

Exhibit No.: 9  
Issue: Distribution Operations  
Witness: Stephen L. Pella  
Type of Exhibit: Direct Testimony  
Sponsoring Party: UtiliCorp United Inc.  
Case No.:

Before the Public Service Commission  
of the State of Missouri

Direct Testimony

of

Stephen L. Pella

October 19, 1999

Exhibit No. 9  
Date 7/12/00 Case No. EM-2000-292  
Reporter KRM

**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI  
DIRECT TESTIMONY OF STEPHEN L. PELLA  
ON BEHALF OF UTILICORP UNITED INC.**

**CASE NO.**

1 Q. Please state your name and business address.

2 A. My name is Stephen L. Pella and my business address is 20 W. 9<sup>th</sup> St., Kansas City, MO  
3 64105.

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

5 A. I am employed by UtiliCorp United Inc. ("UtiliCorp") as Vice President of Energy  
6 Delivery.

7 Q. Would you briefly describe your educational background and employment history?

8 A. I received a Bachelor of Science degree, with a major in mathematics and minors in  
9 computer science and sociology, from the University of Nebraska at Lincoln in 1973. After  
10 graduation I worked in the computer services area for the Boeing Company as a systems  
11 analyst. In 1977 I began employment with Enron, then known as Northern Natural Gas, as  
12 a systems analyst and project manager. In 1983, I was transferred to Enron's Peoples  
13 Natural Gas division, which was acquired by UtiliCorp in 1985. During my tenure at  
14 Peoples and UtiliCorp, I served in a number of capacities including Director of Information  
15 Systems, General Manager of Information and Technical Services, Vice President of  
16 Integrated Services, Vice President of Administration and Vice President of Energy  
17 Delivery Services prior to being named to my present position in 1997.

18 Q. What are your current duties and responsibilities with UtiliCorp?

1 A. I am responsible for UtiliCorp's electric and gas distribution services. This includes  
2 oversight of network operations, asset management, customer services, marketing and sales,  
3 and purchasing and materials management. My role includes the recent assignment as co-  
4 lead of the distribution transition teams, responsible for the integration of St. Joseph Light  
5 & Power Company ("SJLP") with UtiliCorp.

6 Q. What is the purpose of your testimony in this proceeding?

7 A. I will briefly describe the electric and gas distribution facilities of the two companies and  
8 discuss how the combined company will operate the electric and gas distribution systems.

9 Q. Please provide a general description of UtiliCorp's existing distribution systems.

10 A. UtiliCorp owns and operates gas distribution systems in eight states and electric  
11 distribution facilities in four states. We serve approximately 828,000 gas and 365,000  
12 electric customers in the U.S. Our service territory is largely rural and suburban and is  
13 comprised of 22,879 miles of gas distribution pipes and 15,200 miles of electric  
14 distribution line.

15 Our Missouri Public Service ("MPS") operations serve almost 202,000 electric and 48,000  
16 gas customers in Missouri. These customers are served by 1,029 miles of gas distribution  
17 main and by 6,344 pole miles of electric distribution line. The Missouri gas and electric  
18 distribution properties are serviced by 326 customer and network field employees.

19 Q. How do the Missouri gas and electric distribution facilities compare to those of SJLP?

20 A. In many respects both distribution systems are quite similar. All are well maintained and  
21 geographically dispersed. All have a history of low cost, customer focused service, and  
22 are therefore complementary in their operational approach. The merger will provide a

1 good fit with UtiliCorp's existing operations and are consistent with our strategy of  
2 acquiring electric and gas utility operations where synergies and economies of scale can  
3 be realized.

4 UtiliCorp's Missouri operations cover a territory that is larger and slightly more densely  
5 populated than St. Joseph Light and Power. SJLP has a central urban core area  
6 surrounded by a large rural service territory. It serves 24 customers per pole mile  
7 compared to 32 customers per pole mile for MPS. Both companies have high customer  
8 satisfaction ratings and good reliability. A more comprehensive comparison of  
9 distribution service statistics is presented in Schedule SLP-1.

10 Q. Will the fact that the systems are similar in nature make it easier to obtain synergies in the  
11 operation of the distribution facilities?

12 A. Yes. Over the years, UtiliCorp has refined the methods used in operating its distribution  
13 system and for transitioning those methods to newly acquired properties. There are, of  
14 course, a number of factors that impact our ability to enhance the new properties. The  
15 fact that SJLP is in close proximity to our own service territory certainly makes it easier  
16 to share services and apply our distribution model.

17 Further, the extent to which an acquired company already resembles UtiliCorp's model  
18 impacts our ability to bring added value. For example, SJLP, over the past few years, has  
19 done an excellent job in reducing costs without impacting service and reliability. Their  
20 utilization of district offices corresponds very closely to our own model. That means  
21 some cost saving programs that have been successfully implemented in other acquisitions  
22 already exist at SJLP. Therefore, the greatest opportunities for adding value to the

1 distribution operations of these two companies is through economies of scale and value  
2 added services that can economically be added because of a larger mass.

3 UtiliCorp understands very well how to operate in a geographically dispersed territory.

4 And we understand the important differences between a metropolitan model of operation  
5 and a rural model where multiple skillsets and centralized dispatching are critical to  
6 success.

7 Q. What benefits will SJLP customers see from application of the UtiliCorp model?

8 A. UtiliCorp believes that in order to be successful, we must concentrate on the needs of our  
9 customers. We have established a Customer Care program that focuses on the core  
10 customer values of access, image, performance and results. Definition of these core  
11 values and our written commitment to our customers is detailed in Schedule SLP-2. In  
12 order to meet this commitment, it has been necessary to identify and develop a number of  
13 enabling systems.

14 UtiliCorp began this development process in 1995 and since that time has made  
15 significant investments to improve the reliability and responsiveness of our assets. A  
16 good portion of this investment was through our Project BTU ("Building Tomorrow's  
17 UtiliCorp") re-engineering effort. Through Project BTU, UtiliCorp has been upgrading  
18 its customer service capability across its service territories. Features include 24-hour per  
19 day and 7-day per week customer service center availability; billing and information  
20 systems designed and implemented to provide greater account detail and address Year  
21 2000 computer issues; new materials management systems; computer-aided dispatching  
22 that allows service technicians to operate more remotely and efficiently; a facilities

1 management and mapping enabler ("FAME") that provides automated mapping  
2 technology directly interfaced with systems operations; and additional technology  
3 advancements to improve communications and service to customers. Conversion of the  
4 newly merged properties to these systems will begin upon approval of this transaction  
5 and will enable more responsive customer service and efficient operations.

6 Q. Can you provide more details of the re-engineering projects?

7 A. All the re-engineered systems have either been implemented or are in their final stage of  
8 implementation. I will briefly summarize some of the major systems that will benefit our  
9 new customers.

10 **Customer Service Centers** - UtiliCorp receives almost 3 million inquiries each year  
11 from its customers. Creation of three customer service centers that have standardized  
12 processes, consistent technology and uniform training will make it easier for our  
13 customers to contact us and receive consistent service. One of these centers is located in  
14 Missouri, one in Nebraska and one in Michigan, thereby providing immediate back-up in  
15 the event of a system failure. These centers offer "first touch" solutions, with the  
16 objective of providing appropriate assistance on the first try to customers seeking  
17 information or assistance. Centers utilize standardized equipment and procedures with  
18 skills based routing of calls, thereby matching the call type with the employee's greatest  
19 skill, and are monitored for performance through specific measures.

20 **Computer Aided Dispatching** - enables UtiliCorp to centralize and automate the  
21 scheduling and dispatching of field work and streamline the order fulfillment process.  
22 Customer service representatives can access the work schedules and skillset of our field

1 crews and thereby make accurate scheduling commitments that fit the customers'  
2 schedule. Errors in scheduling are reduced substantially through automation and over  
3 500 field technicians' vehicles are equipped with mobile data terminals so they can  
4 receive work orders with account detail and changes without returning to a field office.  
5 UtiliCorp plans to use mobile computing to transmit and complete over 1.3 million  
6 customer service order per year while eliminating paper processing. This is particularly  
7 beneficial in the rural territories we serve where company personnel have to cover a wide  
8 geographical territory.

9 **Customer Information System** - enables the automation and integration of virtually  
10 every aspect of customer account management into a single system across the company.

11 This system increases the efficiency and accuracy of gathering meter data, calculating  
12 bills, provision of billing data, detailed revenue analysis and performance of credit and  
13 collection processes. Resolution of customer billing inquiries is enhanced through  
14 readily available information and greater account detail.

15 **Facilities Management and Mapping** - allows engineering, operations and other  
16 personnel to electronically view the existing systems, optimize design of system  
17 extensions, and model and analyze the system. The computer mapping interfaces with  
18 various systems which enables system analysis, outage reporting, and eventual project  
19 estimating and work scheduling.

20 **Financial Systems** - redesign of a standardized general ledger system integrated with  
21 other systems for on-line information uses the same platform as SJLP. This consistency

1 should ease the transition, maintain consistent information and enable us to implement  
2 uniform customer service oriented processes more rapidly.

3 Q. By standardizing work processes and systems among the companies, are you also  
4 indicating that operation of the distribution systems will be combined?

5 A. Yes. As indicated in the testimony of a number of other witnesses, generation will be  
6 jointly dispatched, the transmission assets will be operated as a single system, and  
7 enterprise support functions will be combined. Likewise, in order to take advantage of all  
8 synergies to the extent possible, distribution operations will be combined under my  
9 direction.

10 Q. Will system reliability be impacted by any of these changes?

11 A. No. The UtiliCorp and SJLP systems have all operated well above the norm in terms of  
12 service reliability. As a combined entity, UtiliCorp will strive to provide the quality and  
13 reliable service. We understand that our customers expect safe and reliable service and  
14 we are committed to meeting their expectations. To that end, we have established  
15 reliability performance metrics that are monitored and reported monthly to senior  
16 management.

17 Q. How do you plan to implement the changes necessary to combine these entities?

18 A. Transition teams have been formed to confirm synergies identified during our original  
19 due diligence reviews, identify additional opportunities and develop an implementation  
20 plan.

21 Q. As co-lead of the distribution transition teams, what are your responsibilities?



1 A. I have joint responsibility for all facets of the respective distribution transition teams. To  
2 help carry out that responsibility, we have created five sub-teams that are focusing on  
3 Network, Customer, Marketing and Sales, Supply Chain Management (purchasing,  
4 materials, fleet and facilities), and Community and Economic Development. Each of  
5 those groups, under the supervision of the co-leaders, will create a detailed work plan to  
6 create and implement a new process design and integrated operations. Their work  
7 includes development of work process flows, organization structure development,  
8 position identification, work force integration, identification of additional value added  
9 opportunities, and establishment of performance metrics. In her testimony in this  
10 proceeding, UtiliCorp witness Vicki Heider discusses more fully the transition planning  
11 process.

12 Q. What will be the impact on employees by the implementation of the recommendations of  
13 the transition team?

14 A. The greatest impact on employees will likely occur as a result of the combination of  
15 corporate and administrative activities with UtiliCorp's existing operations. As I  
16 indicated earlier, we anticipate that distribution operations will also be combined into one  
17 business unit with consistent processes. Some operational efficiencies are likely to be  
18 realized by improving work processes and eliminating duplicate activities.. However, we  
19 will still need the services of the vast majority of our field employees in order to deliver  
20 the level of safety, reliability and customer service that is expected. Moreover, while  
21 some positions may ultimately be eliminated, that does not equate to termination of  
22 employees. Impacted employees will be offered the opportunity and encouraged to apply

1 for other openings within UtiliCorp. Those unable to find employment within UtiliCorp  
2 or who choose not to relocate will be offered severance and out-placement assistance.

3 Q. Will employee benefits be reduced?

4 A. No. By terms of the agreement with SJLP, existing benefit plans will remain in place for  
5 a year. Then SJLP employees will be integrated into UtiliCorp's existing benefit plans.

6 The benefits information is discussed in detail in Mr. Brownings direct testimony.

7 Q. What will be the impact on St. Joseph and other communities currently served by SJLP?

8 A. There should be no adverse impact. Community and civic involvement along with  
9 economic development have long been important to UtiliCorp. We recognize the  
10 significant economic development and community support activities being provided by  
11 SJLP and are committed to continuing support for economic development and  
12 community activities in the future. In fact, our merger agreement with SJLP specifically  
13 states that UtiliCorp will maintain charitable contributions and economic development  
14 spending at no less than the current levels. A nine-member community advisory board  
15 will be appointed for the SJLP service territory. The board will meet quarterly with  
16 UtiliCorp representatives to guide our community support efforts in the SJLP service  
17 area.

18 Q. Do you have any final comments?

19 A. Yes. I truly believe this transaction is a win-win proposition. The merger will bring  
20 additional career opportunities and enhanced benefits for employees. And customers will  
21 receive the safe, reliable service they expect. As new processes are implemented, we  
22 should see stable or improved customer service. Since it is my understanding that

1 separate rate areas will be maintained, customers in the SJLP service territory will retain  
2 their relatively low rates and through synergies gained from the merger with UtiliCorp  
3 will realize lower rates in comparison to what they otherwise would have experienced  
4 without the merger.

5 Q. Does this conclude your direct testimony?

6 A. Yes, it does.

## Comparison of Distribution Operations

| <u>Category</u>                        | <u>UtiliCorp - Total</u> | <u>UtiliCorp - Missouri</u> | <u>SJLP</u> |
|--|--------------------------|-----------------------------|-------------|
| Electric customers                     | 365,000                  | 201,745                     | 62,000      |
| Gas Customers                          | 828,000                  | 48,379                      | 6,200       |
| Dist. Pole miles                       | 15,200                   | 6,344                       | 2,641       |
| Dist. Gas main                         | 22,879                   | 1,029                       | 189         |
| Employees                              | 2,900                    | 546                         | 348         |
| Elec. Distribution<br>O&M per customer | \$105.86                 | \$106.85                    | \$116.73    |

## CUSTOMER CARE

### CUSTOMER VALUES

|                    |  |
|--------------------|--|
| <b>Access</b>      | Convenient, simple, quick                  |
| <b>Image</b>       | Pleasant, professional, consistent         |
| <b>Performance</b> | Accurate, single contact point             |
| <b>Results</b>     | Commitments met, done right the first time |

### OUR COMMITMENT TO CUSTOMERS

- We will be convenient and easy to do business with.
- We will be pleasant and professional in conducting ourselves.
- We will offer consistent solutions; simple and easy to understand.
- We will strive to complete activities right the first time and to the best of our ability.
- We believe in and will offer you flexible choices.
- We will make you part of the solution.
- We will provide service at the best possible cost.
- We will continually value our relationship with you.
- We will respect your privacy.
- We will provide you the opportunity to be heard.

### CUSTOMER CARE EXAMPLES

- 95% of calls answered on the first attempt
- Customer menu options for bill due dates and payments
- Direct customer access to meter and billing information
- Flexible payment arrangements
- Schedule appointments to meet customer needs
- Provide timely and valuable information