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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LISA A. KREMER

**GREAT PLAINS ENERGY, INCORPORATED
KANSAS CITY POWER & LIGHT COMPANY**

FILE NO. ER-2010-0355

*Jefferson City, Missouri
December 8, 2010*

**** Denotes Highly Confidential Information ****

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LISA A. KREMER**

4 **GREAT PLAINS ENERGY, INCORPORATED**
5 **KANSAS CITY POWER & LIGHT COMPANY**

6 **FILE NO. ER-2010-0355**

7 Q. Please state your name and business address.

8 A. Lisa A. Kremer, P.O. Box 360, Jefferson City, Missouri 65102.

9 Q. By whom are you employed and in what capacity?

10 A. I am the Manager of Engineering and Management Services with the
11 Missouri Public Service Commission (Commission or PSC).

12 Q. Describe your educational and professional background.

13 A. I graduated from Lincoln University in Jefferson City, Missouri, in 1983 with a
14 Bachelor of Science Degree in Public Administration, and in 1989 with a Masters Degree in
15 Business Administration. I successfully passed the Certified Internal Auditor (CIA)
16 examination in 1997 and am a Certified Internal Auditor.

17 I have been employed for approximately 24 years by the Commission in the then
18 Management Services Department as a Management Services Specialist, except for a
19 four-month period when I was employed by the Missouri Department of Transportation.
20 The Management Services Department was combined with the Commission's
21 Depreciation Department and the joined Department was named Engineering and
22 Management Services. I assumed the Manager position of the combined Departments in
23 February 2000. Prior to working for the Commission, I was employed by Lincoln University
24 for approximately two and one-half years as an Institutional Researcher.

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Lisa A. Kremer

1 Specifically, I have participated in the analysis of or had oversight responsibilities for
2 reviews of numerous customer service processes and/or conducted comprehensive customer
3 service reviews at all the large regulated electric, natural gas and water utilities including:
4 Associated Natural Gas Company, Union Electric Company d/b/a AmerenUE (AmerenUE)
5 Electric and Gas Companies, Empire District Electric Company, Missouri Gas Energy, Atmos
6 Energy Corporation, Kansas City Power & Light Company (KCPL or Company), KCP&L
7 Greater Missouri Operations Company (GMO) and the predecessor company Aquila, Inc.,
8 Laclede Gas Company and Missouri American Water Company. I have also filed service
9 quality testimony that included analysis of various service quality matters in a number of
10 Commission proceedings involving Missouri regulated utilities. At the direction of the
11 Commission during 2001, the Engineering and Management Services Department began
12 reviewing the customer service practices of small water and sewer utilities when they request
13 rate increases. The Department has performed numerous reviews of this type since that time.

14 The Engineering and Management Services Department has also performed
15 management audits of public utilities operating within the state of Missouri under the
16 jurisdiction of the Commission. I have served as project manager or in support roles on a
17 number of these projects during my years of employment at the Commission, as well as
18 participated in other types of utility investigation and review projects. These reviews include
19 electric, natural gas, telecommunications, water and sewer companies operating within the
20 state of Missouri.

21 Schedule 1 is a listing of those cases in which I have filed testimony before the
22 Commission.

1 **EXECUTIVE SUMMARY**

2 Q. Please summarize your rebuttal testimony.

3 A. The purpose of my testimony is to recommend that the Commission
4 reject KCPL's request for a return on equity (ROE) at the top of KCPL's requested range
5 (from 10.75 percent to 11.0 percent) for the Company's alleged customer satisfaction
6 achievements, as identified on page 10, lines 1 through 14, of Mr. Curtis D. Blanc's direct
7 testimony and on page 5, lines 11 through 14 of Dr. Samuel Hadaway's direct testimony.
8 Mr. Gregory Brossier of the PSC's Energy Department will specifically address the
9 Company's request as it relates to the Company's reliability. This testimony presents Staff's
10 support for its recommendation that the Commission reject KCPL's request as it relates to the
11 JD Power Business and Residential Surveys and customer satisfaction, or other KCPL service
12 quality metrics.

13 **KCPL's REQUEST FOR MONETARY RECOGNITION FOR RELIABILITY AND**
14 **CUSTOMER SATISFACTION**

15 Q. What specifically has KCPL requested?

16 A. KCPL is requesting:

17 . . . a return on equity commensurate with the top of Dr. Hadaway's
18 range to reflect the Company's reliability and customer satisfaction
19 achievements.

20 Q. Has the Company quantified the dollar amount of its request for the high end
21 of Dr. Hadaway's ROE?

22 A. Yes. In response to Staff Data Request No. 350, the Company indicated that
23 the 25 basis points difference equates to \$4.0 million in revenue requirement.

24 Q. What rationale does KCPL offer for this request?

1 A. The Company stated:

2 KCP&L's T&D systems continued to perform at Tier 1 reliability
3 levels in 2009, as measured by System Average Interruption Duration
4 Index ("SAIDI") in the annual Edison Electric Institute Reliability
5 Survey. In addition, the PA Consulting Group awarded KCP&L the
6 ReliabilityOne best performer award for the Plains Regions for the
7 third consecutive year in 2009, as well as the National Reliability
8 Excellence award in 2007. In addition, KCP&L is ranked as one of the
9 highest rated electric utilities in Customer Satisfaction according to JD
10 Power and Associates. In February 2010, JD Power recognized
11 KCP&L as No. 1 in Customer Satisfaction among business customers
12 in the Midwest Large electric utilities. Similar results were seen in the
13 JD Power Residential study that was released in July 2009 when
14 KCP&L was ranked No. 2 among the Midwest Large utilities. KCP&L
15 continues to be tracking very well in its 2010 Residential study that will
16 be released in July 2010. (Blanc, Direct, p. 10, lines 1-14)

17 Q. Has KCPL accepted the responsibility of providing safe and reliable service to
18 all customers in its service territory?

19 A. Yes.

20 Q. Are KCPL customers entitled to safe and reliable service?

21 A. Yes.

22 Q. Are KCPL customers entitled to professional customer service?

23 A. Yes.

24 Q. Why is the Staff opposed to the Company's request for the high end of its
25 recommended range on ROE for the reasons the Company states?

26 A. There are numerous reasons the Staff is opposed to the Company's request.
27 Customers of all Missouri regulated utilities are entitled to receive safe and quality service at
28 a reasonable price, are entitled to reliable service and should expect to be satisfied with the
29 service they receive. They should not be required to pay higher rates based upon a regulated
30 Company's "reliability and satisfaction achievements."

1 Q. Are reliability and customer service indicators such as System Average
2 Interruption Duration Index (SAIDI), Abandoned Call Rate (ACR), Average Speed of
3 Answer (ASA), Service Level and others correlated with utility expenditures on outage
4 response, system upkeep, call-center employment, and call-center systems?

5 A. Yes.

6 Q. Are KCPL's customers currently funding the expenditures that enable the
7 performance KCPL refers to in Blanc's testimony?

8 A. Yes. Customers currently pay for all aspects of the service they are receiving.
9 Customers pay for all of the control processes, systems, practices and procedures employed
10 by utility management to provide quality service. Customers pay for all costs associated with
11 equipment the utility employs to provide safe and reliable service, all costs for the
12 construction, repair and maintenance of this equipment and all costs for the operations of
13 equipment used to meet the safe and reliable standard. Customers pay for the personnel,
14 including their hiring, training, retention, salaries and benefits.

15 Customers pay for incentive compensation to employees who have met certain bench
16 mark standards for safe and reliable service. The Staff is opposed to the Company's request
17 to have customers also pay an additional premium for "achievements" as noted by an outside
18 third party survey. The Commission Staff has supported the incentive compensation of such
19 employees and officers when they are directly supported by service quality performance, and
20 the Commission has historically supported these amounts being included in customer rates.
21 Such incentive compensation associated with the Company's service quality performance has
22 been recommended by the Staff in its revenue requirement in this case.

1 Customers also pay for utility managers to oversee or direct the service customers
2 receive. Fundamental to managerial responsibility is the setting of goals and objectives,
3 monitoring progress, implementing corrective action when needed, and striving to improve
4 upon performance in all matters that are both effective and efficient. Managerial
5 responsibilities include planning, organizing, directing and controlling critical resources that
6 include personnel, capital, technology and time. Utility managers are generally compensated
7 at higher levels than non-managers as recognition of their greater responsibilities ensuring the
8 achievement of company goals and objectives.

9 Customers of regulated utilities generally have one source from which to obtain
10 necessary utility service, and that is the utility that has been granted a certificate to provide
11 service to the service territory in which they live. Customers are paying for and are entitled to
12 receive the best service that can be cost effectively provided by regulated utilities and that is
13 provided in a manner that adheres to the Commission's Rules. Such expected service may
14 lead to periodic recognition by outside entities, such as JD Power, PA Consulting Group or
15 the Edison Electric Institute (EEI). However, recognition by such entities, which may change
16 from year to year, does not justify customers paying above and beyond the prudent and
17 reasonable costs they are already paying through their rates.

18 The Company also has made commitments to its customers to provide 'reliable,
19 affordable energy and friendly, responsive customer service.'¹ While this is the Company's
20 stated commitment, it is a required responsibility of each and every Missouri regulated utility.
21 Charging higher utility rates to customers solely because KCPL is providing the type of
22 service required can be considered a type of penalty. This is especially true to the customers
23 who reported to JD Power that they are satisfied with their electric service. If the Company

¹ KCPL Customer Brochure as presented on the Company's website.

1 was transparent about the JD Power survey, it would inform the customer that based on
2 his/her comments, KCPL may use the survey results to request higher rates.

3 KCPL customers are subject to the electric service provided to them by KCPL
4 which holds the certificate to operate in their communities. KCPL customers are already
5 paying for all prudent and reasonable costs to provide them safe and reliable electric service.
6 Requiring customers to pay an additional amount of money in rates above and beyond the
7 costs incurred by the utility to provide them that service is not justified. Customers paying
8 higher rates for utility service they have and are already paying for and to which they are
9 entitled to as customers of a regulated utility, is in effect 'penalizing' those customers in the
10 form of higher rates.

11 Q. If financial reward for JD Power survey results or reliability awards is given to
12 any party in this case, who should receive it?

13 A. The Company's customers should receive any such reward as they are the
14 ones who have paid for all of the processes, systems, practices, equipment, training,
15 management, personnel, salaries, benefits and other costs associated to support the service
16 that received the recognition. Without their payment of utility rates, there would be no
17 service to recognize or reward.

18 Q. Is the staff proposing such financial rewards for the Company's customers?

19 A. No.

20 Q. What are the purposes of customer surveys?

21 A. Surveys can be used for many purposes including as a means to determine
22 customer perceptions, opinions and satisfaction with any service or product. Surveys can
23 provide information as to how improvement can be made in the service or product being

1 delivered. In the case of Missouri-regulated utilities, it is the Staff’s opinion that customer
2 surveys should be designed and used to improve service in some manner, to search for
3 deficiencies in processes and practices and to be a tool that ultimately benefits its customers.
4 The results of surveys administered by outside parties, such as JD Power, should not be used
5 as justification to charge customers more through a higher return on equity.

6 Q. Does the Staff have any opposition to the Company participating in JD Power
7 surveys or any other surveys to determine customer opinions or satisfaction with its service?

8 A. No. However, it is the Staff’s opinion that the surveys should be used as a
9 management tool for the utility to improve service, and should not to be used against the
10 utility’s customers as a way to obtain higher rates from them in the form of an increase in
11 profit—the equity return component of the overall rate of return.

12 **JD POWER**

13 Q. What is JD Power?

14 A. The JD Power website, found at www.JDPower.com states that JD Power was
15 established in 1968 and is a “global marketing information firm that conducts independent
16 and unbiased surveys of customer satisfaction, product quality and buyer behavior.”
17 Schedule 2 provides some material printed from JD Power’s website that describes the
18 Company and its history. Schedule 3 in the material is the July 14, 2010, press release
19 describing the current survey and KCPL’s ranking for the Midwest Region: Large Segment
20 Utilities survey. The attached JD Power material also includes AmerenUE’s (now referred to
21 as Ameren Missouri) ranking in the Midwest Region: Large Segment Utilities as well
22 as Empire District Electric Company (Empire) in the Midwest Region: Midsize Segment.

1 The “Large Segment” is determined by utilities that have greater than 500,000 customers.

2 The “Midsize Segment” includes utilities that serve between 125,000 and 499,999 customers.

3 Q. Does Staff dispute that the JD Power surveys are independent?

4 A. No. However, while KCPL states in response to Data Request No. 275 that the
5 survey results are independent and statistically valid, Staff is not taking a position as to
6 whether this claim is accurate. It is important to point out that such an analysis is not
7 necessary to determine the independence of JD Power. Staff’s recommendation to not include
8 an additional 25 basis point increase in the recommended return on equity does not in any
9 way relate to either the independence or lack of independence of JD Power.

10 Q. Does the Staff have any additional observations or concerns with the JD Power
11 surveys as they are used by KCPL in this case?

12 A. Yes. A review of JD Power material provided by the Company indicates that
13 the JD Power questionnaires are conducted online². This characteristic of the JD Power
14 survey means that some segments of KCPL customers, particularly the elderly, low-income
15 and disabled customers, may have limited participation in such surveys that require computer
16 access. The Staff does not dispute that statistically valid survey results can be obtained by the
17 number of online surveys JD Power conducts within the KCPL service territory. However,
18 the administration of a survey that may restrict the ability of certain segments of KCPL
19 customers to participate because they do not have ready access to the Internet does not seem
20 consistent with the Company’s request for a higher ROE that will impact all of its customers.
21 Many other customers that would have internet access may simply not participate in such
22 surveys that may be thought of as too time consuming or not important enough to those
23 customers to take the survey.

² KCP&L Data Request Response No. 282 page 2 of 4.

1 In addition, many of the six components or attributes that are measured by JD Power
2 are significantly influenced by regulation of the Commission over KCPL. The six attributes
3 in the survey that JD Power measures are 1) Power Quality & Reliability, 2) Price, 3) Billing
4 and Payment, 4) Corporate Citizenship, 5) Communication and 6) Customer Service.

5 Specifically, the Company's **Power Quality and Reliability** (27% survey weighting)
6 is influenced significantly by the Commission's infrastructure inspection, vegetation
7 management and reliability reporting rules that went into effect in 2008. KCPL has also been
8 the subject of two Commission storm evaluation and restoration reports following the ice
9 storms of January 30, 2002 and December 10 and 11, 2007. In addition to reviewing the
10 Company's planning processes, response to the storms and restoration, these reports also
11 made specific recommendations to the utility for improvement and were subsequently
12 reviewed by Staff for implementation.

13 The **Price** (22% survey weighting) customers pay for electricity provided by KCPL is
14 ultimately determined by the Commission and is based upon the utility's actual cost of
15 providing service.

16 **Billing and Payment** (19% survey weighting) is significantly influenced by the
17 Commission's rule 4 CSR 240-13 (Chapter 13) that prescribes the period of time customers
18 must be allowed to pay their bills without penalty or threat of disconnection, includes
19 information that must be presented on the bill, provides specific guidelines for deposits,
20 provides a number of additional customer protections during the cold weather rule period, and
21 other billing matters.

22 The **Corporate Citizenship** component (13% survey weighting) includes attributes
23 that are influenced by the fact that KCPL is a regulated utility. Specifically, KCPL's future

1 energy plans are reviewed and shaped by the Commission's energy resource planning process.
2 Conservation programs offered by the utility are also influenced by other entities such as the
3 Missouri Department of Natural Resources (DNR).

4 **Communication** (13% survey weighting) attributes are also influenced by regulation
5 including appropriate communication to customers when changes are being made that may
6 impact their account or service as well as the importance of being safe around electricity.

7 Finally, **Customer Service** (6% survey weighting) has numerous attributes that are
8 monitored by the Commission and have been analyzed and addressed in many case
9 proceedings before the Commission. Specifically, those attributes relating to the Company's
10 call center including speed of answer, accuracy of information being relayed to customers,
11 resolution of problems and others are of significant importance for regulated companies.

12 Q. Do you have any concerns as to the actual meaning or interpretation of
13 KCPL's ranking in the JD Power Business and Residential Studies?

14 A. Yes. Comparisons of one utility to another can be misleading and have
15 significant deficiencies. JD Power provides a comparison of one utility to the next and it is
16 this comparison in the form of rankings, in part, that KCPL puts forth as demonstrating it
17 should receive the higher ROE. KCPL, however, clearly identifies the shortcomings of
18 industry comparisons in the latter part of its response to Data Request No. 275:

19 Comparison to other utilities is difficult because no two utilities are
20 exactly alike. The customer mix, geography, regulatory requirements,
21 weather, moratoriums, are examples of a few points that are difficult to
22 normalize between utilities, but execution can be measured as
23 evidenced in the independent statistically valid JD Power studies.

24 Staff would agree with this disclaimer regarding use of industry comparisons.

25 The Company points to the fact that in February 2010, JD Power recognized KCPL as
26 No. 1 in Customer Satisfaction among business customers within the Midwest Region - Large

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1 Segment electric utilities. In July 2009, KCPL indicated it was ranked No. 2 among the
2 JD Power's Midwest - Large Utility Residential study. The rankings for year 2010 released in
3 July 2010 demonstrate that the Company's satisfaction among residential customers had
4 declined to third.

5 This 2010 survey included a survey period from July 10, 2009 through May 17, 2010.
6 This survey period omitted the following ** _____ ** in
7 the Company's call center performance which are presented in the call center metrics in
8 Schedule 4. In addition, according to Company documentation presented in the Company's

9 ** _____
10 _____
11 _____
12 _____
13 _____
14 _____
15 _____
16 _____
17 _____
18 _____
19 _____ **

20 Survey results, industry awards and other external forms of recognition are fluid. They
21 change from year to year and are dependent upon factors that may be both within and outside
22 the utility's control. KCPL is not claiming its 'achievements' are a trend over time but appear
23 to be stating its achievement as receiving a one-time award from JD Power. Regardless,
24 comparing a utility's performance against itself over time is a more valuable method to
25 determine true performance improvement or decline. KCPL's quality of service performance
26 will be addressed later in this testimony.

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1 Q. What are the actual survey point differences between KCPL and the other
2 utilities in the Residential Study?

3 A. The JD Power study uses a 1,000 point scale, and awards utilities points based
4 upon its performance in the six weighted categories mentioned previously. KCPL is
5 considered a part of the Midwest Region, Large Segment group (which includes
6 those companies having greater than 500,000 customers). The difference between
7 KCPL's score and the score of the lowest ranked utility company in this segment is very
8 small. For example, in the 2010 Electric Utility Residential Customer Satisfaction Study, out
9 of a 1,000 point scale, KCPL's score of 655 is only 9% or 56 points higher than the lowest
10 utility ranked in the study. In total, there is only an approximate 15% difference between the
11 highest and lowest ranked utilities, of which there were 16 utilities total in the study.

12 Q. Did the JD Power material provided by KCPL indicate factors that can
13 influence customer satisfaction up or down?

14 A. ** ____ ** Item 13 in response to Staff Data Request No. 286 indicated that:

15 ** _____
16 _____
17 _____
18 _____
19 _____
20 _____
21 _____
22 _____
23 _____
24 _____ **

25 While this information may be useful as to factors that can impact customer satisfaction, it has
26 a minimal relationship to the actual service quality received by customers.

27 Q. Should the Company's future JD Power performance decline, has the
28 Company indicated it would refund its customers for poor performance or seek a lower ROE?

1 A. No. The Company indicates it would evaluate the situation at that time, but
2 is non-committal about requesting a lower ROE. The Staff asked the Company in Data
3 Request No. 279 the following:

4 Question No. 279

5 As the Company is requesting recognition due to what it perceives as
6 the Company's improvement in providing quality service based upon
7 its ranking within the JD Power index, please indicate what financial
8 adjustment it would propose if the Company declined in its
9 performance ranking.

10 Response

11 In general, declines in performance would have to be evaluated to
12 determine root causes. For example, if the decline were due to poor
13 vegetation management results then that particular program would have
14 to be evaluated. As another example, if customer service response
15 times were a major factor then that particular program would have to be
16 evaluated.

17 If the Company's performance ranking would decline in future years,
18 the Company would expect that the use of the high end of the ROE
19 range would need to be re-evaluated based upon the cause of the
20 decline.

21 Q. Were other Missouri regulated utilities identified in the JD Power study?

22 A. Yes. Ameren Missouri (Ameren) and Empire were identified in the JD Power
23 Residential results.

24 Q. What were the rankings of Ameren and Empire in the 2010 JD Power
25 Customer Surveys?

26 A. Ameren, also considered a Large Segment utility and grouped with KCPL, fell
27 below the Midwest Large Segment Average score of 624 from a possible 1000 points.
28 Ameren's JD Power Score for the Residential Customer Satisfaction Study was 621.

29 Empire was grouped in the Midwest Region, Midsize segment and its score was 587.
30 The Midwest Midsize Segment, which includes utilities that serve between 125,000

1 and 499,999 customers, average was 629. Empire's score was fourth from the bottom score
2 of 584.

3 Q. Would the Staff propose a downward ROE adjustment for Empire due to its
4 lower JD Power ranking in a future rate case?

5 A. No. To my knowledge, the Staff has never proposed a downward adjustment
6 for survey results of a utility because an outside survey party rated the utility low and I cannot
7 envision the Staff using survey results in that manner as support for taking that position in the
8 future. If Staff found specific areas of service quality deficiency, as it has done in the past
9 with utilities, it would make attempts to work with the utility to improve such service declines
10 or in the event it could not find agreement with the utility, would consider other options such
11 as filing a formal complaint with the Commission.

12 Q. What value does the Staff attribute to KCPL's participation in JD Power to the
13 extent the Company pays for detailed reporting, the opportunity to ask additional survey
14 questions, receive recognition in the form of trophies and other aspects of JD Power?

15 A. In the Staff's opinion, the value of customer surveys to utilities and to the
16 customers they serve is when they are used by the utility as a tool to identify deficiencies, take
17 corrective action to address these deficiencies, and measure the Company's progress by
18 developing benchmarks for improvement. While Staff is opposed to customer survey results
19 being used as justification for an increased ROE, Staff does recognize such surveys can be
20 beneficial to the Company in improving its operations.

21 Q. Did the JD Power press release of July 14, 2010, provide any summary
22 information comparing the overall 2010 survey results to those of 2009?

1 A. Yes. The press release (Schedule 3) indicates:

2 Residential customers of electric utility providers indicate that their
3 monthly electric bill amounts have declined and power reliability has
4 improved from 2009, resulting in a notable increase in overall
5 satisfaction, according to JD Power and Associates 2010 Electric
6 Utility Residential Customer Satisfaction Study released today. . .
7 Residential customer satisfaction with utility companies averages 630
8 on a 1,000 point scale in 2010 – increasing from 618 in 2009. . . When
9 outages do occur, utility companies are doing a better job of
10 communicating with their customers about power restoration, as well as
11 meeting estimated restoration times in 2010, compared with 2009. In
12 2010, customer-reported bill amounts have decreased by 5 percent from
13 2009. Power reliability has also improved, with customer-reported
14 service interruptions decreasing by 8 percent. Overall, 37 percent of
15 customers indicate experiencing no power interruptions in 2010,
16 compared with 33 percent in 2009.

17 Q. Can any conclusions be derived from this press release?

18 A. Yes. JD Power survey results have improved generally for electric utilities
19 from 2009 to 2010, customers are more satisfied with their respective utility companies and
20 that they are experiencing fewer outages. Since the overall utility industry has seen an
21 improvement in service it is not surprising that KCPL has also shown an increase in customer
22 satisfaction. Perhaps more noteworthy is the fact that KCPL was fortunate not to have
23 experienced any significant major outages resulting from storms in the past two years. Utility
24 companies are under substantial pressure to timely restore transmission and distribution
25 networks to electric systems during times of these major outages. The ability to avoid having
26 significant outages on the system, largely due to weather patterns, typically causes customer
27 satisfaction to improve or be at a high level. Thus, weather pays a large part in how
28 customers view their utility service, at a given point of time.

29 Q. How did KCPL's performance in the 2010 JD Power Residential Electric
30 Utility Customer Survey compare to the JD Power 2009 survey?

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1 A. KCPL's performance ranking in the JD Power Residential Electric Utility
2 Customer Survey declined from No. 2 to No. 3.

3 Q. What did JD Power charge KCPL in 2010?

4 A. According to invoices presented in response to Data Request No. 287, the
5 Company was billed \$118,910 by JD Power in 2010.

6 Q. Specifically, what services did KCPL receive from JD Power for this amount?

7 A. The majority of the invoice amounts were for specific reports that provided
8 detail about the survey results. JD Power will survey customers of companies without charge,
9 but companies must pay to receive specific reports that provide details about the survey and
10 company individual performance.

11 Q. Are customers paying for the costs relating to JD Power?

12 A. Yes. Staff did not make any specific adjustment to remove those costs, as
13 such, these amounts will be reflected in rates.

14 Q. In your opinion, can JD Power survey results provide an accurate and
15 persuasive assurance that any utility company is providing even an acceptable level of
16 service?

17 A. No. Utility service quality is comprised of many processes and practices and
18 all require examination before judgments can be made regarding whether or not a utility is
19 providing an acceptable level of customer service. Customer service measurements that
20 compare a utility's performance against itself over time provide valuable information, but
21 they must be monitored. While a survey such as JD Power may serve as a managerial tool to
22 seek areas of service quality improvement, surveys only represent customer opinion at any

1 given point in time. Surveys cannot provide assurance that deficiencies are not present in key
2 service processes.

3 Q. Does the Staff have any other observations regarding the JD Power survey and
4 the Company's proposed use of it to, in part, support a higher ROE?

5 A. Yes. Surveys can provide a useful purpose for identifying areas where a utility
6 is doing well and areas where opportunities for improvement may exist. KCPL's proposal to
7 use survey results from one year to justify its customers paying additional rates to the utility
8 in the form of a higher ROE punishes its customer for their survey responses. If customers
9 fully understood at the time they were participating in a JD Power Survey that their positive
10 responses might be used 'against' them by the utility in the future to request a higher ROE,
11 thus resulting in the customers paying higher rates, the survey results and KCPL's ranking
12 may have been different.

13 Not only are customers paying for every aspect of the service they receive and are
14 entitled to, which Staff believes is appropriate, they are being asked to pay an additional
15 'premium' for the satisfaction they have in the service for which they are paying. As a note,
16 KCPL indicated in response to Data Request No. 284 that customers are paying for services it
17 provides.

18 Q. Did the Staff review any JD Power utility survey results from prior years? If
19 so, what observations can be made?

20 A. Yes. The Staff reviewed the Company's JD Power survey results from 2006
21 going forward for both the business and residential customer studies. On a 1,000 point scale,
22 KCPL had the following scores by year and survey:

	JD Power Residential Customer Study Points	JD Power Business Customer Study Points
	KCPL	KCPL
2006	679	657
2007	697	725
2008	667	704
2009	646	632
2010	655	673

For residential customers, the Company's current 2010 performance is lower than three of the prior years of 2006, 2007 and 2008. For its business customers, KCPL's 2010 score of 673 is lower than its 2007 and 2008 scores. Schedule 6 presents this data graphed.

Q. Did the Company indicate it uses the JD Power Surveys for purposes other than to support a higher ROE?

A. Yes. In response to Data Request No. 282, the Company responded:

The results of these well respected industry reports helps KCP&L keep customer satisfaction in the discussions as the company makes decisions that ultimately impact our customers. We also use the data to understand leading utilities within the different component areas of the study. This helps us evaluate possible offerings and pros and cons based on others learning curve. KCP&L's participation has also allowed us to develop business relationships with other utilities to ask questions and bounce ideas off as needed.

While these are positive uses of JD Power participation, the Company has many opportunities to keep informed of other utilities' activities through various means including the PSC's Consumer Services Roundtable meetings that have been occurring for many years as well as the National Association of Regulatory Utility Commissioners (NARUC) forums and conferences specifically offered to utility companies. Journals such as Public Utilities

1 Fortnightly, and publications specifically designed for customer service topics such as call
2 centers, are also readily available.

3 **KANSAS CITY POWER & LIGHT SERVICE QUALITY PERFORMANCE**

4 Q. In your opinion, has the Company demonstrated or indicated that it is
5 providing its customers with any manner of superior service quality?

6 A. No. Further, Staff asked the Company the following in Data Request No. 275:

7 a.) Please provide a listing and description of all specific programs and
8 service quality performance that KCPL and KCPL GMO believes
9 makes the company (companies) superior, leading or best compared to
10 other regulated utilities other than its customers Satisfaction JD Power
11 rankings. b). If the Company does believe it is providing programs and
12 or service quality superior to that of other regulated and non-regulated
13 utilities, please identify such specific utilities and the specific area of
14 superiority.

15 **RESPONSE:**

16 A. . . . the Companies provide customers many programs that affect the
17 customer experience and the communities KCP&L and GMO serve.
18 The programs may align with those offered by other utilities, but the
19 value to customers is KCP&L and GMO's execution of these programs
20 that include sensitivity to customers situations, responsiveness to
21 irregular operations, energy efficiency options, customers convenience,
22 and recognizing the Companies are partners with the communities they
23 serve. . . .

24 KCPL, like other Missouri regulated utilities, performs many processes and practices,
25 including billing, credit and collections, meter reading, payment remittance, call center
26 operations, service or work order processes and service disconnections and reconnections that
27 affect the service quality experienced by its customers. Company service quality metrics can
28 be used to determine and monitor the level of customer service that utilities, including KCPL,
29 are providing to its customers to help ensure that customers are receiving an acceptable level
30 of service in those areas. Some aspects of service quality, however, do not readily lend
31 themselves to indicators. Examples include the consistent application of credit and collection

1 practices, detection and correction of billing errors and the effective training of call center
2 representatives to ensure the communication of accurate and consistent information to
3 customers, as well as their courteous treatment. Comparing a utility's individual performance
4 against itself is of greater value than comparing or ranking one utility to another.

5 **CALL CENTER PERFORMANCE**

6 Q. What is the value and purpose of KCPL's call center with respect to service
7 quality?

8 A. Call centers, including KCPL's, perform a critical function in utility operations
9 as they provide the primary means for customers to contact their utility directly. Customers
10 may require contact with their utilities for any number of reasons including: to report
11 emergencies and service outages; requests to initiate, discontinue, transfer or restore service;
12 questions regarding customer bills; customer usage; delinquent accounts; and to make
13 payment arrangements.

14 During the winter months when the Commission's Cold Weather Rule is in effect, call
15 centers may actually be a "life line" for some customers who are nearing service
16 disconnection and need to make alternative payment arrangements. It is always imperative,
17 but particularly so during emergencies and in times of unusually cold and hot weather, that
18 call centers function in an effective manner. As utilities have closed business offices that
19 once accommodated walk-in traffic and provided customers with a utility presence in their
20 community, the role of the call center has become increasingly important as a primary point
21 of contact for utility customers.

22 Schedule 4 provides the Company's call center performance in the key areas of
23 abandoned call rate (ACR), (which generally refers to the percentage of customers who

1 terminate their calls before they can be answered by a customer service representative) and
2 average speed of answer (ASA), (which can also be referred to as the average wait time
3 before a customer's call is answered by a call center representative). Also included in
4 Schedule 4 is the grand total of number of calls coming into the call center as well as the calls
5 being offered to Customer Service Representatives. At the present time, Staff is of the
6 opinion that the Company's call center performance is within an acceptable range; however,
7 its call center performance does not rise to the level that was experienced by GMO customers
8 even a few years ago. The Company also employs a technology known as 'Virtual Hold'.
9 Virtual Hold, while used by many of the large regulated utilities, is a technology that permits
10 a 'return call' to the customer when wait times to speak to a representative become excessive.
11 Virtual Hold must be monitored to ensure it is not used excessively and that customers are
12 normally able to reach a representative within reasonable time frames.

13 Further, the rise in call volume to the Company's call center, rising customer
14 complaints and statements from the Company regarding budgetary concerns in the customer
15 service area, both in documentation and in quarterly meetings the Company has had with the
16 Staff, create an environment that could result in service declines. While cost-cutting and
17 efficiency are important managerial activities, too much cost-cutting in the wrong areas could
18 have significant adverse consequences for Missouri customers.

19 The Staff has participated in cases where such cost-cutting went too far and caused
20 detriment to service quality. Service quality at Aquila and Missouri Gas Energy (MGE)
21 suffered in the past as a result of efforts at too much cost cutting including staffing. The Staff
22 has observed a significant increase in the ** _____ ** that the
23 Company has been relying upon the past few months. While this type of staffing is not

1 necessarily problematic, all call center personnel must be adequately trained. Staff has
2 discussed the training of such personnel with the Company at the last quarterly meeting held
3 on October 26, 2010.

4 Schedule 5 demonstrates that the Company's number of full-time Customer Advocates
5 (or call center representatives) has ** _____

6 _____
7 _____ ** Schedule 5 further demonstrates the Company's
8 grand total of calls coming into the call center reached ** _____

9 _____ **

10 Mr. Blanc on page 6, beginning at lines 6 of his Direct Testimony acknowledges the
11 Company's actions to "redouble its efforts to control costs and conserve capital . . . "
12 including reducing its dividend by 50%, suspending external hiring for all but essential skills,
13 and leaving a significant number of open positions unfilled. The Company indicates it has
14 tightened its belt concerning its operations and maintenance expenses and capital
15 expenditures.

16 Q. How are the Company's PSC complaints trending?

17 A. They are ** _____ ** The following table identifies the number of PSC
18 residential customer complaints and complaints per thousand residential customers for 2008,
19 2009 and through October 31, 2010:

1

	<u>Residential Complaints</u>	<u>Residential Customers (Approximate In Thousands)</u>	<u>Complaints Per Thousand</u>
<u>2008</u>	** ___ **	239,921	** ___ **
<u>2009</u>	** ___ **	239,070	** ___ **
<u>2010*</u>	** ___ **	236,528	** ___ **

2 *Through October 31, 2010

3 Source: Missouri Public Service Commission EFIS Complaint System

4 Residential Customer Complaints were approximately ** _____ ** from
5 2009 than they were in 2008 and as of October 31, 2010, they are approximately
6 ** _____ ** than they were in 2008.

7 **HISTORICAL RATE OF RETURN ADJUSTMENTS FOR SERVICE QUALITY OR**
8 **MANAGEMENT EFFICIENCY**

9 Q. Has the Commission ever utilized rate of return adjustments to reward or
10 penalize utilities for either service quality performance or managerial efficiency?

11 A. Yes. A series of cases in the early 1980s included both downward and
12 upward rate of return adjustments for management inefficiency and neglect as well as
13 customer relations, low cost of long-term debt and cost of preferred stock. Specifically, Case
14 Nos. ER-82-39 and WR-82-50, both Missouri Public Service Company dockets, resulted in
15 reductions to its rate of return. In Case No. ER-83-42, Empire received an upward rate of
16 return on equity adjustment as did KCPL in Case No. ER-83-49.

17 Subsequently however, the Commission reviewed its decisions for both penalizing and
18 rewarding utilities for service quality and managerial performance through rates of return and
19 concluded in its June 20, 1989, Report and Order in the Southwestern Bell Complaint Case,
20 Case No. TC-89-14, "that it was not appropriate to adjust the Company's rate of return for

1 management decisions.” The Order stated that the Commission has determined that these
2 types of adjustments can rarely be supported by sufficient evidence to warrant a decision
3 regarding adjustments to rate of return. The Order went on to say that the more appropriate
4 method for making adjustments to the public utility’s revenue requirement is where specific
5 dollar adjustments can be addressed, not by adjusting ROE. The Order further stated: “As a
6 regulated company, SWB [Southwestern Bell] has an obligation to ratepayers to reduce prices
7 where appropriate as well as to provide quality service.”

8 In Case No. GR-2004-0209, Missouri Gas Energy (MGE) requested a 25 basis points
9 adjustment to its rate of return to recognize what it determined was high management
10 efficiency. Specifically, the Commission stated:

11 As the Commission found in 1986, and as was demonstrated in this
12 case, a rate of return adder is inappropriate in concept and unworkable
13 in practice. Conceptually, the Commission must determine a just and
14 reasonable rate of return for the utility that it regulates. To then tack an
15 additional percentage to the rate of return as a reward for efficiency
16 means that the Company would be receiving a rate of return that is
17 higher than the just and reasonable rate. In essence, the Commission
18 would be making a gift to the Company from the ratepayers’ pocket.
19 Obviously that is not acceptable.

20 Q. Has the Company specifically requested an increased return on equity for
21 management efficiency?

22 A. No. However, by requesting a higher return on equity for what the Company
23 points to as its “reliability and customer satisfaction achievements,” it is clearly linking
24 managerial activities to supporting its request for a higher ROE. It is the Staff’s position in
25 this case that the Company’s customers should not be required to pay a premium for safe and
26 adequate service or for external recognition that relies upon utility comparisons. KCPL is
27 expected to meet this standard as is every other utility operating in Missouri. Further, Staff
28 found that the Company’s residential ranking for JD Power has declined from 2009 to 2010.

Rebuttal Testimony of
Lisa A. Kremer

1 Q. Are there any other Staff witness testimonies you would like to mention as
2 they relate to the Company's request for a higher return on equity for customer satisfaction?

3 A. Yes. Staff witness John A. Rogers authored a section entitled "Demand Side
4 Cost Recovery" in the Staff COS Report filed November 10, 2010 and his rebuttal testimony
5 in this case. Within his direct and rebuttal testimony, Mr. Rogers expresses his concerns for
6 KCPL's actions to "scale back" its demand side programs. "Scaling back" programs that have
7 high customer participation and overall high expenditures of Company budgeted amounts
8 may negatively impact customer satisfaction.

9 Q. Please summarize your rebuttal testimony.

10 A. The Company's request for an increased return on equity based in part upon
11 Mr. Blanc's statements that "KCP&L is ranked as one of the highest rated electric utilities in
12 Customer Satisfaction according to JD Power and Associates" should be rejected by the
13 Commission for the following reasons:

14 1) KCPL customers are entitled to quality customer service including
15 customer satisfaction. They are entitled to such service because they pay, through their rates,
16 for all aspects of the service they receive. Customers pay for all of the control processes,
17 systems, practices and procedures employed by utility management to provide quality service.
18 Customers pay for the equipment the utility employs and for the maintenance and expenses
19 associated with operating and maintaining the equipment. Customers pay for personnel,
20 including their hiring, training, retention, salaries and benefits. Incentive compensation tied
21 to service quality and customer benefits have traditionally been included in customer rates.
22 Customers should not pay an additional premium for customer service they are already
23 entitled to receive as customers of a Missouri regulated utility company. Further, the

1 Company's survey performance for its residential customers in the JD Power Study declined
2 in 2010.

3 2) Reliance upon industry comparisons among utility companies that
4 operate under different types of regulation, statutes and rules, operate with different goals and
5 objectives, are led and controlled by different managements, serve different customer bases,
6 have different infrastructures in place, have different operations including in the areas of
7 customer service significantly limits the value of such comparisons, particularly when
8 demonstrating customer satisfaction or customer service.

9 3) JD Power survey results are 'fluid'. They will change over time as is
10 demonstrated from the time Mr. Blanc filed his direct testimony in this case wherein he noted
11 the Company's number two position in the 2009 JD Power Residential Study which has now
12 changed to the number three position in the Company's 2010 JD Power Residential Study.

13 4) Once 'reward' money would be given to the Company in the form of a
14 higher ROE, it may be difficult to get such money refunded or credited to customers should
15 the Company's performance decline.

16 5) Of far greater value to the Company and its customers over external
17 awards or external survey results that compares one utility to another, is an examination of the
18 Company's own performance over time to analyze trends, to review improvements and to
19 document deficiencies.

20 Q. Does this conclude your rebuttal testimony?

21 A. Yes.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Application of)
Kansas City Power & Light Company for) File No. ER-2010-0355
Approval to Make Certain Changes in its)
Charges for Electric Service to Continue the)
Implementation of Its Regulatory Plan)

AFFIDAVIT OF LISA A. KREMER

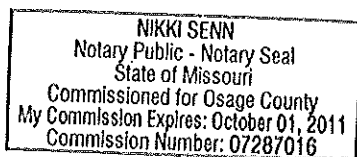
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)


Lisa A. Kremer, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 27 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lisa A. Kremer

Subscribed and sworn to before me this 8th day of December, 2010.





Notary Public

CASE PROCEEDING PARTICIPATION

LISA A. KREMER

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Greater Missouri Operations Company GMO-MPs and GMO-L&P Electric	ER-2009-0090	Surrebuttal – Quality of Service
Kansas City Power & Light Company	ER-2009-0089	Surrebuttal - Quality of Service
Laclede Gas Company	GT-2009-0026	Rebuttal – Quality of Service
Atmos Energy Company	GR-2006-0387	Direct – Quality of Service Report – Staff Response to Commission Order
Aquila, Inc.	GR-2004-0072	Direct - Quality of Service
Aquila, Inc.	ER-2004-0034 & HR-2004-0024	Direct - Quality of Service Rebuttal – Quality of Service
Laclede Gas Company	GR-2002-356	Rebuttal – Expense Decommissioning
Missouri Gas Energy	GR-2001-292	Rebuttal – Customer Service
UtiliCorp United Inc. / Empire District Electric Company	EM-2000-369	Rebuttal – Customer Service
Atmos Energy Company / Associated Natural Gas Company	GM-2000-312	Rebuttal – Customer Service
Raytown Water Company	WR-94-211	Rebuttal - Management Audit

FAQs

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What is J.D. Power and Associates?

J.D. Power and Associates is a business unit of The McGraw-Hill Companies that is well known for its global marketing information based on independent consumer surveys of product and service quality, customer satisfaction, and buyer behavior. Each year, the firm interacts with millions of consumers to better understand their opinions, perceptions, and expectations about a variety of products and services in more than a dozen industries.

The firm's research services include industry-wide syndicated studies, client-commissioned proprietary or tracking studies, media research, automotive forecasting, corporate training, performance improvement services, operations analyses, and consulting on product quality and customer satisfaction.

Established in 1968 and headquartered in Westlake Village, California, the firm has five U.S. offices and international locations serving Canada, the United Kingdom/Europe, and the Asia Pacific region. On April 1, 2005, J.D. Power and Associates became a business unit of The McGraw-Hill Companies.

To learn more about J.D. Power and Associates, click [here](#).

To learn more about The McGraw-Hill Companies, click [here](#).

J.D. Power and Associates:

- Conducts research used by companies worldwide to improve product quality and customer satisfaction.
- Bases its research solely on feedback from millions of consumers and business customers worldwide.*
- Compiles studies that serve as industry benchmarks for measuring quality and customer satisfaction.
- Doesn't publish or incorporate the opinions of J.D. Power and Associates or its employees in its rankings.

*One J.D. Power and Associates study, the Automotive Environmental Index (AEI),SM includes information sourced from the Environmental Protection Agency (EPA).

How does J.D. Power and Associates conduct its research?

J.D. Power and Associates surveys consumers and business customers by mail, telephone, and e-mail. The firm goes to great lengths to make sure that these respondents are chosen at random and that they actually have experience with the product or company they are rating. For example, ratings for the Lexus IS come from people who actually own one. As a result, J.D. Power and Associates ratings are based entirely on consumer opinions and perceptions.

What is JDPower.com?

J.D. "Dave" Power, founder of J.D. Power and Associates, wanted to give something back to the consumers who completed the firm's independent surveys. JDPower.com's free product and service ratings represent Dave's heartfelt thank you to the hundreds of thousands of people who responded to surveys about products and services in a variety of industries.

J.D. Power and Associates translates consumer survey responses into studies and reports that are used by companies worldwide to improve product quality, customer satisfaction, and other business metrics. JDPower.com features top-level highlights of these syndicated studies using a Power Circle Ratings system, which conveys consumer perceptions of product quality and customer satisfaction. For example, Power Circle Ratings related to the *J.D. Power and Associates Initial Quality Study*SM measure consumer perceptions of automotive new-vehicle quality after 90 days of ownership.

What is the connection between JDPower.com and J.D. Power and Associates?

JDPower.com is owned and operated by J.D. Power and Associates. The vision for JDPower.com originated with the firm's founder, J.D. Power, III, who wanted to provide consumers with highlights of the firm's research to demonstrate to survey respondents that their input, via the firm's questionnaires, makes a difference. At JDPower.com, consumers can view the results of the studies in which they have participated as well as all syndicated studies prepared by J.D. Power and Associates.

Why does advertising appear on JDPower.com?

Focus groups reveal that consumers find advertising helpful as long as it does not interfere with the user experience. With nearly 300 automotive models for sale in the U.S., consumers find that advertising, in appropriate places on Web sites, often presents models that they were not necessarily aware of prior to viewing the advertisement.

How is JDPower.com different from other Web sites with ratings?

JDPower.com helps consumers make more informed purchase decisions using J.D. Power and Associates voice-of-the-customer (VOC) information* generated by owners and users of products and services. JDPower.com publishes selected VOC highlights from J.D. Power and Associates industry benchmark syndicated studies in a format that is easy to understand and which helps consumers make more informed decisions when shopping for products and services. JDPower.com Power Circle Ratings reflect the experiences of consumers and business customers and not the opinions or preferences of J.D. Power and Associates. VOC information also determines specific content created by the JDPower.com editorial team.

What are Power Circle Ratings?

Power Circle Ratings (the Ratings) are an easy-to-use system developed by J.D. Power and Associates for JDPower.com. All Ratings are based on the opinions of consumers who have actually used or owned the product or service being rated. Since the Ratings are based on J.D. Power and Associates research studies that survey a representative sample of owners, they are indicative of what typical buyers may experience.

High ratings for a particular product/service/company do not necessarily mean that every customer will have a positive experience. It simply indicates that, on average, consumer perceptions of the product/service/company indicate that it stands out when compared with competitive products/services/companies.

Scoring Legend

 Among the best
  Better than most
  About average
  The rest



Please note that Power Circle Ratings may not include all information used to determine J.D. Power and Associates awards.

How are Power Circle Ratings calculated?

To calculate Power Circle Ratings, J.D. Power and Associates begins with the syndicated study index scores or a specific standard of measurement which can be found, in most cases, in the associated press release. An example of an index score is found in the *J.D. Power and Associates New-Home Builder Customer Satisfaction Study*,SM where home building companies are ranked according to overall index scores based upon weighted responses to several survey factors. An example of a specific standard of measurement is found in the *J.D. Power and Associates Initial Quality Study*,SM where vehicles are ranked according to reported Problem Per 100 (PP100).

Using these measurements, Power Circle Ratings are calculated based on the range between the product or service with the highest score and the product or service with the lowest score. J.D. Power and Associates generates a Power Circle Rating of five, four, three, or two, as outlined below:

 Among the best

The highest-ranking company or brand in each segment receives five Power Circles*. In highly competitive segments with many companies or brands, multiple companies or models scoring in the top 10 percent of all companies in the segment can also receive five Power Circles, indicating that consumers rate them "among the best" of all companies or models in the survey. However, only the highest ranking company in each segment receives a J.D. Power and Associates award.

 Better than most

Companies or models scoring in the next 30 percent of all companies in the segment receive a rating of 4 Power Circles*, indicating that consumers rate them "better than most" among companies or models in the survey.

 About average

Companies or models scoring in the next 30 percent of all companies in the segment receive a rating of 3 Power Circles*, indicating that consumers rate them "about average" among all companies or models in the survey. Also, note that the survey average is established within this score range, with 10 percent of companies or models rating "about average" receiving a numerical score above the survey average and 20 percent of companies or models rating "about average" receiving a numerical score below the survey average.

 The rest

Companies or models scoring in the next 30 percent of all companies in the segment receive a rating of 2 Power Circles*, indicating that consumers rate them lower than other companies or models in the survey. J.D. Power and Associates does not publish a rating lower than two Power Circles.

*Please note that Power Circle Ratings may not include all information used to determine J.D. Power and Associates awards.

Why do vehicles have two sets of Power Circle Ratings?

JDPower.com displays two sets of Power Circle Ratings for vehicles. J.D. Power and Associates awards are based on vehicle segments, such as compact multi-activity vehicle or entry premium car. The highest-ranked vehicle within each segment gets five Power Circle Ratings and receives an

award. Other vehicles within the segment that score in the top 10 percent of all models in the segment can also receive five Power Circle Ratings, but do not receive an award because the overall score is lower than the highest-ranked vehicle.

Our research shows, however, that many people shop across multiple vehicle segments. To align JDPower.com with actual consumer behavior, Power Circle Ratings for vehicles that are displayed in the JDPower.com vehicle comparison tool are based on a comparison across all models in all segments. This means that the consumer who is comparing a Honda Odyssey minivan and a Honda Pilot multi-activity vehicle, or a Toyota Camry with a Lexus ES 350, will get an apples-to-apples comparison of results from J.D. Power and Associates studies. This also means that a vehicle that receives five Power Circle Ratings within its individual segment may receive four, or even three, Power Circle Ratings when compared across all segments.

What is an index score?

J.D. Power and Associates uses a customer satisfaction “Index” as a means to determine most of its ratings and awards. To determine this Index, J.D. Power and Associates asks survey respondents to rate various aspects of their service or product experience. These vary by industry, but include such areas as customer service, billing, ease of use, etc. Based on these consumer responses, we then determine the importance of each of these areas and how each contributes to overall satisfaction. The consumer ratings on each of these areas, and their relative importance, are combined to create an overall numerical Index score—and this score determines which companies or brands receive a J.D. Power and Associates award.

What makes JDPower.com Power Circle Ratings different?

Power Circle Ratings are one of the only sources of consumer ratings based on independent and unbiased feedback from a representative sample of verified product and service owners. *Representative* means that the study results represent the general population of buyers/owners of that particular product or service, and *verified* means that the respondent actually owns, has owned, or used the product or service being rated.

Although many Web sites provide consumer ratings and feedback, in most cases product or service ownership is not verified. Verification of ownership is important because ratings on other sites may be based on information collected from online surveys, discussion forums, or chat rooms. In many cases, this type of consumer feedback lacks sufficient rigor. In some instances, a respondent is providing feedback on a product or service that they do not own.

What is the difference between Voice of the Customer feedback and expert opinion?

J.D. Power and Associates provides “Voice of the Customer” research based on actual survey responses from real consumers. J.D. Power and Associates represents the Voice of the Customer by translating survey responses from consumers and businesses into studies and reports that are used by companies worldwide to improve quality and customer satisfaction. These studies, reports, and Power Circle Ratings are based solely on Voice of the Customer feedback*.

J.D. Power and Associates researchers who conduct the surveys and prepare study results do not conduct product testing activities. J.D. Power does, however, leverage its expertise within the industries it serves to help companies improve their quality and customer satisfaction performance. Associates at J.D. Power also provide content on JDPower.com that showcases their expertise.

Other companies may provide their own experts to test products and services and generate ratings based on such expert opinions. But, this is not how J.D. Power and Associates operates. Its study results, reports, and Power Circle Ratings are solely based on the Voice of the Customer*.

* One J.D. Power and Associates study, the Automotive Environmental Index (AEI), includes information sourced from the Environmental Protection Agency (EPA) in addition to the voice of the customer.

I had a negative experience with a product or service provider that ranked highly in a J.D. Power and Associates study. How can this be?

Even top performers occasionally receive poor ratings. However, when the responses from thousands of consumers are combined, industry leaders have higher overall ratings than their competitors. The expectation is that you are more likely to be satisfied with an industry leader than with those that receive lower overall ratings.

How do companies receive approval to use J.D. Power awards?

J.D. Power and Associates has strict guidelines for advertising claims, and every advertising claim related to a study is reviewed prior to publication to ensure accuracy. Only highest-ranked performers in pre-defined categories are allowed to license the use of J.D. Power and Associates awards in advertising.

Results are based on measures of customer satisfaction and quality by consumers that are proprietary to J.D. Power and Associates. Awards and performance ranking are based on numerical scores, and not necessarily on statistical significance. Our experience indicates that even when small differences occur in the scores of those being measured, these small perceived differences help drive competition in the marketplace, thereby improving product and service quality and driving increases in overall customer satisfaction.

How can J.D. Power and Associates information be unbiased when manufacturers pay for the studies?

J.D. Power and Associates syndicated studies generally are not funded by the companies that are measured. The firm's syndicated studies are funded and owned by the firm and based on the aggregated responses of consumer perceptions of product quality and customer satisfaction—not the opinions of J.D. Power and Associates. After the study results are published, manufacturers, retailers, suppliers, and other industry participants can choose whether or not to purchase the study. Ownership of study data is key to the firm's independence and unbiased position. This third-party perspective enables J.D. Power and Associates to provide clients and consumers with credible and clear feedback. Although J.D. Power and Associates does conduct custom research for many clients to help drive quality and customer satisfaction improvement, results of this type of proprietary research are owned by the clients that commission the research and the results are not made available to the public.

I received a J.D. Power questionnaire but I've misplaced it. How can I request another survey?

At any one time, there are more than 400 projects in various stages of the survey/data collect on process. Therefore, it is not feasible to provide another survey for a particular study and be assured that it can be included before the study closing deadline. J.D. Power and Associates appreciates your interest in participating in our surveys; hopefully, there will be another opportunity in the future for you to complete one.

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Press Release

J.D. Power and Associates Reports: Overall Satisfaction among Residential Electric Utility Customers Increases Due to Perceptions of Fewer Outages and Lower Bill Amounts

Delivery of Key Performance Indicators Substantially Affects Overall Customer Satisfaction

WESTLAKE VILLAGE, Calif.: 14 July 2010 — Residential customers of electric utility providers indicate that their monthly electric bill amounts have declined and power reliability has improved from 2009, resulting in a notable increase in overall satisfaction, according to the J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM released today.

The study measures customer satisfaction with electric utility companies by examining six key factors: power quality and reliability; price; billing and payment; corporate citizenship; communications; and customer service.

Residential customer satisfaction with utility companies averages 630 on a 1,000-point scale in 2010—increasing from 618 in 2009. In 2010, customer-reported bill amounts have decreased by 5 percent from 2009. Power reliability has also improved, with customer-reported service interruptions decreasing by 8 percent. Overall, 37 percent of customers indicate experiencing no power interruptions in 2010, compared with 33 percent in 2009.

When outages do occur, utility companies are doing a better job of communicating with their customers about power restoration, as well as meeting estimated restoration times in 2010, compared with 2009.

“Utility companies are continuing to improve when it comes to managing customer expectations around power outages and restoration of service,” said Jeff Conklin, senior director of the energy and utility practice at J.D. Power and Associates. “Even though outages can have a negative impact on satisfaction, utility providers who manage these incidents properly—by providing sufficiently detailed information about the outage and restoring power when they say they will—may be able to mitigate declines, or even improve satisfaction.”

The study finds that 11 percent of customers have contacted their utility company regarding an overdue bill amount. While overall satisfaction is particularly low among these customers (611, on average), efforts taken by utility companies to assist customers with their bills may substantially raise satisfaction. In particular, among customers whose utility companies waived their late payment fees, satisfaction averages 704—well above the industry average, and also higher than satisfaction among customers who didn’t have an overdue balance (634, on average).

Fulfilling key performance indicators may have a substantial positive impact on customer satisfaction with electric utility companies. In particular, among customers who say that their utility delivered on five key performance indicators—such as making customers aware of community outreach activities and conservation programs—satisfaction averages nearly 275 points higher than satisfaction among customers whose utilities performed only one key indicator.

The study also finds that fewer than one in six residential customers say they are aware of actions taken by their utility to implement smart grid and smart meter technology. While overall awareness of utility actions to implement smart grid technology is relatively low, awareness has increased slightly during the past year, from 12 percent in July and August 2009 to 16 percent in April and May 2010.

However, when residential customers are aware of smart electricity technology and their utility's actions around it, overall satisfaction with the utility company increases notably. This presents an important opportunity for utility companies seeking to increase customer satisfaction, which often has significant bearing on rate case decisions.

The study ranks large and midsize utility companies in four geographic regions: East, Midwest, South and West. Companies in the midsize utility segments serve between 125,000 and 499,999 residential customers, while companies in the large utility segment serve 500,000 or more residential customers.

East Region

Among large utilities in the East region, Central Maine Power ranks highest for a third consecutive year. Following in the segment rankings are PPL Electric Utilities and Public Service Electric and Gas, respectively.

In the East region midsize utility segment, Southern Maryland Electric Cooperative ranks highest for a third consecutive year, followed by Rochester Gas & Electric and Central Vermont Public Service, respectively.

Midwest Region

MidAmerican Energy ranks highest among large utility companies in the Midwest region for a third consecutive year. Xcel Energy—Midwest follows MidAmerican Energy, while KCP&L ranks third in the segment.

Omaha Public Power District ranks highest among midsize utility companies in the Midwest region and receives an award in the study for a 10th consecutive year. Following Omaha Public Power District in the segment are Indianapolis Power and Light and Kentucky Utilities, in a tie.

South Region

Duke Energy—Carolinas ranks highest among large utility companies in the South region. Following Duke Energy—Carolinas in the rankings are Oklahoma Gas and Electric and CPS Energy, respectively.

Jackson EMC ranks highest among midsize utility companies in the South region, followed by NOVEC and Santee Cooper, respectively.

West Region

Salt River Project ranks highest in the West region large utility segment and receives an award in the study for a ninth consecutive year. Following Salt River Project in the segment rankings are Sacramento Municipal Utility District and Portland General Electric, respectively.

Clark Public Utilities ranks highest among midsize utility companies in the West region for a third consecutive year, followed by Tacoma Power and Intermountain Rural Electric Association, respectively.

The 2010 Electric Utility Residential Customer Satisfaction Study is based on responses from more than 85,000 online interviews conducted from July 2009 through May 2010 among residential customers of the 121 largest electric utility brands across the United States, which collectively represent more than 93 million households.

About J.D. Power and Associates

Headquartered in Westlake Village, Calif., J.D. Power and Associates is a global marketing information services company operating in key business sectors including market research, forecasting, performance improvement, Web intelligence and customer satisfaction. The company's quality and satisfaction measurements are based on responses from millions of consumers annually. For more information on [car reviews and ratings](#), [car insurance](#), [health insurance](#), [cell phone ratings](#), and more, please visit JDPower.com. J.D. Power and Associates is a business unit of The McGraw-Hill Companies.

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Media Relations Contacts:

Jeff Perlman; Brandware Public Relations; Malibu, Calif.; (818) 317-3070; jperlman@brandwaregroup.com
Syvetril Perryman; J.D. Power and Associates; Westlake Village, Calif.; (805) 418-8103; media.relations@jdpa.com

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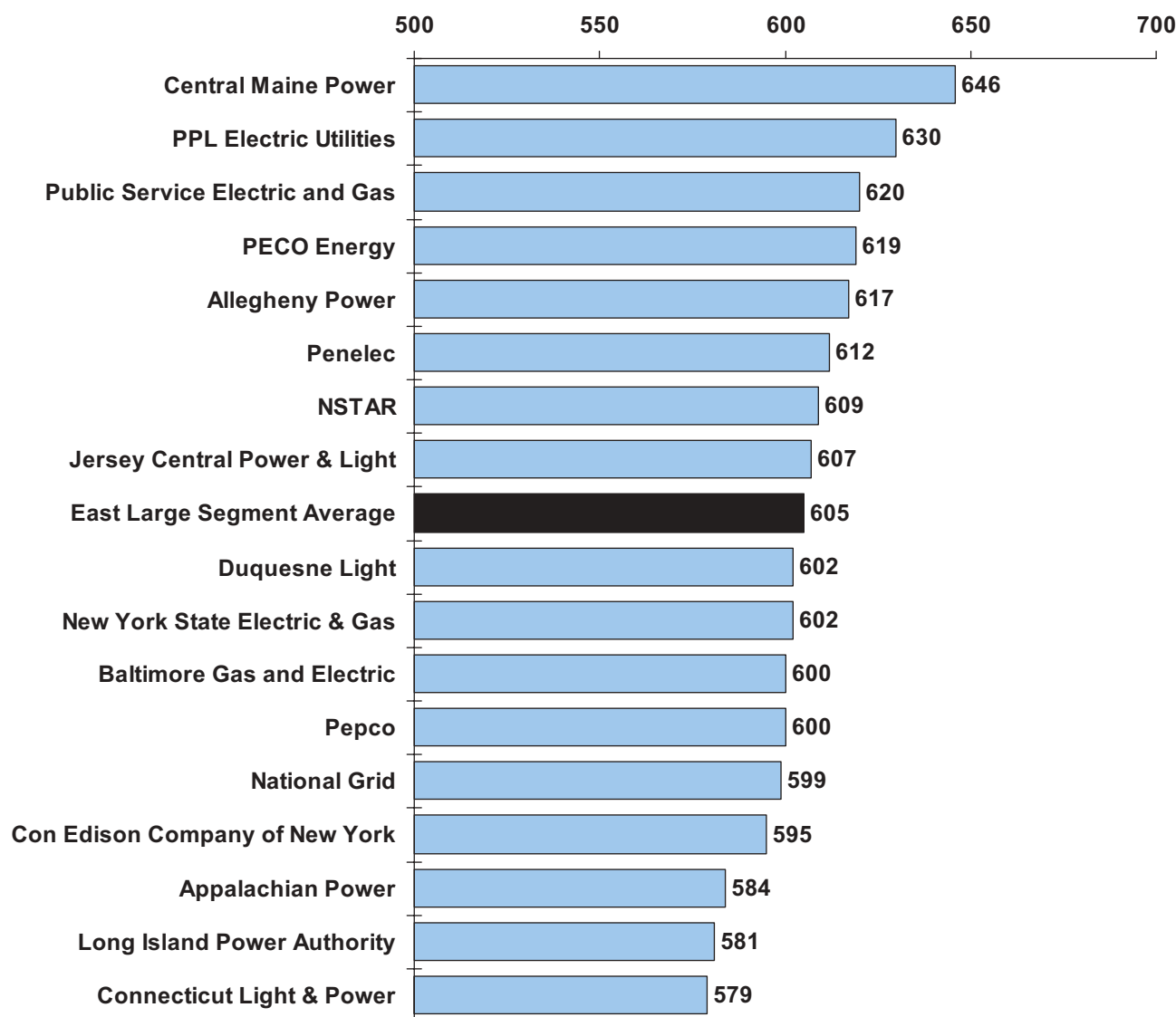
NOTE: Eight charts follow.

J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking

East Region: Large Segment

(Based on a 1,000-point scale)



Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

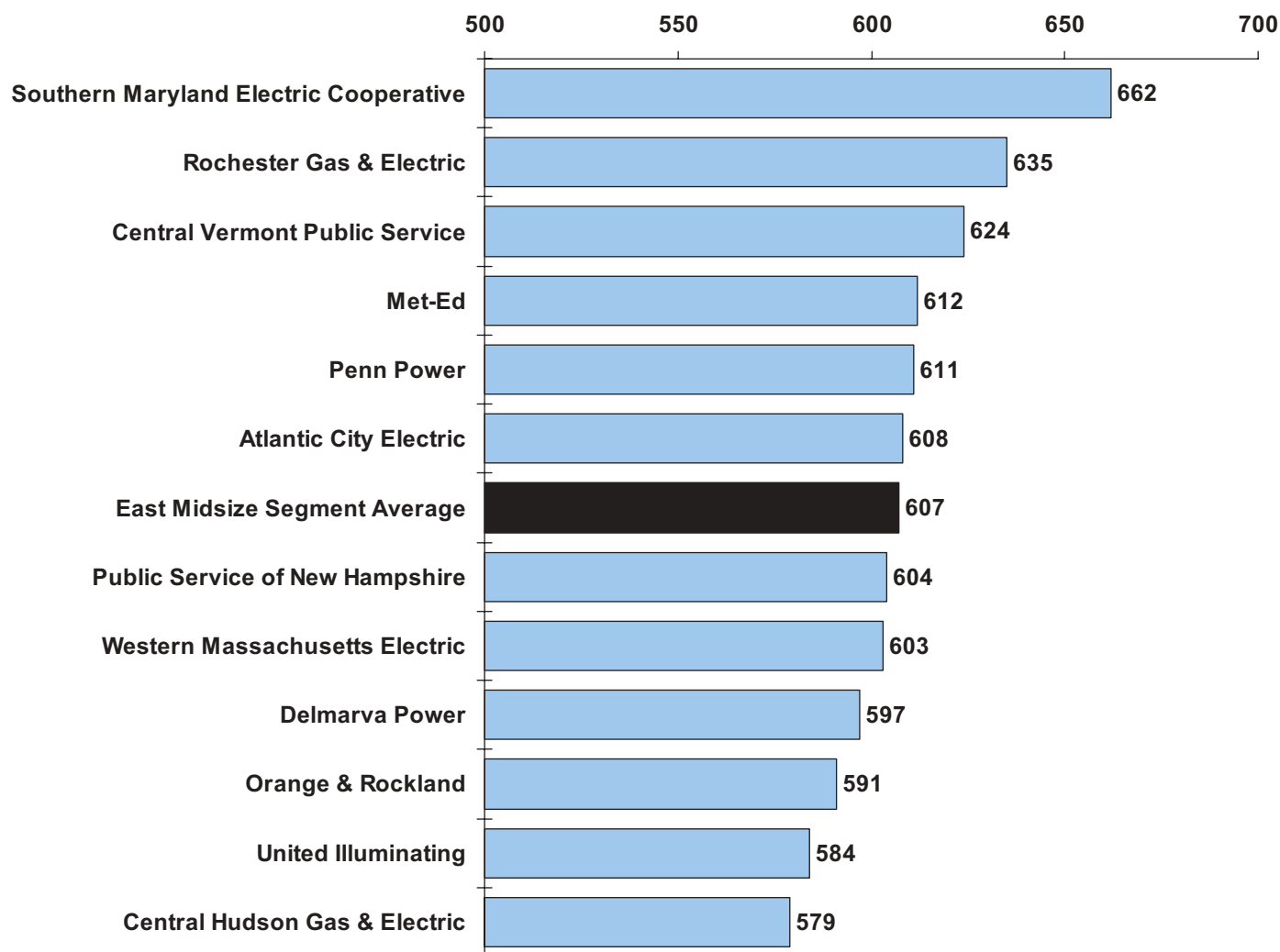
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J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking

East Region: Midsize Segment

(Based on a 1,000-point scale)

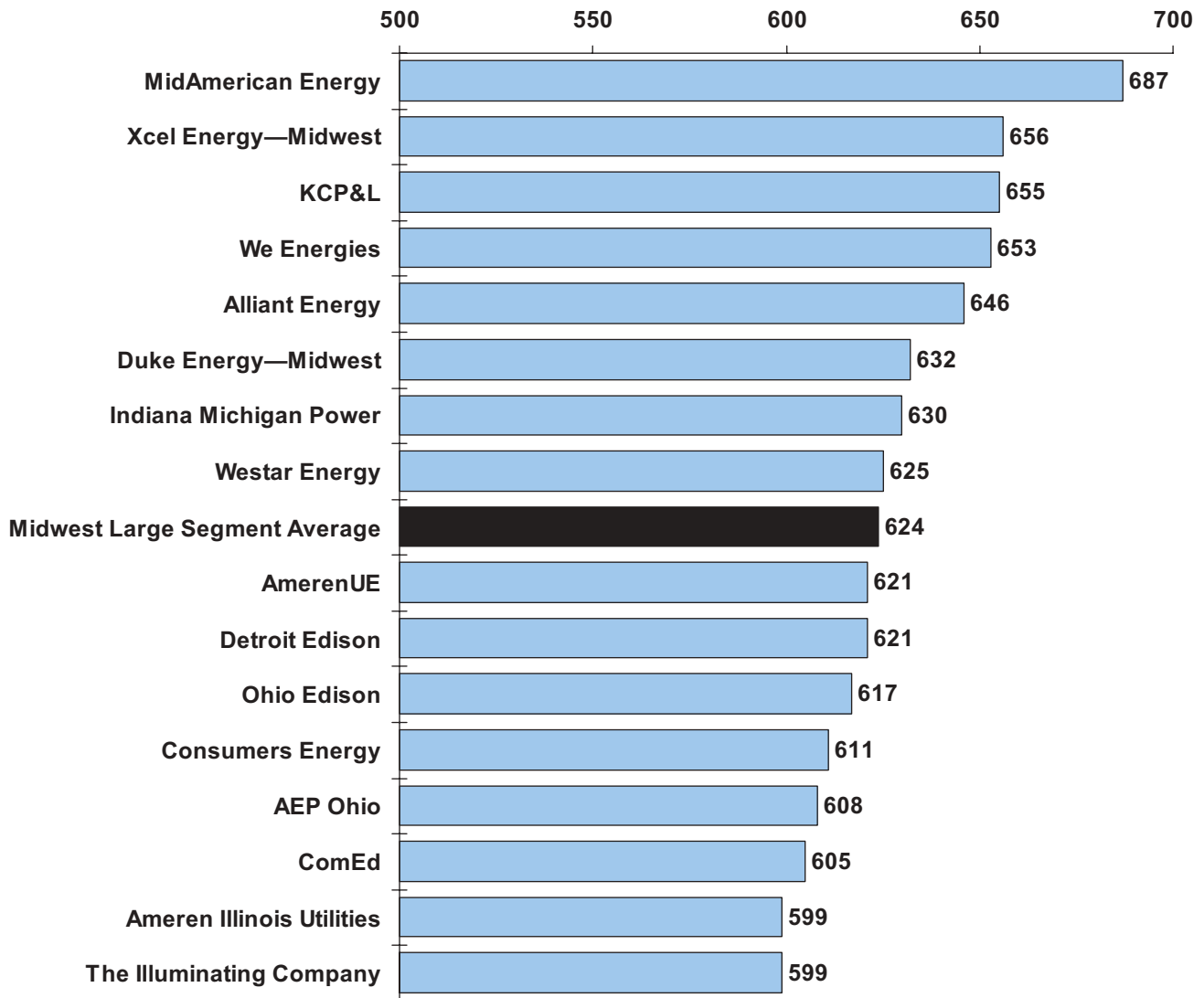


Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

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J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking *Midwest Region: Large Segment* (Based on a 1,000-point scale)

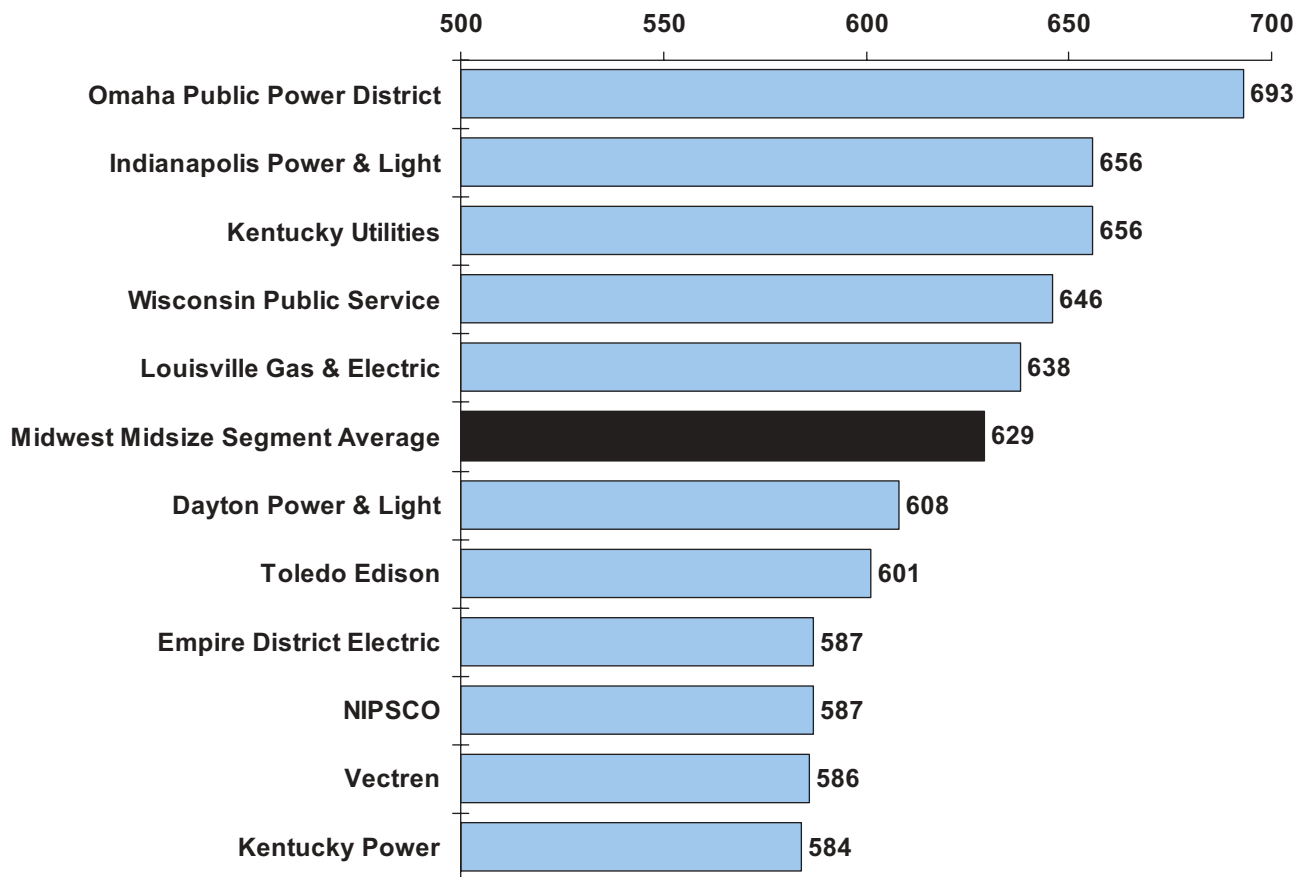


Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

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J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking *Midwest Region: Midsize Segment* (Based on a 1,000-point scale)



Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

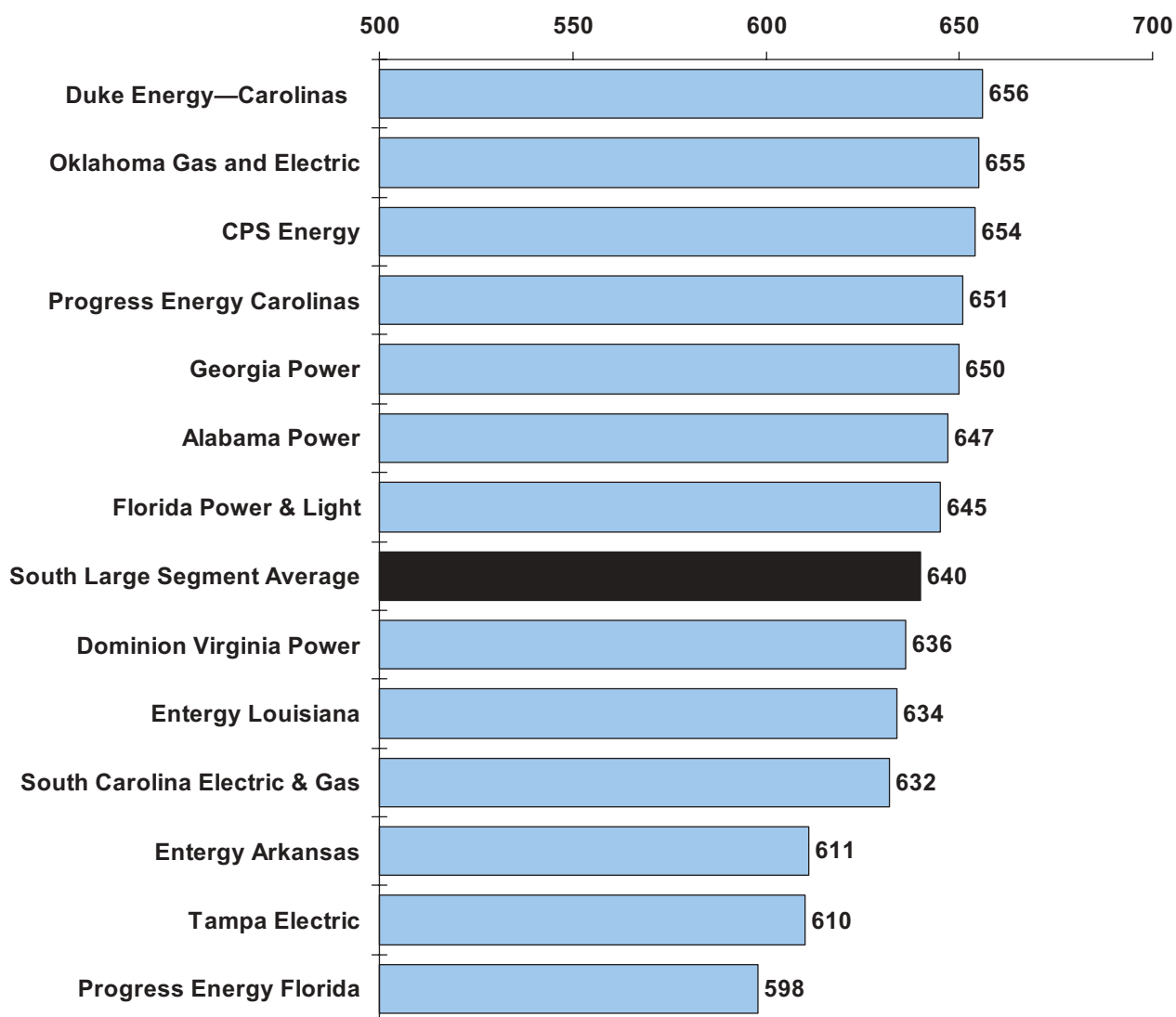
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J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking

South Region: Large Segment

(Based on a 1,000-point scale)



Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

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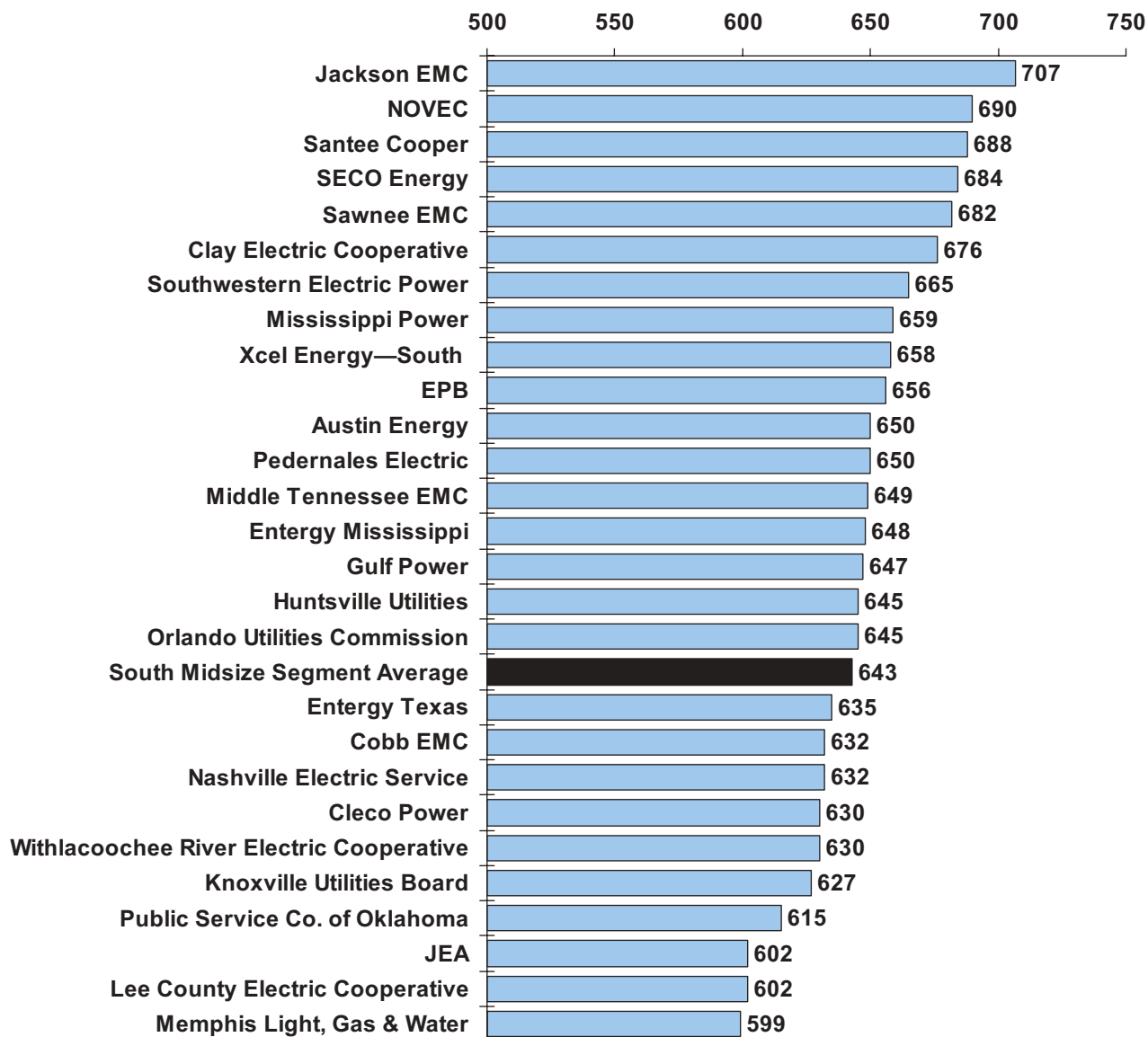
J.D. Power and Associates

2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking

South Region: Midsize Segment

(Based on a 1,000-point scale)



Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

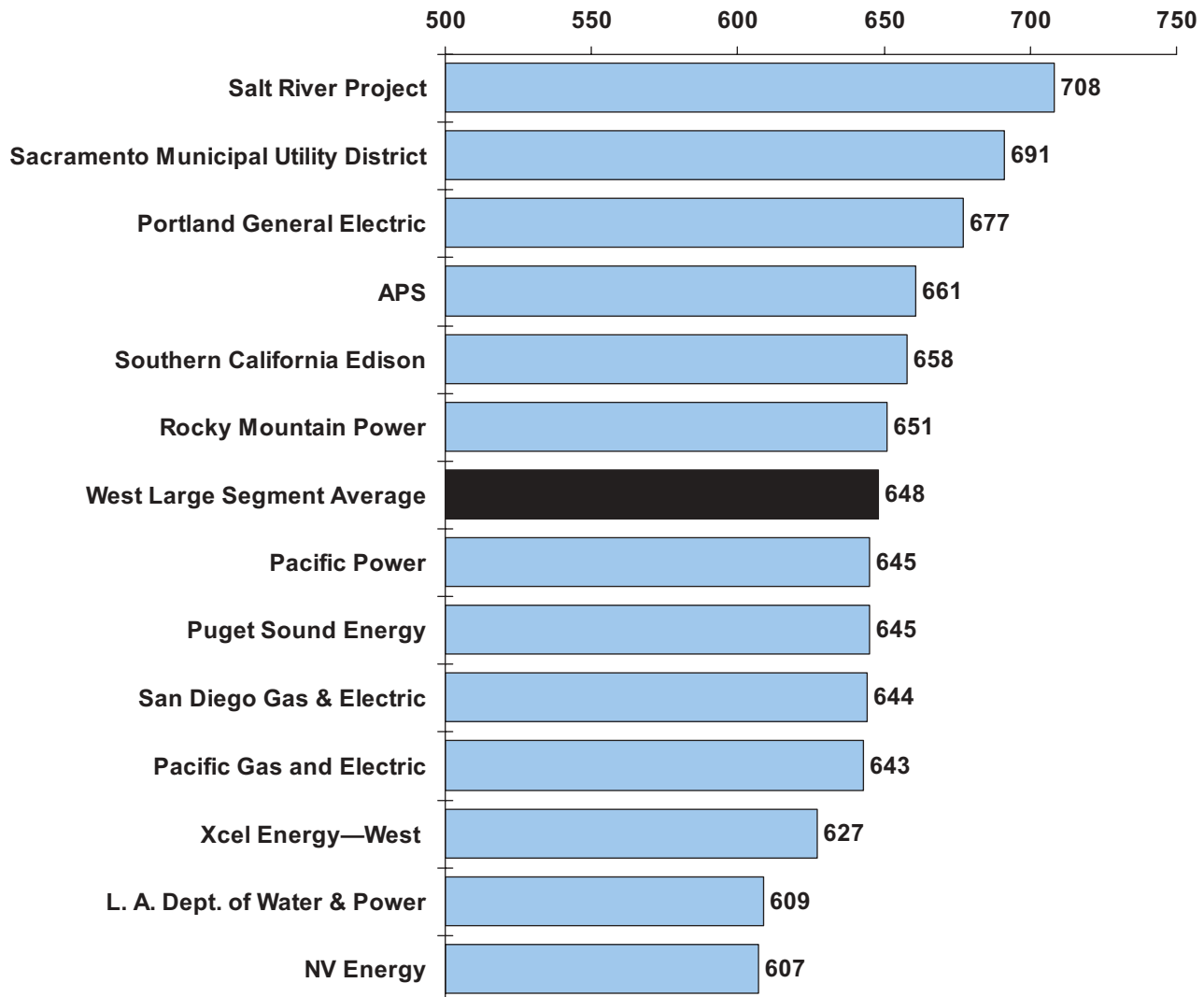
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J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking

West Region: Large Segment

(Based on a 1,000-point scale)



Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

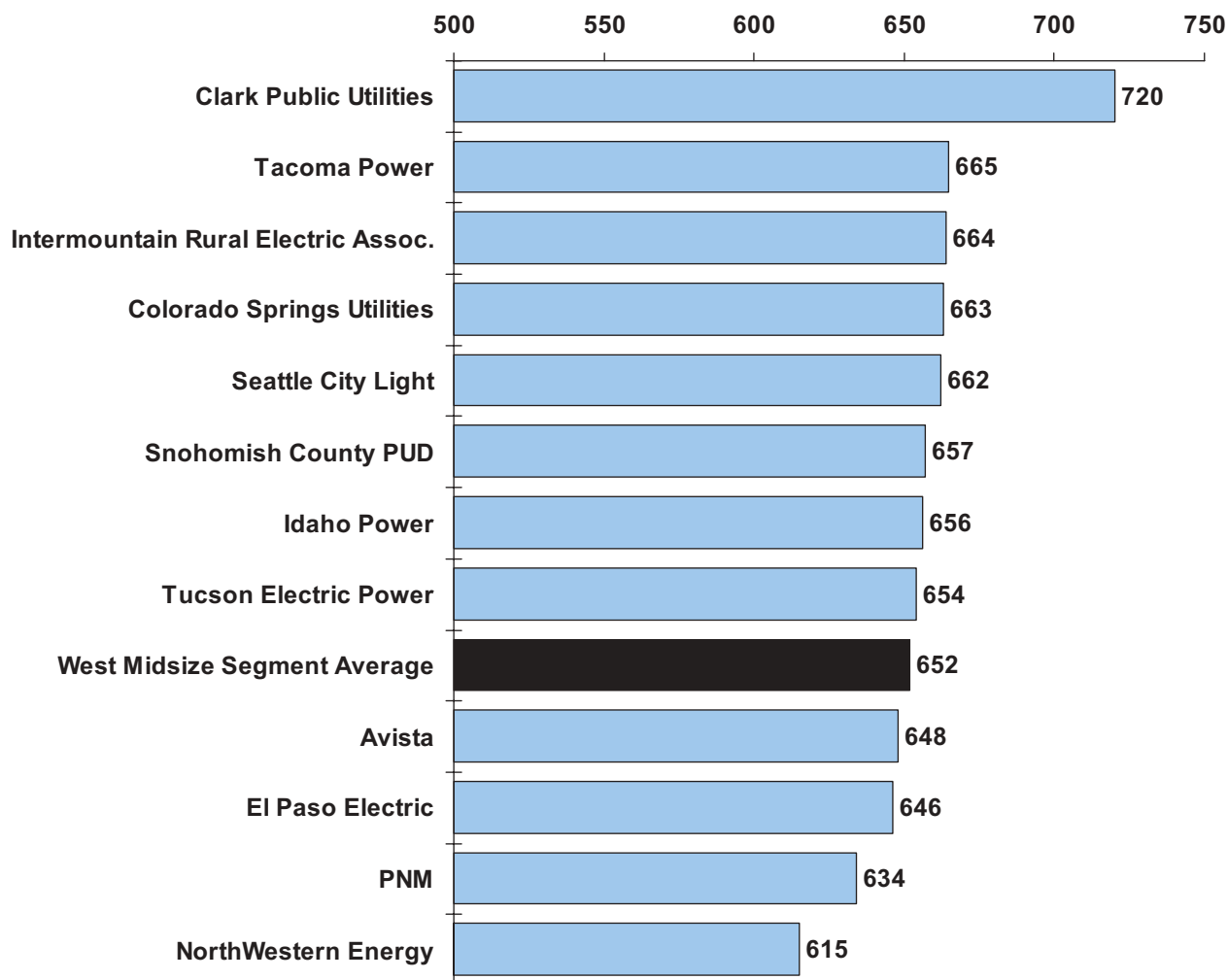
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J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

Customer Satisfaction Index Ranking

West Region: Midsize Segment

(Based on a 1,000-point scale)



Source: J.D. Power and Associates 2010 Electric Utility Residential Customer Satisfaction StudySM

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SCHEDULES 4 and 5

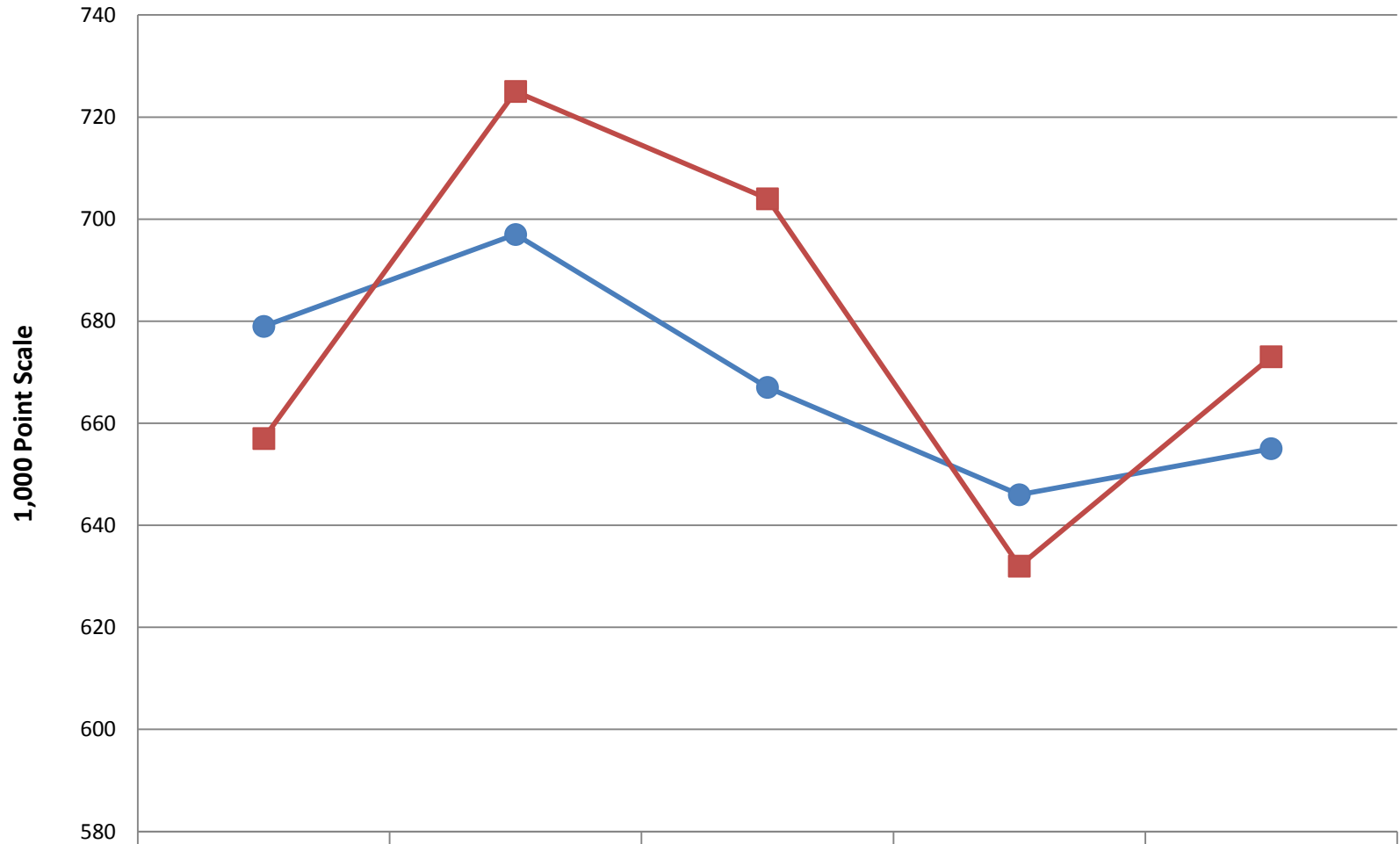
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IN ITS ENTIRETY

NP

KCPL Residential Customer Study Score & Business Study Score: 2006-2010



	2006	2007	2008	2009	2010
Residential	679	697	667	646	655
Business	657	725	704	632	673

1. Scores are based on a 1,000 point scale.
2. KCPL and KCP&L Greater Missouri Operations (formerly Aquila) combined operations on July 14, 2008.