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Witness: William P. Herdegen, III
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Sponsoring Party: Great Plains Energy Incorporated and
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Case No.: EM-2007-0374
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: EM-2007-0374

**SUPPLEMENTAL DIRECT TESTIMONY
PURSUANT TO THE SCHEDULING ORDER**

OF

WILLIAM P. HERDEGEN, III

ON BEHALF OF

GREAT PLAINS ENERGY INCORPORATED

AND

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
August 2007**

GPE/KCP Exhibit No. 17
Case No(s) EM-2007-0374
Date 4-28-08 Rptr KF

**SUPPLEMENTAL DIRECT TESTIMONY
PURSUANT TO THE SCHEDULING ORDER**

OF

WILLIAM P. HERDEGEN, III

Case No. EM-2007-0374

1 **Q: Are you the same William P. Herdegen, III, who submitted direct testimony in this**
2 **proceeding?**

3 **A: Yes, I am.**

4 **Q: What is the purpose of your testimony?**

5 **A: The purpose of this testimony is to supplement my previous testimony by providing**
6 **additional details from the integration analyses of a combined distribution system and**
7 **customer service operations resulting from Great Plains Energy's proposed acquisition of**
8 **Aquila.**

9 **Q: What areas of the combined distribution system will be addressed in your**
10 **testimony?**

11 **A: I will discuss integration analyses in the following areas:**

- 12 • Safety
- 13 • Field and Technical Training
- 14 • Metering
- 15 • Materials and Fleet
- 16 • Contract Management

- 1 • Vegetation Management
- 2 • Engineering Field Design
- 3 • Field Operations
- 4 • Reliability

5 Customer service operations will be addressed later in my testimony.

6 **Q: Please discuss your analyses in the area of Safety.**

7 A: KCPL has shown great progress in the implementation and utilization of safety
8 management systems over the past few years. KCPL has engaged DuPont Safety
9 Resources to provide an objective third-party assessment of our progress and aid in the
10 development of new recommendations to help sustain and build on KCPL's progress.
11 Education on root cause analysis, a thorough process for accident investigation and tools
12 to track and trend safety and medical incidents will provide us the knowledge for ongoing
13 improvement.

14 By working with and training different levels of the management team along with
15 members of our locals, there continues to exist a sense of commitment and authentic
16 dedication to staying the course on our journey toward an injury-free workplace.
17 Behavioral-based safety training and journeyman refresher classes will fine tune the
18 elements that are critical to our core safety values.

19 As we move forward and get a better understanding of Aquila's safety beliefs, we
20 will have the opportunity to further improve safety by harnessing the energy and focus of
21 the entire organization through increased involvement from both management and union
22 and continue building an open and trusting environment for safety.

1 This environment will be based on the 12 Essential Elements of Excellence in
2 Safety as outlined by DuPont. By applying these elements and working with the different
3 trades, in 2006 KCPL recorded its lowest OSHA Incident Rate in many years of 2.053.
4 At the end of 2006, Aquila's recorded OSHA Incident Rate was 6.28. Combined
5 company projection would be an OSHA Incident Rate of 3.27, with the goal for the total
6 company of zero incidents. Integration of the safety systems from KCPL and Aquila into
7 one will provide support for the workers and enable an improved safety culture. Utilizing
8 KCPL's safety programs, processes and practices, we foresee improvement for both
9 companies. Building on areas of excellence through development opportunities and
10 training will support our efforts to build future leaders in our workforce.

11 **Q: Please discuss your analyses in the Field and Technical Training area.**

12 **A:** With the Aquila acquisition, combining talents, resources and focus gives strength to our
13 overall goal of providing our customer base with an economical, efficient and reliable
14 product.

15 The advancements in training that KCPL has made since 2003 and the critical
16 need for utility workers provides KCPL and Aquila with an outstanding opportunity to
17 leverage our training assets and utilize our strengths. Together, we will sharpen the focus
18 of training for all electric utility crafts and lead our company through the oncoming
19 deficiency of craft workers and aging workforce. KCPL has been aggressively
20 addressing the aging workforce issue as it relates to technical skills in the field since
21 2004. By lowering the hiring age to 18, increasing the number of lineman
22 apprenticeships each year since 2003 and creating the pre-apprenticeship program as a
23 screening process for new applications, the average age of KCPL's electrical workforce

1 has moved over the last few years from 46 to 41—well below the national average of 50.
2 Last year in a collaborative effort, KCPL, Aquila, Platte-Clay Cooperative and Business
3 & Technical College built a Kansas City based Electric Utility Lineman Splicer
4 Associates Program. In July 2007, KCPL, Aquila, Association of Electrical
5 Cooperatives, Ameren and others met with State Fair Community College in a
6 collaborative effort to begin the process of building another Electric Utility Lineman
7 Splicer Associates Program. Having already gone through this process in the last year,
8 KCPL and Aquila are the backbone of the State Fair Community College project. The
9 other Utility Partners are relying on KCPL and Aquila to build this program. With KCPL
10 and Aquila becoming one company, the return on our individual efforts will be doubled,
11 helping us address manpower issues with the end result being a highly educated
12 workforce providing improved customer service.

13 Since 2003, KCPL has made vast improvements to the apprenticeship programs,
14 especially the Lineman Splicer classification. With the addition of the Pre-
15 Apprenticeship, field testing and mentor program, we are putting more safety conscious,
16 better trained and higher educated craftsmen in the field. With the addition of Aquila, we
17 will be able to standardize both companies' training and apprenticeship programs,
18 combining Aquila's "best practices" with KCPL's, utilizing many of Aquila's current
19 resources enabling us to achieve desired goals. This training also includes the trend-
20 setting development of scenario-based training for our utility crafts.

21 KCPL puts a tremendous amount of effort and resources regarding diversity in the
22 workforce. Our desire is that our workforce will be a direct reflection of our customer
23 base. We currently are working on an Affirmative Opportunity Program. This program,

1 in a collaborative effort with Manual Technical High School, develops a school-to-career
2 program for diverse students. Additionally, we have developed a relationship with the
3 Full Employment Counsel. We partner with them in the selection process regarding our
4 Pre-Apprentice Lineman Program. We are also building relationships with the Baptist
5 Ministers Alliance of Kansas City, working with them in highlighting future employment
6 opportunities with our Company. In addition, members of the Training Department
7 continue to build relationships with our communities by delivering presentations to
8 elementary, junior and senior high schools, technical colleges and women's symposiums
9 promoting future opportunities with our Company. Combining these diversity
10 recruitment efforts with Aquila's current programs will enable us to create a balanced
11 portfolio and assist in fulfilling our recruitment goals.

12 **Q: What are the findings in combining Metering operations?**

13 **A:** MV90 metering systems, which is a multi-vendor data collection solution for collecting
14 and processing interval data from complex commercial and industrial metering systems,
15 in KCPL and Aquila will be combined into a single system, utilizing KCPL's facilities
16 located at 1331 Jackson in Kansas City, Missouri ("1331") as the primary location, and
17 St. Joseph as the emergency operation back-up location.

18 Additionally, the test sites at Warrensburg and 1331 will be combined into the
19 1331 location for all testing with the exception of emergency field testing at Warrensburg
20 under normal operation conditions. This will eliminate some older test equipment
21 currently located at Warrensburg.

22 With the advent of mobile-data, metermen can be deployed from rural residential
23 locations rather than a predetermined show-up. This will allow quicker response times

1 for the customer, reduce fuel/energy costs and increase productivity due to reduced drive-
2 times. This will also reduce the requirement for employee facilities.

3 KCPL will continue to investigate advanced metering technologies and identify
4 solutions to apply to the combined company. Beyond automated meter reads, Advanced
5 Metering Infrastructure ("AMI") will provide a number of additional benefits. The
6 system creates the ability to obtain interval metering data; obtain connect/disconnect
7 reads without requiring a field visit; detect tampering, theft and diversion of service;
8 obtain real-time reads to resolve billing complaints over the phone; provide outage
9 management system functionality to detect outages before customers call in and verify
10 when power has been restored; enable communication to distribution automation devices
11 in the field; and to allow two-way communication and real-time control for demand
12 response technologies.

13 We will standardize meter programs system-wide, thereby reducing multiple
14 programs currently at both companies. This will provide a more efficient, consolidated
15 set of meters within the combined company. Vendors will be consolidated into a single
16 alliance, thereby leveraging buying power.

17 **Q: Please discuss your integration analyses relating to Materials and Fleet.**

18 **A:** In the Materials area, KCPL continues to evaluate the total supply chain approach of both
19 companies with a goal of creating a single approach to material acquisition. We are
20 evaluating material specifications and requirements between both companies with a goal
21 to establish shared/common material specifications and requirements for the combined
22 company going forward. Currently KCPL anticipates a 10-15% overlap in material
23 specifications that once consolidated should contribute to inventory reductions.

1 Differences in line systems will require maintaining Aquila's inventory until those
2 facilities are changed out.

3 KCPL will follow its current model of central warehouse management and use of
4 fewer suppliers to gain efficiencies in inventory delivery, on-hand inventory and reduced
5 carrying costs. Current Supplier Alliance Partner relationships will be expanded to
6 capitalize on our increased buying power and further use of vendor-managed inventory
7 and supplier-consigned inventory items. These supplier relationships have aided KCPL
8 well in recent times of commodity shortages and storm restoration that resulted in
9 minimal impact to our material flow. They show a long-term commitment by both
10 parties to jointly reduce total costs for acquiring, holding and disposing of goods and
11 services. These alliances have delivered consistently lower costs for KCPL and are a
12 strategic enabler of the company's supply chain that will be continued.

13 In the Fleet area, KCPL will incorporate its current company standard for vehicle
14 class specification, vehicle life cycle, and in-house maintenance program. Our year-over-
15 year fleet standardization by vehicle class allows us to work with key suppliers to
16 optimize acquisition costs while giving our employees familiarity of equipment
17 regardless of work location leading to safer operation. KCPL's maintenance costs are
18 lower than Aquila's so continuing our in-house maintenance program will reduce the
19 overall maintenance expense while increasing vehicle availability to crews each day,
20 which allows us to optimize the overall size of the fleet. As a result of these best
21 practices at both companies, we anticipate a reduction in the total number of existing fleet
22 units. Due to our overall lower maintenance cost and increased vehicle availability,
23 KCPL will continue its strategy of service centers with on-site maintenance capability.

1 KCPL will expand its presence in the area of alternative fuel usage and seek fleet
2 opportunities to increase the use of bio-diesel and ethanol "E85" fuels. Our five metro
3 area service centers with fuel islands all dispense bio-diesel and E10 unleaded with two
4 of our five locations dispensing E85. Through the month of July, we have offset 20%
5 year-to-date of fossil fuel consumption with alternative fuels which is in line with
6 President Bush's recent proposal for additional alternative fuel usage (20% reduction in
7 10 years program). KCPL will add fueling infrastructure to Aquila's metro area centers
8 where feasible to further the use of alternative fuels and continue our acquisition of
9 alternative fuel-only vehicles.

10 **Q: Please discuss benefits of the acquisition in the Contract Management area.**

11 **A:** In the management of line contractors, we expect to extend KCPL practices to achieve
12 savings from improved contractor management. These practices include field quality
13 assurance/quality control, leveraging the increased spend, and increased competition
14 through utilization of different pricing scenarios tailored to the type of work being
15 performed (T&E rates, lump sum bidding, and unit pricing where applicable). In
16 directing the joint workforce more effectively, using our existing management workforce,
17 we can recognize overall savings and efficiencies in cost throughout the Contract
18 Management area.

19 KCPL expects its current street light contractor to provide price proposals for
20 serving and maintaining KCPL's existing lights in addition to Aquila's street lights
21 within the expanded metro area. KCPL will work to leverage better unit prices across the
22 entire system due to the added volume.

1 Both KCPL and Aquila take the same approach and inter-utility cooperation when
2 addressing the ownership and joint use of utility poles. We plan to centralize oversight of
3 the combined company's joint use activity and leverage the use of the National Joint Use
4 Notification System for the acquired Aquila territory. This will streamline discussions
5 and agreements with the same set of telecommunications companies.

6 **Q: Please discuss your integration analyses in the Vegetation Management area.**

7 **A:** KCPL's distribution program is based on a set of clearly defined strategies,
8 specifications, and guidelines using a systematic preventive maintenance approach
9 focused on maintaining high reliability while controlling costs. The program is centered
10 on the three strategic cornerstones of focusing on reliability and not just trimming trees,
11 implementing industry best practices, and maintaining contractor competition.

12 A key to the success of the program moving forward is to develop a clear
13 understanding of Aquila's current distribution system vegetation profile. We are utilizing
14 a vegetation management industry consultant to conduct a detailed assessment of
15 Aquila's system, with expected deliverables that will include a budget and schedule to
16 optimize distribution vegetation management for the combined company.

17 Vegetation management program evaluations have identified several best
18 practices that will be implemented in the combined company. KCPL's practice of
19 customer pre-notification will be extended to all customers, enhancing customer service
20 and satisfaction.

21 **Q: Please discuss your Engineering Field Design integration analyses.**

1 A: Taking the opportunity to incorporate Aquila's "best practices" in our engineering field
2 design departments will provide benefits in the areas of process efficiency as well as
3 improved service levels to our customers.

4 Process benefits will be attained from adopting and consolidating "best practices"
5 between both Aquila and KCPL. One example will be to improve overall design cycle
6 time and design data integration by adopting Aquila's proven use of integrated design
7 tool technologies. Use of "best practices" will also drive further design optimization, as
8 well as attendant cost savings (e.g., adopting most efficient design and construction
9 standards practices for serving large residential and commercial developments). Also, we
10 expect to experience synergies or benefits due to enhanced process and resource
11 utilization within the many supporting tasks required for actual design implementation
12 (e.g., easements, permitting, account management, resource and material planning, record
13 capture).

14 Overall from a customer service perspective, we expect to positively impact the
15 new service delivery times, reducing the approximate times from the KCPL average of 12
16 weeks to the average of 9 weeks currently recognized by Aquila.

17 **Q: Please discuss the Field Operations integration analyses.**

18 A: The field operations segments of both companies have a long history of providing cost-
19 effective and reliable service to our growing communities. The new, combined company
20 will have a customer base of approximately 805,000 customers. The combined
21 operational work force will be pooled to more efficiently address customer needs. The
22 focus on the construction, maintenance, operation, and restoration of the electric system
23 will be balanced across all communities whether metropolitan or rural.

1 As we evaluated a best practice approach to our field forces, decisions have been
2 made around service center locations. Union employees in field forces will not be
3 reduced with this combination, but will be reassigned in a more balanced approach to the
4 new, combined customer base. The combined service territory will be divided into
5 geographic areas known as districts. See Schedule WPH-1 attached hereto for a
6 combined map of the districts. Within each district, employees will operate from
7 multiple service centers. We have also chosen to redefine the role of district manager.
8 The district manager will develop a close working relationship with community leaders,
9 and will represent community interests within the operational area of the company.

10 The greater Kansas City metropolitan area will be managed as a single district.
11 The district will include customers from just north of the Kansas City International
12 Airport to points south including Johnson County, Kansas and Peculiar, Missouri. It will
13 also cover from the eastern edge of Blue Springs, Missouri to points west including
14 Olathe, Kansas. This area will comprise approximately 627,000 customers.

15 Today, both companies serve the Kansas City District from 11 service centers.
16 The combined operation will serve this district from six service centers. Given the
17 extensive interstate highway system in the area, and the KCPL approach of 24/7 shift
18 coverage for emergency response, the customers will encounter improvements in service
19 delivery. The sharing of resources and shifting of work project assignment can be
20 accomplished more efficiently with larger work groups in fewer locations. In storm
21 situations, the combined resources of both companies can be redirected in a balanced
22 approach to all customer outages, and stronger focus can be placed on the most severely
23 damaged areas.

1 In the further reaches of the Kansas City District, Aquila currently has first-
2 responder employees who take their trucks home to speed response. These areas
3 (Buckner, Drexel, Adrian) will continue to see this dedicated service in the new
4 combined company. This service will be extended to the areas of Platte City and Weston.

5 Beyond the Kansas City metropolitan area, the new company will operate in four
6 additional districts, East, Southeast, South, and North. The South District will be
7 operated as it is today in KCPL serving approximately 30,100 customers. This area is
8 mainly known as the Paola – Ottawa, Kansas area of the company. The North District
9 will be operated as it is today in Aquila serving approximately 68,500 customers. This
10 area is mainly known as the St. Joseph – Maryville/Mound City – Trenton, Missouri area
11 of the company.

12 The East District of the company will combine areas of both Aquila and KCPL.
13 This continuous geographic area will include approximately 39,300 customers from
14 Henrietta and points east to Carrolton and Glasgow, Missouri and points south including
15 Sedalia, Missouri and Benton County. The current service centers of both companies
16 will continue to operate in this area. They are located in Henrietta, Marshall, and Sedalia
17 Missouri.

18 The Southeast District of the company will include areas currently served by
19 Aquila. This area will include approximately 40,200 customers from Lone Jack and
20 Warrensburg to points south including Clinton and Nevada, Missouri. The current
21 service centers in this area, located in Warrensburg, Clinton, and Nevada, will continue to
22 operate and serve the customers effectively.

1 These five operating areas, although different in customer size and area, will be
2 operated as an integrated organization. The added size and strength of this organization
3 will provide a balanced approach to the work and the customer service needs. The
4 expanded size of the company will allow resources to be focused in areas more than
5 would be possible as separate and smaller companies.

6 The critical support functions such as system engineering, materials supply, and
7 dispatch operations will be centralized to provide stronger, more focused execution of the
8 work. The employees in these groups will be able to share practices, priority issues, and
9 real-time problems on a daily basis. Situations that arise in one area will be understood
10 by the group and can be addressed across the entire 17,900 square miles of territory. The
11 customers will benefit from the increased focus of these larger central groups.

12 **Q: Please discuss how KCPL measures its reliability.**

13 **A:** KCPL has always been committed to providing reliable service to its customers. We
14 monitor our performance daily, weekly, monthly, and annually for where we are and
15 where we should be in order to maintain top performance year after year. Standard
16 Institute of Electrical and Electronics Engineers ("IEEE") benchmarks of System
17 Average Interruption Duration Index ("SAIDI"), Customer Average Interruption
18 Duration Index ("CAIDI"), and System Average Interruption Frequency Index ("SAIFI")
19 will be used to monitor performance of the system. We will increase the number of
20 existing IEEE benchmarks as technology develops and allows our ability to monitor
21 performance. We will continue using IEEE Standard 1366, Guide for Electric Power
22 Distribution Reliability Indices, at KCPL and start using the same standard in the new
23 Aquila territory to ensure a consistent approach has been taken toward future reporting.

1 KCPL and Aquila have reviewed the past three years of existing normalized data
2 to determine our independent averages and the new average for the combined territories
3 as noted below.

	KCPL	Aquila	Combined
SAIDI	60.6	143.8	90.5
CAIDI	89.1	91.6	90.5
SAIFI	0.68	1.57	1.0

4
5 The benchmarks shown above are the three year average and are somewhat
6 dependent on weather even after the metrics have been commonly defined and
7 normalized. KCPL will strive for better performance than the past averages and will
8 focus on bringing the combined company into greater levels of Tier 1 performance.

9 We believe that reliable service starts with reliable tracking through the expanded
10 use of KCPL's Outage Management System. KCPL will use one system to track both
11 service territories and will focus on improving reliability performance for the customers
12 who have experienced the most outages.

13 Both companies have reviewed the practices for tracking their Worst Performing
14 Circuits. KCPL has applied the same criteria in Missouri and Kansas. The circuits have
15 been identified based on data from outages and detailed patrols. Improvements are in
16 progress.

17 **Q: Please explain the steps KCPL and Aquila are taking to ensure that reliability will**
18 **not be adversely impacted by the merger.**

19 **A:** Our approach to managing system reliability incorporates both tactical day-to-day
20 operational processes, as well as a comprehensive portfolio of pro-active Asset
21 Management Programs. We have reviewed both companies' management structure,

1 work practices, technology use and most importantly the use of the field workforce to
2 ensure we can reach and maintain our Tier I system performance objectives.

3 On the tactical level, KCPL captures and tracks outage information at a more
4 detailed customer and circuit level and will migrate Aquila facilities into KCPL's Outage
5 Management System ("OMS"). This expanded OMS will provide the capabilities for
6 system monitoring, event management and capture at circuit component and customer
7 levels so that targeted reliability improvements can be determined and addressed as
8 needed. The system performance data we obtain through the OMS application is also
9 used to continually measure the effectiveness and modify as needed long-term asset
10 management programs.

11 In addition to the expanded OMS application, KCPL will expand its Outage
12 Reporting System ("ORS")--so that the management team can monitor outage
13 performance of both territories from open web based applications. The ORS system has
14 been in place at KCPL since 2004 and is considered an extremely useful management
15 tool to make early tactical decisions supporting recovery from major events or storms.
16 These applications and work practices will be expanded to cover the entire customer
17 base.

18 The Aquila territory has operated with extended workday hours but will benefit
19 from KCPL's model for 24/7 shift work in field operations in the Kansas City
20 metropolitan area. Both companies have reviewed the historical outage levels and
21 locations in order to place the expanded 24/7 shift workers in strategic response locations
22 in the combined territory and at the appropriate levels. KCPL will also expand its
23 automated crew callout system in the Aquila territory. These are a few examples of

1 leveraging systems, work practices and the workforce to meet all customers' needs with
2 better service from the tactical level.

3 Regarding our Asset Management Programs, KCPL is currently performing a
4 Distribution System Inventory and Condition Assessment ("DSICA") that will be used to
5 assess asset health. Applications, processes, and tools that have been developed for the
6 DSICA will be adapted for assessing the health of Aquila's distribution system. Data
7 analysis, trending, optimization studies, specific equipment history, and health
8 assessment tools developed at KCPL can be leveraged across both systems rather than
9 being developed separately.

10 KCPL has a robust asset management portfolio of distribution maintenance and
11 reliability programs that have produced reliable electric service. After completion of the
12 DSICA, programs can be refined across both companies for better investment
13 optimization.

14 The combined company portfolio will include: High Outage Count Customers;
15 Circuit Inspection and Repair; URD Cable Replacement; URD Cable Injection; Worst
16 Performing Circuits; Infrared Patrols; and various Distribution Automation initiatives.

17 Expansion of Distribution Automation at Aquila will instantaneously provide
18 critical information to system operators during outages or other events. In addition,
19 KCPL's extended use of distribution automation on the Aquila network will enable real-
20 time, condition-based monitoring and maintenance of certain assets, rather than mere
21 cyclic patrols. This information can then be shared with customer service personnel and
22 customers. It should be noted that many of the noted KCPL Asset Management and
23 Distribution Automation Programs are also identified in KCPL's Comprehensive Energy

1 Plan ("CEP"), as part of our stated commitments to continually improve transmission and
2 distribution infrastructure.

3 Overall, the expertise from both companies will be consolidated, enabling sharing
4 of knowledge and experience and providing additional resource depth. The knowledge
5 base of the combined company will be greater than that of either stand-alone. We are
6 confident the identified day-to-day operational processes combined with the expanded
7 use of technologies and Asset Management Programs will drive us towards improved
8 electric service reliability as well as lower per-unit costs to install, operate and maintain
9 distribution assets.

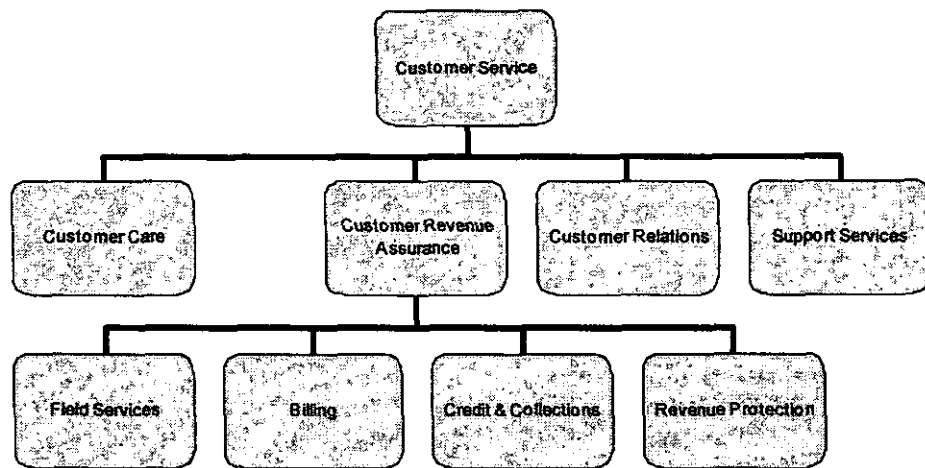
10 **Q: Please describe the strategy and approach for combining the two companies'**
11 **customer service functions.**

12 **A:** Our plan is to adopt the KCPL organization design to minimize change as much as
13 possible. Using a known design, and mapping Aquila's customer service activities to it,
14 reduces the number of variables requiring change. This approach will provide a smoother
15 transition, and position the implementation of improvement projects once the sale is
16 complete. The organization structure is designed around core service processes, which
17 will allow us to effectively monitor performance and compare to historical achievement
18 levels. Careful review of each detailed customer service process is also underway,
19 including the identification of best practices at each company so that areas of strong
20 performance are maintained.

21 To begin the mapping process between organizations, teams were formed using
22 subject matter experts from each company based on the current KCPL functional areas in
23 the customer service organization as the baseline. The focus of the assessment was to

1 ensure that all work was accounted for at Aquila, and properly mapped into the KCPL
2 organization. There are some alignment differences organizationally, but from a process
3 perspective, we are confident that the proper performance monitoring will ensure
4 customer service levels will be maintained and eventually improved. An example would
5 be the meter reading function, which is part of the customer service team at KCPL, but
6 not at Aquila. In this case, the monitoring of meter reading completion and accuracy
7 rates will still be tracked, but it will be part of a different department. Process
8 management is an important philosophy we will use to ensure the level of service
9 customers are accustomed to will be maintained.

10 In total, 124 incremental positions will be added to KCPL's Customer Service
11 team at the successful completion of the merger. This number is the sum of the
12 allocation from Aquila's Central Service team to its Missouri electric properties plus the
13 direct cost areas of meter reading, customer service personnel, and the customer relations
14 team. There are differences in how functions are aligned between the two companies, but
15 the balanced approach of comparing the staffing in the Aquila allocated model to the
16 integration planning teams' bottom up staffing requirements shows that adequate staffing
17 will be in place to sustain current service levels to customers. Because we expect
18 additional customer questions for the first nine months following the transition date, an
19 additional twelve employees will be retained in the Care Center to work through the
20 temporary influx of requests. We will use the normal attrition process to manage back to
21 expected staffing levels, but will let service levels guide that decision. The
22 organizational structure is represented in the chart below:



9 Customer service operations will be consolidated into the Raytown location with
10 the exception of the consolidated Field Services group, which will remain at the 1331
11 facility.

12 Each integration planning team has initiated a full review of system, process,
13 business rule and regulatory differences between the two companies in preparation for the
14 actual integration. Once the reviews are complete, we will be able to finalize the actual
15 implementation approach, so that the best possible outcome can be achieved during the
16 transition, positioning the Company for overall Tier 1 performance. The primary intent
17 is to provide a common customer experience, regardless of the service area. Our goal is
18 to provide a single company image to our customers on Day 1, ranging from customer
19 service representatives addressing all inquiries in a common approach – to a common
20 appearance of customers' bills – to common signage on company vehicles, buildings and
21 uniforms. This consistency will not only make it easier to do business with us from the
22 customer point of view, but will make service delivery much easier for our team. We

1 anticipate that minor differences could occur initially, but all efforts will be focused on
2 providing a common customer experience.

3 **Q: How will you ensure the recent improvements in Aquila's customer service area will**
4 **not be lost as a result of the merger?**

5 A: We have established teams represented by both companies to review all customer service
6 work processes and document the customer requirements and strategies used to achieve
7 targeted performance. Using this approach, we will understand what improvements have
8 been made, which will enable us to ensure those activities will be continued, and well
9 aligned with customer expectations. Our intent is to capture best practices from each
10 company in order to deliver even better service once we get through the transition period.

11 Part of the organizational design will include the adoption of a formalized Quality
12 Assurance and Training team. This best practice will allow us to continuously measure
13 and improve the performance of our customer service teams in the Care Center. This
14 information will be combined with "Voice of the Customer" (feedback surveys) data to
15 make sure we are focused on those things that make it easier for customers to do business
16 with us, as well as fully leveraging technology such as Interactive Voice Response and
17 Virtual Hold providing convenience to customers.

18 **Q: Please provide Customer Service metrics, including the history of both KCPL and**
19 **Aquila, so that overall performance may be monitored against historical trends.**

20 A: In the chart below, we show the performance trends for supporting metrics that have a
21 large impact on customers. We believe that these supporting metrics are fundamental
22 contributors to our key metric for Customer Service, which is Customer Satisfaction
23 measured by the J.D. Power survey. Our goal for Tier 1 performance, *i.e.*, top quartile, in

our key metrics is supplemented and validated by improvements in performance measured through these supporting metrics. Those identified for Customer Services are the Care Center service levels, billing accuracy, meter reading accuracy, and Commission complaints.

Key Customer Service Metrics

Description	2004	2005	2006	2007 June YTD
Call Center Service Levels				
- KCPL (% of calls answered in 30 seconds)	77%	78%	78%	80%
- Aquila (% of calls answered in 20 seconds)	83%	73%	80%	87%
Bill Accuracy				
- KCPL (% of bills using estimated reads)	0.43%	0.50%	0.55%	0.73%
- Aquila (% of bills using estimated reads)	0.90%	0.76%	0.41%	0.55%
Meter Reading Accuracy				
- KCPL (accuracy of readings)	99.10%	99.35%	99.55%	99.34%
- Aquila (accuracy of readings)	99.80%	99.84%	99.86%	99.87%
Commission Complaints				
- KCPL (total complaints received)	257	245	334	141
- Aquila (total complaints received)	173	186	194	96

Notes: Actual performance, not normalized for number of customers for Commission Complaints.
Table includes combined Kansas and Missouri information for KCPL.

Both companies also believe that customer satisfaction is a critical element that should be used to assess overall performance. Going forward, the combined company will use the J.D. Power customer survey process. KCPL was recently ranked in the top quartile according to the residential electric survey results as reported by J.D. Power in the Midwest category. KCPL is very committed to improving and adapting service as customer needs change.

KCPL's objective is to maintain the strong levels of performance demonstrated by both companies. We recommend reviews of Customer Service performance at regular intervals with the Staff as the mechanism for Commission assurance that service will continue at current levels. As with any merger of this magnitude, there may be issues

1 that will temporarily impact customer service. We are committed to communicate those
2 issues and work with the Staff to ensure the best possible outcome.

3 **Q. Are you familiar with contents of the supplemental direct testimony of Robert**
4 **Zabors in this proceeding?**

5 **A.** Yes, I am. I worked extensively with Mr. Zabors and others as I developed the merger-
6 related synergies concerning the combined distribution systems and customer service
7 operations.

8 **Q. Do you agree with Mr. Zabors' quantification of the merger-related synergies**
9 **concerning the combined distribution systems and customer service operations?**

10 **A.** Yes. I am confident that by implementing the initiatives discussed in my testimony, we
11 can achieve the merger-related synergies Mr. Zabors quantifies in his testimony. I also
12 believe there is greater value to be derived from the merger than we are unable to
13 quantify at this point.

14 **Q: Does that conclude your testimony?**

15 **A:** Yes, it does.

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 Requester Relief

STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

William P. Herdegen III
WILLIAM P. HERDEGEN III

Nicole A. Wolny
Notary Public

" NOTARY SEAL "
Nicole A. Wehry, Notary Public
Jackson County, State of Missouri
My Commission Expires 2/4/2011
Commission Number 07391200

