed in October 2015. This project, which cost approximately $7 million, consisted of a number of elements, including:

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

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

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

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

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

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.

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 January 2016, GMO started a nine-month project to upgrade manually read meters to AMI meters in the GMO-MPS metro area. The GMO AMI deployment will upgrade approximately 180,000 meters in the expanded Kansas City metro area and allow for automated meter reading, outage notifications, and power restoration events.
- Meter data management ("MDM") – The new MDM system 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.

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

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. ** [redacted] ** Actual NFOM (not including Regulatory Amortizations, MEIAA Costs, Weatherization, RTO Fees, and non-controllable Wolf Creek expenses) in 2011 totaled approximately $614.0 million versus approximately ** [redacted] ** Merit increases paid to employees have increased employee pay rates by approximately 3% per year over that time period. ** [redacted] **

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 GMO simply delay a rate increase?

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

CROSSROADS POWER PLANT

Q: What is the Crossroads Power plant?

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

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

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

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

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

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

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

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

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

Q: Why is this proposal reasonable?

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

GMO has endeavored to find a solution or solutions that would eliminate or mitigate the impact of Entergy joining MISO in 2013 and the only potentially feasible option that could offset a significant portion of the transmission expense – moving Crossroads and equivalent GMO load into MISO – would be cumbersome, and difficult to achieve. As discussed in more detail in the Direct Testimony of GMO witness John Carlson, this approach may not be feasible from both an operational and financial perspective.

In light of the value Crossroads provides to GMO customers and GMO's acceptance of the rate base and transmission cost disallowance levels determined by the Commission in Case Nos. ER-2010-0356 and ER-2012-0175, I believe it is reasonable to include the incremental transmission costs above $4,915,609 in GMO customer rates.

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 GMO. 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, GMO 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 two new regulatory mechanisms – forecasted expense treatment for both transmission costs paid to RTOs (SPP and MISO) that are not flowed through the FAC and for costs associated with critical infrastructure protection and cybersecurity efforts. 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 GMO 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 GMO 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. 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 KCP&L Greater Missouri Operations Company's Request for Authority to Implement A General Rate Increase for Electric Service	)))	Case No. ER-2016-0156

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 KCP&L Greater Missouri Operations 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

Subscribed and sworn before me this 22nd day of February, 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