

Exhibit No.:
Issue: Transition Process
Witness: Vicki M. Heider
Type of Exhibit: Direct Testimony
Sponsoring Party: UtiliCorp United Inc.
Case No.:

Before the Public Service Commission
of the State of Missouri

Direct Testimony

of

Vicki M. Heider

December 1999

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI
DIRECT TESTIMONY OF VICKI M. HEIDER
ON BEHALF OF UTILICORP UNITED INC.**

CASE NO.

1 Q. Please state your name and business address.

2 A. My name is Vicki M. Heider and my business address is 20 W. 9th St., Kansas City, MO
3 64105.

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

5 A. I am employed by UtiliCorp United Inc. ("UtiliCorp") and am currently serving as the
6 Transition Team Lead for the integration with The Empire District Electric Company
7 ("Empire"). Prior to this assignment, I was Director - Employee and Labor Relations for
8 UtiliCorp.

9 Q. Would you briefly describe your educational background and employment history?

10 A. I received a bachelor's degree in human resources and psychology from Ottawa
11 University and have twenty-six years of experience in the human resources field. I
12 initially worked as a compensation analyst and labor relations representative for The Lee
13 Company, where I was ultimately promoted to Supervisor of Industrial Relations. In
14 1981 I joined United Missouri Bank as a Human Resources officer, moved to W.W.
15 Grainger, Inc. in 1984 where I served as the Director of Human Resources, and in 1987
16 joined Time Warner, Inc. as Vice President of Human Resources, Midwest. I joined
17 UtiliCorp in 1991 where I served as the Director of Human Resources for it's Missouri
18 Public Service ("MPS") operating division until 1994 when I was promoted to my current
19 position.

1 Q. Do you hold any certifications in your area of expertise?

2 A. I have received the Human Resources Management Association Certificate of
3 Achievement, Stone and Webster's Executive Utility Certificate, Quality Control Institute
4 Facilitator Certification, the Edison Electric Institute Testing Executive Certificate, and
5 an Examiner's Certificate for the Excellence in Missouri Quality Program.

6 Q. What are your current duties and responsibilities?

7 A. I am the Transition Team Leader for the UtiliCorp-Empire transaction.

8 Q. What is the Transition Team?

9 A. Seven transition teams have been formed. (see Schedule VMH-2) The Transition Teams
10 will assist me and the Steering Committee in making an orderly transition of Empire into
11 UtiliCorp. The teams will develop transition plans for the assigned functional area.

12 Q. What are your responsibilities as Team Leader?

13 A. In this position I am responsible for serving as a resource to the transition teams,
14 maintaining the integrity of the transition, coordinating efforts and keeping the project on
15 target. I establish milestones and the project framework, review and maintain work
16 plans, provide consolidated status reports to the Steering Committee, facilitate Steering
17 Committee meetings, and assist in decision resolution.

18 Q. What is the Steering Committee?

19 A. The Steering Committee is composed of an operational and human resources expert from
20 both UtiliCorp and Empire. UtiliCorp representatives are James Miller, UtiliCorp's
21 Senior Vice President of UtiliCorp Energy Delivery, Bob Browning, Vice President of
22 Human Resources and Bob Holzwarth, Vice President and General Manager of Regulated
23 Power. The Empire representatives are Tony Stark, Vice President, General Services and

1 Bill Gipson, Vice President, Commercial Operations. The Steering Committee's role is
2 to oversee and advise the integration teams, review policy requests, and approve or
3 modify team recommendations.

4 Q. What is the purpose of your testimony in this proceeding?

5 A. I will discuss the process, timetable and goals of the Transition Team in integrating the
6 operations and activities of Empire with UtiliCorp.

7 Q. Why was the Transition Team formed?

8 A. As part of its strategy, UtiliCorp has identified the need to grow through the acquisition
9 of other utility operations. Over time UtiliCorp has been involved in a number of
10 transactions and has learned that it is to all stakeholders' benefit to transition to an end
11 state as quickly and efficiently as possible. Change brings with it a level of uncertainty
12 and insecurity so employees benefit by quick resolution of transition issues. At the same
13 time, customers and shareholders are advantaged by achieving synergistic benefits on a
14 timely basis. Through experience we have learned that a dedicated transition team
15 provides the greatest opportunity for successfully integrating activities with the least
16 amount of disruption to the respective entities.

17 Q. Has the Transition Team set any specific goals?

18 A. Yes. A number of project goals for the Transition Team which were approved by the
19 Steering Committee have been established including:

20 Validate due diligence synergies

21 Develop timeline and completion dates

22 Analyze operations and identify additional synergies

1 Recommend course of action

2 Implement transition plans

3 Q. What measures have been established to determine if these goals have been successfully
4 achieved?

5 A. The Empire timeline is complete and attached hereto as Schedule VMH-1. The timetable
6 reflects our desire to be in a position to begin integration of Empire upon receiving
7 regulatory approval of the transaction. Other goals will be measured using as a baseline
8 target the initial synergies as discussed in the testimony of UtiliCorp witness Vern
9 Siemek.

10 Q. Who is responsible for achievement of these goals?

11 A. As project manager, I am ultimately responsible for insuring that these goals are
12 achieved. However, all team members share accountability for those areas for which they
13 are responsible.

14 Q. Who are the members of the Transition Team?

15 A. The make-up of the Transition Team is attached as Schedule VMH-2.

16 Q. Please describe the process you will follow to achieve the Transition Team goals.

17 A. The process is already well underway. It is our experience that to be successful a project
18 of this magnitude must have the attention of senior management and a full-time focus.
19 Accordingly, our initial step was to staff the Transition Team with senior management
20 personnel. I was named as full-time leader of the Empire initiative. A Steering
21 Committee was appointed. Finally seven functional focus teams were identified under
22 the joint supervision of UtiliCorp and Empire senior managers. UtiliCorp's

1 representative on each functional team is a vice-president who has daily oversight of that
2 function.

3 Q. What is the role of these teams?

4 A. The role of these functional teams is to develop work plans; engage appropriate resources
5 to accomplish those plans; identify, analyze and evaluate functional similarities,
6 differences and opportunities; validate and summarize synergy findings and recommend a
7 course of action to implement the integration.

8 Q. What happened after the teams were set up?

9 A. Following creation of the teams, broad areas requiring review were identified and
10 assigned to the functional teams. These areas included fleet maintenance, purchasing,
11 materials and inventory, power plant, building services, customer service, accounting,
12 marketing, systems operations, natural gas supply, risk management, printing, internal
13 audit, shareholder/investor relations, environmental, record retention, community affairs,
14 legal, communications and subsidiaries. That represents virtually every major component
15 of our business.

16 Currently, the teams are breaking these broad areas into further detail, defining their
17 scope, identifying areas of potential overlap with other teams, and developing objectives
18 and targets. In essence, they are preparing detailed work plans.

19 Q. In developing these work plans, are the teams focusing on anything in particular?

20 A. Yes. The teams will be attempting to validate initial assumptions and then looking
21 deeper for other areas of savings, functional improvements, market opportunities,
22 opportunities for enhanced service and other value creation ideas. From past experience
23 and our initial work, we expect to be able to enhance customer service while achieving

1 cost savings. At this time the most substantive savings will likely be realized in the
2 supply area and in administrative/centralized services.

3 Q. Do the anticipated savings contemplate significant employee layoffs or terminations?

4 A. No. It is clear that areas of overlap and duplication will exist. It would not be prudent
5 nor reasonable business practice not to address redundancies. However, there are other
6 ways to achieve the objective of eliminating duplicative services which we would
7 implement before resorting to the actions you describe.

8 Q. Please explain.

9 A. There are a number of options to consider when focusing on human resource issues. For
10 example, our teams will be evaluating the natural attrition that can be expected in the
11 various functional areas. To the extent that attrition eliminates duplicative positions, no
12 further action is necessary. If attrition occurs in a position that is not considered
13 duplicative, an opportunity may be created to transfer into that area - often as a direct
14 promotion or career enhancement. Retraining may be a viable option. Existing early
15 retirement provisions for Empire for retirement at age 55, with ten years of service is
16 75% of the accrued benefit. We would anticipate that a number of employees would
17 take advantage of an early retirement opportunity. Finally, if job elimination is necessary
18 as a last resort, change of control provisions in the sale contract contain severance
19 package benefits.

20 Q. Have you considered the impact these transactions will have on the customers and
21 communities which are currently served by Empire?

22 A. Yes. One of the reasons we are investing a large amount of time in planning this
23 transition is that we intend for the integration of the companies to be transparent to our

1 external customers. The integration process will, of course, take place over a number of
2 weeks, but our customers should notice no difference in their electric or gas service the
3 day after integration begins from the day before. Mr. Steve Pella will comment further
4 on customer service benefits that will accrue over time.

5 From a community standpoint there should also be no noticeable difference. We will
6 embark on a program to meet with community leaders and gain their input into what is
7 important to their cities and what expectations they have of their utility company. More
8 importantly, UtiliCorp has historically demonstrated its commitment to the communities
9 it serves through a number of programs and we intend to continue those programs.

10 Communities are benefited to an even greater extent, however, through the involvement
11 of our employees in the local governments and organizations of the towns in which they
12 live and work. UtiliCorp has actively enabled and encouraged its employees to take
13 advantage of opportunities to become involved. We are committed to this policy of
14 enabling employee involvement and intend to fully extend it to our employees serving
15 communities in newly acquired service territories.

16 Q. How do you intend to communicate your progress to other parties?

17 A. Before we communicate our progress, we must first be able to track it. This will be
18 accomplished through standard project management templates that have been used
19 successfully by UtiliCorp in the past. Each of the major tasks identified by the functional
20 teams will be assigned specific individual responsibility, start and completion dates will
21 be established, key activities and current status noted, and overview of actions to be
22 completed summarized. Within the Transition Team, this project status summary will be
23 updated twice monthly (e.g. Status Report, Schedule 4 VMH) and serve as the formal

1 communication tool to me as the project manager. Formal Steering Committee sessions
2 will be held monthly to insure continued progress. Of course, ongoing informal
3 discussions will be necessary among the functional groups and team members. One of
4 my roles is to see that all necessary communication takes place and that progress is being
5 made in accordance with the planned timeline.

6 Q. Are other communication issues being addressed outside the Transition Team?

7 A. Yes. It is important that all stakeholders, especially employees, be kept aware of progress
8 and decisions which may impact them. A cooperative effort between both parties to this
9 transaction is ongoing to develop a communication plan. Responsibility has been
10 assigned and the communication effort has been divided into two phases. The first phase
11 involves meeting with each and every employee of Empire to discuss the integration
12 effort, to explain the process we are following and to answer all questions that they may
13 have. This phase is essentially complete for Empire. The second phase will include
14 development of communication pieces to convey both the Transition Team's progress
15 and provide more detailed information of how specific components of the integration will
16 take place. The format and conveyance method of these communications will vary
17 depending upon the information and the audience impacted.

18 Q. You indicated that UtiliCorp has considerable experience in developing transition plans
19 and integrating newly acquired operations. Would you say that you have developed a
20 template for transition and integration that can be applied in all transactions?

21 A. Only a foundation or starting point. There are not two situations that are identical.
22 Many differences can arise based upon location, type of utility or type of transaction. For
23 example, purchase of gas utility assets might raise an environmental issue associated with

1 manufactured gas sites whereas a strictly electric utility would have no such issue.

2 Likewise, a merger of equals can create issues of lines of authority or location of

3 corporate offices - issues which do not exist in this instance. Still, the process for

4 identifying issues, validating assumptions, and defining the best means for capturing

5 synergies is largely the same. While I would stop short of calling it a template, UtiliCorp

6 has gained significant experience in transition and integration of utility assets and has

7 developed a basic philosophy and process that can be applied in similar situations.

8 Through this experience, we are able to more confidently predict available synergies and

9 more efficiently obtain them.

10 Q. Does this conclude your direct testimony?

11 A. Yes.

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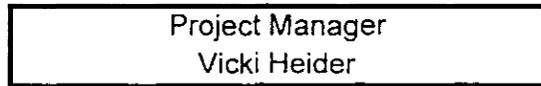
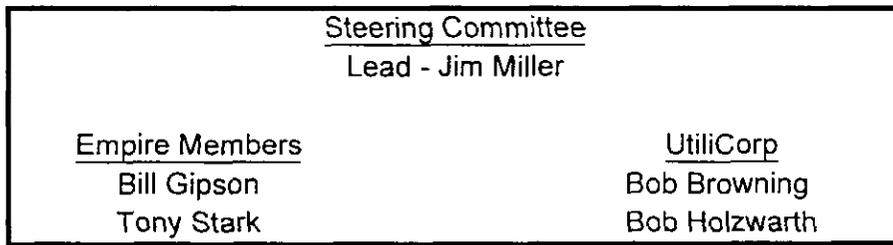
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UtiliCorp United/The Empire District Electric Company
Integration Planning Timeline

Key Dates

Steps	Action	Responsibility	Deadline
1	Transition Steering Committee & Transition Team Announcement	Empire & UtiliCorp	8/23/99
2	Empire Shareholder Meeting	Empire	9/3/99
3	Steering Committee Meeting	Empire & UtiliCorp	9/14/99
4	Transition/Steering Team Kick-off Meeting	Empire & UtiliCorp	9/23/99
5	Employee & External Communications	Empire & UtiliCorp	9/23/99
6	Transition Team Work	Teams	9/23/99
7	Regulatory Filings MPSC	Empire & UtiliCorp Regulatory	12/99
8	Define Integration Process/Procedures Team Presentations	Project Mgr./Steering Committee	12/15/99
9	Transition Team Recommendations	Teams & Steering Committee	2/11/00
10	Transition Team Refinements	Teams, Project Mgr. & Steering Committee	2/14/00- 3/1/00
11	Final Transition Team Recommendations	Teams, Project Mgr. & Steering Committee	3/14/00
12	Define Integration Implementation Plan and Schedule	Project Mgr. & Steering Committee	5/00
13	Integrate Organizations	Teams, Project Mgr. & Steering Committee	Closing
14	Operations Integrated	Teams, Project Mgr. & Steering Committee	12/31/00 & ongoing

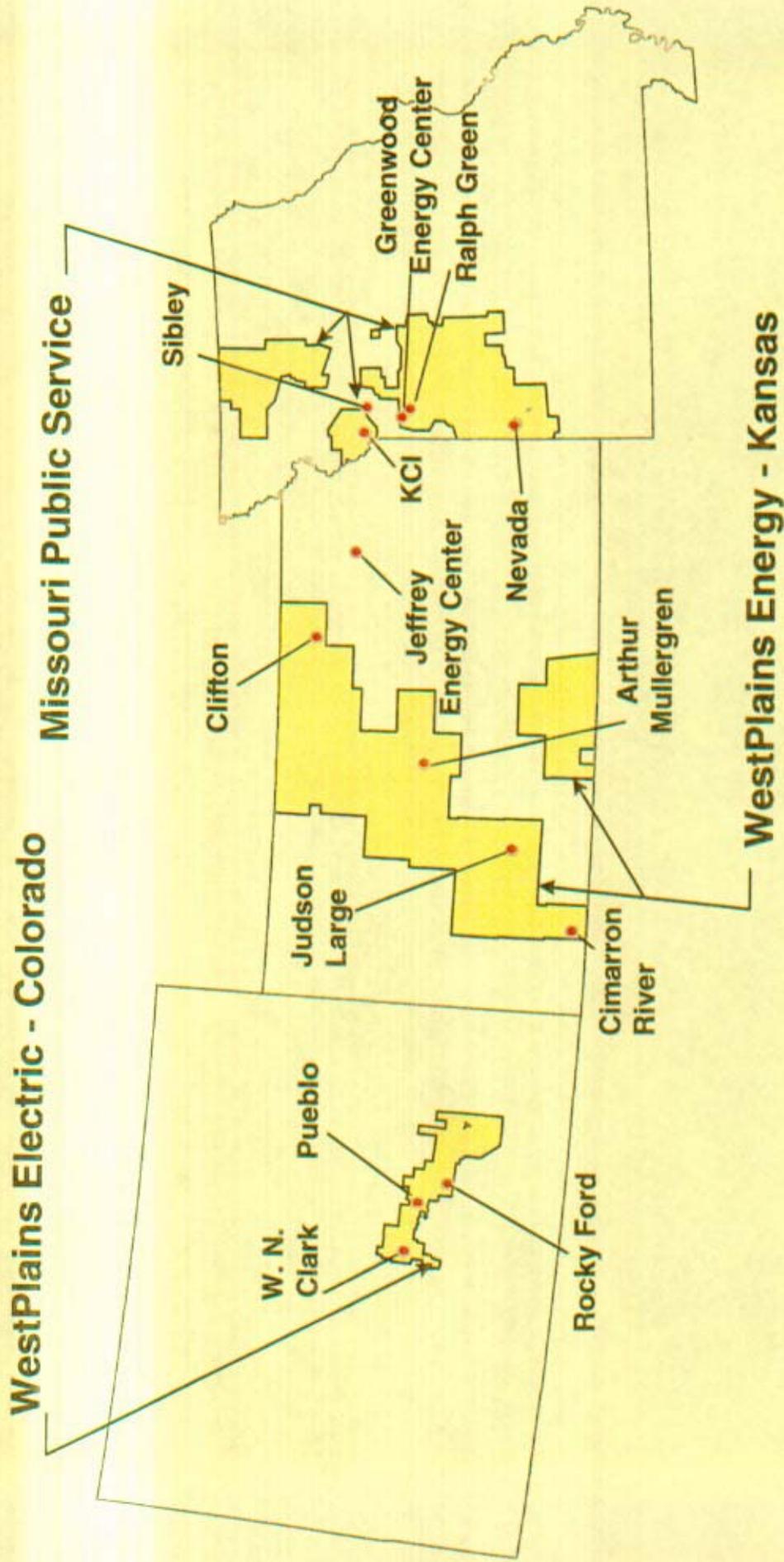
The Empire District Electric Company/UtiliCorp United
Transition Organization



<u>Distribution</u>	<u>Transmission</u>	<u>Supply/ Generation</u>	<u>Information Technology</u>	<u>Human Resources</u>	<u>Financial/ Accounting</u>	<u>Regulatory/ Legislative</u>
<u>Empire</u> Bill Gipson	<u>Empire</u> Bill Gipson	<u>Empire</u> Virgil Brill	<u>Empire</u> Tony Stark	<u>Empire</u> Tony Stark	<u>Empire</u> Bob Fancher	<u>Empire</u> Bob Fancher
<u>UtiliCorp</u> Steve Pella	<u>UtiliCorp</u> Rick Kreul	<u>UtiliCorp</u> Bob Holzwarth	<u>UtiliCorp</u> Kris Paper	<u>UtiliCorp</u> Bob Browning	<u>UtiliCorp</u> Peter Lowe	<u>UtiliCorp</u> Jon Empson

UtiliCorp United

MO / KS / CO Electric Operations



MPS & EDE

Electric Operations

