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Witness: Jimmy D. Alberts
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Case No.: ER-2010-0355
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MISSOURI PUBLIC SERVICE COMMISSION

CASE NO.: ER-2010-0355

SURREBUTTAL TESTIMONY

OF

JIMMY D. ALBERTS

ON BEHALF OF

KANSAS CITY POWER & LIGHT COMPANY

**Kansas City, Missouri
January 2011**

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Case No. ER-2010-0355

1 **Q: Please state your name and business address.**

2 A: My name is Jimmy D. Alberts. My business address is 1200 Main Street, Kansas City,
3 Missouri, 64105.

4 **Q: Are you the same Jimmy D. Alberts who prefiled direct and rebuttal testimony in**
5 **this matter?**

6 A: Yes.

7 **Q: What is the purpose of your surrebuttal testimony?**

8 A: To address Staff's rebuttal testimony regarding the Company's request for monetary
9 recognition for reliability and customer satisfaction and rebut staff's analysis of quality of
10 service.

11 **Q: What is your general concern regarding Staff's view that customers should not be**
12 **asked to pay higher rates based upon a regulated Company's "reliability and**
13 **satisfaction achievements." (Kremer Rebuttal, p. 4, ll. 29-30.)?**

14 A: Staff's view potentially inhibits the Company's incentive to work toward excellent,
15 reliable, affordable, and responsive customer service. Staff's view is likened to thresholds
16 and limits—with a fear of new regulatory requirements to guide the Company's decisions
17 in providing reliable, affordable, and responsive customer service. In essence, it dilutes
18 the Company's interest in aspirational service to one that requires only to offer "enough"

1 service. We believe it is important to continuously improve and innovate for our
2 customers.

3 Another way to look at the potential impact on operations from Staff’s view is
4 that, regardless of what metric is used, it does not matter since customers already pay the
5 cost of operating the utility. The Company does not need to look beyond minimum
6 requirements or cultivate creativity or encourage rethinking the status quo—as long as
7 service is “okay.”

8 **Q: Are you suggesting that the Company’s service will deteriorate should the requested
9 return on equity above midpoint not be awarded?**

10 A: No, but it begs the question, “What incentive does the Company have to provide better
11 than mediocre service except under potential minimum thresholds and demands caused
12 by new regulatory requirements?” Staff’s testimony does not answer this question.

13 **Q: How do minimum thresholds and new regulatory requirements impact the
14 Company’s incentive to provide better than average customer service?**

15 A: Let me use a simple economics example to illustrate. If there is a limitation of how much
16 a landlord can charge for rent, he does not have any incentive to provide amenities that
17 would make the apartment more comfortable for the renter. Without such an incentive,
18 his interest becomes offering the minimum level of services required by law without
19 concern for the customer. It is this minimum level of services that Staff advocates when it
20 states:

21 “If Staff found specific areas of service quality deficiency, as it has done in the
22 past with utilities, it would make attempts to work with the utility to improve such service

1 declines or in the event it could not find agreement with the utility, would consider other
2 options such as filing a formal complaint with the Commission.” (Id. p. 15, ll. 8-11.)

3 Without a hope of receiving any benefit—like a higher ROE—for excellent
4 customer service, there is little incentive to offer but just enough customer service to
5 avoid a formal complaint.

6 **Q: The quote from Staff’s rebuttal suggests the expectation for all Missouri utilities is**
7 **to offer a minimum level of customer experience. Do you feel the Company’s**
8 **customer service metrics fully illustrate the customer’s experience?**

9 A: No. Let me reiterate the Company’s response to Data Request 249, “The Company does
10 not incorporate any service quality and/or customer service benchmarks into its definition
11 of Tier I.” Customer service goes beyond metrics and is inclusive of the range of offered
12 products and services. Also, the customer experience is not measured in a vacuum. There
13 are elements outside the control of the Company that impact that experience and effect
14 metrics. Such impacts are difficult to capture, acting as statistical outliers—like extra-hot
15 summers or super cold winters or frequency of storms or difficult economic conditions.

16 As I previously stated, we acknowledge that a customer’s experience is broader
17 than call center metrics, such as the elimination of convenience fees for credit card
18 payments and the offering of the Energy Optimizer. Evaluation and understanding
19 statistical outliers and relevance of the customer experience is helped with independent
20 studies—like JD Power.

21 **Q: Do you have an example of impacts outside the control of KCP&L?**

22 A: The Company experienced an increase in call volume that was driven by things beyond
23 the control of the Company—the stressed economic environment impacting the level of

1 unemployment that, in turn, affected the ability of customers to absorb costs associated
2 with higher kWh usage due to extreme temperatures. A stressed economic environment
3 and the weather are well outside the control of KCP&L. I would note, that even with this
4 unprecedented increase of call volume, the level of contact center performance metrics
5 continued to track with 2009 data and KCP&L's JD Power customer satisfaction scores
6 remained high.

7 **Q: The number of customer filings with the Commission appears to trend higher from**
8 **2008 through October 2010, based on the Commission's EFI System ("EFIS"). (Id.**
9 **p. 23, l. 16-p. 24, l. 6). Such a trend could suggest a degradation in service. What do**
10 **you attribute such a trend?**

11 A: My rebuttal testimony discusses customer filings with the Commission. (Alberts
12 Rebuttal, p. 7, l.1-p. 8, l. 9.) From my testimony, there are two key points I wish to
13 highlight:

14 1. From 2007 through 2009, it was determined KCP&L appropriately applied its
15 tariffs, rules and regulations in approximately 95% of customer filings with the
16 Commission, indicating that out of the hundreds of thousands of customers, for 10-12
17 customer per year, KCP&L was found to have misapplied its tariffs;

18 2. The relevance of Staff's customer complaint numbers is called into question as
19 Staff seeks to characterize the whole of the customer experience with very few instances
20 of disagreement between the customer and the Company represented in customer filings
21 with the MPSC. Even if the customer complaint metric was valid in judging customer
22 service success, clearly, the number of customer complaints filed with the MPSC would

1 indicate the Company's high level of customer care as illustrated by the fact 95% of the
2 filings confirmed KCP&L appropriately interpreted the tariffs, rules and regulations.

3 Also, as previously stated, there are elements outside the control of the Company
4 that impact such filings. Considering external impacts on operations, metrics are helpful
5 as a gauge but not an absolute, perfect view of the customer experience. A customer's
6 experience is broader than call center metrics, such as the elimination of convenience fees
7 for credit card payments and offering of the Energy Optimizer. Furthermore, evaluation
8 of the relevance of a metric should be aligned with independent studies—like JD Power,
9 which incorporate the customers' perspective.

10 **Q: What is the relationship between the number of customer filings with the**
11 **Commission and customer service?**

12 A: Approximately 60% of complaints pertain to credit and collection issues. The poor
13 economic environment of the past couple of years is the impetus of some of these
14 complaints. KCP&L's analysis does not indicate that any increase in complaints
15 correlates to a declination in the quality of service. On the contrary, KCP&L enhanced
16 service offerings during 2010. For example, KCP&L implemented pay arrangement
17 options to better meet customer needs and implemented online automation of start and
18 stop service requests.

19 **Q: How does a stressed economic environment affect customer service?**

20 A: As provided in the attachment to Data Request 272, 51 percent of customer calls in 2010
21 were regarding payment arrangements and billing issues. As previously stated, the
22 stressed economic environment impacts the level of unemployment that, in turn, affects

1 the ability of customers to absorb costs associated with higher kWh usage due to extreme
2 temperatures.

3 Again, I would note that even with an unprecedented increase of call volume,
4 KCP&L's level of contact center performance metrics continued to track with 2009 data
5 and KCP&L's JD Power customer satisfaction scores remained high.

6 **Q: The number of customer complaints look to be driven by collection related**
7 **activities. Can the Company change its collection processes to reduce the number of**
8 **customer filings with the Commission?**

9 A: While the majority of customer complaints are prompted by collection related activities,
10 the Company is tasked with keeping unrecovered billings—bad debt—to a minimum
11 because of the detrimental impact on the cost of service affecting customers that do pay
12 their balances on time. The Company regularly evaluates its collection activities to ensure
13 a balance of the interests of both customer segments.

14 **Q: Staff's rebuttal recognizes "...cost-cutting and efficiency are important managerial**
15 **activities, too much cost-cutting in the wrong areas [can] have significant adverse**
16 **consequences for Missouri customers. The Staff has participated in cases where**
17 **such cost-cutting went too far and caused detriment to service quality." (Kremer**
18 **Rebuttal, p. 22, ll. 16-20.) What is the likely impact on the customer experience**
19 **should the Company cut costs?**

20 A: "Cutting costs" suggests a continuing period of lower costs absent the reduction. More
21 likely it is a reallocation of resources or recognition of a short-term opportunity to ensure
22 the best possible customer experience and reliability at a reasonable price. Staff's
23 testimony reinforces the proposition that cost control is part of the Company's

1 responsibility to manage customer rates. One tool to manage of rate increases is the use
2 of reallocation of resources.

3 The allocation of resources is a careful balance of each component of the
4 Company and the impact it has on the customer experience, employees, and shareholders.

5 **Q: Is not filling a position a cost savings?**

6 A: In the short term, but such a decision may not cause detriment to operations because of
7 other short term impacts—like a downturn in construction projects precipitated by a poor
8 local economy.

9 **Q: What is your appraisal of how well KCP&L balances the interests of stakeholders?**

10 A: This is the crux of the question as whether to recognize KCP&L’s excellent customer
11 service and reliability with an above midrange ROE. As reflected in JD Power and PA
12 Consulting’s studies and analysis, KCP&L does an excellent job of balancing the
13 interests of stakeholders. While public, regulated utilities have an underlying duty to offer
14 good and reliable service, it is difficult to execute while delicately balancing the interests
15 of stakeholders.

16 **Q: What are your thoughts on Staff’s testimony, “Customers paying higher rates for
17 utility service they have and are already paying for and to which they are entitled to
18 as customers of a regulated utility, is in effect ‘penalizing’ those customers in the
19 form of higher rates” (Id. p. 7, ll. 7-10.)?**

20 A: I disagree with the characterization that the Company is penalizing customers by asking
21 for an above midpoint ROE. Such a statement should not be viewed outside the context
22 of balancing the interests of stakeholders or the importance of incentives to offer
23 excellent service. Customers are not penalized, but benefit from incentives to offer

1 excellent customer service and balancing the often competing interests of stakeholders.
2 The measures of excellence may not be perfect but their relevance should not be
3 dismissed as a gauge of KCP&L's operational and customer service success.

4 **Q: Do you agree with Staff, there are greater benefits over external awards by "...**
5 **examination of the Company's own performance over time to analyze trends, to**
6 **review improvements and to document deficiencies" (Id. p. 27, ll. 16-19)?**

7 A: No. I would weigh greater the benefit from the wider view of the independent, external,
8 studies and analysis. There is value in analyzing the Company's internal data, but such
9 trends may not fully represent the quality of service or provide perspective that
10 independent reviews offer. Internal analysis may not have sufficient randomness for
11 statistical relevance or insight to customers' perceptions to guide allocation of resources
12 to appropriately address issues important to customers. Furthermore, there are customer
13 and other stakeholder benefits for the Company to stretch beyond its own boundaries.

14 **Q: Can you give some examples?**

15 A: Yes. Internal data may indicate a trend of increasing ASA of three-seconds over a three
16 year period. Is that something the Company would like to see? No. Is it something the
17 customer perceives as impacting the customer experience? Probably not, due to fact that
18 the customer experience is broader than a single metric.

19 Another example is an increase in customer filings with the Commission. Is that a
20 concern of the Company? Of course. Does the increase impact the customer experience
21 of those customers not filing a complaint? Not likely.

1 Staff's examples may have relevance, but the perception of the customer is not
2 likely changed. The point is internal data that suggests trends may not fully represent the
3 quality of service or provide perspective that the independent reviews offer.

4 **Q: Should JD Power and PA Consulting awards be used as the sole basis of awarding**
5 **an above midpoint ROE?**

6 A: The ROE range represented in the Company's testimony would be the same whether any
7 emphasis was placed on quality of service or not. It is not the intent of the Company to
8 directly correlate the excellent customer service study ratings and the reliability success
9 with the requested ROE. JD Power and PA Consulting awards recognize KCP&L's
10 achievement in offering a continuing good customer experience. The awards should have
11 sway in the aligned purposes of the Commission, customers, and the Company—of
12 providing excellent customer service and reliability at a good price.

13 The ability for the Company to balance competing stakeholders' interests and
14 provide a good customer experience during a most extraordinary economic period should
15 be recognized by the Commission in addition to ensuring regulated Missouri utilities are
16 incented to work with the aspiration of a better ROE as opposed to acceptance of average
17 and mediocre service under the pressure of thresholds and potentially new regulatory
18 requirements.

19 **Q: Do you agree with Staff's suggestion part-time call-center personnel are not good**
20 **for customer service? (Id. p. 22, l. 21—p. 23, l. 3.)**

21 A: No. I interpret Staff's concern is inadequate training impacts the ability of part-time call-
22 center personnel to perform and, in turn, they do not offer the same quality of customer
23 service as fulltime personnel. This concern is not founded in fact since part-time CSAs,

1 which work about 32 hours per week, receive the same training, are expected to perform
2 at the same level, and provided the same performance feedback as fulltime CSAs.

3 **Q: Do you agree that KCP&L did not experience any significant major outages**
4 **resulting from storms in the past two years? (Id. p. 16, ll. 22-23)**

5 A: It is unclear how “significant major outages” is being characterized. Regardless, KCP&L
6 was impacted by 24 storm events in 2009 and, as of October 2010, 25 storm events in
7 2010. The average number of storm events for the period of 2000 through 2008 was 9. It
8 is the Company’s belief that the frequency of storms can have similar impact to
9 operations just as a couple of major, extended outages, but the JD Power study suggests
10 KCP&L was able to maintain good reliability in the face of the above average number of
11 storm events.

12 **Q: Do you share the suggestion by Staff, that ‘Virtual Hold’ can be overused? (Id. p.**
13 **22, ll. 8-12)**

14 A: Virtual Hold is a tool, providing customers a convenient choice between calling again
15 later; continuing to hold for a representative; or using the Virtual Hold tool, providing an
16 easy method to have the Company representative call the customer. It is not likely that
17 Virtual Hold can be overused since it is basically a tool to help manage peaks in call
18 volume.

19 **Q: Do you wish to address Staff’s questioning the relevance of the JD Power survey to**
20 **assess customer service success? (Id. pp. 13-17).**

21 A: Yes. Staff makes a statement that the JD Power survey does not provide an accurate and
22 persuasive argument that any utility is providing even an acceptable level of service and

1 attacks the relevance of KCP&L's score compared to other utilities, and noting KCP&L's
2 rank changed from two to three. Staff's analysis does not paint the complete picture.

3 **Q: What is missing from Staff's analysis?**

4 Not only did KCP&L perform well within the Midwest Region for large utilities,
5 third highest of sixteen, but KCP&L's performance was consistent across all large utilities
6 within the United States. KCP&L's score was superior to 49 of the 58 other large utilities.
7 This demonstrates KCP&L not only ranks in the top quartile within the Midwest, but
8 ranks in the top quartile across all large utilities surveyed by JD Power. See LAK
9 Schedules 3-4, 3-6, 3-8 and 3-10. KCP&L believes that the Staff and Commission should
10 recognize the outstanding performance by KCP&L by awarding an ROE above the mid-
11 point range offered by the Company.

12 **Q: How do you explain Staff's assertion that call center performance is within an**
13 **acceptable range, but does not rise to the level of service experienced by GMO**
14 **customers a few years ago? (Id. p. 22, ll. 5-8).**

15 A: Staff's analysis does not recognize the significance of maintaining excellent metrics in
16 light of a significant economic downturn and weather extremes during 2010. Total
17 monthly call volume exceeded 300,000 four times during 2010 compared to one such
18 event in 2009. KCP&L continued to perform at a high level during a very challenging
19 year.

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

21 A: Yes, it does.

