

Exhibit No.:
Issue: Customer Service
Witness: Stephen L. Pella
Sponsoring Party: UtiliCorp United Inc.
Case No.: EM-2000-369
Date Prepared: September 6, 2000

MISSOURI PUBLIC SERVICE COMMISSION
Case No. EM-2000-369

Supplemental Surrebuttal Testimony

of

Stephen L. Pella

Jefferson City, Missouri

Exhibit No. 28
Date 9-13-00 Case No. EM-2000-369
Reporter MT

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

CASE NO. EM-2000-369

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 and surrebuttal testimony in
5 this case?

6 A. Yes.

7 Q. What is the purpose of your supplemental surrebuttal testimony?

8 A. The purpose of my supplemental surrebuttal testimony is to respond to the cross-surrebuttal
9 testimony of witness Bill Courtney for the International Brotherhood of Electrical Workers
10 ("IBEW") Local 1474 concerning alleged adverse consequences of projected job reductions
11 in connection with UtiliCorp United Inc.'s ("UtiliCorp") proposed merger with The Empire
12 District Electric Company ("Empire").

13 Q. Beginning on page 7 of his cross-surrebuttal testimony, Mr. Courtney indicates that
14 UtiliCorp has not conducted any studies leading to the projections of job reductions if the
15 merger is approved. On what basis did UtiliCorp make its projections with respect to job
16 reductions?

17 A. As stated in response to data requests, our intention is to operate Empire's assets consistent
18 with UtiliCorp's current operations and business model if the merger is approved. We based

1 our projections and conclusions on our extensive history of successfully operating electric
2 networks in the United States and internationally.

3 Q. How did UtiliCorp undertake its assessment of Empire's business to draw conclusions about
4 how it will operate the company if the merger is approved?

5 A. UtiliCorp used several of its employees with many years of utility experience to conduct a
6 detailed evaluation of Empire's business to validate that UtiliCorp's business model was
7 applicable in Empire's environment. We traveled Empire's entire service territory and
8 talked with front-line, supervisory and management employees, both union and non-union.
9 We analyzed and evaluated Empire's operating information including budgets, network
10 maps, and historical and projected customer growth. We compared UtiliCorp's historical
11 and projected customer growth, employee to customer ratios, reliability information,
12 customer density, and geography and safety statistics with Empire's. We shared our
13 preliminary conclusions with a team of Empire employees to gain their insight and
14 feedback. We conducted meetings at various locations and shared our views with Empire's
15 employees. Finally, we continue to gather information and refine our projections and
16 conclusions.

17 Q. Beginning on page 9 of his cross-surrebuttal testimony, Mr. Courtney begins to talk about
18 the number of individuals assigned to a work crew and on page 10, line 5, Mr. Courtney
19 alleges that Empire's work "cannot be performed without, at a minimum, an across-the-
20 board reduction to two employee-crews." Is that true?

21 A. No. Mr. Courtney attempts to assert that UtiliCorp will allow only two individuals on a
22 crew no matter the situation and that thereby safety will be compromised. That is not true.
23 UtiliCorp provides the number of individuals required to do the work safely, efficiently and

1 effectively, whether a two-person crew or a ten-person crew. UtiliCorp currently uses three
2 or more persons on a work crew as needed and depending on the nature of a project.
3 However, our experience has shown that the majority of the work can be performed safely
4 with a two-person crew.

5 Q. What is UtiliCorp's experience in utilizing two-person crews?

6 A. UtiliCorp's Missouri Public Service ("MPS") division began using two-person work crews
7 in the mid 1980's because it had determined that 70 percent of the normal work could be
8 completed safely with two people instead of three. UtiliCorp also utilizes primarily two-
9 person crews in its West Plains Energy ("WPE") operating division in Kansas and Colorado.

10 Q. On page 10 of his cross-surrebuttal testimony, Mr. Courtney alludes that based on his
11 experience a reduction in the numbers of employees or a reduction in crew size will
12 adversely affect safety and throughout his testimony he alleges to the potential of employees
13 taking shortcuts as a result of job reductions. Do you agree with his allegations?

14 A. No, I do not. UtiliCorp's policy is to provide additional help or resources if required in every
15 instance when safety is an issue. UtiliCorp does not under any circumstance tolerate or
16 encourage taking short cuts or ignoring safety rules. Monthly safety meetings will be held to
17 help ensure that employees review safety procedures and job site "Tail Boards" are
18 encouraged to identify possible hazards and implement plans to avoid them. It is the
19 employee's responsibility to be familiar and comply with all safety rules and procedures. It
20 is the joint responsibility of the front-line worker and supervisor to identify if additional
21 resources are required to perform work safely and the supervisor's responsibility to ensure
22 resources are provided.

23 Q. How do UtiliCorp's safety statistics compare to Empire's?

A. The table below shows the incident rates for recordable accidents for both UtiliCorp and Empire based on a formula established by the Occupational Safety and Health Administration ("OSHA"). The OSHA formula is the number of accidents year-to-date times 100 workers working one year (= 200,000 hours) divided by actual hours worked year-to-date.

Total Recordable Accidents – Incident Rate

Year	1997	1998	1999
UCU	6.85	7.18	7.75
EDE	6.84	10.23	7.85
Industry	7.60	7.60	6.90
Avg.			

Q. Do you agree with Mr. Courtney's allegations on page 14 of his cross-surrebuttal testimony that employees will be under increased pressure to cut corners and work with a lesser regard to safety during major outages?

A. No, I do not agree. UtiliCorp supports and endorses a safe operating environment for all its employees. Consequently, UtiliCorp does not under any circumstance tolerate or encourage taking short cuts or ignoring safety rules whether during major outages or normal day to day work activities.

Q. Do you agree with Mr. Courtney's allegation that there will be adverse impacts during major outages due to the reduction in linemen and electrician jobs?

A. No, I do not. In the event of a major storm in which Empire resources need to be augmented to complete restoration efforts, craftsmen and supervisors from other

1 UtiliCorp operating areas i.e. MPS and WPE will be mobilized to provide assistance.
2 Should the merger be approved, Empire will have access to many more resources than it
3 does today due to the size of UtiliCorp's operations. These resources include materials
4 and equipment as well as people. Moreover, UtiliCorp intends to implement additional
5 technology to enable more rapid identification of the scope of large outages. Our
6 automated mapping and facilities management system which, when coupled with our
7 high volume call answering and outage management systems, will improve the
8 prioritization of work and dispatching of personnel. These tools will enable us to restore
9 service to larger groups of customers first while greatly enhancing outage-reporting
10 information.

11 Q. Mr. Courtney states in his testimony that UtiliCorp's response to IBEW data requests
12 included a footnote that the projected numbers of job eliminations are subject to further
13 study and that no final determination has been made. He goes on to conclude that the
14 actual number of eliminations may be higher. How do you respond?

15 A. The number of projected job eliminations is based on information that UtiliCorp has
16 reviewed and evaluated and represents our best view to date. However, we continue to
17 look at the business and review information, as it becomes known. The final numbers of
18 eliminations may be less, the same or greater.

19 Q. If UtiliCorp continues to review and refine its conclusions, why did you conduct
20 meetings with Empire's employees to present your findings?

21 A. UtiliCorp chose a philosophy of open communications with employees to keep them
22 informed of how the merged company would operate if the merger were approved. The
23 majority of Empire's employees will remain with the merged company and we have an

1 interest in engaging them to continue to serve our customers and maintain the system.
2 Moreover, we wanted to give employees advanced notice with respect to potential job
3 eliminations so as to provide them with as much time as we could to evaluate their
4 options and make the best decision for themselves and their families. We believe that
5 this is the best approach even though we can't answer all questions with certainty at this
6 time.

7 Q. Does each job that may be eliminated represent an actual employee who will be laid off?

8 A. Generally, no. A number of employees may be eligible for and take retirement prior to or
9 shortly after the merger closes. Empire has also experienced turnover in both union and
10 non-union positions since the merger has been announced. Collectively, these potential
11 vacancies would reduce the need to lay off employees. Finally, employees will be able to
12 bid on open jobs at UtiliCorp if the merger is approved. The guidelines for obtaining
13 union jobs within UtiliCorp are subject to the provisions of various collective bargaining
14 agreements that cover UtiliCorp's union employees.

15 Q. On pages 19 and 20 of his testimony, Mr. Courtney indicates that there are no equivalent
16 jobs in the area that Empire's displaced bargaining unit employees are qualified for.
17 How do you respond?

18 A. Mr. Courtney does not cite his source of information so I can't respond specifically.
19 Based on our assessment, Empire employees are highly skilled and trained in their craft.
20 Empire management indicates that since the merger announcement, five union employees
21 have taken new jobs in Carthage, Springfield, Marshfield and Neosho, Missouri.
22 Moreover, we frequently receive comments from electric construction contractors who
23 provide services across UtiliCorp's service territory that there is a shortage of qualified

1 employees. Overall, the economy across the country is strong and with flexibility,
2 displaced individuals can take advantage of an employees market.

3 Q. How do you summarize your testimony?

4 A. If the merger is approved, UtiliCorp intends to operate Empire's business in a safe and
5 reliable manner, consistent with UtiliCorp's current business model and proven by
6 metrics and statistics. Our projections and conclusions are based on our vast experience
7 successfully operating electric networks in the United States and internationally. We are
8 committed to working with IBEW Local 1474 and all employees if the merger is
9 approved to make a successful transition.

10 Q. Does this conclude your supplemental surrebuttal testimony at this time?

11 A. Yes.

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

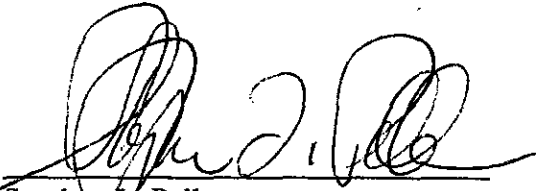
In the Matter of the Joint Application of)
UtiliCorp United Inc. and The Empire)
District Electric Company for Authority to)
Merge The Empire District Electric)
Company with and into UtiliCorp United)
Inc., and, in Connection Therewith, Certain)
Other Related Transactions.)

Case No. EM-2000-369

County of Jackson)
)
State of Missouri)

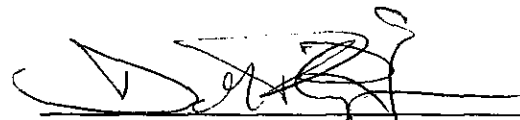
AFFIDAVIT OF STEPHEN L. PELLA

Stephen L. Pella, **being first duly sworn**, deposes and says that he is the witness who sponsors the accompanying testimony entitled supplemental 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.



Stephen L. Pella

Subscribed and sworn before me this 6th day of September, 2000.



Notary Public

My Commission Expires:

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