

UTILICORP UNITED INC.

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

FILED³

JUN 26 2000

Missouri Public
Service Commission

In the matter of the Joint Application of)
UtiliCorp United Inc. and St. Joseph Light)
& Power Company for authority to merge)
St. Joseph Light & Power Company with)
and into UtiliCorp United Inc. and, in)
connection therewith, certain other related)
transactions)

Case No. EM-2000-292

UtiliCorp United Inc. and St. Joseph Light & Power Company Merger

Surrebuttal Testimony

June 26, 2000

ORIGINAL

Exhibit No.:
Issue: Customer Service
Witness: Stephen L. Pella
Sponsoring Party: UtiliCorp United Inc.
Case No.: EM-2000-292
Date Prepared: June 26, 2000

MISSOURI PUBLIC SERVICE COMMISSION
Case No. EM-2000-292

Surrebuttal Testimony

of

Stephen L. Pella

Jefferson City, Missouri

**SURREBUTTAL TESTIMONY
STEPHEN L. PELLA**

**UTILICORP UNITED INC.
CASE NO. EM-2000-292**

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**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
SURREBUTTAL TESTIMONY OF STEPHEN L. PELLA
ON BEHALF OF UTILICORP UNITED INC.
CASE NO. EM-2000-292**

1 Q. Please state your name and business address.

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

4 Q. Are you the same Stephen L. Pella that previously filed Direct Testimony in this case?

5 A. Yes.

6 Q. What is the purpose of your Surrebuttal Testimony?

7 A. The purpose of my Surrebuttal Testimony is to respond to the Rebuttal Testimony of the
8 Missouri Public Service Commission Staff ("Staff") and the Missouri Department of
9 Natural Resources ("MDNR") concerning recommended conditions to the proposed merger
10 related to service standards and energy programs. My Surrebuttal Testimony is organized
11 into the following sections:

- 12 • **Customer Service** – In this section I will respond to the rebuttal testimony of Staff
13 witnesses Deborah Ann Bernsen and J. Kay Niemeier by describing and discussing the
14 benefits of the Customer Care Program of UtiliCorp United, Inc. ("UtiliCorp"),
15 describing measures and benchmarks used to manage the performance of UtiliCorp's
16 Customer Service Centers (call centers), addressing Staff's suggestion that UtiliCorp be
17 required to report on its management of call centers including performance measures,
18 organizational charts and staffing levels, responding to suggestions by Staff that
19 UtiliCorp be monetarily penalized for not meeting Staff's recommended benchmarks

1 and addressing the Service Guarantee Program of St. Joseph Light and Power Company
2 (“SJLP”).

- 3 • **Electric Network Reliability** – In this section, I will respond to the rebuttal testimony
4 of Staff witnesses James L. Ketter, Deborah Ann Bernsen and Daniel I. Beck by
5 discussing the measures UtiliCorp uses for monitoring network reliability, explaining
6 the inconsistencies among utilities in data definition and reporting, describing
7 UtiliCorp’s process for collecting, analyzing and acting on reliability information,
8 addressing Staff’s suggestion that UtiliCorp be required to submit reports concerning
9 reliability, responding to suggestions by Staff that UtiliCorp be monetarily penalized for
10 not meeting Staff’s recommended benchmarks, and affirming UtiliCorp’s commitment
11 to maintain SJLP’s program for replacing gas yard lines. I will also respond to Staff
12 witness Anne M. Allee’s recommendation that UtiliCorp issue RFP’s for natural gas for
13 resale and conduct a peak design day study of the SJLP natural gas distribution system
- 14 • **Load Research** – In this section, I will respond to the rebuttal testimony of Staff
15 witness Lena M. Mantle and explain why the Commission should either accept or reject
16 recommendations made by Ms. Mantle with respect to load research.
- 17 • **Energy Efficiency and Assistance** – In this section, I will address issues raised by
18 MDNR witnesses Anita C. Randolph, Robert T. Jackson and Roger D. Colton with
19 respect to low income assistance and energy efficiency programs, as well as respond to
20 recommendations made regarding new programs as a condition to the merger being
21 approved.

Customer Service

Q. Do you agree with Ms. Bernsen's overview that suggests merging UtiliCorp and SJLP would lead to deteriorating customer service?

A. No. Each merger should be judged on its own merits and not be generally categorized with all others. Our operation in Missouri offers similar localized, easy access services like SJLP, with 12 local customer offices, community participation and strong customer values, and at the same time, also offer benefits that a larger organization can afford. These benefits include a 24-hour customer service center, consistent service order scheduling and a more robust Customer Information System ("CIS"). While both companies pride themselves on delivering quality customer service, I believe we can strengthen the overall customer service capability by joining together and implementing UtiliCorp's Customer Care Program, which focuses on the following 'Customer Values': Access – Image – Performance – Results.

Q. Can you explain in more detail UtiliCorp's "Customer Care Program"?

A. Yes. We have learned that customers value four main competencies of companies when conducting business. Customers want easy access when doing business, meaning flexible hours to meet all types of customer expectations. We offer 24-hour customer service through our toll-free centralized customer service center (call center) in Raytown, Missouri. Customers can start or stop service, schedule service orders, make payment arrangements, inquire about their account balance, obtain payment assistance agency information and deposit information and, of course, request emergency service - as well as receive responses to many other information inquiries. If the merger is approved, we will continue to maintain a local office open to customers during normal business hours

1 in St. Joseph, Missouri as well as other convenient payment station locations. The image
2 on which SJLP has built its reputation will continue through our commitment and capable
3 personnel who offer pleasant and professional service. This will not change as we intend
4 to maintain a customer office presence and staff with whom customers have been doing
5 business with for many years, as well as, other local customer service professionals. We
6 have committed to remain involved in community activities, civic organizations and to be
7 a solid corporate citizen. I believe that the performance of both companies has met the
8 expectations of customers for many years. It is our intention to continue and enhance that
9 level of service. Finally, we survey our customers each month based on the activity they
10 experienced when conducting business with us to validate the results of our performance.

11 Q. What new enablers has UtiliCorp deployed to strengthen the performance of its customer
12 service capabilities?

13 A. We have deployed several new enablers to help us meet and/or exceed those expectations
14 for the years ahead. Our new CIS system is operating and prepared for the 21st century,
15 offering more real-time information readily available at the fingertips of our Customer
16 Service Associates to resolve customer inquiries during the initial contact, a new
17 scheduling system to schedule customer visits while on the phone with the customer to
18 meet their needs/requirements and a Computer Aided Dispatch system ("CAD") to ensure
19 the work scheduled with the customer was met. Our customer service training curriculum
20 focuses on all core values to enable our employees to deliver the quality service that our
21 customers expect and deserve.

22 Q. Ms. Bernsen's testimony recommends UtiliCorp periodically provide to the Staff
23 performance indicators, as well as, an annual report. The proposed indicators are:

- 1 • Call Center Abandoned Call Rate (ACR), including call volumes
- 2 • Call Center Average Speed of Answer (ASA)
- 3 • Call Center Staffing Levels of both centers during transition to one center

4 Q. How do you respond?

5 A. I disagree with this recommendation.

6 Q. Why?

7 A. It is UtiliCorp's obligation to deliver quality service to all customers and manage the
8 business by utilizing all available data and monitoring tools, while taking into account
9 customer feedback. The information we use to manage the level of customer service
10 provided is available for inspection at anytime upon request by the Commission. We
11 have a solid track record of providing quality service in Missouri for more than 80 years.
12 Customer surveys conducted by a 3rd party vendor for Missouri Public Service ("MPS")
13 customers indicate a 94% satisfaction rating. Further evidence of quality service has been
14 demonstrated over the last three years by a downward trend in the number of customer
15 complaints received by the Commission, as indicated by Staff witness, while the overall
16 number of customers served has increased.

17 Q. Do you agree with Ms. Bernsen's recommendation requiring remedial procedures?

18 A. In principle only. UtiliCorp has demonstrated this over the years by managing our
19 customer service operation effectively and responding to our customers needs. We have
20 invested significantly to improve our processes and ability to serve customers with
21 multiple options by incorporating new technologies (CIS – CAS – CAD - ITRON),
22 extending hours of service (24 X 7 Call Center), deploying additional pay stations and

1 conducting monthly customer surveys to gain insight and knowledge about the service we
2 provide so we can react quickly to customer feedback. A Commission order requiring
3 procedures is not warranted or necessary because actions to improve performance are the
4 foundation of our management philosophy and responsibility.

5 Q. Are there any other specific issues you will address in this section of your surrebuttal
6 testimony?

7 A. Yes. I will respond to several of the points made by Staff witness Deborah Ann Bernsen
8 concerning customer service satisfaction surveys and complaints/inquiries received by the
9 Commission.

10 Q. Do you agree with the Staff's recommendation that SJLP and MPS customers continue
11 to be surveyed and tracked separately?

12 A. No. The transactional survey currently conducted on a monthly basis by SJLP is very
13 similar to the survey UtiliCorp utilizes. Continuing the SJLP survey would be a duplicate
14 effort. I believe we can use one survey instrument and measure customer satisfaction for
15 both customer groups using identical criteria with results available for review upon
16 request by the Commission. UtiliCorp would continue to use a third party contractor to
17 conduct a monthly telephone survey based on transactional events with customers during
18 the previous month. Survey categories are: Connect Service, Payment Arrangements,
19 Billing and Image. The detailed questioning in these four main areas includes questions
20 such as: "Did you have difficulty contacting us?" "Was the associate who took your
21 request pleasant and professional?" "Did we schedule your appointment when you
22 wanted?" "Did the associate clearly explain the various payment options?" "Did the
23 technician arrive on time for your appointment?"

1 Q. What benchmark does UtiliCorp target in its operational goals concerning customer
2 surveys?

3 A. UtiliCorp has set a benchmark of 90% satisfaction. MPS has been surveying customers
4 since late 1996 in the area of connect service and has maintained a 97% satisfactory
5 rating. In April 2000, MPS began surveying customers in all four areas listed above.
6 April and May survey results averaged 94% overall satisfaction. Our customer service
7 department is focused and prepared to incorporate the SJLP customer base into the
8 UtiliCorp customer family.

9 Q. Do you agree that the Commission should continue to track and monitor complaints
10 received from both SJLP and MPS?

11 A. Yes. I support the continuation of this initiative to track and monitor complaints for both
12 the MPS and SJLP service areas. UtiliCorp also tracks customer complaints and follows
13 up on all inquires/complaints to resolve issues and improve processes in order to reduce
14 the likelihood of the same issue arising again. This is an important part of quality
15 customer service.

16 Q. What measures does UtiliCorp regularly track with respect to its call center performance?

17 A. UtiliCorp tracks the following performance measures:

18 **ACR** (Abandoned Call Rate) - Defines the percentage of telephone calls that are
19 terminated after being placed in the network queue when contacting our call center.

20 **ASA** (Average Speed of Answer) - Defines the number of seconds a caller waits before a
21 Customer Service Associate answers the call.

22 Q. Do UtiliCorp and SJLP use the same method to calculate ACR?

1 A. No. UtiliCorp's calculation is the number of calls received minus the number of calls
2 answered divided by the number of calls received. SJLP subtracts the number of
3 "immediate hang-ups" from the total number of calls before the ACR is calculated.

4 Q. What impact does the different method of calculation have on the measure itself?

5 A. The level of immediate hang-ups at SJLP was 8% and 9.1% (for 1998 & 1999,
6 respectively). As UtiliCorp's ACR calculation includes immediate hang-ups, we have
7 recalculated SJLP's ACR using the UtiliCorp method. The table below depicts the
8 UtiliCorp ACR, SJLP's ACR and SJLP's ACR recalculated using the UtiliCorp method.

9 ACR

	UtiliCorp	SJLP	SJLP (using UtiliCorp's method)
1997	13.5%	NA	NA
1998	8.0%	4.26%	12.26%
1999	10.2%	4.07%	13.08%

10 Q. Why does SJLP subtract immediate hang-ups when calculating its ACR?

11 A. Due to the method of implementation of their Voice Response Unit ("VRU"). SJLP has
12 implemented a back-end VRU in which the calls are initially routed to a call
13 representative and only routed to the VRU when all call representatives are busy. It is
14 assumed that the customers have become accustomed to this process and many hang-up
15 once they hear the VRU, knowing they can call again to attempt to reach a live call
16 representative.

1 Q. What is the expected result once the SJLP customer calls are taken by the UtiliCorp call
2 center?

3 A. UtiliCorp has implemented a front-end automated prompter that allows customers to
4 select one of five call categories. Upon making a selection, customers are provided an
5 expected wait time (if the wait time is greater than 60 seconds) and then are connected
6 with the appropriate customer service associate. We believe that once the SJLP
7 customers become accustomed to the new process, the immediate hang-ups will decrease.
8 Thus, the ACR for SJLP customers (as calculated using the UtiliCorp method) will
9 decrease.

10 Q. Are there any other differences in UtiliCorp's systems that may impact ACR for the SJLP
11 customers?

12 A. Yes, UtiliCorp's automated voice recording announces an expected wait time to the
13 caller, when the expected wait time is longer than 60 seconds. The customer can now
14 make an informed decision to wait or choose to call back during a less busy time.

15 Q. Does UtiliCorp and SJLP use the same method to calculate ASA?

16 A. No. While UtiliCorp does measure and track an ASA statistic, the SJLP method is quite
17 different. SJLP has a daily report that measures the number of calls answered within 10
18 seconds, 20 seconds, 30 seconds, 40 seconds, 50 seconds and 60 seconds. This report is
19 printed each day, and then deleted from the computer system. SJLP does not maintain
20 cumulative statistics of this measure.

21 Q. What benchmarks does UtiliCorp use for Call Center measures of ACR and ASA?

22 A. UtiliCorp uses an ACR benchmark range of 5% - 10% and an ASA benchmark range of
23 15 - 60 seconds. These ranges were determined by reviewing service levels within the

1 industry. In determining the service levels, our objective was to establish high-quality
2 customer service, while maintaining efficient and effective customer service center
3 operations.

4 Q. Why does UtiliCorp use ranges for these benchmarks rather than specific numbers?

5 A. We are implementing significant change management initiatives in our Raytown call
6 center environment including conversion to our new customer information system,
7 handling additional customer growth through the call center, incorporating process
8 standardization and incorporating the corresponding high volume of training activity.

9 Q. Will UtiliCorp continue to use ranges for these benchmarks?

10 A. Yes. We will continue to use ranges for these measures until the call center environment
11 is further stabilized.

12 Q. How will UtiliCorp use the ACR and ASA measures if the merger is approved?

13 A. We will monitor service levels and projected call volumes daily/monthly to track
14 performance. We will review processes for potential improvement, evaluate technology
15 opportunities, and adjust staffing to provide coverage for projected long-term increases in
16 call volume.

17 Q. How can the Commission and Staff obtain ACR and ASA information from UtiliCorp if
18 the merger is approved?

19 A. ACR and ASA data, as well as, access to call center support and operating personnel is
20 available by request at any time from UtiliCorp. Moreover, this data is available through
21 any audit the Commission might conduct from time to time.

22 Q. Does UtiliCorp plan to report as has been suggested by the Staff?

1 A. No. Given the data is available through both requests and audits, an additional formal
2 reporting requirement is not necessary.

3 Q. Are you familiar with SJLP's Service Guarantee Program?

4 A. Yes. SJLP provides four service guarantees in the areas of customer appointments, new
5 customer meter sets, new service on existing meters and area light installations. Each
6 guarantee is backed by a \$25 per incident account credit.

7 Q. Does UtiliCorp plan to continue SJLP's service guarantee program?

8 A. No, we feel that the service levels outlined above in their program are consistent, and in
9 some cases nearly identical, with our current levels of customer service and commitment.
10 We have the systems and processes in place to support the same level of service and
11 commitment as outlined in the SJLP program.

12 Q. What processes and systems does UtiliCorp have to assure this?

13 A. We use a scheduling system called Customer Appointment System ("CAS") that enables
14 an up-front solution for the customer when scheduling service orders. Pending
15 completion of a feasibility study, we are planning to move forward in the SJLP area on
16 implementing our CAD (Computer Aided Dispatch) system, which allows us to monitor
17 and manage service orders and field personnel on a real time basis in order to meet
18 customer commitments. We also use an automated network request process, which
19 allows for a streamlined and efficient hand-off and tracking of construction inquiries and
20 requests from the call center to our field offices. Once the request becomes a job order, it
21 will be tracked through the work management system (currently being implemented),
22 which will provide scheduling and tracking of construction work.

Electric Network Reliability

1

2 Q. What measures does UtiliCorp regularly track with respect to the reliability of its electric
3 distribution network?

4 A. UtiliCorp tracks the following primary reliability measures:

5 **SAIDI** (System Average Interruption Duration Index) - Defines the average interruption
6 duration per customer served per year.

7 **SAIFI** (System Average Interruption Frequency Index) - Defines the average number of
8 times a customer's service is interrupted during a year.

9 **CAIDI** (Customer Average Interruption Duration Index) - Defines the average
10 interruption duration for those customers interrupted during a year.

11 Q. Will UtiliCorp maintain SAIFI, SAIDI, and CAIDI separately for SJLP and MPS after
12 the merger?

13 A. Yes.

14 Q. Are the definitions of these indices and what constitutes an interruption consistent
15 throughout the industry?

16 A. The indices are defined by the Institute for Electrical and Electronics Engineers ("IEEE")
17 and are primarily consistent throughout the industry. However, the definition of what
18 constitutes an interruption for inclusion in these indices is not consistent.

19 Q. Please explain.

20 A. There are basically two types of interruptions; permanent and momentary. Some utilities
21 include both types in their SAIDI, SAIFI and CAIDI measures while others do not. Some
22 utilities choose to normalize or not include large outages due to extreme events beyond
23 their control such as tornadoes, ice storms and work stoppages. Some utilities report

1 planned outages (outages caused by the need for the utility to remove a piece of
2 equipment from service or perform maintenance safely) and others do not. In addition,
3 the length of an outage that is tracked varies widely. For instance, some utilities do not
4 track an outage unless it lasts longer than a specific length of time such as one minute,
5 five minutes or ten minutes.

6 Q. What is the distinction between a permanent and momentary interruption?

7 A. UtiliCorp defines a permanent interruption as an outage lasting longer than one minute
8 and requiring human intervention to restore service. A momentary interruption is one in
9 which protective equipment interrupts service due to a faulting condition or problem on
10 the network and automatically restores service when the fault has cleared. Momentary
11 interruptions are typically called "blinks" and are extremely short in duration (i.e.
12 typically less than one minute).

13 Q. Do UtiliCorp and SJLP have the same definition of the interruptions that are tracked and
14 reported in the respective company's reliability measures?

15 A. No. UtiliCorp calculates reliability measures by including all permanent customer
16 interruptions over one minute requiring human intervention to restore service. SJLP
17 includes all permanent customer outages, as well as, momentary interruptions (automatic
18 operations of protective equipment).

19 Q. What impact does the different reporting philosophy have on the measures themselves?

20 A. By including momentary interruptions in their data, SJLP frequency indices are generally
21 higher than UtiliCorp's. However, their outage duration indices are generally shorter than
22 UtiliCorp's (i.e. the outages appear to be shorter in duration).

23 Q. How will UtiliCorp use the reliability indices if the merger is approved?

1 A. UtiliCorp will follow the same process that it currently uses for its Missouri, Kansas and
2 Colorado electric operations if the merger is approved. Local field managers review
3 reliability reports keying on specific pieces of the network that are outside the benchmark
4 of performance. These pieces of the network, typically circuits or smaller laterals, are
5 then investigated in the field to determine the causes of poor reliability. Once the causes
6 are determined, appropriate steps - including required investment - are taken to move
7 performance to the benchmark.

8 Q. What role does engineering play in reliability management?

9 A. Engineering Services evaluates trends in reliability data to identify major causes of
10 outages (i.e. lightning, equipment failure, trees, etc.). Steps are then taken to make
11 changes in construction and/or operating standards or equipment to improve long-term
12 system performance.

13 Q. What other steps is UtiliCorp planning to implement to manage and improve reliability?

14 A. Engineering Services is presently evaluating a proposed new Engineering position titled
15 System Performance / Reliability Engineer. The main focus of this position would be the
16 efficient deployment of resources to improve system reliability across all states where
17 UtiliCorp owns and operates electric distribution facilities. The Company is also in the
18 process of implementing a high volume call answering system that will be tied to our
19 automated mapping and facilities management system (AM/FM). These systems will
20 enable UtiliCorp to determine more quickly where outages have occurred, particularly
21 during storm situations. Coupled with an interface to UtiliCorp's customer information
22 system, a more accurate count of the number of customers impacted can be generated,
23 thereby improving the accuracy of the indices themselves.

1 Q. How can the Commission and Staff obtain reliability information from UtiliCorp if the
2 merger is approved?

3 A. Reliability data and indices as well as access to technical and operating personnel, are
4 available by request at any time from UtiliCorp. Moreover, this data is available through
5 any audit the Commission might conduct from time to time.

6 Q. Does the company plan to submit this information on a regular basis and in a formal
7 report as has been suggested by the Staff?

8 A. No. Given the data is available through both requests and audits, an additional formal
9 reporting requirement is unnecessarily burdensome.

10 Q. Would UtiliCorp be willing to participate in a forum of electric utilities in an effort to
11 develop a standard and consistent set of definitions and criteria for reportable outages and
12 extreme events outside of the utility's control?

13 A. Yes.

14 Q. Does UtiliCorp agree with the Staff's recommendation to give credits to customers when
15 indices are unfavorable compared to established performance indicators?

16 A. No. There are many factors that may impact reliability beyond the company's control.
17 Moreover, UtiliCorp takes proactive steps to manage and improve reliability as described
18 above. If penalties are to be applied, the Commission should establish consistent
19 definitions and reporting procedures for all Missouri electric utilities rather than
20 UtiliCorp only.

21 Q. Will UtiliCorp honor the commitment between SJLP and the Commission Gas Safety
22 Staff regarding the replacement of 162-yard lines if the merger is approved?

1 A. Yes, UtiliCorp will replace all 162-yard lines on or before January 1, 2005, as per the
2 agreement.

3 Q. Will UtiliCorp issue requests for proposal ("RFP's") for natural gas for resale which
4 include price ceilings, price floors, fixed prices and index pricing and provide
5 documentation of analysis of these bids to Staff as part of the annual ACA audit process
6 as recommended by Staff witness Anne M. Allee?

7 A. Yes.

8 Q. Staff witness Allee also recommends that UtiliCorp conduct a peak design day study of
9 the SJLP natural gas distribution system to be completed 90 days after the effective date
10 of the Commission's Report and Order adopting the merger of UtiliCorp and SJLP. How
11 do you respond?

12 A. UtiliCorp will conduct a peak design day study of the SJLP natural gas distribution
13 system and subject to data availability, the study will be completed within 90 days of the
14 Commission's Report and Order.

15 **Load Research**

16 Q. In what areas do you agree with Staff witness Lena M. Mantle regarding load research at
17 SJLP and UtiliCorp?

18 A. First, Ms. Mantle praises SJLP for their excellent load research program. UtiliCorp
19 agrees that SJLP has an excellent load research program. Second, Ms. Mantle
20 recommends that the SJLP territory be treated separately from the MPS service territory
21 for load research purposes. UtiliCorp agrees that as long as MPS and SJLP have separate
22 rate structures, it would be best to treat the territories separately for load research
23 purposes.

1 Third, Ms. Mantle recommends that the MPS load research program be in-sourced and
2 that the contract with our current vendor be discontinued. It is our plan to bring the load
3 research program in-house and discontinue the contract with our vendor once all the
4 needed systems, such as data collection, are in good working order.

5 Q. Are there other areas in which you agree with Ms. Mantle?

6 A. There is one other area in which UtiliCorp agrees in principle with Ms. Mantle and that is
7 the recommendation for quality control and checks and balances. UtiliCorp believes that
8 Ms. Mantle's desired outcomes are good. However, we disagree that this docket is the
9 appropriate place in which to determine the definition of quality and acceptable checks
10 and balances necessary for a good load research program. Instead, UtiliCorp
11 recommends the Commission allow staff to set up a work group representing all electric
12 utilities that will be affected by these standards. This work group should be tasked with
13 developing a variety of definitions, including standards for:

- 14 • timeliness,
- 15 • precision/accuracy,
- 16 • quality,
- 17 • checks and balances, and
- 18 • time duration for statistical validity

19 Q. In her testimony, Ms. Mantle mentions some dissatisfaction with the load research data
20 she received from MPS. Can you comment on that?

21 A. Yes, Ms. Mantle mentions some dissatisfaction with the MPS load research data she
22 received in the past.

1 Q. Have there been changes made to the Load Research program at UtiliCorp that may allay
2 Ms. Mantle's concerns?

3 A. Yes. Over the past three years, UtiliCorp has made significant changes in its load
4 research program that have strengthened the program.

5 Q. What changes have been made to strengthen the load research program at UtiliCorp?

6 A. UtiliCorp has made a strong commitment to its load research program. UtiliCorp
7 dedicated staff to manage its load research contract with its consultant, Quantum
8 Consulting of Berkeley, California, and to be accountable for quality results. Their
9 charge is also to assess the data collection needs of UtiliCorp and to develop and execute
10 plans that meet industry standards of precision and accuracy. In Missouri, efforts have
11 focused on cleaning up old studies and preparing for new ones. A new Missouri sample
12 was drawn for residential and commercial customers. More than 500 new meters were
13 purchased and the programming has been completed. Installation is expected to begin in
14 conjunction with the installation of the new Itron hand-held meter reading system in late
15 Summer/early Fall of 2000. The new meters have redundancy features that can be used
16 to ensure the results are "reasonable." In addition to the above, UtiliCorp load research
17 staff are managing the load research contract for quality results, including ensuring
18 missing data is immediately identified and corrected using acceptable industry
19 methodologies. And finally, UtiliCorp's proposal to bring MPS' load research in-house
20 affirms this level of this commitment.

21 Q. Are there areas in which you disagree with Ms. Mantle's testimony?

1 A. Yes. First, Ms. Mantle recommends SJLP's load research program be maintained at its
2 current standard of timeliness and quality. As stated before, UtiliCorp believes that this
3 standard should be determined in the work group rather than in this docket.
4 Second, Ms. Mantle recommends UtiliCorp maintain the SJLP program with a specific
5 staffing level. UtiliCorp believes the Commission should hold UtiliCorp accountable to
6 produce quality results without specifying the level of load research staff.
7 Finally, Ms. Mantle recommends that UtiliCorp be required to provide hourly class load
8 data for both the SJLP and MPS service territories and that load research data be
9 available on an "on-going" basis. UtiliCorp intends to manage its load research program
10 to ensure that quality load research data is available for appropriate business uses, such as
11 transformer/equipment sizing, outage or usage monitoring, power quality studies, power
12 factor determination and billing. UtiliCorp further intends to have quality load research
13 data for rate case analysis. Any requirement to provide load research data on an on-going
14 basis does not take into account the tradeoff between expense and accuracy and would be
15 unnecessarily costly.

16 **Energy Efficiency and Assistance**

17 Q. How do you summarize the testimony of Roger D. Colton on behalf of the MDNR?

18 A. Mr. Colton's testimony identifies a new class of customer – low-income consumers. He
19 argues that the typical low-income consumer has special needs that should qualify the
20 "class" for a larger portion of the benefits of UtiliCorp's merger with SJLP and which
21 necessitate the establishment of new services.

22 Q. Does Mr. Colton identify specific characteristics that define the low-income consumer
23 class?

1 A. Mr. Colton admits that characteristics vary among low-income consumers. He states that
2 some low-income consumers have above-average consumption while most are below
3 average users. He agrees that many have credit problems while others do not. Mr.
4 Colton suggests that low-income users may make greater use of the utility's customer
5 service and billing services. However, his overarching criteria for inclusion in this class
6 are the fairly broad definition of a customer whose household income is at some
7 percentage of the federal Poverty Level. Mr. Colton does not specifically state whether
8 he has used 100%, 150%, 200% or some other percentage of the federal Poverty Level to
9 qualify as a low-income utility consumer. However, he estimates that about 23% of
10 UtiliCorp/SJLP customers are low-income.

11 Q. Do you agree that a new low-income consumer class should be established for
12 ratemaking purposes?

13 A. Not in the context of this proceeding. Mr. Colton readily admits that the typical low-
14 income consumer places greater demands on the utility through more frequent payment
15 troubles, more utility personnel contact requirements and more bill paying information.
16 All of these services come at a cost to the utility. At the same time, Mr. Colton points out
17 that low-income users typically consume less energy than the average residential
18 customer. Thus, as a class, they would generate less revenue while requiring a higher
19 cost level of service.

20 In the establishment of rates, standard rate design treatment matches revenue requirement
21 determination with cost causation by class. Past cost of service studies performed by
22 MPS have shown that there are rate subsidies from the commercial to the residential
23 class. There has never been a separate cost of service study conducted segregating low-

1 income consumers from other residential customers. However, based on Mr. Colton's
2 testimony, it is likely that had such residential class segregation taken place, other
3 residential customers would be found to be currently subsidizing low-income consumers
4 as well. In other words, all other things being equal, a class cost of service study
5 performed today segregating low-income consumers would result in a sizeable increase in
6 low-income consumer rates. Mr. Colton desires to not only maintain the existing
7 subsidies to low-income consumers from commercial customers and other residential
8 customers, but also to extend that subsidy through his proposed allocation of benefits.

9 Q. Is subsidization between one customer and another appropriate?

10 A. As long as there are defined classes, there will be some form of subsidy. No two
11 customers' usage patterns or service requirements are the same. In order to be
12 manageable, however, separate prices cannot be set for every individual customer.
13 Therefore, from a cost of service standpoint, some customers will always subsidize
14 others. Reduction of this potential for disparity is why classes of customers are defined
15 based upon their specific characteristics and why cost of service studies are performed.
16 Within the context of rate setting, requiring one class to subsidize another is not
17 necessarily right or wrong. It simply amounts to social policy that takes place outside the
18 normal legislative process. Rates can be purposely designed with a built-in class subsidy.
19 This Commission may well intend to maintain the existing low-income subsidies, or as
20 Mr. Colton suggests, increase them. Still, this is not the proper forum to make class
21 subsidy adjustments. Any such action should be developed within the context of an
22 overall rate review and full cost of service study.

1 Q. What justification does Mr. Colton raise to support his suggestion of increased low-
2 income subsidies?

3 A. Mr. Colton suggests that the proposed merger could harm some SJLP low-income
4 consumers. He supports this contention by suggesting that increased size and
5 standardization will lead to less local focus, lower flexibility, less personal contact and
6 higher utility charges.

7 Q. Do you agree with this assessment?

8 A. No. While we do intend to introduce standard billing and payment processes, these
9 processes provides for significant flexibility. Moreover, the local office in St. Joseph will
10 be maintained with adequate staffing levels so there should be no decline in local focus or
11 personal contact. Finally, the existing SJLP rate tariffs and rules and regulations will
12 continue in force following the merger.

13 Q. Mr. Colton says that he has reviewed customer newsletters from other UtiliCorp states
14 and that no local information was provided about how to contact local agencies or service
15 providers. Is that correct?

16 A. Our newsletters always contain a UtiliCorp contact number from which customers can
17 obtain information about local agencies and services that are available.

18 Q. Mr. Colton suggests that he contacted UtiliCorp through more than one phone call and
19 did not receive information about local private energy assistance funds. How do you
20 respond?

21 A. I do not know the specific questions that Mr. Colton asked our employees. However,
22 each customer associate has a listing of assistance agencies by state available to them via
23 our computer system ATLAS. This information is updated annually and identifies the

1 agency name by city and county along with the address and phone number. Our
2 associates are trained in the use of this information and should be able to identify the
3 social agencies available for our customers. Moreover, if the customer is in the St.
4 Joseph service territory, our customer associates can put them into contact with a
5 customer service associate in the St. Joseph office.

6 Q. Mr. Colton indicates that UtiliCorp standardized payment plans will preclude the ability
7 to respond to unique situations. Do you agree with that statement?

8 A. No. If the merger is approved, UtiliCorp's standardized process to initiate collection
9 activity is less strict than SJLP's. SJLP initiates disconnection activity when a customer
10 has arrears of \$10 in 90 days. UtiliCorp's disconnection activity begins when a customer
11 has arrears of \$100 or greater in 61 or more days or any arrears of \$50 or greater in 91 or
12 more days.

13 Q. Mr. Colton says that incomes are lower in the SJLP service territory than in UtiliCorp's
14 Missouri territory and he points out that UtiliCorp's existing rates are higher than those of
15 SJLP. He concludes that the combination of low-incomes and high rates will create a
16 higher incidence of payment troubles. Do you agree?

17 A. No. Since SJLP tariffs will stay in effect after the merger and a separate rate territory will
18 be maintained in the future, the fact that UtiliCorp's Missouri rates are currently higher
19 than SJLP's has no bearing on current SJLP customers. Higher MPS rates will not
20 impact SJLP customers and thus cannot create a higher incidence of payment troubles.

21 Q. Besides increasing the allocation of merger benefits to the low-income consumer class, as
22 Mr. Colton made any other recommendations?

1 A. Yes. Mr. Colton has suggested instituting a number of programs and/or expenditures that
2 he believes will benefit low-income consumers. These include a solar energy program,
3 an outreach program, a base load and space heating electric energy efficiency program, a
4 periodic survey, and a new performance reporting systems.

5 Q. What is UtiliCorp's position regarding these recommendations?

6 A. UtiliCorp is willing to discuss each of these programs with the Staff, the MDNR, the
7 Public Counsel and other interested parties. Some of these programs may be found to be
8 duplicative of existing programs, to establish new energy development priorities or to
9 establish new social programs that may or may not be in alignment with the view of this
10 Commission. It is clear that each of the programs will bear a cost, some of which would
11 be substantial, and a clear determination of cost recovery and cost assignment should be
12 made. Because of these uncertainties, we do not believe that these recommendations
13 should be a condition of merger, but should await a dedicated review by this
14 Commission.

15 Q. Is UtiliCorp committed to providing low cost or no cost weatherization assistance to low
16 income residential customers, supporting cost effective energy efficiency programs, and
17 developing alternative and renewable energy resources in the event the proposed merger
18 is approved.

19 A. UtiliCorp is currently providing low cost or no cost weatherization assistance to low-
20 income residential customers and supports several programs that promote energy
21 efficiency in Missouri. UtiliCorp plans to continue support of those programs in the
22 future. UtiliCorp recently introduced renewable wind energy to Missouri customers and
23 will continually look for opportunities to introduce renewable energy in the future.

1 Q. What specific types of programs related to energy efficiency does UtiliCorp currently
2 support?

3 A. UtiliCorp is part of the Department of Energy's ("DOE") Motor Challenge program
4 promoting high efficiency motors and motor systems to our commercial and industrial
5 customers. We also provide residential finance programs to finance condensing units and
6 heat pumps - the majority of which average 11 to 12 Seasonal Energy Efficiency Ratio
7 ("SEER") well above the national average of 10 SEER. A program called Technical
8 Partners has been established with companies that produce high efficiency end use
9 equipment for commercial and industrial applications whereby UtiliCorp brings together
10 its customers with these partners. UtiliCorp also provides energy audits to residential,
11 commercial and industrial customers thereby aiding them in identifying ways to improve
12 their energy efficiency.

13 Q. What types of low-cost or no-cost weatherization programs does UtiliCorp currently
14 provide to low-income customers?

15 A. UtiliCorp provides funding to community action agencies in our service territory for
16 specific energy efficient electric measures such as compact fluorescent lights, home
17 insulation, devices to reduce domestic hot water consumption and other cost effective end
18 use equipment. Funds are provided when electric energy efficient measures have been
19 installed.

20 Q. Is UtiliCorp interested in establishing a partnership with the Missouri Energy Center and
21 others to market and leverage funds for the development of energy-efficiency programs,
22 design and implementation of additional low income weatherization service assistance
23 programs and renewable/alternative energy resources?

1 A. UtiliCorp would be willing outside of this merger proceeding to discuss with the DNR
2 Energy Center along with the Commission the concept of the proposed partnership and
3 the possible methods for funding these programs.

4 Q. Why are only low-income electric customers eligible under UtiliCorp's current Low
5 Income Weatherization Program as indicated by MDNR witness Robert T. Jackson?

6 A. UtiliCorp's Low Income Program was developed and implemented as a result of a Joint
7 Agreement in 1998 between UtiliCorp, Staff and Public Counsel with regards to
8 UtiliCorp's Electric Resource Plan. The requirements of this Joint Agreement addressed
9 only electric customers of UtiliCorp United in Missouri. UtiliCorp has complied with the
10 stipulations as outlined in the Joint Agreement. Any change to that Joint Agreement
11 should be done outside of this merger proceeding. UtiliCorp would be willing to discuss
12 any possible changes, outside this merger proceeding, along with funding through rates
13 and other issues such as rate recovery. UtiliCorp would be willing to discuss partnering
14 with Missouri Gas Energy and any other gas utilities, in an effort to increase participation
15 in the Low Income Program.

16 Q. Is UtiliCorp implementing all cost effective measures in its current low-income
17 weatherization program?

18 A. Yes.

19 Q. What other programs has UtiliCorp developed to demonstrate its concern for low-income
20 customers?

21 A. In the early 1980's, the MPS division of UtiliCorp created its Energy Aid program.
22 Energy Aid is designed to provide a source of funds to help low-income customers pay
23 energy-related expenses. Through this program, the company gives its customers the

1 opportunity to contribute to the Energy Aid fund. For several years, the company's
2 customers have averaged contributions of about \$25,000 each year. MPS provides a
3 financial match for the first \$25,000 of customer contributions each year.
4 MPS has arranged with the Mid-America Assistance Coalition ("MAAC"), based in
5 Kansas City, to administer the program throughout the company's Missouri service area.
6 Funds collected from customers and the company matching contribution are forwarded to
7 MAAC. MAAC works with local community action and social service agencies to
8 distribute funds to qualified customers in all the areas served by MPS. The customers
9 may use the funds to pay natural gas or electric service bills or for emergency repair of
10 heating equipment.

11 To be eligible for Energy Aid, the applicant's income must be below 150 percent of the
12 poverty level and meet at least one of the following criteria:

- 13 • Be 60 years of age or older.
- 14 • Be permanently or temporarily disabled to the extent they are a qualified SSI
15 recipient.
- 16 • Be in a household with a child.
- 17 • Have no other obvious resource for assistance.
- 18 • Be a residential customer of MPS, have a delinquent residential energy bill and be
19 threatened with termination of that energy supply.
- 20 • Have eligibility determined and verified through MAAC.

21 MPS currently is in a transition phase due to the conversion to the new customer
22 information system. However, MPS has made the commitment to provide \$25,000 in

1 funding to the program this year regardless of the amount contributed by customers.

2 MPS currently includes envelopes with its statements two times a year that customers can
3 use to return contributions for energy assistance. The envelope mailing in February,
4 2000, brought in \$1,095 to date in Missouri. MPS is exploring ways to increase the level
5 of contributions from customers in the future.

6 Q. How much funding did MAAC distribute from MPS's Energy Aid program in 1999 and
7 what types of customers received this aid?

8 A. During 1999, MAAC distributed \$46,834 from MPS's Energy Aid fund to low-income
9 customers. Of this amount, \$15,689 went to customers in the Kansas City metropolitan
10 area and \$31,145 went to customers outside the metropolitan area. MAAC worked
11 through the Community Service League, United Services of Clay County and Platte
12 County, Green Hills Human Resources Center, Missouri Valley Human Resources and
13 West Central Missouri Development Corporation to distribute funds to qualified
14 recipients. Energy Aid funds helped households containing 508 children, 386 adults and
15 16 seniors – a total of 920 persons – remain in their homes with utility service during
16 times of financial need.

17 Q. Does SJLP have a similar energy assistance program?

18 A. Yes, it does. The SJLP program is called Energy Assistance and also was started in the
19 early 1980s. It is administered through the United Way of St. Joseph. SJLP's customers
20 have contributed an average of \$4,000 to \$6,000 per year over the past four years. SJLP
21 contributes at least \$5,000 to the program each year.

22 Q. Does this conclude your testimony?

23 A. Yes.

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

In the Matter of the Joint Application of)
UtiliCorp United Inc. and St. Joseph)
Light & Power Company for Authority to)
Merge St. Joseph Light & Power Company)
with and into UtiliCorp United Inc., and,)
in Connection Therewith, Certain Other)
Related Transactions.)

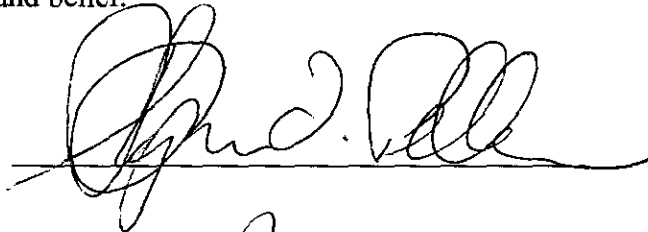
Case No. EM-2000-292

County of Jackson)

State of Missouri)

AFFIDAVIT OF STEPHEN L. PELLA

Stephen L. Pella, being first duly sworn, deposes and says that he is the witness who sponsors the accompanying testimony entitled surrebuttal testimony; that said testimony was prepared by him and or under his direction and supervision; that if inquiries were made as to the facts in said testimony and schedules, he would respond as therein set forth; and that the aforesaid testimony and schedules are true and correct to the best of his knowledge, information, and belief.



Subscribed and sworn to before me this 19th day of June, 2000.


Notary Public

My Commission expires:
Deborah Riley Riggs
Notary Public, State of Missouri
County of Jackson
My Commission Exp. 07/28/2001

