

EXHIBIT

Exhibit No.:	
Issue(s):	Lobbying Costs
Manufactured Gas Plant Remediation/Environmental Response Fund	Incentive Compensation
	Customer Service
Witness:	Kimberly K. Bolin
Type of Exhibit:	Surrebuttal Testimony
Sponsoring Party:	Public Counsel
Case Numbers:	GR-2004-0209

SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

FILED²

JUL 13 2004

Missouri Public
Service Commission

Submitted on Behalf of
The Office of the Public Counsel

MISSOURI GAS ENERGY

Case No. GR-2004-0209

June 14, 2004

Exhibit No. 206
Case No(s) _____
Date _____ Rptr _____

In the matter of Missouri Gas Energy's tariffs)
to implement a general rate increase for natural) Case No. GR-2004-0209
gas service.)

[illegible]

My commission expires January 31, 2006.

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SURREBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2 A. Kimberly K. Bolin, P.O. Box 2230, Jefferson City, Missouri 65102.

3 Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

4 A. I am employed by the Office of the Public Counsel of the State of Missouri (OPC or Public
5 Counsel) as a Public Utility Accountant I.

6 Q. ARE YOU THE SAME KIMBERLY K. BOLIN WHO FILED DIRECT AND
7 REBUTTAL TESTIMONY IN THIS CASE?

8 A. Yes.

9 Q. WHAT IS THE PURPOSE OF YOUR SURREBUTTAL TESTIMONY?

10 A. The purpose of my surrebuttal testimony is to respond to Missouri Gas Energy (MGE or Company)
11 rebuttal testimony on the following issues: lobbying costs, manufactured gas plant
12 remediation/environmental response fund and incentive compensation. I also address Missouri
13 Public Service Commission witness Deborah Bernsen's rebuttal testimony regarding customer
14 service call center goals.

15 **LOBBYING COSTS**

16 Q. ON PAGE 4, OF WITNESS OGLESBY'S REBUTTAL TESTIMONY, HE STATES
17 ON LINES 17 THROUGH 19, "MR. SNIDER ALSO HAS RESPONSIBILITY
18 FOR MEDIA RELATIONS AND IS INVOLVED IN SPECIAL PROJECTS, SO I

1 ESTIMATE THAT HE SPENDS CONSIDERABLY LESS THAN 50% OF HIS
2 TIME ON LEGISLATIVE ACTIVITIES." WHY DOES WITNESS OGLESBY
3 HAVE TO ESTIMATE THE TIME MR. SNIDER SPENDS ON LOBBYING?

4 A. Witness Oglesby has to use estimates because Mr. Snider does not report his time in a manner
5 which would allow a person to audit how much of his time is actually spent lobbying and how much
6 of his time is spent performing other tasks.

7 Q. SHOULD MR. SNIDER HAVE DETAILED TIME REPORTS INDICATING HOW
8 MUCH TIME HE SPENDS ON LEGISLATIVE ACTIVITIES AND OTHER
9 ACTIVITIES THAT ARE EITHER APPROPRIATE OR INAPPROPRIATE TO BE
10 INCLUDED IN THE COST OF SERVICE?

11 A. Yes, he should. In Case No. GR-98-140, *In the Matter of Missouri Gas Energy's Tariff Sheets*
12 *Designed to Increase Rates for Gas Service in the Company's Missouri Service Area*, the
13 Commission indicated in its Report and Order on page 30 that MGE's Customer and Governmental
14 Relations department "should keep time records that would at least show the time expense spent by
15 staff members on regulated or recoverable activities." Mr. Snider is an employee in MGE's
16 Customer and Governmental Relations department and is intensely involved in the lobbying
17 activities of MGE. Activities that are performed in this department such as lobbying and charity
18 work should be monitored and tracked accordingly.

19 Q. SINCE MR. SNIDER DOES NOT KEEP DETAILED TIME RECORDS, HOW DID
20 YOU DETERMINE THE AMOUNT OF TIME HE SPENDS LOBBYING?

21 A. My examination consisted of reviewing Mr. Snider's calendar and expense reports. His calendar
22 and expense reports show that Mr. Snider spends the majority of his time, if not all of his time

1 performing lobbying activities. (See Schedules KKB-6 and KKB-7 in my direct testimony in this
2 case)

3 Q. DID YOU REVIEW OTHER INFORMATION BESIDES MR. SNIDER'S
4 CALENDAR AND EXPENSE REPORTS?

5 A. Yes, I did, however I found none of the information useful in determining the amount of time Mr.
6 Snider spends lobbying or performing other activities.

7 Q. IN WITNESS NOACK'S REBUTTAL TESTIMONY ON PAGE 14 HE ALSO
8 CLAIMS MR. SNIDER SPENDS LESS THAN 50 PERCENT OF HIS TIME
9 PERFORMING LEGISLATIVE ACTIVITIES FOR MGE. DO YOU AGREE WITH
10 WITNESS NOACK'S ASSUMPTION?

11 A. No. Witness Noack uses the argument that the Missouri legislative season only meets for roughly
12 four months a year, and that Mr. Snider is performing other job duties besides legislative activities
13 the rest of the year. However, Witness Noack fails to mention that during the months the Missouri
14 General Assembly is not in session, Mr. Snider often attends fundraisers for various politicians.
15 Various political fundraisers he attended include golf tournaments, luncheons and dinners.
16 Missouri Gas Energy reimburses the costs of these fundraisers through Mr. Snider's expense
17 reports. Mr. Snider's calendar also indicates he participated in Missouri Energy Developers
18 Association (MEDA) meetings and conference calls outside of the legislative session season.

19 Q. DOES PUBLIC COUNSEL BELIEVE THE JOB DESCRIPTION ATTACHED TO
20 WITNESS NOACK'S REBUTTAL TESTIMONY AS SCHEDULE MRN-5 PROVES
21 THAT MR. SNIDER DOES NOT SPEND THE MAJORITY OF HIS TIME
22 LOBBYING?

1 A. No. Job descriptions generally provide a broad and general outline of possible duties that a person
2 may be expected to perform. According to the job description Mr. Snider may possibly perform
3 duties other than lobbying, but the majority, if not most of his time is spent lobbying as his calendar
4 and expense reports show. Therefore, it is the Public Counsel's position that his entire salary and
5 reimbursed expenses should be disallowed from the cost of service.

6 Q. WHY SHOULD LOBBYING COSTS BE REMOVED FROM THE COST OF
7 SERVICE?

8 A. The basic issue in question is not the legislative worthiness of the activities to which the Company
9 contributes, but rather the fact that ratepayer money is flowed through to political activities
10 preferred by the Company, thus making the ratepayers unwitting contributors. The Company may
11 find it appropriate and desirable to contribute shareholder's dollars to legislative causes; however,
12 the Company's rates should not recover these contributions from the ratepayers.

13 MANUFACTURED GAS PLANT REMEDIATION/ENVIRONMENTAL RESPONSE FUND

14 Q. IN WITNESS FISH'S REBUTTAL TESTIMONY HE PRESENTS COSTS THAT
15 SOUTHERN UNION COMPANY HAS INCURRED IN THE PAST ALONG WITH
16 ESTIMATES OF COSTS THAT SOUTHERN UNION COMPANY MAY INCURR IN
17 THE FUTURE FOR MANUFACTURED GAS PLANT REMEDIATION. DOES
18 WITNESS FISH PROVIDE ANY ESTIMATES OF MONEY THAT MAY BE
19 RECOVERED FROM OTHER POTENTIALLY RESPONSIBLE PARTIES AND /OR
20 INSURANCE PROCEEDS?

21 A. No, he fails to provide any estimates of monies the Company may receive from other potentially
22 responsible parties or any possible insurance proceeds.

1 Q. HOW DID WITNESS FISH ARRIVE AT HIS ESTIMATES FOR POSSIBLE
2 FUTURE MANUFACTURED GAS COSTS?

3 A. Mr. Fish states in OPC data request number 1063, that his estimated costs were based upon his past
4 experience. (See Schedule KKB-1)

5 Q. DOES WITNESS FISH PROVIDE A BREAKDOWN OF WHAT TYPE OF COSTS
6 ARE CONTAINED IN HIS ESTIMATED FUTURE COSTS?

7 A. No, witness Fish does not provide a breakdown or reconciliation of the estimated future costs, nor
8 does he provide any examples of any past costs.

9 Q. ARE THE MANUFACTURED GAS PLANT REMEDIATION COSTS KNOWN AND
10 MEASURABLE?

11 A. No.

12 Q. SHOULD THIS COMMISSION ALLOW RECOVERY OF UNKNOWN COSTS?

13 A. No, customers should not pay for an expense that does not exist and may never exist.

14 Q. IN STAFF WITNESS HARRISION'S REBUTTAL TESTIMONY HE STATES ON
15 PAGE 11 THAT "MGP COSTS SPECIFICALLY ATTRIBUTABLE TO MGE MAY
16 BE CHARGED TO EXPENSE AND MGE CAN SEEK RECOVERY OF THESE
17 COSTS AT AN APPROPRIATE TIME." DOES PUBLIC COUNSEL BELIEVE
18 THESE COSTS SHOULD EVER BE INCLUDED IN THE COST OF SERVICE?

19 A. No, for several reasons. For example, Southern Union Company, knew of the environmental
20 problems when it purchased MGE from Western Resources and contractually agreed to seek
21 recovery of the costs from Western Resources. Also, none of the manufactured gas plant sites are
22 currently in operation. Thus, the sites are not used and useful in the providing current customers

1 service. Fourteen of the former manufactured gas plant sites identified are not even owned by
2 Southern Union Company. Current customers should not be required to pay for past actions of the
3 Company in current or future rates. Finally, if the property or properties are or were sold, the
4 shareholders, not the ratepayers receive any gains or losses on the sale. Since the shareholders are
5 the ones who receive a gain on the sale of the property, the shareholders should bear the
6 responsibility for any legal liability that arises related to this investment.

7 INCENTIVE COMPENSATION

8 Q. IN HIS REBUTTAL TESTIMONY WITNESS NOACK CLAIMS HIS SCHEDULE
9 MRN-8 SHOWS HOW "MGE MEASURES UP TO OTHER GAS DISTRIBUTION
10 COMPANIES IN TERMS OF PRODUCTIVITY." DO YOU AGREE WITH HIS
11 ANALYSIS?

12 A. No. The data witness Noack uses merely shows the number of employees, number of customers
13 and a customer to employee ratio for MGE and other gas utility companies. All the data really
14 shows is the average level of staffing in relationship to the level of customers served. It does not
15 necessarily indicate if a Company is operating efficiently and providing safe and adequate service.

16 Q. IN WITNESS NOACK'S REBUTTAL TESTIMONY ON PAGE 16 HE STATES,
17 "MOREOVER, COST SAVINGS AND EFFICIENCIES GENERATED BETWEEN
18 RATE CASES SHOULD REDUCE THE MAGNITUDE OF A SUBSEQUENT RATE
19 INCREASE REQUEST...". COULD A RATE INCREASE HELP THE COMPANY TO
20 MEET ITS INCENTIVE COMPENSATION FINANCIAL GOAL?

21 A. Yes.

22 Q. PLEASE EXPLAIN.

1 A. The Company's rate of return/financial goal is based upon achieving a certain level of pre-tax
2 earnings. How the Company achieves these earnings does not matter for the incentive
3 compensation plan. One of the ways net income may be increased is through a rate increase, which
4 is not a benefit to ratepayers. Net income or earnings goals benefit the shareholders, thus the
5 shareholders should be willing to pay the company management for achieving these goals, not the
6 ratepayer.

7 CUSTOMER SERVICE

8 Q. IN WITNESS OGLESBY'S REBUTTAL TESTIMONY ON PAGE 3 HE CLAIMS
9 THE INSTALLATION OF THE AUTOMATED METER READING (AMR) SYSTEM
10 "PRODUCED BENEFITS FOR THE CUSTOMERS BOTH IN THE FORM OF
11 ENHANCED CUSTOMER SERVICE (ESTIMATED METER READS HAVE BEEN
12 REDUCED TO LESS THAN 1,000 ANNUALLY) AND REDUCED OPERATIONS
13 AND MAINTENANCE EXPENSE (4 METER READERS AND TRUCKS NOW
14 PERFORM THE METER READING FUNCTION FORMERLY UNDERTAKEN BY
15 APPROXIMATELY 70 METER READERS AND ASSOCIATED VEHICLES)."
16 SHOULD IT BE EXPECTED OF ANY UTILITY COMPANY TO IMPLEMENT A
17 SYSTEM THAT WOULD IMPROVE CUSTOMER SERVICE AND REDUCE
18 EXPENSES?

19 A. Yes. In fact, this is the duty of every utility's management, to identify and implement systems that
20 would enhance the provision of safe and adequate service at just and reasonable rates. I would
21 expect any utility to implement a system that would improve the way the Company serves its
22 customers, especially if it reduced expenses and increased net income.

23 Q. WHEN WAS THE AMR SYSTEM INSTALLED?

1 A. The AMR system was installed 1997 and 1998. The costs of the AMR system has been included in
2 the Company's cost of service since Case No. GR-98-140, which became effective in August 1998.

3 Q. DID THE COMPANY USED THE IMPLEMENTATION OF THE AMR SYSTEM AS
4 AN EXAMPLE OF THE COMPANY'S COMMITMENT TO CUSTOMER SERVICE IN
5 THE PREVIOUS RATE CASE?

6 A. Yes. On page 5 of witness Czaplewski's direct testimony in Case No. GR-2001-292 (Attached as
7 Schedule KKB-2) she discusses the reduction of estimated meter reads due to the implementation of
8 the AMR system.

9 Q. HAVE OTHER UTILITY COMPANIES ALSO INSTALLED AUTOMATED METER
10 READING SYSTEMS?

11 A. Yes.

12 Q. HAS MGE IMPLEMENTED ANY NEW ENHANCEMENTS THAT WOULD IMPROVE
13 CUSTOMER SERVICE SINCE THE IMPLEMENTATION OF THE AMR SYSTEM?

14 A. Yes, the Company implemented a work-force automation project for the field service employees
15 and made enhancements to their website. The Company is now in the process of upgrading the
16 Interactive Voice Response system.

17 Q. ARE THESE ALSO SYSTEMS AND ENHANCEMENTS THAT OTHER UTILITY
18 COMPANIES ALREADY HAVE IN USE?

19 A. Yes, they are.

20 Q. THUS CONTINUOUS IMPROVEMENTS IN A UTILITY'S OPERATIONS IS A
21 NORMAL AND ONGOING GOAL. IS IT NOT?

1 A. Yes, it is.

2 Q. IS PUBLIC COUNSEL CONCERNED THAT STAFF WITNESS BERNSEN HAS
3 NOT REFERENCED THE PERFORMANCE STANDARDS THAT THE COMPANY
4 COMMITTED TO THIS COMMISSION TO ACHIEVE IN ITS LAST THREE
5 RATE CASES (CASE NO. GR-96-285, CASE NO. GR-98-140 AND CASE
6 NO. GR-2001-292)?

7 A. Yes. Public Counsel is concerned that the Staff has mistakenly replaced the call center objectives
8 committed to by the Company in the last three rate cases to achieve with the call center objectives
9 the Company agreed to maintain in Case No. GM-2000-43.

10 Q. DID THE COMMISSION ORDER THE COMPANY TO FULFILL THE
11 COMMITMENTS MADE IN CASE NO. GR-96-265?

12 A. Yes. The Commission ordered the Company to fulfill these commitments in the Report and Order
13 in Case No. GR-96-265 and also in Case No. GR-98-140, the Commission ordered the Company to
14 continue to fulfill these commitments until the Commission issues an order relieving the Company
15 of these commitments.

16 Q. ARE YOU AWARE OF ANY REPORT AND ORDER BY THIS COMMISSION
17 RELIEVING MGE OF THE EARLIER COMMITMENTS?

18 A. No.

19 Q. WHAT WERE THE CALL CENTER OBJECTIVES THE COMPANY PREVIOUSLY
20 COMMITTED TO ACHIEVING?

21 A. The Company's commitment to the Commission and the Commission ordered call center goals
22 were an average speed of answer of 45 seconds and a 5 percent abandoned call rate.

1 Q. WHAT CALL CENTER OBJECTIVES DOES WITNESS BERNSEN REFER TO IN
2 HER DIRECT AND REBUTTAL TESTIMONY?

3 A. Witness Bernsen refers to the **maximum** allowable levels of 8.5 percent for the abandoned call rate
4 and 75 seconds for the average speed of answer set out in the Stipulation and Agreement for Case
5 No. GM-2000-43.

6 Q. WERE THE CALL CENTER OBJECTIVES BASED UPON ANY STUDY
7 PERFORMED BY ANY OF THE PARTIES IN CASE NO. GM-2000-43?

8 A. No. These call center objectives were based upon MGE's annual average actual performance
9 during July 1997 through June 1999, a prior 24-month period. These call center objectives were
10 used in ensure the acquisition and merger of Pennsylvania Enterprises, Inc., the parent company of
11 a local distribution company in Pennsylvania would have no adverse effect on MGE's quality of
12 service to its customer.

13 Q. DID MGE HIRE AN OUTSIDE CONSULTANT TO PERFORM A STUDY OF
14 MGE'S CALL CENTER IN 1997?

15 A. Yes. MGE hired Theodore Barry and Associates (TB&A) to perform an evaluation of MGE's call
16 center in 1997.

17 Q. DID THE MANAGING DIRECTOR OF THEODORE BARRY AND ASSOCIATES
18 ALSO FILE TESTIMONY IN GR-98-140 CONCERNING MGE'S CUSTOMER
19 SERVICE AND BILLING PROCESS IMPROVEMENT EFFORTS?

20 A. Yes. In April, 1998 Kendall Buckstaff, the managing director of TB&A, filed rebuttal testimony in
21 Case No. GR-98-140 (See Attached Schedule KKB-3) stating the goals of a 5 percent abandoned
22 call rate and an average speed of answer of 45 seconds were recommended by his firm.

1 Q. IN THE ORDER APPROVING THE STIPULATION AND AGREEMENT IN CASE
2 NO. GM-2000-43 DID THE COMMISSION RELIEVE THE COMPANY OF THE
3 COMMITMENTS THE COMPANY MADE TO THE COMMISSION IN GR-96-285?

4 A. No.

5 Q. DID THE COMPANY STATE ANYWHERE IN TESTIMONY FILED IN CASE NO.
6 GR-2001-292 THAT THE COMPANY HAD ABANDONED THE COMMITMENTS
7 AND GOALS MADE BY THE COMPANY TO THIS COMMISSION AND ORDERED
8 BY THE COMMISSION TO FULFILL IN CASE NO. GR-96-265 AND IN
9 CASE NO. GR-98-140?

10 A. No. In fact, in MGE witness Czaplewski's direct testimony filed on November 7, 2000 (Attached as
11 Schedule KKB-2) she attaches the late filed exhibit number 120 and the Action Plan from Case No.
12 GR-98-265 and discusses which of these goals the Company had achieved and not achieved.
13 Nowhere in her testimony does she mention the Stipulation and Agreement in Case No. GM-2000-
14 43

15 Q. DID ANY OF THE MISSOURI PUBLIC SERVICE COMMISSION STAFF
16 WITNESSES ADDRESS THE ABANDONMENT OF THE COMMITMENTS MGE MADE
17 TO THE COMMISSION AND THAT WERE ORDERED BY THIS COMMISSION
18 TO FULFILL?

19 A. No. Nowhere in any testimony filed by the Missouri Public Service Commission staff did the Staff
20 say it would be appropriate to abandon the commitments made by the Company and ordered by the
21 Commission. It should also be noted that nowhere in Staff's testimony are the call center objectives
22 used in Case No. GM-2000-43 mentioned. (See Schedule KKB-4 and Schedule KKB-5, the
23 rebuttal testimonies of Staff witness Gary Bangert and Lisa Kremer in Case No. GR-2001-292)

1 Q. WHEN WAS THE ORDER APPROVING THE STIPULATION AND AGREEMENT
2 FOR CASE NO. GM-2000-43 ISSUED?

3 A. The Order was issued on October 21, 1999, before Case No. GR-2001-292 was filed by the
4 Company.

5 Q. DOES PUBLIC COUNSEL BELIEVE THE COMMISSION SHOULD HOLD MGE TO
6 THE COMMITMENTS THEY MADE IN CASE NO. GR-96-285 AND WERE
7 ORDERED TO MAKE IN CASE NO. GR-96-265 AND IN CASE NO. GR-98-
8 140?

9 A. Yes. The Company made these commitments to this Commission and the Commission ordered
10 this Company to fulfill these commitments, which they have yet to fulfill.

11 Q. DOES PUBLIC COUNSEL AGREE WITH STAFF WITNESS BERNSEN THAT MGE
12 IS CURRENTLY NOT PROVIDING HIGH QUALITY CUSTOMER SERVICE?

13 A. Yes. Regardless of which call center measures are used, Public Counsel agrees with Staff that the
14 Company is not performing at a level that justifies giving the Company an upward adjustment to its
15 rate of return.

16 Q. DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?

17 A. Yes.

 FILE COPY

MISSOURI GAS ENERGY
A division of Southern Union Company

Office of Public Counsel - Missouri
DATA INFORMATION REQUEST RESPONSE

Case Number: GR-2004-0209

Data Request No 1063

Requested From: Bolin

Date Requested: 5/27/2004

Information Requested:

RE: Page 4 of Alan Fish's Rebuttal testimony

Please provide a reconciliation showing how Mr. Fish arrived at his estimated costs for all of MGE's former manufactured gas plant sites.

Requested By: Mike Noack

Information Provided:

Mr. Fish provides the following response:

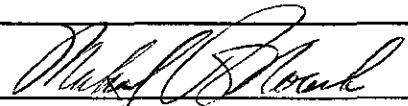
The statement that cost will exceed \$1 million for former manufactured gas plant sites is an opinion based on my past experience with MDNR and my experience with the site investigation and remediation of manufactured gas plant sites.

The statement that cost to complete the Kansas City former manufactured gas plant sites (Station A, Station B and the railroad Right-of-way) will be between \$1 and \$10 million is an opinion based on my past experience with MDNR and my experience with the site investigation and remediation of manufactured gas plant sites.

There was no reconciliation document developed to determine this cost estimate.

The information provided in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to promptly notify the requesting party if, during the pendency of Case No. GR-2004-0209 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

Date Response Received: _____

Signed By: 
Director, Pricing and Regulatory Affairs

Date: 6/2/04

JUN 08 2004

FILE COPY
Exhibit No.:
Issues: Customer Service
Witness: Karen Czaplewski
Sponsoring Party: Missouri Gas Energy
Case No.: GR-2001-292

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2001-292

DIRECT TESTIMONY OF

KAREN M. CZAPLEWSKI

Jefferson City, Missouri

November 7, 2000

DIRECT TESTIMONY

OF KAREN M. CZAPLEWSKI

CASE NO. GR-2001-292

NOVEMBER 7, 2000

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Karen M. Czaplewski. My business address is 3420 Broadway,
Kansas City, Missouri 64111.

Q. BY WHOM AND IN WHAT CAPACITY ARE YOU EMPLOYED?

A. I am Vice President of Customer Service for Southern Union Company, which
includes Missouri Gas Energy ("MGE" or "Company") as a division.

Q. PLEASE SUMMARIZE YOUR EDUCATION AND EXPERIENCE.

A. I was educated at Minot State University in the discipline of Business
Administration with an emphasis in accounting. In December 1995, I joined
Southern Union Company. My first responsibility was to construct a new call
center facility to centralize the customer service calls for Texas. On July 1, 1997,
I assumed responsibility for the various areas that are included under the customer
service umbrella in Missouri. In January 2000 I assumed responsibility for the
various areas that are included under the customer service umbrella in
Pennsylvania. And in November 2000 I assumed responsibility for the various

1 areas that are included under the customer service umbrella in Rhode Island and
2 Massachussetts.

3
4 Prior to joining Southern Union Company, I was employed by Vision Energy
5 Company, a six state propane sales company, and Power Fuels, Inc., a forty-eight
6 state liquids-in-bulk truck transporter, as Vice President of Administration and
7 Controller; and then Vice President of Finance. I was employed there from 1977
8 until 1995. During the last year of my employment, the companies were acquired
9 by, and my employer became, Ferrellgas Propane.

10
11 Prior to this, and while attending college, I was employed as a Manufacturing
12 Services Coordinator for Lockheed Aircraft for approximately four years, a
13 Country Club Office Manager for one year, and a Southwestern Bell telephone
14 operator for one and a half years.

15
16 **Q. DOES ANY OF YOUR EXPERIENCE PRIOR TO JOINING SOUTHERN**
17 **UNION COMPANY INCLUDE THE RESPONSIBILITY FOR**
18 **CUSTOMER SERVICE?**

19 **A.** Yes. From 1977 until today, my responsibilities have all included various
20 departments that come under the umbrella of customer service. These include
21 billing, accounts receivable, credit and collections, call center and business office
22 operations.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. I will provide information concerning MGE's customer service efforts over the
3 past few years (including efforts in furtherance of various commitments made to
4 the Missouri Public Service Commission), the results of those efforts as well as
5 comparative data that puts MGE's customer service levels into context with the
6 performance of other reasonably comparable companies within the State of
7 Missouri.

8

9 **1. RECENT MGE CUSTOMER SERVICE EFFORTS AND RESULTS**

10 **Q. IN ITS ORDER IN THE COMPANY'S LAST RATE CASE, THE**
11 **COMMISSION ACKNOWLEDGED THAT MGE HAD UNDERTAKEN**
12 **SUBSTANTIAL MEASURES THAT DIRECTLY IMPROVED**
13 **CUSTOMER SERVICE QUALITY, YET STILL FOUND THE**
14 **COMPANY'S PERFORMANCE IN THAT AREA TO BE LESS THAN**
15 **SATISFACTORY AND URGED MGE TO REDOUBLE ITS EFFORTS IN**
16 **THAT REGARD. WOULD YOU PLEASE COMMENT?**

17 A. The service quality improvements acknowledged by the Commission in our last
18 rate case began in 1997. Since the conclusion of Case No. GR-98-140, MGE has
19 continued to focus on service quality. The following chart shows MGE's

1 achievements in the areas of abandoned call rate ("ACR") and average speed of
2 answer ("ASA"):

	<u>ACR (%)</u>	<u>ASA (seconds)</u>
3		
4	FY98	9.38
5	FY99	5.41
6	FY00	5.09

7

8 **Q. ARE THESE THE ONLY AREAS WHERE MGE HAS ACHIEVED**
9 **QUALITY CUSTOMER SERVICE?**

10 **R.** No. Through the implementation of the automated meter reading system, the
11 Company has dramatically reduced estimated meter reads. In FY98 estimated
12 meter reads represented more than 6% of all meter reads. In FY00 estimated
13 meter reads amounted to less than 0.5% of all meter reads.

14

15 In early 1998, we began a pilot program of scheduling two-hour appointment
16 windows for certain kinds of service calls. Before that, we had only scheduled
17 a.m. or p.m. appointments. Customer response has been positive and the program
18 has been expanded. In FY00 a total of approximately 25,000 appointments with
19 two-hour windows were scheduled with customers. Although MGE's
20 implementation of these two-hour appointment windows has not been perfect—in
21 FY00 we missed approximately 2% of appointments due primarily to emergency
22 leak response calls, customers have actually missed these appointments far more
23 often—approximately 9% of all appointments in FY00.

1

2 It appears that customers are noticing MGE's focus on service quality. In 1998,
3 the Commission's Customer Service Department received 1,095 inquiries-
4 complaints from MGE customers (or 2.28 inquiries-complaints/1,000 customers).
5 In 1999 that number dropped to 678 (or 1.4 inquiries-complaints/1,000
6 customers). So far, through the first three quarters of calendar year 2000, that
7 number has dropped to 328 which, when projected through the end of calendar
8 year 2000, appears likely to fall below 1 complaint-inquiry/1,000 customers.

9

10 Customer surveys conducted on behalf of MGE also indicate that customer
11 satisfaction is on the upswing. Our most recent customer survey was conducted
12 in July of 2000. The results show significant improvement in customer
13 satisfaction among Missouri Gas Energy customers. 87% were satisfied with the
14 service provided versus 83% in 1999. Additionally, the "very satisfied" portion
15 of this total group increase from 46% in 1999 to 54% in 2000.

16

17 **Q. MS. CZAPLEWSKI, IS MGE COMMITTED TO ACHIEVING**
18 **CUSTOMER SERVICE PERFORMANCE LEVELS IN THE FUTURE**
19 **SIMILAR TO THOSE WHICH HAVE BEEN ACHIEVED IN THE PAST**
20 **YEAR?**

21 **A.** Yes. But the Commission needs to put the service quality MGE has achieved
22 over the past few years in context. While the warm weather we experienced in
23 our service territory in FY98, FY99 and FY00 hurt MGE's financial performance

1 and achieved returns, that same warm weather helped almost all of the service
2 quality performance statistics that I discussed earlier. Typically, warm weather
3 translates into lower gas bills, which in turn usually translates into fewer customer
4 contacts. Wholesale gas prices were also relatively low during this period of time
5 (July 1997-June 2000).

6
7 Furthermore, achieving quality customer service is one thing and maintaining that
8 achievement is another. So while we are committed to providing superior service
9 quality, we are also committed to providing service at a reasonable cost to the
10 customer. At the same time, our shareholders are entitled to a reasonable
11 opportunity to achieve the return authorized by the Commission. The bottom line
12 is that service quality will have to be balanced with cost and earnings
13 considerations. I firmly believe that the Commission needs to demonstrate the
14 value it places on service quality by fairly compensating MGE for the substantial
15 achievements it has made in this area and by providing the opportunity to realize
16 financial benefits for maintaining these achievements.

1 Q. IN ITS ORDER IN CASE NO. GR-98-140, THE COMMISSION FOUND
2 THAT MGE HAD NOT YET FULLY COMPLIED WITH
3 COMMITMENTS MADE IN ITS PRIOR RATE CASE (NO. GR-96-285)
4 AND REMINDED THE PARTIES THAT SUCH COMMITMENTS
5 REMAIN IN EFFECT UNTIL SUCH TIME AS AN ORDER RELIEVING
6 MGE OF SUCH COMMITMENTS IS ISSUED. WILL YOU PLEASE
7 COMMENT?

8 A. In the course of Case No. GR-98-140, I reported on the status of the commitments
9 made by MGE to the Commission in Case No. GR-96-285 through the joint filing
10 (by MGE, the Commission's Staff and the Office of the Public Counsel) of Late-
11 filed Exhibit 120 (a copy of which is attached hereto as Schedule 1). I also
12 reported on the status of the "Action Plan" filed as Exhibit 112 in Case No. GR-
13 96-285 (a copy of which is attached hereto as Schedule 2). Except for not yet
14 reaching the ASA goal of 45 seconds (the ASA for FY00 was 56 seconds), I
15 believe that MGE has fulfilled all of the commitments it has made to the
16 Commission.

17
18 In addition, through the March 2000 filing of an Implementation Review in Case
19 No. GO-95-177, the Commission's Staff categorized as "complete" MGE's
20 actions in response to 33 of the Staff's 37 recommendations. In that same
21 Implementation Review, the Commission's Staff categorized as "complete"
22 MGE's actions in response to 27 of the BASIC Team's 29 recommendations. The
23 Commission's Staff acknowledged in that Implementation Review that the

1 Company had made significant progress during the past few years in the customer
2 service area and recommended that Case No. GO-95-177 remain open so that the
3 Staff could review data from one more heating season and submit a report on its
4 findings to the Commission no later than May 31, 2001.

5
6 **2. COMPARISON OF MGE SERVICE LEVELS TO OTHER COMPANIES**

7 **Q. DO YOU HAVE INFORMATION SHOWING HOW MGE'S CUSTOMER**
8 **SERVICE PERFORMANCE LEVELS OVER THE PAST FEW YEARS**
9 **COMPARE TO THE CUSTOMER SERVICE PERFORMANCE LEVELS**
10 **OF OTHER COMPANIES?**

11 **R.** Yes. Although this kind of information is not widely available, I have been able
12 to gather information from a number of sources to provide a comparison of
13 service levels. Specifically, I have obtained from the Commission's files
14 Missouri-specific information pertaining to Kansas City Power & Light Company
15 and Utilicorp United Inc. I have also obtained information from AmerenUE.

16

1 Q. PLEASE SHARE THE MISSOURI-SPECIFIC DATA THAT YOU HAVE
2 BEEN ABLE TO OBTAIN.

3 A. The following chart shows performance measurements by category, by year and
4 by company that we have been able to obtain so far on Missouri companies.

	<u>ACR (%)</u>	<u>ASA (seconds)</u>
KCPL-1996	9.1 (*)	111 (*)
KCPL-1997	8.0 (*)	91 (*)
KCPL-1998	12.0 (*)	107 (*)
AmerenUE-1999	9.93 (+)	107 (+)
Utilicorp-1997	13.5 (#)	not available at time of filing
Utilicorp-1998	8.0 (#)	not available at time of filing
Utilicorp-1999	10.2 (#)	not available at time of filing

13 (*) From the Stipulation and Agreement in Case No. EM-97-515.

14 (+) See Schedule 3 attached hereto for source of this information.

15 (#) From Surrebuttal Testimony of Stephen L. Pella in Case No. EM-2000-292

16

17 Q. AS AN EXPERT IN THE AREA OF UTILITY CUSTOMER SERVICE,
18 WOULD YOU CONSIDER IT REASONABLE TO RELY ON THE
19 INFORMATION CONTAINED IN THE FOREGOING CHART FOR THE
20 PURPOSE OF COMPARING MGE'S CUSTOMER SERVICE
21 PERFORMANCE LEVELS TO OTHER MISSOURI COMPANIES?

22 A. Yes.

23

1 Q. DO YOU HAVE ANY INFORMATION SHOWING HOW MGE'S COSTS
2 COMPARE TO OTHER REASONABLY COMPARABLE NATURAL GAS
3 LOCAL DISTRIBUTION COMPANIES IN MISSOURI?

4 A. Yes. This information is contained in the direct testimony of MGE witness
5 Steven W. Cattron.
6

7 Q. CAN YOU DRAW ANY CONCLUSIONS FROM THE FOREGOING
8 CUSTOMER SERVICE PERFORMANCE LEVEL INFORMATION AND
9 THE COST AND PRICE DATA CONTAINED IN MR. CATTRON'S
10 DIRECT TESTIMONY?

11 A. Yes. This information shows that MGE's customer service performance has been
12 superior to other Missouri companies and that MGE has been able to achieve this
13 superior customer service performance in a considerably more cost-effective
14 fashion than other Missouri companies.
15

16 **3. SUMMARY OF TESTIMONY**

17 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

18 A. MGE has continued to make great strides in the quality of service it provides to its
19 customers. In comparison to the performance of other reasonably comparable
20 companies in the State of Missouri, MGE's performance over similar time periods
21 is superior. And while MGE sees value in the customer service quality it has
22 achieved, quality customer service does not come without cost. Thus, in order for

1 MGE to be able to maintain or further such achievements, the Commission needs
2 to demonstrate that it too values them.

3

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 **A.** Yes, at this time.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of Missouri Gas Energy's
Tariff Sheets Designed to Increase Rates
for Gas Service in the Company's Missouri
Service Area.

)
)
)
)

Case No. GR-2001-292

AFFIDAVIT OF KAREN M. CZAPLEWSKI

STATE OF MISSOURI)

)

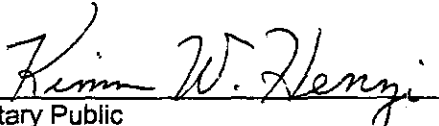
ss.

COUNTY OF JACKSON)

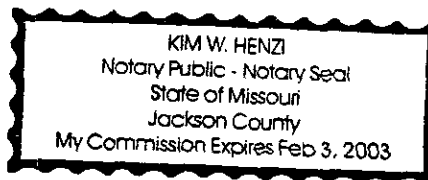
Karen M. Czaplewski, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Direct Testimony in question and answer form, to be presented in the above case; that the answers in the foregoing Direct Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


KAREN M. CZAPLEWSKI

Subscribed and sworn to before me this 6th day of November 2000.


Notary Public

My Commission Expires: _____



MISSOURI GAS ENERGY
A DIVISION OF SOUTHERN UNION COMPANY
Late Filed Exhibit Concerning Customer Service Issues
Case No. GR-96-285

FILED
NOV 8 - 1996

MISSOURI
PUBLIC SERVICE COMMISSION

As a result of discussions with the Missouri Public Service Commission (MPSC) Staff and the Office of the Public Counsel (OPC), the following changes will be implemented by Missouri Gas Energy (MGE)..

Cold Weather Rule Practices and Procedures

1. MGE will extend cold weather agreements and service to customers without requiring proof of an application for financial assistance.
2. MGE will offer extended payment agreements for periods longer than twelve months in those circumstances where customers are unable to make the payments over twelve months. The procedure will provide for payment periods of up to thirty months. Agreements for longer than twelve months will require supervisor approval, and for longer than twenty-four months will require approval by the Director of Customer Service.
3. Customers who are extended cold weather payment agreements will not be required to put up a deposit.
4. MGE will modify payment arrangements for customers who experience difficulties or miss payments.
5. MGE will make every reasonable effort to handle turn-on requests on the same day the request is made.
6. MGE will become pro-active in offering cold weather payment plans to customers listed on the Division of Family Services Energy Assistance tapes.
7. MGE will obtain weather forecasts from the same service used by the MPSC Staff.

Communications and Working Relationship with Commission Staff

1. MGE will assign one more full time employee to the unit dedicated to responding to Staff inquiries and complaints, and will provide a list of at least five employees who are available to respond to Staff inquiries and complaints.
2. MGE will provide Staff with after hours and weekend phone numbers for the Manager of Account Services and Billing, the Director of Customer Services, and the Vice President, Customer and Regulatory Relations.
3. Staff will be provided with a current organization chart for Customer Service, and has the authorization of MGE to appeal to the next level on the chart if they believe that their inquiry has not been properly responded to. This appeal can go as high as the President of MGE.
4. MGE is committed to keeping Staff advised as changes occur in customer service.

Credit and Collections

1. MGE will develop a credit authorization process that will minimize the amount of time customers must wait for service to be initiated.
2. MGE will ensure that service is denied to a customer only in those circumstances where the facts dictate that service be denied.
3. MGE will restructure its collection process so as to advise customers of problems and provide sufficient time for the problems to be resolved before service is disconnected.
4. MGE will ensure that contract collectors receive appropriate training in debt collection, wear uniforms, have identification and are clearly identified to customers as MGE's collection service.

Billing

1. Consumption in excess of the normal level on bills based upon an actual meter read following more than one month of estimated bills will be allocated over the months involved to place the consumption in the month in which it most likely occurred.
2. MGE will make every reasonable effort to ensure that orders received in the billing unit are processed within 24 hours of their receipt.

Remittance Processing

1. MGE will improve its processing of customer payments by using a courier service for all major pay stations.
2. MGE will closely monitor the performance of the bank that is handling remittance processing, and ensure that the bank is processing payments in a timely and efficient manner.
3. MGE will study the feasibility of using on-line technology for customer payments made at pay stations.

Other Issues and Concerns

1. MGE will take the initiative to update its registered customer list. Customers will be made aware of the registered customer list through a combination of newspaper ads, bill stuffers, and other means as determined appropriate by the Community Leadership Department.
2. MGE will require officer approval before service can be discontinued to a registered customer.
3. MGE will develop a new door hang card that fully informs customers with indoor meters as to their options in providing the Company the opportunity to read the meter.
4. MGE will review changes to collection letters and other normal customer correspondence with Staff prior to implementing the changes.

5. MGE will open a customer service office in Kansas City no later than the spring of 1997. The nature of the services to be offered will be communicated to the Staff as soon as the plans for this office are completed.
6. MGE will ensure that no outside meters are estimated under normal circumstances.
7. MGE's contract meter readers will receive proper training, wear uniforms and have identification.
8. MGE will offer meter reading appointments to customers with indoor meters.
9. All completed service orders will be returned to the billing unit for processing no later than the day after the order is worked.
10. When the Company has an indication of consumption on an inactive meter, a trouble report will be made, and the matter will be investigated.

CUSTOMER SERVICE ACTION PLAN

PAUL D. BLANKENSHIP
AUGUST 12, 1996

EXHIBIT 112
GR-96-285

Schedule KKB-2
Page 17 of 25

Customer Service Action Plan

EXPECTATION

The purpose of Missouri Gas Energy's (MGE) call center is to offer customers a convenient opportunity to obtain gas service and resolve related issues. Providing customers easy, timely, quality telephonic service supports the sales effort by affording customers the best purchasing experience possible.

SUMMARY OF FINDING

For the last several years, the call center has been available to MGE customers from 7 a.m. to 7 p.m. (12 hours), Monday through Friday and Saturday 8 a.m. to 2 p.m. (6 hours) Central Standard Time. This provides 66 hours of service to customers out of 168 hours available weekly or about 40 percent of total customer weekly time. Customer Service is available to customers 67 percent of prime day time hours (7 a.m. to 9 p.m. seven days a week).

MGE responds to incoming customer calls with 56 full-time equivalent employees (FTE). Each customer call requires, on average, 259 seconds or 4.32 minutes to resolve the inquiry (Exhibit 1). Additionally, there are 96 (4 T1s) local incoming telephone lines (Greater Kansas City Area) and 48 (2-T1s) toll-free telephone lines (Joplin, Monett, Warrensburg, and other surrounding areas), for a total of 144 incoming lines that direct callers to customer service. This is 2.6 incoming lines per FTE responding to callers.

Currently, all 144 incoming lines are directed to the Customer Service queue (3860). When customers call, the first available consultant responds to the inquiry. If all consultants are busy assisting other customers, the caller receives a series of messages that advise him/her to wait. Additionally, it advises the caller to report gas leak emergency situations by calling 1-800-582-0000, which is the established emergency phone number. This encourages the customer to hang-up and call back which increases the abandoned rate.

Average monthly incoming customer inquiries have increased from 79,429 to 157,920 calls or 99 percent in the last year (May data). During 1995, it would have required 45.7 FTE to handle the incoming call volume, based on consultants resolving 14 calls per hour on a 7.33 effective hour work day. In 1996, it would have required 90.8 FTE or an increase of 99 percent (Exhibit 1).

The average monthly abandoned rate has increased from 10 to over 36 percent, with May 1996, averaging 44 percent. This has resulted in four out of ten customers choosing to hang up versus waiting to speak to a consultant to resolve his/her situation.

Because of the queue configuration, it was not possible to accurately measure the average speed of answer (ASA) until July 1996. Based on July statistics, the ASA was

176 seconds. The longest customer holds over 36 minutes to receive an answer to their issues and concerns.

Currently, situations created by computer programs that require correction to customer records are assigned to call center employees or the support groups (Billing & Account Services). The number of FTE responding to incoming customer calls are reallocated to the special project. This significantly increases the ASA and abandon rate because fewer consultants are available to respond to incoming calls. Further, it creates the impression with call center employees answering customer calls is a secondary priority.

The MGE billing system is very complicated and difficult to use. Further, the billing system generates several situations that confuse the customer or create issues and concerns that require them to call MGE. This creates situations where the customer requires an explanation and the consultant response with incorrect or incomplete information. Which results in customers calling back a second time to resolve the problem. This is an area that will require additional analysis to identify the complete impact on the customer base and the relationship to incoming customer calls.

Collection procedures are not behaviorally tuned or in historical perspective to payment history. More effort is exerted in collection of past due accounts than the up front preventive measures. Currently, collection practice generate disconnect notices to new customers with less than 12 months payment history, three days after their bill is due (21 days). And, a 96 hour notice is sent six days (30 days) later. None pay shut-off work orders are created six days after the 96 hour notice (36 days from statement date) is sent. When collection efforts are out of perspective with customer profiles, it creates consumer dissatisfaction, community relation issues, and bad publicity. Further, it increases incoming telephone calls to resolve situations that should not have occurred. Exhibit 2 details MGE's collection time line. Again, this is a business practice that will require analysis to determine the optimal strategy.

Pay-station and remittance processing activities generate customer complaints and additional telephone calls. This is an area of major concern, because of delays in posting customer payments. Additionally, there is a question about the date being used to posted payments to accounts. When any date other than the date-of-receipt is used to credit customers payments it creates issues and concerns for the customer. Further, it increases call volumes.

For example, there are customers (limited) who have had gas service terminated after they had made payments to satisfy their past-due balance by several days. And, situations where the processing date is posted instead of the receipt date. The entire payment process needs to be analyzed to determine the consequence of our payment processing configuration.

OBJECTIVE

Call center performance must be improved to acceptable service levels. The abandoned rate must be reduced to five (5) percent or less with the ASA at less than 45 seconds. The P-grade (number of busy per 100 calls) should not average over five (5) percent monthly. Quality resolution of customers inquiries and complaints needs to be improved significantly. Further, limited type of customer service needs to be available to customers 24 hours a day seven (7) day a week.

It is paramount to reform business practices that generate unnecessary incoming customer inquiries to resolve the call center's high abandoned rate, reduce the ASA, and maintain an acceptable P-grade of service. Without accomplishing this goal, efforts to resolve MGE's call center problems will continue to be reactive instead of proactive and costly. If the cause that provokes the customer to call is not resolved incoming call volume will continue to be perpetual and increase geometrically to business practices.

ACTION PLAN

The ASA must be reduced to 45 seconds or less to accomplish the objective of lowering the abandon rate to five (5) percent. And, a proactive procedure to cultivate business practices to reduce the need for the customers to call must be established. Effects of scheduling service, collection efforts, remittance processing and the billing system all generate unnecessary customer calls. Further, it is not reasonable to expect an average of 158,000 calls monthly on a 460,000 customer base. Today our business practices has resulted in a ratio of one call for every three customer accounts. Our customer are not calling to tell us what a good job we are doing! They are simple reacting to our business practices.

To accomplish the objective of improving telephonic customer service for our customers the following proactive initiatives are being implemented:

1. Developed formal training program in July to improve the quality of customer service.
 - Phase I -- Quality Customer Service Training (July -- August).
 - Phase II -- Active Listening Skills (August -- September).
 - Phase III -- Telephone Etiquette (September).
 - Phase IV -- Receiving Inbound Calls Critique (October).

Result's Expected - Reduce talk time, improve quality of customer service and reduce the need for customers to call back a second time to resolve their situation (one-call-resolution). Developing the skill sets required to respond to customer needs will reduce employee distress and improve morale by providing the tools (telephone techniques & knowledge) required to do the job. Note - there is a negative effect on the ASA and the abandon rate until training is completed:

2. Effective August 19, the Meridian Automated Attendant will be activated to pre-route customer calls. The equipment has been engineered for three modes: (1) working hours, (2) after-hours and (3) computer system down. This will improve telephonic service to customers by:
 - Providing a constant friendly greeting to the caller, welcoming them to MGE versus a wait messages and inconsistent consultant introductions.
 - One call resolution for gas leak emergency and meter reading calls, plus making service available 24 hours a day, seven (7) days a week (reduce up to two (2) percent of call center volume).
 - Customers can self-direct themselves to the person they need to talk with when they know the name or phone extension, reducing multiple handling of calls. Reduction in transferring call allows resolution to more customer inquiries which improve productivity (reduce up to one (1) percent of call center volume).
 - Provide interface for Interactive Voice Response (IVR) system.

Result's Expected — resolve up to three percent of the telephone calls using available technology for customers to direct their call to the source versus having the call center serve as a switchboard. Further, it will improve service by providing limited 24 hour service and a friendly greeting for customers. Also, it will provide for situations (fire drills, etc.) when consultants are not in a position to serve the customer instead of leaving them on hold. This will reduce abandoned rates on a few occasions when the computer down mode is used.

3. Establish performance standards for consultants handling inbound customer calls. Currently, there are no expectations to measure consultants in the call centers. Supervisors have no method or tools to measure, evaluate or control productivity. And, consultants do not have a clear understanding of what is expected (quality or quantity).
 - A team of call center supervisors was chartered in June to determine requirements for performance standards. The following are the team's recommendations:
 - * Established 14 calls per hour as meeting requirements of the job
 - * Developed monitoring format to ensure quality performance
 - * Determined 7.2 hours as work time availability requirements
 - Reviewing new performance standards with the Union and plan to kick-off new program by late August.

Result's Expected - Improve consultants productivity from 84 calls daily to 100 calls per day or 19 percent. Also, the quality of telephonic service will be improved through monitoring and consistent evaluation of consultants' performance.

4. Transfer customer callers to Contigo when they exceeded the five minute window. The following are the plans to direct over-flow calls to Contigo:
 - Requested MIS to establish the bridge to transfer calls to Contigo by September 15.
 - Requested MIS to ensure data lines are adequate to handle increased volume.

- Requested Human Resources provide the Customer Service training class that certify consultants on Missouri Public Service Commission requirements in late August.
- Develop a queue configuration that will comply to the Union Agreement "Three Step Back-Up Rule" (Reviewed with Dave Black).
- Contigo must agree to handle MGE calls on a priority basis because the customer has been on hold for five minutes before call was transferred.
- Provide other training to Contigo and on-site start-up support in September if Contigo is in a position to take calls.

Result's Expected - This will reduce the longest customer wait time to less than six versus 36 minutes. Further, it will provide the motivation for employees to be available to customers (if they do not take care of our customer, someone else will).

5. Install Interactive Voice Response System (IVR) to resolve customer inquiries for: (1) Payment location information, (2) Provide account balance and payment information, (3) Provide a copy of the customers current billing statement.
 - Installed IVR system August 9.
 - Develop first three application by September 1.
 - Test applications and make corrections by September 30.
 - Educate employees and customer September 1 to 30.
 - Turn up new IVR application by October 13.

Result's Expected - Automate up to 10 percent of incoming customers' inquiries and reduce the cost per call for MGE. And, improve customer service by providing these services 24 a day seven (7) days a week. Depending on post audit of initial IVR applications - Phase II (November) will develop an IVR application to automate the reporting of meter index data for customers calling MGE (not budgeted). This will automate approximately two percent of incoming calls. Phase III will identify additional applications, that can be developed to automate incoming customer calls (not budgeted). This will continue to make more consultants available to respond to customer inquiries which will lower the ASA. Further, this concept will lower the cost per call answered by blending the automation with human resolution to customer inquiries. Note - long term objective is to automate up to 30 percent of calls).

6. Reorganize the Customer Service Department. Create an organization that is customer focused, rewards successful performance, and has clear definition of responsibilities.
 - Obtain buy-in from both managers to redefine their roles.
 - One manager responsible for call center.
 - Other manger responsible for collection (account services & billing).
 - Develop a team concept to accomplish daily work volumes.
 - Use seasonal clerical employees to handle billing and account services functions that will allow trained employees to handle increased fall and winter call volumes.
 - Increase contract collectors from 10 to 16 in August.

Result's Expected - Clarify focal point of responsibility for managers and supervisors. This will build the foundation to create a team culture to accomplish the objectives for improving call center performance and optimize collection results. Using seasonal employees to handle the functions that require minimal training will allow trained employees to resolve incoming customer calls. Minimizing training requirements through use of support unit employees will optimize call center FTE which is the most cost-effective alternative.

7. Proactive initiatives to reform business practices that generate unnecessary incoming customer calls. Retrofit the activity code tracking system with new codes that identify sources or reasons that customers call:
 - Educate employees on the need for activity codes process and the benefits (started in August).
 - Develop method to update codes to monitor reasons for customer calls.
 - Create an environment where employees can provide input to improve the processes.
 - Round-table employee meetings to discuss business issues and concerns.
 - Establish a departmental task force that can correct problem situations.
 - Develop post audit practices to evaluate changes.
 - Utilize the accounting function and MIS to correct future problems with temporary employees instead of expensive union labor that lowers call center performance.

Result's Expected - Reduce average monthly calls from 158,000 to less than 60,000 calls. This will require a buy-in by senior management to charter a natural work team to review business activities that are identified as call generators. The team's objective is to determine if the function is being correctly performed and is appropriately customer focused. And, make recommendation to improve the business practices which will resolve the customers' issues and concerns up front. This will result in eliminating the need for the customer to call to resolve their situation. Note - this is a long range and continuous process not a interim step.

The action plan will require adjustments based on post-audits after each phase is implemented to determine impact on call center performance. This will ensure changes or modifications to procedures improve service levels and do not have adverse effects on other activities. Exhibit 3 details the action plan and activities through the month of October.

CONCLUSION

Every telephone call represents an opportunity for MGE to demonstrate its commitment to provide quality service that customers routinely expect. This means making those commitments and alterations as required to beat competitive initiatives, while controlling the cost structure. Current business practices have resulted in a one to three call ratio to customer base. Incoming average monthly calls have increased 99 percent in the last year through May. Today four out of ten customer hang-up versus waiting to speak to a

consultant to resolve their situation. Employees moral is extremely low which has resulted in a high absentee rate and lack of customer focus.

Currently, MGE does not meet the expectations of customers who call to resolve situations with their gas service or other related issues. The action plan that has been present will correct the abandoned rate through a reduction in the ASA. However, only proactive initiatives designed to reform business practices that generate unnecessary customer calls will accomplish the objective. Other alternatives will be expensive and require additions to staff or outsourcing the call center completely.



Ameren
Customer Contact Center Fact Sheet as of 12/31/99

CALLS RECEIVED DURING 1999	4.15 million
HOURS OF OPERATION	24 hours per day/7 days per week
TYPES OF CALLS	Billing/Collection 43% Sales None Service 41% Other 16%
NUMBER OF CUSTOMER SERVICE REPRESENTATIVES	156
LENGTH OF AVERAGE CALL	3:47
AVERAGE SPEED OF ANSWER	1:47
ABANDONMENT RATE	9.93%
SWITCH	Lucent Technologies Definity G3r V6 Enterprise Communications Server (ECS) and ACD, voice, data and ISDN capability
IVR	4 – Lucent Technologies Intuity Conversant MAP100 platforms each supporting 48 concurrent telephone circuits both analog and digital T-1 based
VOICE RECOGNITION	Lucent Technologies Intuity Whole Word Speech Recognition
INBOUND CTI PLATFORM	Quintus NabCTI platform
CALL MANAGEMENT REPORTING	CentreVu CMS with CentreVu Supervisor
VOICE AND DATA RECORDING	Dictaphone Prolog Logger Workstation with network
SYSTEM 24 OPTIONS	Billing or Account Information Power Problems or Gas Odor Service Requests Company and Department Information Programs and Services

Four Sites: St. Louis, MO; Pawnee, IL; Jefferson City, MO; Cape Girardeau, MO

Exhibit No.:

Issues: Customer Service,
Billing Process
Improvements

Witness: Kendall O. Buckstaff

Type of Exhibit: Rebuttal Testimony

Sponsoring Party: Missouri Gas Energy

Case No.: GR-98-140

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-98-140, ET AL.

REBUTTAL TESTIMONY OF

KENDALL O. BUCKSTAFF

Jefferson City, Missouri

April 23, 1998

APR 23 1998

REBUTTAL TESTIMONY OF KENDALL O BUCKSTAFF

CASE NO. GR-98-140, ET AL.

April 23, 1998

1 **Q. WOULD YOU PLEASE STATE YOUR NAME AND BUSINESS ADDRESS ?**

2 A. Kendall O. Buckstaff, 515 Figueroa Street, Suite 1500, Los Angeles, CA 90017.

3

4 **Q. BY WHOM ARE YOU EMPLOYED?**

5 A. I am employed by Theodore Barry & Associates (TB&A) in the capacity of
6 Managing Director.

7

8 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL**
9 **EXPERIENCE.**

10 A. I received a Bachelor of Science degree in Industrial Engineering from Lehigh
11 University, and a Masters of Business Administration from U.C.L.A.

12

13 I have been with TB & A since January of 1988, and have participated in or led
14 projects related to customer services and distribution operations for utilities providing
15 gas and electric service. Many of those projects have included process improvement
16 activities, and many others have required comparisons of our clients' performance
17 against other utilities. Clients have included investor-owned utilities, municipal
18 utilities, electric co-operatives, regulatory bodies, utility associations such as the
19 American Public Power Association (APPA), Electric Power Research Institute
20 (EPRI), Canadian Electrical Association, Pacific Coast Gas Association, Midwest
21 Gas Association, and others. I also have responsibility for a benchmarking program
22 TB&A performs annually, in which a wide array of performance and practice
23 information is gathered from utilities across the U.S., Canada, and the U.K.

1
2 Prior to joining TB&A, I was employed by the Salt River Project for eight years in a
3 variety of analytical and managerial positions. Before that, I was with the Factory
4 Mutual Engineering Association for two years between full-time attendance at college
5 and graduate school.
6

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

8 A. The purpose of my testimony is to provide an outside perspective on customer service
9 and the level of effort involved in the billing process improvement efforts performed
10 by MGE.
11

12 **Q. IN THE ANALYSIS PHASE OF THE PROJECT TB&A WAS HIRED TO**
13 **PERFORM, WHAT WAS YOUR UNDERSTANDING OF THE NATURE OF**
14 **THE WORK THAT YOU WERE ASKED TO PERFORM?**

15 A. TB&A was asked to support the efforts of an in-house process improvement team,
16 termed the BASIC team, focused on improving the process associated with billing of
17 customers. In particular, we were asked to provide a methodology and help guide the
18 team as it worked to develop a more robust billing process. By robust, I mean a
19 process which would ensure (as closely as is possible) that all customers receive an
20 accurate and timely bill each month. In addition, we were asked to provide project
21 management for the team, and facilitation of the team's efforts, assuring that the team
22 moved ahead smoothly to achieve its stated objectives.
23

24 The team was charged with evaluating the entire billing process and the related
25 processes which impact billing, in order to identify areas where potential problems
26 could develop, or where actual problems had occurred. These problem areas were
27 called "gaps and disconnects" to highlight how they could occur in the billing

1 processes. Following that evaluation, the team was expected to create solutions for
2 addressing the gaps and disconnects, so that the gaps could be bridged, and the
3 disconnects could be closed. The expected results were a series of recommended
4 actions for improving the billing process, with a prioritized listing of the appropriate
5 order for addressing those actions.

6
7 **Q. WAS THE PROJECT TEAM THAT TB&A SUPPORTED ASKED TO WORK**
8 **ON CORRECTIONS OF PAST BILLING ERRORS?**

9 A. No, the work of the BASIC team, by the time TB&A was hired, was focused clearly
10 on the efforts of improving the billing process for the future. Prior to our
11 engagement, some of the team members were in fact involved in the correction of
12 past bills which had errors. At no time has TB&A been asked to help in correcting
13 past bills. As part of the process improvement activities, the BASIC Team and
14 TB&A have been involved in improving the *process* associated with correcting bills,
15 but only on a prospective basis, in order to make it easier and faster to make those
16 corrections in the future, should they be required.

17
18 **Q. WHY WAS AN OUTSIDE CONSULTANT (IN THIS CASE TB&A)**
19 **REQUIRED TO HELP IN THIS PROJECT?**

20 A. In this case, management felt that an outside consultant could provide several things
21 that the team members themselves could not. These included:
22 • Objectivity which comes from not being involved in the ongoing billing process,
23 and not having a personal stake in the outcome
24 • Process improvement methodology built from having a broad experience base in
25 performing process improvement projects for other clients
26 • Deep knowledge of billing systems and approaches used in other utilities which
27 provided a source to draw upon for ideas of how to improve the MGE system

- 1 • People able to train the MGE team members in process improvement
2 methodology and ways to prepare for implementation of the recommended
3 changes.

4
5 **Q. WHAT CAUSED MGE TO HIRE TB&A AND CREATE THE BASIC TEAM?**

6 A. There were a combination of events which led to the creation of the BASIC Team.
7 Foremost among these was the series of problems which led to incorrect bills being
8 sent to customers during the winter of 1996-97.

9
10 **Q. ARE THESE THE BEST REASONS TO EMBARK ON A PROCESS**
11 **IMPROVEMENT EFFORT?**

12 A. While it would have been better to begin the process improvement activity before the
13 problems resulted in a number of incorrect bills being issued, it is not at all
14 uncommon for such an event to trigger an improvement effort. We at TB&A prefer
15 to be invited to work on process improvements before any major negative results have
16 occurred, but more often than not, it takes a "trigger event" before the projects are
17 authorized. Particularly in cases such as MGE's, where no substantial negative
18 consequences had resulted from the weaknesses in the processes, it is understandable
19 that the process improvement efforts had not become a top priority.

20
21 **Q. YOUR PROPOSAL TO MGE SUGGESTED THAT THE RECOMMENDED**
22 **ACTIONS FOR EACH OF THE AREAS WOULD BE ANALYZED FROM A**
23 **COST/BENEFIT PERSPECTIVE, AND A PRIORITY LISTING WOULD BE**
24 **CREATED FOR MOVING AHEAD WITH IMPLEMENTATION. WHY**
25 **WERE NO DETAILED COST/BENEFIT ANALYSES PREPARED FOR THE**
26 **KEY RECOMMENDATIONS?**

1 A. The recommendations made by the BASIC team were not prioritized along
2 cost/benefit lines from a strictly financial perspective. After the project began, it
3 became fully clear that management's goals revolved around customer service
4 improvement, rather than cost reduction. (This was clear in the RFP, but in our prior
5 experience with other companies, the level of commitment has often wavered in the
6 face of cost issues, so we put into the proposal the statements regarding cost/benefit
7 analysis). Therefore, the key criterion for analysis and prioritization of the
8 recommended actions revolved around the ability to ensure accurate bills, or
9 conversely, to prevent billing errors.

10

11 Q. **HOW WERE THE RECOMMENDATIONS OF THE BASIC TEAM**
12 **PRIORITIZED FOR IMPLEMENTATION?**

13 A. In order to appropriately determine which recommendations should be addressed first
14 in the implementation phase of the work effort, the project team estimated the relative
15 magnitude of potential problems addressed by each of the recommendations.
16 Specifically, for each gap or disconnect, the team estimated the number of incorrect
17 bills which could be created if the worst case scenario should occur. Based upon that,
18 the team then prioritized the recommended improvement actions.

19

20 Once the priorities were set, the team then worked with the operating departments
21 within MGE to identify the resource requirements for addressing each issue. Because
22 a number of the issues required information system modifications in order to
23 implement the recommendations, the priority order was modified somewhat to fit the
24 available resources within the Information Technology group. Combining the
25 original priorities with the practical realities of available and contractable resources,
26 the project team established an implementation plan, which has been reasonably well
27 followed in working through the series of recommendations.

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Q. WHAT IS THE STATUS OF THE BASIC TEAM'S BILLING PROCESS IMPROVEMENT ACTIVITIES AT MGE?

A. The team, along with the operating management of MGE, has completed implementation of the majority of the team's original recommendations. There are a few which remain to be completed, but the most important ones will be completed by the end of April.

Another employee group, led by the Vice President of Customer Service, Karen Czaplewski, has been chartered to continue the work of the BASIC Team, and indeed create a continuous improvement forum for assuring that the billing process continues to improve, and provide superior service to customers. The team has been named the Continuous Oversight for Billing and Remittance Accuracy group (COBRA) and has been meeting weekly for the past month. This group will assess problems as they arise, as well as proactively work on areas of improvement in the billing process.

Q. DID TB&A ASSIST MGE IN ASSESSING BOTH SHORT AND LONG TERM CENTER PERFORMANCE GOALS?

A. Yes. We recommended an ACR of 8% and an ASA of 75 seconds. For the long term we recommend an ACR of 5% and an ASA of 45 seconds. The recommendation for this year was based on trends over the past 3 years; it is a "stretch" goal. The long term goal of 5% is just short of the top quartile of utility performance nationally; it represents superior performance.

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ?

2 A. Yes.

Exhibit No.:
Issue: Customer Service
Witness: Gary R. Bangert
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2001-292
Date Testimony Prepared: May 22, 2001

MISSOURI PUBLIC SERVICE COMMISSION
UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

GARY R. BANGERT

**MISSOURI GAS ENERGY,
A DIVISION OF SOUTHERN UNION COMPANY**

CASE NO. GR-2001-292

Jefferson City, Missouri
May 2001

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Rebuttal Testimony of
Gary R. Bangert

1 Q. What is the purpose of your testimony?

2 A. The purpose of my testimony is to respond to direct testimony offered by
3 Missouri Gas Energy (MGE or Company) witnesses Steven W. Cattron and Karen M.
4 Czaplewski related to quality of customer service performance at MGE. I will address
5 the quality of customer service at MGE as indicated by its Call Center performance
6 statistics and by consumer complaint data compiled by the Commission's Consumer
7 Services Department. My testimony will include a comparison of customer service
8 performance between the times when MGE began its operations in 1994 and now. I will
9 also discuss MGE customer service performance relative to other Missouri utilities and
10 the reasonableness of specific MGE Call Center goals. My testimony is intended to
11 illustrate that MGE's customer service performance is not substantially better than it was
12 when MGE began operations in 1994. Neither can it be said that MGE's customer
13 service performance is superior to other Missouri utilities. Finally, my testimony will
14 address MGE's customer service performance goals, specifically with respect to
15 Abandoned Call Rate (ACR) and Average Speed of Answer (ASA), and provide
16 evidence that the Company's goals and its performance are not superior to commonly
17 accepted industry norms.

18 Q. How did you become familiar with MGE's Call Center performance?

19 A. I was responsible for evaluating the Company's Call Center during a
20 billing and customer services investigation completed by EMSD Staff in April 1995.
21 This review also addressed MGE's billing, customer payment remittance, disconnection,
22 and reconnection practices. The investigation resulted in 37 recommendations for

1 improvement related to these areas. Eleven of the 37 recommendations addressed
2 specific deficiencies related to Call Center operations.

3 Q. Have Engineering and Management Services Staff performed any
4 subsequent work at the Company?

5 A. Yes. The EMSD Staff performed two follow-up implementation reviews
6 that were completed in August 1996 and March 2000. These implementation reviews
7 were conducted in order to evaluate the Company's progress in implementing the
8 37 recommendations presented in the original April 1995 report. In addition, the EMSD
9 Staff spent considerable time at the Company as a result of billing process errors that
10 occurred during the 1996 - 1997 heating season.

11 Q. What were the results of these implementation reviews?

12 A. The first implementation review concluded that the Company had
13 completed action on 21 of the 37 recommendations. Four of the 11 Call Center
14 recommendations had been completed. The second implementation review report stated
15 that 33 of the 37 recommendations had been completed.

16 Q. What was the nature of the four recommendations that were not
17 categorized as "complete" following the March 2000 investigation?

18 A. All four of the remaining recommendations pertained to deficiencies in
19 Call Center operations. One of these recommendations dealt directly with weaknesses in
20 Call Center performance related to ACR, ASA, and the number of inquiries and
21 complaints received by the Commission's Consumer Services Department. The EMSD
22 Staff commented in the March 2000 report that "... considerable progress has been made
23 by the Company in improving its quality of service performance. However, opportunities

1 for improvement still exist, as shown by the fact that actual performance statistics fall
2 below Company goals and MSD staff expectations."

3 Q. What are the specific Company goals and EMSD Staff expectations
4 referred to in the March 2000 implementation review report?

5 A. The specific Company goals and EMSD Staff expectations included an
6 ACR of 5% or less, an ASA of 45 seconds or less, and a number of inquiries and
7 complaints received by the Commission not to exceed one complaint per 1,000 customers
8 on a yearly basis.

9 Q. How have customer service staffing levels changed over the past several
10 years?

11 A. Based on the customer service staffing level data presented in Schedule 1,
12 it can be seen that since 1997, when the Company started reporting this information,
13 overall customer service staffing levels have ranged from 127 in January 1997 to 160 in
14 June 1998. There were 133 reported customer service staff in March 2001. Schedule 1
15 also provides Call Center staffing levels, including the number of full-time and part-time
16 staff on a monthly basis since October 1997. There were as many as 79 Call Center staff
17 in August 1998 and as few as 50 in August 2000. As of March 2001, there were a total of
18 64 Call Center staff.

19 **Historical MGE Call Center Activity**
20 **and Performance**

21 Q. Can you also discuss historical Call Center activity and performance at
22 MGE?

Rebuttal Testimony of
Gary R. Bangert

1 A. Yes. I will present a series of four schedules that present information
2 relative to incoming call volumes, ACR, ASA, and the number of Commission inquiries
3 and complaints.

4 Q. What time period will this information cover?

5 A. I will present monthly data covering the 1994 – 1995 time period and
6 compare it with information from the 1999 – 2000 timeframe.

7 Q. Why have you chosen these two time periods to compare?

8 A. MGE began operations in February 1994, so 1994 – 1995 provides a good
9 baseline of data from which to evaluate the impact MGE management has had on the
10 quality of customer service. The data from 1999 – 2000 provides the most recently
11 available data in order to compare changes that have occurred.

12 Q. Why are you not comparing data from the 1996 – 1998 timeframe?

13 A. These years included events that had a significant negative impact on
14 MGE's Call Center performance. Also, monthly results during these years were typically
15 very inconsistent. Reported performance during some months was very poor and, during
16 other months, performance exceeded Company goals. As discussed in the August 1996
17 implementation review report, the Company reduced its Customer Service staffing level
18 from 92 when it began operating the Company to 67 in 1995. In April 1996, the ACR
19 was as high as 45.8% and the ASA was 213 seconds. Call Center performance was also
20 adversely affected in early 1997 by significant billing process errors. This situation
21 resulted in an ACR of 33.5% and an ASA of 406 seconds in March 1997. Call Center
22 performance in 1998 included an ACR of 19.2% and an ASA of 143 seconds in
23 March 1998. The overall ACR averages for 1996, 1997, and 1998 were 24.7%, 15.6%,

1 and 8.4% respectively. The overall ASA averages for 1996, 1997, and 1998 were
2 142 seconds, 152 seconds, and 62 seconds, respectively. Consequently, for reasons of
3 inconsistent performance caused to a significant degree by unusual events, I chose to
4 exclude 1996 – 1998 in the comparison.

5 Q. How has the number of incoming calls to MGE's Call Center changed
6 since 1994?

7 A. There has been little change in the number of incoming calls. The 1994 –
8 1995 monthly average number of calls was approximately 79,600 and the 1999 – 2000
9 monthly average was 79,500 customer calls. The information presented in Schedule 2
10 illustrates that call volumes during the two comparison periods were very similar and
11 tended to fluctuate at similar times of the year. MGE typically experiences much lower
12 call volumes in the summer months than during the winter months.

13 Q. How has the number of customers that MGE serves changed?

14 A. MGE served approximately 470,000 customers at the end of 1994, the
15 middle of the first comparison time period, and about 492,000 customers at the end of
16 1999, the middle of the 1999 – 2000 time period. This represents an approximate 4.7%
17 growth over five years.

18 Q. Is it significant that the average number of calls did not increase from the
19 first time period to the second even though MGE did experience a 4.7% growth in the
20 number of customers?

1 A. No. As MGE witness Cattron states in his direct testimony,

2 While the warm weather we experienced in our service
3 territory in FY98, FY99 and FY00 hurt MGE's financial
4 performance and achieved returns, that same weather helped
5 almost all of its customer service performance statistics. Typically
6 warm weather translates into lower bills, which in turn translates
7 into fewer customer contacts.

8 Consequently, it appears that the warm weather and small increase in
9 number of customers were offsetting factors and resulted in little change in customer call
10 levels. If MGE's level of customer service had improved substantially, one would have
11 expected a significant decrease in customer call volume.

12 Q. How has MGE's Abandoned Call Rate changed from the 1994 – 1995
13 timeframe to 1999 – 2000?

14 A. The monthly ACR for these two 24-month periods is illustrated in
15 Schedule 3. This information shows that in 11 of 24 months, MGE's ACR was better in
16 1994 – 1995 than in 1999 – 2000. The average ACR was 5.4% in 1994 and 8.7% in
17 1995, with an overall 24-month average of 7.0%. The average ACR was 5.7% in both
18 1999 and 2000, with an overall 24-month average of 5.7%.

19 Q. In your opinion, has MGE made substantial improvement in its ACR?

20 A. No. Although the 5.7% average for 1999 – 2000 shows some
21 improvement over the 7.0% performance in 1994 – 1995, it still falls short of the
22 Company's 5.0% ACR goal. It is also noteworthy that the 5.7% ACR performance in
23 1999 and 2000 is about 6% worse than the 5.4% ACR performance in 1994, the first year
24 that MGE began operations in Missouri.

25 Q. How has MGE's Average Speed of Answer changed from the 1994 – 1995
26 timeframe to 1999 – 2000?

1 A. The monthly ASA for these two 24-month periods is illustrated in
2 Schedule 4. This information shows that in 14 of 24 months, MGE's ASA was better in
3 1994 - 1995 than in 1999 - 2000. The average ASA was 54 seconds in 1994 and
4 66 seconds in 1995, with an overall 24-month average of 60 seconds. The average ASA
5 was 64 seconds in both 1999 and 2000, with an overall 24-month average of 64 seconds.

6 Q. What is your opinion of MGE's ASA performance?

7 A. The Company has not been able to achieve consistent improvement in its
8 ASA. The ASA average performance slipped about 7% from 60 seconds in 1994 - 1995
9 to 64 seconds in 1999 - 2000. This 64 second ASA is also about 19% worse than the
10 54 second performance in 1994, and is still 42% above the Company's 45 second goal.

11 Q. How has the number of Commission inquiries and complaints changed
12 from the 1994 - 1995 timeframe to 1999 - 2000?

13 A. The number of Commission inquiries and complaints for these two
14 24-month periods is illustrated in Schedule 5. This information shows that in 19 of
15 24 months, there were more Commission inquiries and complaints in 1994 - 1995 than in
16 1999 - 2000. There were an average of 73 inquiries and complaints in 1994 and 53 in
17 1995, with an overall 24-month average of 63. The average number of inquiries and
18 complaints was 43 in 1999 and 37 in 2000, with an overall 24-month average of 40.

19 Q. The 1996 implementation review report recommended that MGE work to
20 achieve a "reasonable quality of service requirement" of "Customer complaints received
21 by the PSC not to exceed one complaint per 1,000 customers; measured on a yearly basis
22 and" Has MGE achieved this quality of service performance standard?

Rebuttal Testimony of
Gary R. Bangert

1 A. Yes. The number of complaints per 1,000 customers improved from
2 approximately 1.62 complaints per 1,000 customers during the 1994 – 1995 timeframe to
3 an average of about .98 complaints per 1,000 customers from 1999 – 2000.

4 Q. Is the fact that MGE has achieved the complaint per 1,000 customers goal
5 of less than one complaint per 1,000 customers an indication of superior customer service
6 performance?

7 A. No. It is obvious that MGE management is doing a much better job of
8 resolving customer concerns because fewer customers are contacting the Commission
9 with problems. However, a complaint level of less than one complaint per 1,000
10 customers is a reasonable standard that many Missouri utilities are achieving.

11 Q. How has MGE performed with respect to ACR, ASA, and number of
12 Commission inquiries and complaints since December 2000?

13 A. The First Quarter 2001 MGE averages for ACR, ASA, and number of
14 Commission inquiries and complaints were 8.5%, 107 seconds, and 116 inquiries and
15 complaints, respectively. These First Quarter 2001 averages were significantly affected
16 by January 2001 monthly averages consisting of an ACR of 16.2%, an ASA of
17 207 seconds, and 202 Commission inquiries and complaints. These January 2001 figures
18 compare with January 2000 monthly averages of an ACR of 6.8%, an ASA of
19 81 seconds, and 52 Commission inquiries and complaints.

20 Q. Why was the quality of service performance with respect to ACR, ASA,
21 and Commission inquiries and complaints so much worse in January 2001 than in
22 January 2000?

1 A. The primary reasons appear to be colder temperatures combined with
2 higher gas prices than customers had experienced in January 2000.

3 Q. What conclusion can you reach about quality of customer service
4 indicators like ACR, ASA, and the number of Commission inquiries and complaints?

5 A. These indicators are extremely volatile and are affected by a wide variety
6 of factors.

7 **Comparison of MGE Customer Service Performance**
8 **With Other Missouri Utilities**

9 Q. Ms. Czaplewski provided some ACR and ASA performance
10 measurements from Kansas City Power & Light Company (KCPL), UtiliCorp United,
11 Inc. (Utilicorp), and AmerenUE on page 10 of her direct testimony. Based on this
12 information, Ms. Czaplewski stated on page 11 of her direct testimony that "... MGE's
13 customer service performance has been superior to other Missouri companies." Do you
14 agree with this observation?

15 A. No. A comparison of ACR and ASA performance measures with other
16 utilities can provide a general indication of performance, but should not be used as a sole
17 basis for evaluating customer service performance. For reasons I will discuss later,
18 differences in the way utilities calculate performance measures and the existence of other
19 outside factors can have a significant impact on performance statistics. Also,
20 Ms. Czaplewski does not present comparison information on a comparable timeframe.
21 Her direct testimony offers information on select utilities over a calendar-year basis and
22 MGE information on a fiscal-year basis. I have prepared the following table that shows
23 how, using comparable timeframes, MGE performance measurement data compares with
24 the information Ms. Czaplewski presented on KCPL, UtiliCorp, and AmerenUE:

ACR and ASA Comparisons

	ACR (%)			
	1996	1997	1998	1999
MGE	24.7 ⁽²⁾	15.6 ⁽²⁾	8.4 ⁽²⁾	5.7 ⁽²⁾
KCPL	9.1 ⁽¹⁾	8.0 ⁽¹⁾	12.0 ⁽¹⁾	
UtiliCorp		13.5 ⁽¹⁾	8.0 ⁽¹⁾	10.2 ⁽¹⁾
AmerenUE				9.9 ⁽¹⁾

	ASA (seconds)			
	1996	1997	1998	1999
MGE	142 ⁽²⁾	152 ⁽²⁾	62 ⁽²⁾	64 ⁽²⁾
KCPL	111 ⁽¹⁾	91 ⁽¹⁾	107 ⁽¹⁾	
UtiliCorp				
AmerenUE				107 ⁽¹⁾

⁽²⁾ Based on Staff analysis of MGE monthly operating reports

⁽¹⁾ Based on page 10 of company witness, Karen Czaplewski's direct testimony.

As shown by the table, MGE's ACR performance is worse than KCPL's and UtiliCorp's performance in two out of three years, although MGE performance is better than AmerenUE's performance in 1999. Regarding ASA, MGE performance is worse than KCPL's performance in two out of three comparison years and better than AmerenUE's performance in 1999.

Q. Do you have information on any other Missouri utilities that would indicate whether MGE's customer service performance is superior?

A. Yes. EMSD Staff witness Lisa A. Kremer presented The Empire District Electric Company's (Empire) ACR data on page 11 of her rebuttal testimony filed in Case No. EM-2000-369. Ms. Kremer stated "... the Staff calculated Empire's ACR to be 2% for 1997, and 3% for 1998 and 1999." As stated in the previous table, MGE's ACR was 15.6%, 8.4%, and 5.7% during the same three-year period. Clearly, MGE's ACR performance was not superior to Empire's performance during this period of time.

Rebuttal Testimony of
Gary R. Bangert

1 Q. Did Ms. Kremer's rebuttal testimony in Case No. EM-2000-369 also
2 present performance information on ASA?

3 A. Yes. On page 14, she stated, "For 1997, 1998 and 1999, Empire's Average
4 Speed of Answer was 29 seconds, 102 seconds and 126 seconds, respectively." During
5 1997, 1998, and 1999, MGE's ASA was 152 seconds, 62 seconds, and 64 seconds,
6 respectively. Although MGE performed better than Empire in 1998 and 1999,
7 Ms. Kremer offers Empire's explanation for 1998 and 1999 customer service
8 performance on page 15 of her rebuttal testimony. "Empire indicated that the conversion
9 to its new customer information system, Centurion, contributed heavily to the decreased
10 performance of its Call Center from 1998 to 1999. A number of employees from the Call
11 Center worked on the Centurion System and were not able to take calls that they
12 normally would have answered." Ms. Kremer also stated that Empire had a 29 second
13 ASA objective for all three years.

14 Q. Is customer service information available on any other utilities?

15 A. Yes. EMSD Staff witness J. Kay Niemeier presented St. Joseph Light &
16 Power Company's (SJLP) ACR data on page 8 of her rebuttal testimony filed in Case No.
17 EM-2000-292. Ms. Niemeier stated "... SJLP's actual ACR was 4.26% and 4.07% for
18 years 1998 and 1999, respectively." As stated in the previous table, MGE's ACR was
19 8.4% in 1998 and 5.7% in 1999. Consequently, the data shows that MGE's ACR
20 performance was not better than SJLP's performance in 1998 and 1999.

21 Q. In your opinion, if one company's ACR or ASA statistics are better than
22 another company's, is it correct to say that the company with better ACR and ASA
23 performance is providing superior customer service?

1 A. No. Unusual events, unique to a particular company, such as billing
2 process errors, difficulties in converting to a new major computer system, weather-related
3 events, or rate case activity can have a major impact on the number of customer contacts
4 and the associated ACR and ASA performance. Also, as Ms. Kremer states in her
5 rebuttal testimony in this case, "... there are many criteria that should be considered in
6 evaluating and determining whether or not a company is providing adequate or an
7 acceptable level of customer service." In addition, companies sometimes calculate
8 performance indices such as ACR differently. For example, many companies have an
9 automated voice attendant that initially receives the customer calls, which are
10 subsequently routed to an automated response system or a call center representative.
11 Companies such as UtiliCorp include in the number of abandoned calls the situations
12 where customers hang up while listening to the automated voice attendant. Other
13 companies, such as MGE, do not consider calls abandoned unless customers hang up
14 *after* being transferred from the automated voice attendant to an automated response
15 system or a call center representative.

16 Q. What impact does counting incoming calls differently have on ACR
17 performance?

18 A. Companies, such as MGE, that do not include in the number of abandoned
19 calls the situations where customers hang up immediately after getting the automated
20 voice attendant, would tend to report a more favorable ACR performance.

21 **Reasonableness of MGE Call Center Goals**

22 Q. Are MGE's Call Center goals superior with respect to industry norms?

23 A. No. Engineering and Management Services Staff met in March 2001 with
24 senior management of a large utility that is setting up a new call center operation that will

Rebuttal Testimony of
Gary R. Bangert

1 serve a multi-state area including Missouri. During the course of this meeting,
2 management personnel stated that targets of 30 seconds for ASA and 5.0 – 5.5% for ACR
3 had been established. They went on to say that these call center targets are accepted
4 standards across all industries. Mr. Paul Blankenship, the former Manager of MGE's
5 Contact Center, also supported the fact that MGE's ACR and ASA goals are typical of the
6 industry during a March 22, 2001, interview with the EMSD Staff. In an August 12,
7 1996, Customer Service Action Plan written by Mr. Blankenship and included as an
8 attachment to Ms. Czplewski's testimony, Mr. Blankenship stated, "The ASA must be
9 reduced to 45 seconds or less to accomplish the objective of lowering the abandon rate to
10 five (5) percent." Mr. Blankenship stated on March 22, 2001, that these goals were
11 established because they were considered best practices at the time and they are based on
12 commonly accepted industry norms. It is also significant to note that, based on calendar-
13 year averages, neither the ACR goal nor ASA goal has been achieved by the Company
14 since 1994.

15 Q. Do you have any further comments to make about MGE's customer
16 service performance?

17 A. Although, it is necessary to bring the previously discussed information to
18 the attention of the Commission, I also want to commend the Company for its
19 cooperative relationship with the EMSD Staff. MGE has made significant improvements
20 in its customer service operations since the period of extremely low service levels it
21 experienced several years ago.

22 Q. Does this conclude your rebuttal testimony?

23 A. Yes, it does.


BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In The Matter of Missouri Gas Energy's Tariff)
Filing For General Rate Increase) Case No. GR-2001-292

AFFIDAVIT OF GARY R. BANGERT

STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Gary R. Bangert, of lawful age, on his oath states: that he has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 14 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of his knowledge and belief.



Gary R. Bangert

Subscribed and sworn to before me this 21st day of May 2001.

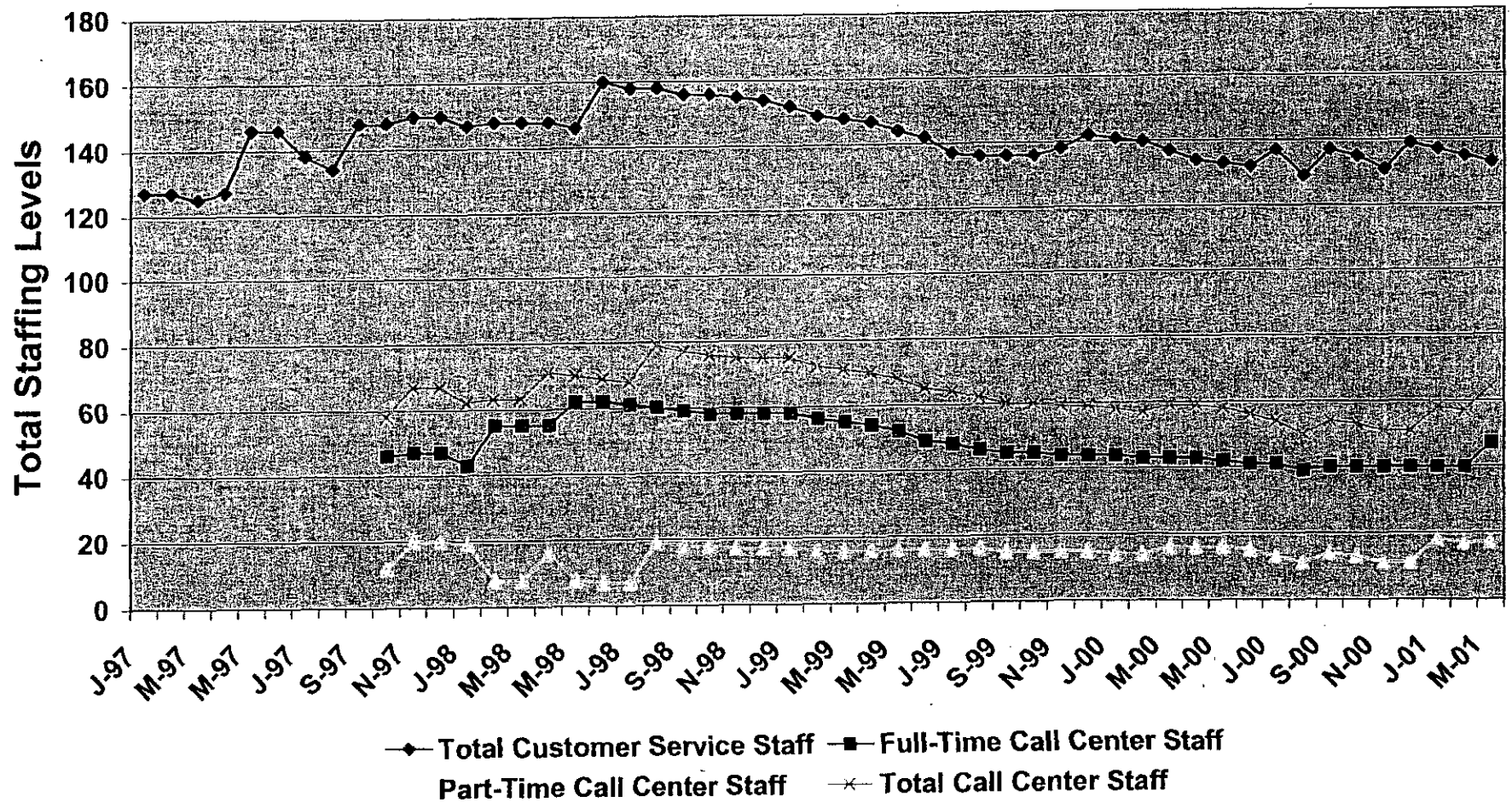


D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21, 2004

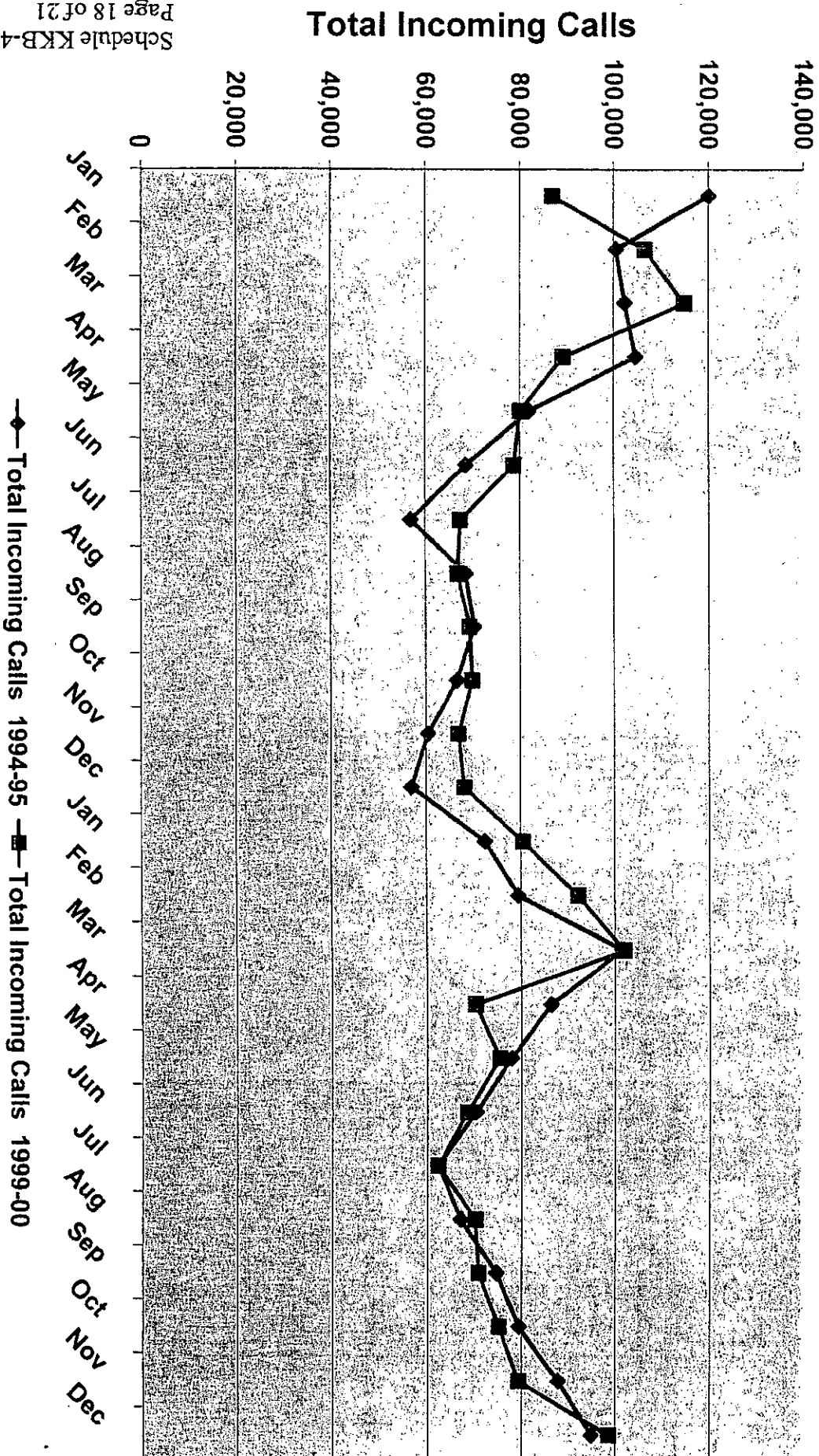
Missouri Gas Energy

Customer Service Staffing Levels

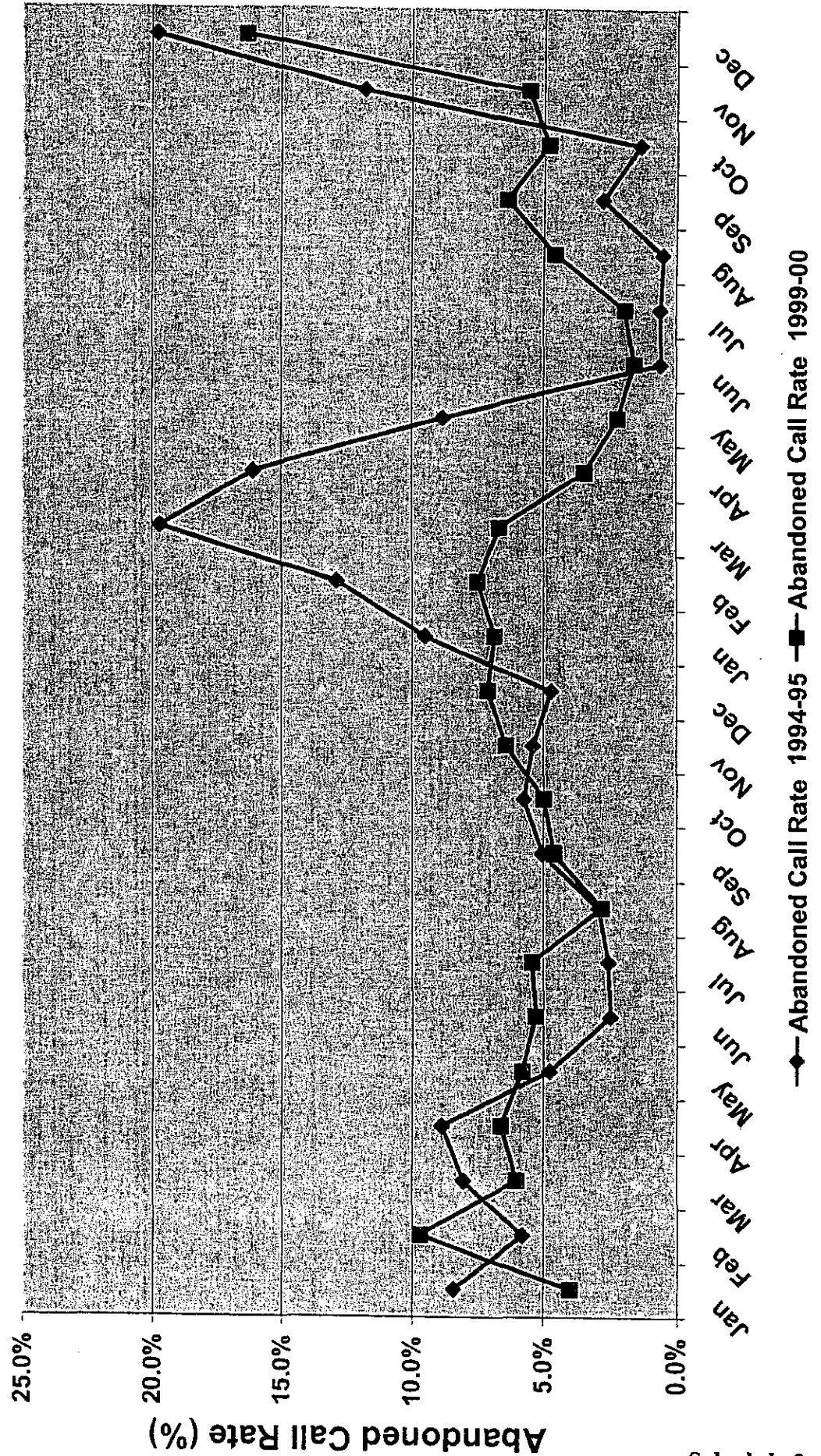
January 1997 - March 2001



Missouri Gas Energy Total Incoming Calls 1994-1995 and 1999 - 2000



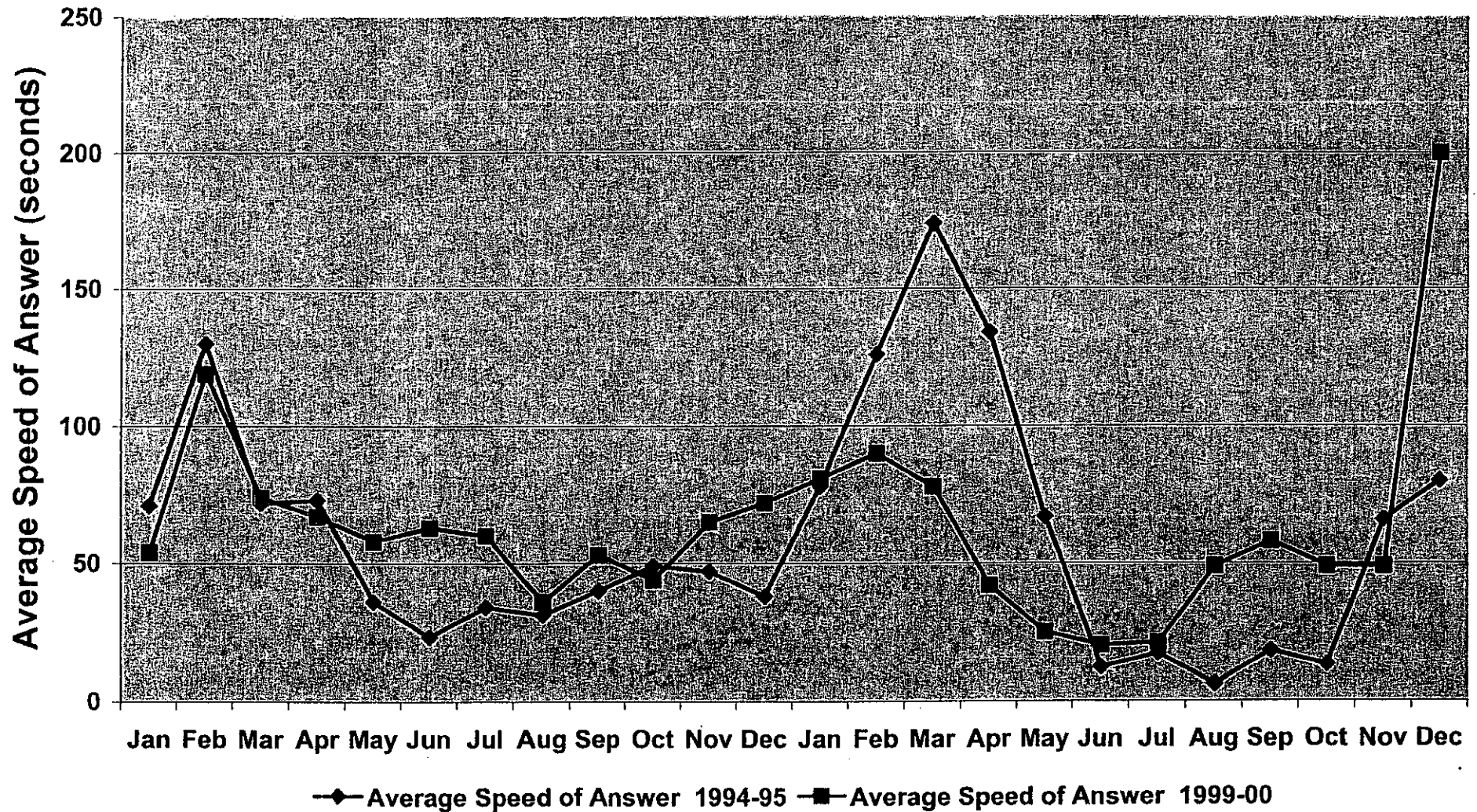
Missouri Gas Energy Abandoned Call Rate 1994 - 1995 and 1999 - 2000



Missouri Gas Energy

Average Speed of Answer

1994 -1995 and 1999 - 2000



Missouri Gas Energy Commission Inquiries & Complaints 1994 - 1995 and 1999 - 2000

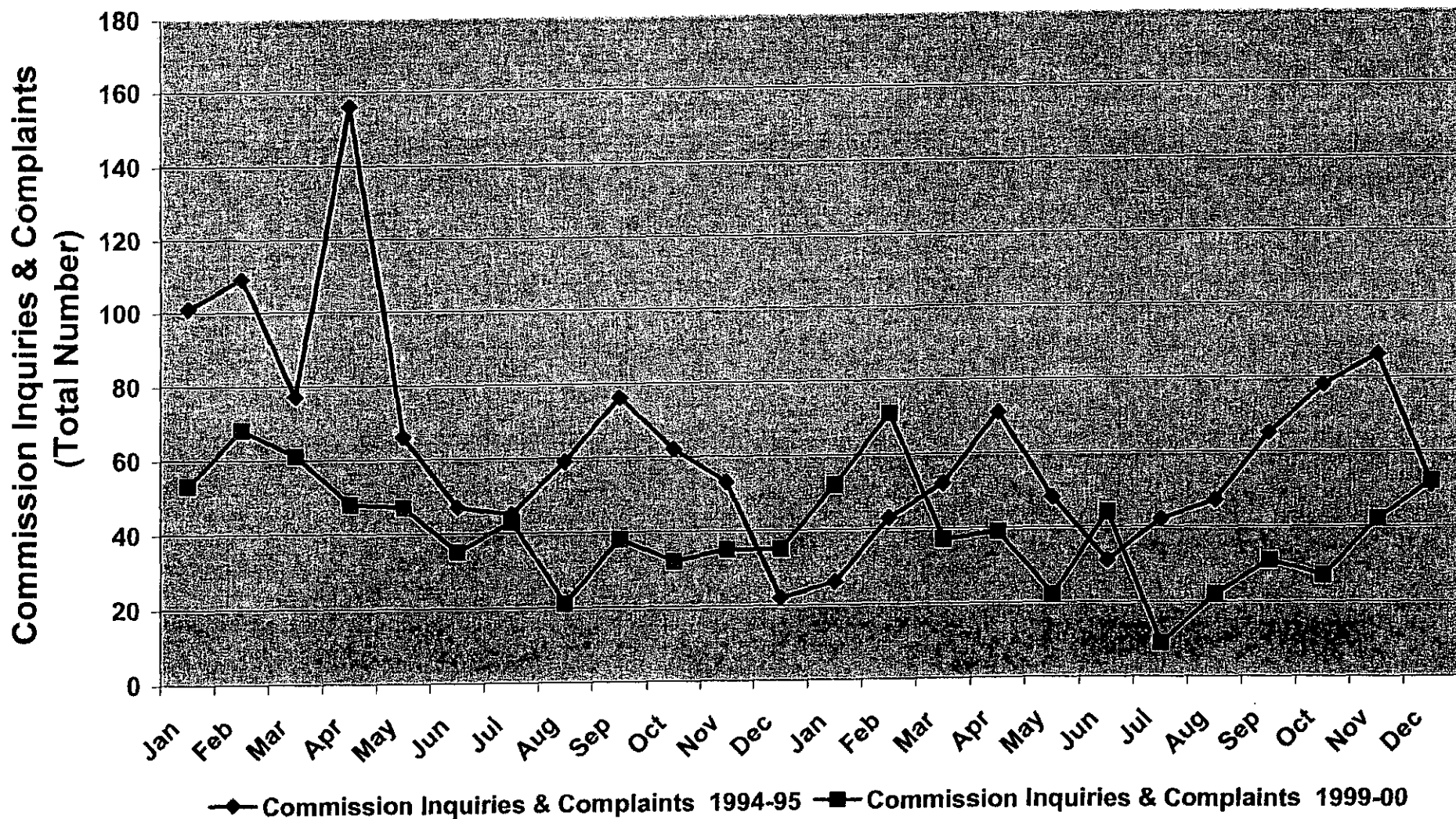


Exhibit No.:
Issue: Customer Service
Witness: LISA A. KREMER
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: GR-2001-292
Date Testimony Prepared: May 22, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

REBUTTAL TESTIMONY

OF

LISA A. KREMER

**MISSOURI GAS ENERGY,
A DIVISION OF SOUTHERN UNION COMPANY**

CASE NO. GR-2001-292

*Jefferson City, Missouri
May 2001*

1 **REBUTTAL TESTIMONY**

2 **OF**

3 **LISA A. KREMER**

4 **MISSOURI GAS ENERGY,**

5 **A DIVISION OF SOUTHERN UNION COMPANY**

6 **CASE NO. GR-2001-292**

7
8 Q. Please state your name and business address.

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

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

11 A. I am the Manager of the Engineering and Management Services
12 Department (EMSD or Department) with the Missouri Public Service Commission
13 (Commission).

14 Q. Describe your educational and professional background.

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

19 I have been employed for approximately 14 years by the Commission in
20 the then Management Services Department as a Management Services Specialist, except
21 for a four-month period when I was employed by the Missouri Department of
22 Transportation. I became the Manager of the EMSD in February 2000. Prior to working
23 for the Commission, I was employed by Lincoln University for approximately two and
24 one-half years as an Institutional Researcher.

1 Q. Have you previously filed testimony before the Commission?

2 A. Yes, I have.

3 **PURPOSE OF TESTIMONY**

4 Q. What is the purpose of your testimony?

5 A. The purpose of my testimony is to address, Staff's opinion, that Missouri
6 Gas Energy (MGE or Company) has not demonstrated nor presented sufficient evidence
7 in this case proving that it has, is or will continue to provide its customers with "superior
8 quality customer service ..." as indicated on page 15, lines 7 and 8 of MGE witness
9 Steven W. Cattron's direct testimony. My testimony will also address some of the many
10 criteria that should be considered in determining whether or not a utility is providing
11 quality customer service. I will further provide evidence that Call Center indices are only
12 two of many criteria regarding quality customer service performance and that quality
13 customer service cannot be determined primarily on the basis of Company performance
14 with respect to ASA (Average Speed of Answer) and ACR (Abandoned Call Rate)
15 criteria. Nor can quality, superior or exemplary customer service be determined by a
16 Company's low percentage of missed appointments.

17 My testimony will explain the significance and purpose of the ASA and
18 ACR indicators. In addition, I will also provide evidence as to why the Commission
19 should not accept MGE witness John C. Dunn's recommendation that the Company be
20 granted an increased rate of return on the basis of alleged superior customer service
21 criteria, a claim that is based on MGE's ACR and ASA performance, its low percentage
22 of missed customer appointments, and its implementation of an automated meter reading
23 system.

1 Further, I will address specific recommendations regarding ACR and ASA
2 criteria in recent utility merger cases, define and explain the purpose of these indicators
3 and address why the Staff of the Commission (Staff) has refrained to date from
4 comparing utilities against a single standard or criteria. In addition, with respect to
5 MGE's witness Karen M. Czaplewski's direct testimony in this proceeding, my testimony
6 will show that the comparative analysis presented on page 10 of her testimony is both
7 narrow and misleading in its implication that MGE is providing superior customer service
8 when compared to other regulated Missouri utilities. Staff witness Gary R. Bangert of
9 the EMSD will also address this issue in his rebuttal testimony.

10 My testimony will also address Ms. Czaplewski's comments on page 8 of
11 her direct testimony, which address the Company's customer service commitments made
12 to the Commission in Case No. GR-96-285. Specifically, my testimony will present the
13 context in which the commitments were developed and that achievement of the
14 commitments *do not* provide evidence that the Company is providing *superior* customer
15 service; but rather, that MGE is taking action to meet its previous commitments made to
16 this Commission relative to customer service. Further, my testimony will assert that any
17 regulated utility in this state that experienced the detrimental and serious customer
18 service problems as experienced by MGE would have most likely found it necessary to
19 make and keep similar customer service commitments in order to regain the confidence
20 of both its customers and the Commission.

21 My testimony will also address the results of the Company's customer
22 survey, which it uses as evidence that customer satisfaction with the Company is
23 increasing. I will present results of the survey as evidence that, in the opinion of its

1 customers, MGE is not providing 'superior' customer service. I will also respectfully
2 question the persuasiveness of survey results of a survey conducted of gas customers that
3 was administered during the middle of the summer months.

4 **Criteria to Determine Superior Customer Service**

5 Q. In the Company's direct testimony, did MGE specifically define "good or
6 superior customer service?"

7 A. No. Mr. Cattron, President of MGE, mentioned 'superior customer
8 service quality' in his direct testimony. In Data Request No. 3920, Staff requested MGE
9 to "specifically define superior customer service quality as the term is used in
10 Mr. Cattron's direct testimony, page 17, line 15." The Company's response was to
11 "... please refer to Ms. Czaplewski's direct testimony, pages 4-7." On pages 4-7 of her
12 direct testimony, Ms. Czaplewski, Vice President of Customer Service, asserted that
13 MGE customers received superior customer service because of the Company's
14 performance with respect to ASA and ACR. She also stated that the Company has
15 missed approximately 2% of the service appointments it scheduled with customers and
16 has reduced the number of its estimated meter reads through implementation of an
17 automated meter reading system. Ms. Czaplewski also pointed to a reduction in
18 Commission complaints regarding MGE and results of the Company's customer
19 satisfaction survey.

20 Q. Are the various criteria mentioned by Ms. Czaplewski sufficient to
21 determine whether or not a utility is providing superior customer service?

1 A. No. There are numerous criteria to be considered in determining whether
2 or not a utility is providing what the EMSD Staff would consider acceptable or adequate
3 customer service.

4 Q. What criteria should be considered in determining whether or not a utility
5 is providing an acceptable level of customer service?

6 A. The customer service function of a utility is comprised of many processes
7 and practices and all of these require examination before judgments can be made
8 regarding whether or not a utility is providing even a minimum level of customer service.
9 I further expressed this opinion in my rebuttal testimony for Case No. GM-2000-312
10 (Atmos Energy Company and Associated Natural Gas Company Merger Case):

11 Q. Can customer service measurements, such as those described in
12 this testimony, provide complete assurance that customer service is
13 adequate?
14

15 A. No. While ACR and ASA are valuable management tools, and
16 can lead to some conclusions regarding customer service, they
17 cannot assure that deficiencies are not present in other customer
18 service activities.

19 Q. Please indicate some of the customer service processes that you are
20 describing.

21 A. Specific customer service processes include: customer billing and
22 payment remittance; credit and collections; service connection, disconnection and
23 reconnection; call center operations; customer service personnel training; meter reading
24 processes; customer inquiry and complaint handling.

25 For example, a utility may prove to have good performance with respect to
26 call center indicators but poor performance in its billing processes, such as applications of
27 incorrect gas costs, which may overshadow any call center performance. Even automated

1 meter reading technologies do not provide complete assurance against billing errors as
2 was described in the Ameren Union Electric's (AmerenUE) gas case (Case No.
3 GR-2000-512) by Staff witness Gary Bangert. Mr. Bangert's testimony in the
4 AmerenUE case described incorrect meter readings being generated by 1,100 meters in
5 that utility's gas system that had been fitted with CellNet electronic modules.

6 Credit policies that are inconsistently administered between customers and
7 poor monitoring or training of contract collectors can result in inappropriate and
8 inconsistent service terminations. These deficiencies are not tied directly to call center
9 activity but are very important elements of quality customer service. In addition, a
10 critical component of call center performance is the Company's ability to carefully
11 monitor the quality of its call handling. Speed of answer and a low abandoned call rate
12 cannot measure whether or not a customer is receiving the information they are
13 requesting and needing, whether or not the call taker was courteous, and if a reasonable
14 attempt was made to satisfy the customer.

15 Q. Has the Commission's Consumer Services Department received
16 complaints from MGE's customers about billing problems since the Company's
17 conversion to AMR?

18 A. Yes, it has.

19 Q. Has the EMSD Staff performed reviews of the customer service operations
20 at Missouri regulated utilities?

21 A. Yes. In the Department's approximate 25-year history, numerous reviews
22 have been conducted of utility customer services operations. Some of these reviews have
23 been conducted in the context of comprehensive management audits that evaluated

1 customer service performance as well as other processes. These audits or reviews may
2 have been performed by internal Staff or performed by an outside consultant whose work
3 was monitored by the Department. The customer service function has consistently been
4 reviewed at both large and small utilities.

5 During the past few years, the Department has had an increasing focus on
6 customer service processes that began with the customer service concerns experienced at
7 MGE during the mid to late 1990's. The EMSD Staff has performed focused customer
8 service reviews during 1999 of Kansas City Power & Light Company (KCPL) and
9 AmerenUE. In addition, the EMSD Staff has participated in follow-up reviews to
10 determine if recommendations were addressed appropriately by the utilities, as well as
11 participated in a number of merger cases with the focus again being on customer service
12 issues.

13 Q. What is the primary objective of such reviews?

14 A. The objective of such reviews is to document and analyze the management
15 control processes, systems, procedures and practices used by companies to ensure that its
16 customers' service needs are met and, where appropriate, to make recommendations by
17 which the company may improve the quality of the services provided to customers.

18 Q. Does the EMSD Staff ever address any Company process, practice or
19 procedure that it finds to be exemplary in the area of customer service?

20 A. Yes. In a recent report of the customer service control processes and
21 practices of KCPL, the EMSD Staff addressed KCPL's Customer Promise Program. This
22 program will be addressed later in this testimony. This program is one way KCPL has
23 chosen to demonstrate its commitment to providing quality customer service.

1 Q. Has a comprehensive customer services review of MGE been performed
2 by the EMSD Staff?

3 A. Yes. The report was entitled Billing & Customer Services Investigation of
4 Missouri Gas Energy, and was filed in Case No. GO-95-177, on April 28, 1995.

5 Q. Can you describe the results of the audit?

6 A. Yes. Thirty-seven recommendations were made to Company management
7 for improvement in specific customer services processes such as Customer Inquiries and
8 Complaints, Billing and Customer Remittance, and Disconnection and Reconnection.
9 There are four recommendations that are still categorized as 'open' or not yet completely
10 addressed by the Company. I will briefly comment on the review here, and EMSD Staff
11 witness Bangert will address the review more thoroughly in his rebuttal testimony in this
12 case.

13 Q. Why was such a review initiated of MGE?

14 A. As stated in the introduction on page 1 of the April 1995 audit report,
15 "...a docket was necessary due to a strong concern over the Company's billing and
16 customer practices, particularly in how it related to the Cold Weather Rule." Staff's
17 motion filed with the Commission in Case No. GO-95-177 identified nine areas of
18 concern that were to be included in the review. The nine areas included:

- 19 1. record keeping for 10-day written discontinuance notices
- 20 2. providing prompt posting of night deposits and pay agent payments
- 21 3. discontinuing service in multi-family dwellings without proper notice
- 22 4. scheduling field personnel reconnections
- 23 5. eliminating prolonged estimation of customer bills

6. providing prompt and responsive service to customers
7. instructing employees properly on the Cold Weather Rule
8. developing procedures to monitor compliance with rules and tariffs
9. designating personnel to resolve customer problems with the PSC staff

Significance and Purpose of ASA and ACR

Q. Does the GO-95-177 docket have a relationship to the Company's current statements that it is providing superior customer service?

A. Yes. The recommendations that the Staff have determined remain 'open' are in the area of call center performance. Mr. Gary Bangert was responsible for conducting the review of MGE's call center operations and will specifically address these recommendations in his rebuttal testimony in this case.

Q. If customer service includes numerous processes and practices, what is the specific purpose and significance of ACR and ASA?

A. ASA and ACR are two customer service performance measurements that are often established by utilities to determine the level of customer service, with respect to its call center operations. ASA and ACR are management tools that can provide some assurance, not only to the company, but also to its customers and to utility commissions, that a certain level of customer service is being provided by the utility.

Q. Describe ACR.

A. Generally, ACR refers to the percentage of customers who terminate their calls before their calls are answered by a company customer service representative. The ACR may be defined as the number of calls abandoned divided by the number of calls offered.

1 Q. Describe ASA.

2 A. Generally, ASA (sometimes referred to as Average Delay) is the total
3 delay time of all calls divided by the number of calls.

4 Q. Do differences exist in the ways companies calculate either of these
5 indicators?

6 A. Yes. Some companies exclude 'hang-up' calls from their abandoned call
7 rate calculation. These are customers who terminate their call almost immediately after
8 realizing the call is being answered by an automated system rather than an actual
9 representative. Some call centers will use an automated system to answer calls if no
10 customer service representative is available. In other words, some call centers afford the
11 opportunity for calls to be answered by an actual representative. The customer who is
12 aware of the Company's process for answering calls may hang-up and call the Company
13 again at another time.

14 **MGE's Use of Comparative ASA and ACR Data**

15 Q. Staff has recommended that ASA and ACR indicators be used as
16 benchmarks in a number of utility mergers. Did the Staff make an attempt to compare or
17 establish indicators for companies based upon the performance of other utilities within
18 the state or those not directly involved in the mergers?

19 A. No. The performance indicators recommended by Staff were unique in
20 each case and were developed from each company's own historical data. In some cases,
21 the performance measures developed in these cases were developed cooperatively with
22 the companies. Regardless of how the measures were developed or proposed, it is
23 significant that each company was measured against its own past performance and not the

1 performance of another utility. In addition, different conditions may have varying
2 impacts on utility types. For example, challenges faced by the electric industry in general
3 may differ from those faced by the water industry or those experienced by gas
4 companies.

5 Q. Is utility performance regarding such measures as ACR and ASA totally
6 within the Company's control?

7 A. No. Staff takes the position that customer service measurements should
8 consider anomalies, such as unusually cold or warm weather, which could significantly
9 increase calls, or other factors that could impact the data. Ms. Czaplewski's direct
10 testimony, on page 6, line 5 through page 7, line 22, indicates that warm weather in
11 recent years has been fortuitous for MGE with respect to its call center indicators;
12 warmer weather experienced in its service territory "translates into lower gas bills, which
13 in turn usually translates into fewer customer contacts. Wholesale gas prices were also
14 relatively low during this period of time..." These conditions may also impact the
15 number of customer contacts received by the Commission's Consumer Services
16 Department.

17 In other words, the Company's call center performance indicators
18 benefited from an external event (warmer weather) that was outside of the control of
19 MGE. In addition, Ms. Czaplewski only compared MGE to three other utilities in the
20 state, all of them having electric operations, none of them primarily natural gas
21 companies. Surely external events, such as weather conditions (warm summer weather
22 usually results in higher electric bills, which translates into a greater number of customer
23 contacts) and potential differences in calculations of the indicators may account for

1 MGE's appearance of 'superior' performance. Staff is aware of more than one utility in
2 the state that has call center performance indicators that appear to be superior to MGE.
3 The Empire District Electric Company and St. Joseph Light and Power Company each
4 have had ACR performance in recent years (1998 and 1999) that surpassed MGE's
5 performance. Please refer to rebuttal testimony by Staff witness Bangert in this case for
6 additional information on the topic of ASA/ACR comparisons by MGE.

7 Q. Has the Staff expressed concern with service quality in recent proposed
8 utility mergers?

9 A. Yes. The Staff has expressed this concern in at least seven recent
10 proposed utility merger applications. They are the following:

11 *Western Resources, Incorporated & Kansas City Power &*
12 *Light Company*
13 *Case No. EM-97-515*

14
15 *Southern Union Company & Pennsylvania Enterprises, Inc.*
16 *Case No. GM-2000-43*

17
18 *UtiliCorp United Inc. & St. Joseph Light and Power Company*
19 *Case No. EM-2000-292*

20
21 *Atmos Energy Company & Associated Natural Gas Company*
22 *Case No. GM-2000-312*

23
24 *UtiliCorp United Inc. & The Empire District Electric*
25 *Company*
26 *Case No. EM-2000-369*

27
28 *Southern Union Company & Valley Resources*
29 *Case No. GM-2000-502*

30
31 *Southern Union Company & Fall River Gas*
32 *Case No. GM-2000-503*

33 Q. Why has Staff been using ASA and ACR measurements in the context of
34 merger cases?

1 A. It was Staff's opinion that these indicators could be used as one type of
2 measurement to determine the 'not detrimental' to the 'public interest' standard. As
3 merger analysis has evolved, Staff considered it necessary to make efforts to protect
4 utility consumers.

5 Customer service measurements are important in such cases because they
6 provide some assurance that proposed sales or mergers involving Missouri utilities do not
7 result in a detriment to an established level of customer service. Maintaining or
8 improving existing customer service is important to the customers of the company being
9 sold. It is also important to the Missouri customers of the purchasing utility that they not
10 experience a decline in service as a result of the purchase or merger.

11 **MGE Customers Pay for the Level of Service They Receive**

12 Q. Would the Staff agree that any Company should be rewarded for the
13 customer service it is providing solely on the basis of superior call center performance
14 with respect to ASA and ACR when compared to other regulated utilities?

15 A. No. Even if the Company provided evidence that it had superior call
16 center performance compared to other utilities with respect to the two indices, ASA and
17 ACR, the Staff would not agree this proves that the Company was providing superior
18 customer service for that reason alone, as discussed previously in my testimony. Further,
19 it should be made clear that utility customers pay for the level of service they receive.
20 MGE witness, Ms. Czaplewski, addressed this somewhat in her direct testimony in this
21 case on page 7, lines 8 through 13:

22 So while we are committed to providing superior
23 service quality, we are also committed to providing
24 service at a reasonable cost to the customer. At the
25 same time, our shareholders are entitled to a

1 reasonable opportunity to achieve the return
2 authorized by the Commission. The bottom line is
3 that service quality will have to be balanced with
4 cost and earnings considerations.

5 Ms. Czaplewski further indicated this point in an on-site interview with
6 the Staff on March 22, 2001 at the Company's office at 3420 Broadway, Kansas City,
7 Missouri. There, she clearly stated that customers pay for the low ACR and ASA and
8 also addressed that she was of the opinion that a more appropriate target might be a 6%
9 ACR instead of the current 5% target.

10 Specifically, customers pay for the customer service staffing levels of the
11 company including the management of the function. Staff witness Bangert will present
12 specific staffing numbers in the customer service area over the past several years at
13 MGE. Salaries and benefits are paid by the ratepayer as is the equipment used in a call
14 center. Vehicles to provide field service, contract labor and other costs are also paid by
15 the customers who benefit from the service. I have been assured by the Accounting
16 Department of the Commission that all these cost elements have been included in Staff's
17 revenue requirement run. No disallowance has been made to remove any costs associated
18 with the call center's customer service function in this case.

19 It is reasonable to assume that the improvements MGE has made in the
20 area of customer service would be expected of any regulated utility and do not constitute
21 consideration as "superior customer service." MGE shareholders do not deserve a higher
22 return on their investment because MGE is providing a level of customer service that is
23 expected of all regulated utilities within the state.

24 The Company is responsible for the level of customer service it provides
25 its customers each day. The Company should make conscious and informed decisions as

1 to the quality of service it provides, balancing the level of service with the cost to provide
2 it. The Company makes these decisions while at the same time recognizing the costs
3 associated with providing the service. Whatever level of service the Company provides,
4 its customers pay for that service. Increasing the allowed rate of return for alleged
5 exemplary or superior service would actually require the Company's customers to pay
6 even higher rates than justified by the "cost" of enhanced customer service.

7 Q. How did the Company arrive at its current targets of 45 seconds for ASA
8 and 5% for ACR?

9 A. As described to Staff during an on-site visit at the Company on March 22,
10 2001 with Mr. Paul Blankenship, MGE's Contact Center Manager, these indices were
11 considered 'best practices' at the time Mr. Blankenship authored the Customer
12 Action Plan. These indices were also used by Mr. Blankenship's previous employer,
13 First Data, and are commonly used as an accepted industry norm. Neither the Staff nor
14 the Company's customers requested or required MGE to establish its current ACR and
15 ASA targets; these targets were developed internally and the costs of such are included in
16 rates that customers pay.

17 Q. Has the Company consistently met its internal targets?

18 A. No. Staff witness Bangert will address this in his rebuttal testimony but
19 the Company has not consistently met its internal target for ASA. The Company's failure
20 to meet its own internal target for ASA is not indicative of superior customer service.

21 Q. If MGE reduces its level of customer service by decreasing its
22 performance with respect to its ACR rate, would there be some reduction in costs?

1 A. There should be. If increasing its level of customer service requires more
2 costs because of increased staffing and/or equipment needs, then it stands to reason that
3 reducing such requirements would reduce costs. If MGE changes its ACR target from
4 5% to 6%, which results in longer call waits to customers, or reduces the level of
5 customer service with respect that indicator, then MGE would stand to gain from any
6 reduced expense, as rates would have been set based upon existing staffing and
7 equipment requirements. To my knowledge MGE has not proposed any reductions in
8 costs based on the Company's consideration of increasing the ACR rate.

9 **Insufficient Evidence that MGE is Providing Superior Customer Service**

10 Q. In addition to the previous discussion of ASA, ACR, missed appointments
11 and fewer estimated meter reads, does the Company make any other comments that
12 would support its opinion it is providing superior customer service?

13 A. Yes. The Company indicates that, with respect to its commitments made
14 in Case No. GR-96-285, it has met all commitments except for not achieving the ASA
15 goal of 45 seconds (Czaplewski Direct, p. 8, ll. 11-16). The Company also indicates that
16 its most recent customer satisfaction survey, conducted in July 2000, shows:

17 significant improvement in customer satisfaction
18 among Missouri Gas Energy Customers. Eighty-
19 seven percent (87%) were satisfied with the service
20 provided versus 83% in 1999. Additionally, the
21 "very satisfied" portion of this total group
22 increase[d] *sic* from 46% to 54% in 2000.

23 Q. What is Staff's position with regard to MGE meeting the commitments
24 made in Case No. GR-96-285?

25 A. It is necessary to understand the Company's commitments regarding
26 customer service practices in Case No. GR-96-285 in the context in which they were

1 developed and considered necessary. It must be remembered why the Company found
2 itself in the position of making these commitments in the first place: because MGE was
3 providing less than adequate or acceptable service. MGE's declining customer service
4 performance during the mid to late 1990's prompted the development of such
5 commitments. If the Company has been successful in addressing all of these items, its
6 success should not signal a belief or an understanding that the Company is going 'above
7 and beyond' the expected and accepted operating practices of any Missouri regulated
8 utility. Meeting a majority, if not all of the requirements and commitments made in Case
9 No. GR-96-285 does not constitute *superior* service, but only an *acceptable, minimum*
10 level of service. Many of those items, if not all, represent performance levels MGE
11 should have been achieving all along.

12 Without question, MGE's performance in the area of customer service has
13 improved from that which the Company provided its customers during the
14 November 1996 – February 1997 heating season; however, its improvements should not
15 be misinterpreted as leading to the erroneous conclusion that the Company is providing
16 superior service.

17 Customer Satisfaction Survey

18 Q. Ms. Czaplewski states on page 6, line 13 of her direct testimony that 87%
19 of MGE customers are satisfied with the service they are receiving versus 83% in 1999.
20 Do you agree with her interpretation of the survey results?

21 A. No. I have attached select pages of the survey to my testimony as
22 Exhibit 1. Referring to the July 2000 survey, question number 2, **Overall Satisfaction,**

the question reads as follows and received the following percentages of customer responses:

"Based on your past experiences with Southern Union Gas/Missouri Gas Energy, how satisfied are you, overall, with Southern Union Gas/Missouri Gas Energy?"

Are you:	1. Very dissatisfied	3
	2. Somewhat dissatisfied	5
	3. Neither satisfied not dissatisfied	5
	4. Somewhat satisfied	33
	5. Very satisfied	54
	6. (Don't Know/Refused to Answer)	1

Ms. Czaplewski appears to be combining responses 4 and 5 to develop an 87% satisfaction percentage. It could be argued that customers, who responded with the 4th response, "somewhat satisfied," were not completely satisfied customers and perhaps perceived something lacking in their service from MGE. In other words, 46% were less than very satisfied with MGE.

Further, question 3 is worded the following way and received the corresponding percentages of responses:

"Would you say that the overall service your (sic) receive from Southern Union Gas/Missouri Gas Energy has met your expectations, exceeded your expectations or has not met your expectations?"

1. Met Expectations	87
2. Exceeded Expectations	5
3. Did not meet Expectations	5
4. (Don't Know/Refused to Answer)	2

In Staff's opinion, it would seem that a company that provided superior quality customer service would have greater than 5% of its customers indicating that the Company had exceeded their expectations.

1 Q. Are there any other points you would like to make regarding MGE's
2 customer survey?

3 A. Yes, there are two points I would like to address. First, Staff supports and
4 encourages MGE to continue to conduct surveys of its customers. Staff considers
5 properly conducted customer surveys a means by which Company management can
6 obtain useful and important information regarding its customers.

7 Second, however, Staff questions the timing of the administration of
8 MGE's customer survey. The Company selected July, the middle of the summer to
9 administer its survey. During that time frame, it is quite possible that customers were
10 focused more intently upon the utilities with greater summer demand: electricity and
11 water. Results of surveys administered to customers when those same customers are not
12 using or have low usage of a given utility service may be far different than results of
13 surveys administered when customers are using or have a higher use of a given service.
14 If MGE had chosen to administer its survey in January, the results of its survey may have
15 been considerably different. It would seem that a company seeking to provide superior
16 service would want to survey its customers coming out of a heating season to determine
17 if the company's performance during that time of year met or exceeded customer
18 expectations.

19 Q. In your opinion, has MGE improved the level of service it provides its
20 customers since the challenges it faced in 1996-1997?

21 A. Yes. MGE has made definite improvements. However, the service that
22 MGE was providing at that time was unacceptable and the Company needed to
23 dramatically improve its performance simply to provide adequate customer service.

1 Q. Please be specific about the improvements MGE has made in the area of
2 customer service.

3 A. The Company corrected the billing errors it faced during the 1996-1997
4 heating season. It improved its responsiveness to its customers by significantly
5 improving its call center performance. This point is further addressed in Mr. Bangert's
6 testimony. Staff made 37 recommendations for improvement in the Company's Case
7 No. GO-95-177 docket and the Company has completed action on the majority of these
8 recommendations.

9 Q. In Case No. GR-98-140, a previous MGE rate proceeding, Staff witness
10 Art Wimberley of the EMSD recommended that MGE implement a "customer promise"
11 or "commitment" program as a means of demonstrating its commitment of providing
12 quality customer service to its customers. Please describe some of the attributes of such a
13 program.

14 A. Mr. Wimberley specifically addressed the Customer Promise Program
15 implemented by KCPL in 1995. In this program:

16 KCPL management empowered its employees to
17 administer the Customer Promise Program thereby
18 authorizing each employee to issue a billing credit
19 directly to any customer when the Company fails to
20 (1) connect service on the agreed-upon date;
21 (2) provide notice when known in advance that it is
22 necessary to interrupt the customer's service;
23 (3) read the customer's meter accurately, bill
24 correctly and apply payments accurately; (4) respect
25 the customer's property; (5) promptly provide
26 answers to customers' questions about rate options
27 and the safe efficient use of KCPL products and
28 services; and (6) keep appointments made with the
29 customer. KCPL management informed the EMSD
30 Staff that the costs of this program are paid from
31 KCPL operating income and are not part of the

1 expenses which are included in the rates paid by its
2 customers. (Wimberley Direct, p. 23, ll. 4-13)

3 Mr. Wimberley further went on to say:

4 A customer satisfaction program of this design for
5 MGE would be a bold step toward improving the
6 Company's customer image, to establish quality of
7 service standards for MGE employees to provide
8 services that exceed customer expectations and to
9 prepare the Company to successfully meet the
10 challenges of a more competitive market when
11 customers have choice of more than one gas
12 provider. (Wimberley Direct, p. 23, ll. 14-18)

13 Q. Has MGE implemented such a program?

14 A. No. In response to Data Request No. 3912, the Company indicates that it
15 is "considering the implementation of such a program in the future, at this time the
16 factors to be included in such a program have not been identified."

17 Q. Has the EMSD Staff had a cooperative relationship with the Company
18 during the past six years?

19 A. Yes. The EMSD Staff has performed on-site visits several times with
20 MGE since 1995 and has found the Company to be cooperative, courteous and responsive
21 to Staff's requests for information.

22 Q. Does this conclude your rebuttal testimony?

23 A. Yes, it does.

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

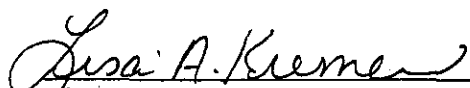
In The Matter of Missouri Gas Energy's Tariff)
Filing For General Rate Increase)

Case No. GR-2001-292

AFFIDAVIT OF LISA A. KREMER

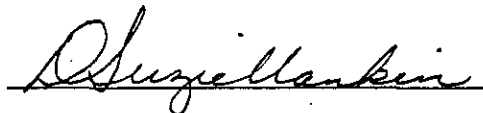
STATE OF MISSOURI)
)
COUNTY OF COLE) ss.

Lisa A. Kremer, being 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 21 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 21st day of May 2001.



D SUZIE MANKIN
NOTARY PUBLIC STATE OF MISSOURI
COLE COUNTY
MY COMMISSION EXP. JUNE 21, 2004

MISSOURI GAS ENERGY
A division of Southern Union Company

Missouri Public Service Commission
DATA INFORMATION REQUEST RESPONSE

Missouri Rate Case No: GR-2001-292

Data Request No 3903

Requested From: Michael Noack

Date Requested: 01/25/01

Information Requested:

Please provide a copy of the July 2000 customer service survey that Karen Czaplewski discussed on page 6, lines 11 and 12 of her direct testimony.

Requested By: Lisa Kremer

Information Provided:

Please refer to the attached materials

The information provided in response to the above data information request is accurate and complete, and contains no material misrepresentations or omissions, based upon present facts of which the undersigned has knowledge, information or belief. The undersigned agrees to promptly notify the requesting party if, during the pendency of Case No. GR-2001-292 before the Commission, any matters are discovered which would materially affect the accuracy or completeness of the attached information.

Date Response Received: _____

Signed By: 
Manager Pricing Regulatory Affairs

Date: 2/3/01

3. Would you say that the overall service you receive from Southern Union Gas/ Missouri Gas Energy has met your expectations, exceeded your expectations or has not met your expectations?

	Total %			MO %			TX %		
	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98
1. Met expectations	85	85	84	87	85	85	85	84	83
2. Exceeded expectations	7	6	7	5	4	5	8	8	8
3. Did not meet expectations	6	5	6	5	7	7	6	4	6
4. (Don't know/Refused)	2	4	3	2	3	3	1	4	3

	KC %			StJoe/Pop %			RGV %			El Paso %			Central %		
	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98
1. Met expectations	87	85	85	88	87	87	83	79	79	83	87	79	87	84	88
2. Exceeded expectations	6	5	5	5	3	6	10	10	9	9	6	9	6	8	6
3. Did not meet expectations	5	8	7	5	6	5	6	3	6	7	3	8	6	4	4
4. (Don't know/Refused)	2	2	3	3	5	2	2	8	5	1	4	4	1	4	2

**SOUTHERN UNION COMPANY
CUSTOMER SATISFACTION SURVEY - RESIDENTIAL CUSTOMERS
JULY 2000**

7/00 Sample Size

Overall=1807

Respondents with Any Contact=460

Respondents with Telephone Contact=430

Respondents with On-Site Contact=151

OVERALL SATISFACTION

2. Based on your past experiences with Southern Union Gas/ Missouri Gas Energy, how satisfied are you, overall, with Southern Union Gas/ Missouri Gas Energy? Are you:

	Total %			MO %			TX %		
	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98
1. Very dissatisfied	2	2	3	3	2	3	2	1	2
2. Somewhat dissatisfied	4	4	4	5	5	6	3	3	3
3. Neither satisfied nor dissat.	4	5	5	5	8	7	4	3	4
4. Somewhat satisfied	29	32	29	33	37	33	26	26	26
5. Very satisfied	59	56	57	54	46	49	64	65	65
6. (Don't know/Refused)	1	2	1	1	2	2	2	1	1

	KC %			StJoe/Iop %			RGV %			El Paso %			Central %		
	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98	7/00	6/99	11/98
1. Very dissatisfied	3	3	4	2	2	2	1	1	2	2	1	3	2	1	2
2. Somewhat dissatisfied	4	5	4	7	6	8	4	4	4	3	2	3	3	3	2
3. Neither satisfied nor dissat.	6	6	9	4	10	5	2	3	3	4	4	4	5	3	4
4. Somewhat satisfied	35	39	34	28	33	31	27	22	22	28	25	30	24	29	23
5. Very satisfied	52	45	47	59	48	52	65	68	68	63	68	59	63	63	68
6. (Don't know/Refused)	1	2	2	1	3	1	2	2	<1	<1	-	1	3	1	1