

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

In the Matter of the Joint Application                     )  
of Great Plains Energy Incorporated,                     )  
Kansas City Power & Light                                     )  
Company, and Aquila, Inc., for                             )  
Approval of the Merger of Aquila,                         )  
Inc., with a Subsidiary of Great                             )  
Plains Energy Incorporated and for                         )  
Other Related Relief   )

**Case No. EM-2007-0374**

**STAFF REQUEST FOR LEAVE TO LATE-FILE THREE  
ADDITIONAL PAGES TO STAFF'S POSTHEARING BRIEF**

**Comes now** the Staff of the Missouri Public Service Commission (Staff) in response to the March 11, 2008 Order of the Missouri Public Service Commission (Commission), which, among other things, amended the procedural schedule in this case to require the Filing of Posthearing Briefs on June 2. The Staff hereby requests leave to late-file three additional pages to Staff's Posthearing Brief. In support of this request, the Staff states as follows:

1. In sequencing the sections of the Staff's and the Industrial Intervenors' Proposed Findings of Fact and Conclusions of Law late Friday afternoon, June 6, 2008, it was discovered that the three page section of the Staff's Posthearing Brief on Service Quality had apparently not been filed with either the Highly Confidential or Non-Proprietary versions of the Staff's Posthearing Brief on June 3, and June 4, 2008, respectively. A section on Service Quality is in the Staff's and Industrial Intervenors' Proposed Findings of Fact and Conclusions of Law, which was filed on June 6, 2008.

2. Undersigned counsel takes responsibility for this oversight and apologizes once again to the Commissioners, the Regulatory Law Judges, the Joint Applicants and the other Parties.

3. The Staff does not request this leave to late-file the three page section on Service Quality to unduly delay these proceedings or inconvenience the Commissioners, Regulatory Law Judges, Joint Applicants or other Parties. The Staff does not believe that the Joint Applicants will be prejudiced by this late filing of the three page section on Service Quality.

**Wherefore,** the Staff hereby requests leave to late-file an additional three page section on Service Quality to the Staff's Posthearing Brief which was due on June 2, 2008 but was inadvertently not filed with either the Highly Confidential or Non-Proprietary versions of the Staff's Posthearing Brief on June 3, and June 4, 2008, respectively.

Respectfully submitted,

**/s/ Steven Dottheim**

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#### **CERTIFICATE OF SERVICE**

I hereby certify that copies of the foregoing have been mailed, hand-delivered, or transmitted by facsimile or electronic mail to all counsel of record this 9th day of June, 2008.

**/s/ Steven Dottheim**

Steven Dottheim

## **STAFF'S POST HEARING BRIEF**

### **VIII. Service Quality**

1. Can service quality problems resulting from a merger/consolidation/acquisition of a works or system necessary or useful in the performance of duties to the public preclude the merger/consolidation/acquisition from being not detrimental to the public interest?
2. Has GPE/KCPL taken adequate measures to ensure that its proposed post-consolidation/post-merger/post-acquisition operations will not be detrimental to the public interest by precluding service quality issues arising from the consolidation/merger/acquisition?

While Staff's opposition to this acquisition cannot be over-emphasized, should the Commission approve this transaction the Staff believes that GPE/KCPL has made a number of commitments to which the Commission should hold GPE/KCPL as a precaution to attempt to forestall any degradation of service quality. While Staff is generally concerned with post-merger service quality in the context of any merger or acquisition, this particular transaction is especially problematic.

Presently both Aquila and KCPL have acceptable call center performance, with Aquila's performance being the better of the two. (Staff Report, Ex. 100, p. 70). Staff is concerned that in GPE/KCPL's analysis of the costs and benefits of the transaction that so long as minimal acceptable service quality metrics are achieved it will be viewed that there has been no detriment to service quality. Staff contends that any potential decline in service quality is a heavy risk of serious detriment that must be considered in the decision to either approve or deny. Service quality also is not an area to be used as a source of cost-savings when the costs of the transaction exceed projected levels or when projected benefits do not occur.

The Joint Applicants have made a number of averments to which they must be held. In paragraph 32 of the Joint Application, the Joint Applicants state that "[a]s a consequence, existing Aquila customers will continue to experience quality day-to-day service at just and

reasonable rates without incident or interruption.” During the hearing GPE/KCPL witness William P. Herdegen made a commitment to report customer service metrics on a monthly basis, and reliability metrics on a quarterly basis, and also, to give the Staff the opportunity for regular review. (Herdegen, v. 17, p. 2311, L. 8 – 14). Mr. Herdegen also stated that after input from the Staff, call centers would not be integrated on Day One, and that, in fact, additional employees would be available to take calls during the transition period:

. . . We anticipate that it would be at least a year before the calls start dying down, people kind of get used to the new phone numbers and the new operation. So after that point, they would be – we would begin to attrite them from the work force.

(Herdegen, v. 17, p. 2294, L. 14 – p. 2295 L. 18). Holding GPE/KCPL to these commitments, at a minimum, is imperative to allow the Staff to monitor whether any degradation to customer service occurs, although in-and-of itself, such reporting does nothing to lessen the likelihood of the use of service quality funds to offset cost-overruns and synergy over-estimates.

The Staff’s experience is that service quality is placed at risk in the context of an acquisition or merger and the depth and the breadth of the diminishment of service quality are generally not anticipated or truly taken seriously. (Staff Report, Ex. 100, p. 71). There is the notable case of Southern Union Company’s acquisition of Western Resources, Inc.’s Missouri local distribution gas properties now called Missouri Gas Energy in 1993, *Re Western Resources, Inc., d/b/a Gas Service and Southern Union Co., d/b/a Southern Union Co.*, Case No. GM-94-40, Report And Order, 2 Mo.P.S.C.3d 598 (1993). Numerous very serious customer service problems occurred for several years after that acquisition. Workforce reductions was one of the factors. (*Id.* at 71-72). The different or previously separate entities had different processes, practices, systems, procedures, cultures, organizational structures and workforces. (*Id.* at 68).

New or different ways of operating, while determined to be desirable, disrupted or disturbed stability, security of systems, operations and staffs. (*Id.* at 69).

Here, the Joint Applicants are proposing to continue serving KCPL's and Aquila's existing electric customers, and to provide transitional services to Black Hills, all with a significant reduction in employees. (Herdegen, v. 17, p. 2290, L. 3 - 6). Thus, the transaction contemplated is significantly more complicated than that involving the Southern Union transaction. Additionally, the timing of this transaction results in an elaborate organizational restructuring coinciding with the roll-out of a major change in both companies' vegetation management programs. (Herdegen, v. 17, p. 2289, L. 2 - 7). Further complicating matters is the fact that a portion of the promised synergies are dependent on the implementation of automatic meter reading in the Aquila service territory. (Herdegen, v. 17, p. 2289, L. 8 - 22).

Underlying flaws in the Joint Applicants' proposal are the lack of planning and the inadequacy of controls to ensure that consolidations occur with minimal disruption to service quality. It is simply inappropriate to assume that the consolidation of service centers, for example, viewed by the Joint Applicants as a source of significant net synergies, can occur on Day One, including the elimination of non-union (non-bargaining unit) employees (Herdegen, v. 17, p. 2289, L. 15 - 22; Ex. 17, Herdegen Supp. Direct, p. 10, L. 17 - p. 13, L. 11), without at least immediate human resources issues, much less the significant loss of institutional knowledge sure to accompany such employee departures. Unfortunately, the likely result of the situation that the Joint Applicants are asking the Commission for authority to put themselves in is a decline in quality of service in general across the proposed merged/consolidated utilities.