

849  
**FILED**  
JUL 13 2004

Missouri Public  
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI

In the Matter of Missouri )  
Gas Energy's Tariff ) Case No. GR-2004-0209  
Sheets Designed to )  
Increase Rates for Gas )  
Service in the Company's )  
Missouri Service Area )

**ORIGINAL**

THE DEPOSITION OF JAMES OGLESBY,  
produced, sworn and examined on behalf of the Missouri  
Public Service Commission, pursuant to Notice, between  
the hours of eight o'clock in the forenoon and six  
o'clock in the afternoon of Friday, April 23, 2004, at  
Missouri Gas Energy, 3420 Broadway, in the City of  
Kansas City, in the County of Jackson and State of  
Missouri, before me,

SHEILA A. KOETTING, C.C.R.

of

JOHN M. BOWEN & ASSOCIATES

a Notary Public, in a certain cause now pending 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.

A p p e a r a n c e s

For Missouri Mr. Robert Franson  
Public Service Senior Counsel  
Commission: Missouri Public Service Commission  
P.O. Box 360  
Jefferson City, Missouri 65102

For Office of Mr. Douglas E. Micheel  
the Public Counsel, Senior Public Counsel  
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EXHIBIT t.o. 849  
Date \_\_\_\_\_ Case No. GR-2004-0209  
Reporter \_\_\_\_\_

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A p p e a r a n c e s (Cont'd)

For MGE:                    Mr. Robert J. Hack  
                             Vice President, Pricing &  
                             Regulatory Affairs  
                             Missouri Gas Energy  
                             3420 Broadway  
                             Kansas City, Missouri 64111

Also Present:                Mr. Michael R. Noack  
                             Manager, Pricing &  
                             Regulatory Affairs  
                             Missouri Gas Energy  
                             3420 Broadway  
                             Kansas City, Missouri 64111

Mr. Mark L. Oligschlaeger  
Utility Regulatory Auditor  
Department of Economic Development  
Governor Office Building  
200 Madison Street  
Suite 400  
Post Office Box 360  
Jefferson City, Missouri 64102

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1 J A M E S O G L E S B Y,  
2 a Witness, of lawful age, being produced, sworn and  
3 examined on behalf of the Missouri Public Service  
4 Commission, deposeeth and saith:

5 DIRECT EXAMINATION

6 By MR. FRANSON:

7 Q Mr. Oglesby, my name is Robert Franson. I am an  
8 attorney representing the Missouri Public Service  
9 Commission staff. I need to ask you, have you  
10 ever had your deposition taken before?

11 A Yes, I have.

12 Q So you are generally familiar with the way it  
13 works?

14 A Generally, yes.

15 Q Okay. A couple things I would like to tell you.  
16 Number one, I will be asking you questions. It is  
17 possible that during that process I might ask you  
18 a question that you don't understand or you need  
19 repeated or need clarified. Will you tell me that  
20 if that is the case?

21 A Yes, I will.

22 Q Now, the other thing is, as we go along, Mr. Hack  
23 may make an objection. And during that time,  
24 Mr. Hack and myself and maybe Mr. Micheel will  
25 need to make a record, but at some point, I will

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1           probably tell you to answer the question and you  
2           will need to do that unless Mr. Hack specifically  
3           tells you otherwise.

4       A     Okay.

5       Q     Okay.  Would you just state your name, please?

6       A     James Oglesby.

7       Q     And what is your current position?

8       A     I am the president and chief operating officer of  
9           Missouri Gas Energy.

10      Q     And how long have you been with Missouri Gas  
11           Energy?

12      A     I have been with the company since 1968.  
13           Thirty-five years.

14      Q     And how long have you been in your current  
15           position?

16      A     A little over two years, two years in September.

17      Q     Now, as part of the rate case, I believe you  
18           prepared some testimony, is that correct?

19      A     Yes, I did.

20      Q     And most of this information is set out in Pages 1  
21           through 2 of your testimony, is that correct?

22      A     Yes.  I believe that is -- I believe that is  
23           correct.

24      Q     Okay.  Do you have -- have you seen in your  
25           testimony any corrections or changes you need

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1 make?

2 A I don't believe so.

3 Q Now, as part of this deposition, did you review  
4 any documents before you came in here today?

5 A Only my testimony.

6 Q Didn't review anything else?

7 A Well, I did review a couple of data requests.

8 Q Okay. And which data requests were those?

9 A Oh, gosh, I couldn't tell you right now, it was  
10 like three or four of them.

11 Q Did you review any of the testimony filed by MGE  
12 in this case or any testimony of staff or public  
13 counsel or anyone else?

14 A I reviewed a little bit of testimony of Mike  
15 Noack.

16 Q Any others that come to mind?

17 A No, I think that's it.

18 Q Other than maybe talking to Mr. Hack, did you talk  
19 to anybody else in preparation for your  
20 deposition?

21 A Yes, Jim Swearengen.

22 Q Other than your attorneys, did you speak to anyone  
23 else?

24 A No, I did not.

25 Q Now, as part of this rate case, there was a

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1 decision made to do that. Who made that ultimate  
2 decision?

3 A I did.

4 Q And how did you arrive at the decision that a rate  
5 case was, in fact, needed?

6 A Based on information and analysis that had been  
7 done by Mike Noack and Rob Hack.

8 Q And what was your primary reason for filing a rate  
9 increase?

10 A To improve the revenues as they are generally  
11 associated with MGE.

12 Q Okay. And you are familiar with all of the  
13 testimony prepared by and filed by MGE witnesses?

14 A I would say that I am not familiar with all of it,  
15 no.

16 Q But at some point, have you reviewed it?

17 A All of it? No.

18 Q Now, as part of your process in making this  
19 decision that you would file a rate case, once  
20 you'd made it, some decisions were made that  
21 certain witnesses would be needed, is that  
22 correct?

23 A I would believe that would be correct, yes.

24 Q Who would have made decisions, for instance, to  
25 hire Mr. Quain, who would have made that decision?

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1 A That decision was made really between Rob Hack and  
2 myself.

3 Q Would that be true of other witnesses, such as  
4 Mr. Dunn?

5 A I would believe that would be the case, yes.

6 Q Now, specifically about Mr. Quain, what is it that  
7 you believe he brings to this case on behalf of  
8 MGE?

9 A I believe John brings an excellent background and  
10 knowledge on the regular -- the regulatory process  
11 and the intimate workings of how to proceed with a  
12 rate case, and how, you know, what to document,  
13 what not to document, that kind of thing.

14 Q And his testimony, as it is presented, do you  
15 think it adds to MGE's case as far as educating  
16 the triers of fact, in this case, the Public  
17 Service Commission?

18 A I have not read John Quain's testimony.

19 Q So you don't know whether it serves the purpose  
20 that he was hired for or not?

21 A At this point, no.

22 Q And do you think it's important that you should  
23 know such a thing prior to the time that his  
24 testimony was actually filed?

25 A I believe that I will at the appropriate time,

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1        yeah, read it, yeah. I have not read it yet.

2        Q        Well, I guess what I am asking you is this.

3        Mr. Quain's testimony has been filed, been  
4        prefiled, you are aware of that?

5        A        Um-hum.

6        Q        And you are also aware that all the other parties  
7        to the case actually have access to it?

8        A        Um-hum. Yes.

9        Q        But you don't know at this point in time whether  
10       or not Mr. Quain's testimony serves the purpose  
11       that you want it to serve?

12       A        No.

13       Q        What about Mr. Dunn's testimony, have you reviewed  
14       that at this time?

15       A        No, I have not.

16       Q        So at this point, you don't know whether  
17       Mr. Dunn's testimony serves the purpose that you  
18       desire it to serve?

19       A        No, I do not.

20       Q        What's the subject matter of Mr. Dunn's testimony?

21       A        Mr. Dunn -- I don't know.

22       Q        Okay. Do you have your testimony in front of you?

23       A        Um-hum.

24       Q        Now, when I say your testimony, I am referring to  
25       your direct testimony prepared in November of

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1 2003.

2 A Um-hum.

3 Q And, in fact, filed in this case with the Missouri  
4 Public Service Commission?

5 A Um-hum.

6 Q Would you look at beginning at Page 2, Line 18  
7 and running through Page 3, Line 2, would you  
8 review that, please?

9 A Um-hum. Between 17 and --

10 Q Actually, between Page 2, Line 18 and Page 3,  
11 Line 2.

12 A Okay.

13 Q And when you -- well, when you prepared this  
14 testimony, you're talking about your fundamental  
15 business strategy. And you're talking about being  
16 a low cost provider of quality service. What  
17 specific goals does MGE have in implementing this  
18 strategy?

19 A Well, our fundamental business strategy is to be  
20 the low cost provider of quality customer service  
21 and we strive to keep our rates as low as  
22 possible. We have lot of things that we have done  
23 to improve the efficiency of our operation. We  
24 work very diligently, especially in our phone  
25 center, to improve customer service down there.

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1           The last few months have been rather  
2 difficult because for some reason the volume of  
3 calls are way up. Could be because of the  
4 current, you know, natural gas issues in the  
5 United States. But because of that, we have  
6 implemented several pieces of technology to  
7 continue to improve our customer service. So  
8 we're continually spending money to do the things  
9 that it requires to improve our customer service,  
10 keep us a low cost provider.

11           An example of one of the things that we  
12 have done to help maintain our low cost is the  
13 ITRON system, I am sure you're familiar with,  
14 which is an automatic meter reading system.  
15 Basically, it has eliminated estimated meters,  
16 which is good for the customers and also the  
17 system itself, we are able to operate with a lot  
18 fewer employees than we had as meter readers. And  
19 meter readers notoriously were subject to all  
20 kinds of injury and whatnot.

21           So we have tried to use technology where  
22 possible. We look at the best ways to provide  
23 good service to our customers. We spend a lot of  
24 time communicating with our employees about those  
25 issues. We spend -- actually, Paul Snider, who

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1 works for us, right now is heading up a task force  
2 and is spending quite a bit of his time on that  
3 task force. I have asked him to look into how  
4 best can we make Missouri Gas Energy easier to do  
5 business with.

6 So I think all of those come back to the  
7 core business strategy that we want to be the low  
8 cost provider. And I think if you look at rates  
9 across the state with other utility companies,  
10 that our rates are low. I think that efficiency  
11 of our operation has greatly improved over the  
12 last three to four years with things like ITRON,  
13 some of the technology that we've put in place in  
14 the phone center. So -- several examples, I mean,  
15 there's just a few of the many examples that we  
16 have done to try to maintain low cost, yet still  
17 continue to provide good customer service.

18 Q Now, you mentioned Paul Snider. Who is Paul  
19 Snider?

20 A Paul Snider works for MGE.

21 Q And what does he do for MGE?

22 A He is -- basically, he is the media person. He is  
23 our on-camera person. You know, when we have any  
24 issues that require contact with the newspaper,  
25 the television stations, radio stations, he is

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1 that person. He also provides some liaison work  
2 for us in Jeff City as it relates to legislative  
3 issues down there. So keeps me informed of what's  
4 going on down there.

5 Q Now, I believe you stated that you asked him to  
6 look into making MGE easier to do business with.  
7 Do you remember saying that?

8 A Yeah.

9 Q What do you mean by that?

10 A Well, I mean by that I've asked him to form a task  
11 force, which he has done, to look at some of our  
12 processes that we have as it relates to how  
13 customers contact us. And once they contact us,  
14 get it to a one-contact type source. In other  
15 words, I don't want a customer calling and having  
16 to go through three or four people to get the  
17 answer they want. They should be able to call in,  
18 make one phone call and be able to get, you know,  
19 the information or the answer or get to the right  
20 person. So he has formed that task force.

21 Q And so he's formed that. Has he --

22 A Yes.

23 Q Is it -- has he given you any other information  
24 about his progress or is he just really starting  
25 the process?

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1 A He just -- well, he's been working on it some  
2 time. We worked on looking at our public business  
3 offices and how they operate and how can we make  
4 them more customer friendly. So he's been working  
5 on it quite a while.

6 Q Let me --

7 A That was where he first started, that was the  
8 first project he started.

9 Q And how has he done on that project?

10 A He's done very well. He gave us some good  
11 information. And we've already made some changes  
12 to hopefully improve some of the processes, PBO's.

13 Q What are some those changes that you've made?

14 A Off the top of my head, I can't really -- I  
15 couldn't give you detail right off the top of my  
16 head. I will be happy to supply them to you, but  
17 I can't tell you off the top of my head what those  
18 would be.

19 Q Let me go back a moment. I was asking you about  
20 some of your witnesses earlier. Mr. Carlton  
21 Ricketts, do you know who he is?

22 A Yes, I do.

23 Q And have you reviewed his testimony?

24 A Um-hum.

25 Q And did you review that prior to the time that it

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1 was actually filed in November of 2003?

2 A Yes, I did. Yes, I did.

3 Q And did his testimony that was filed meet with  
4 your approval?

5 A Yes, it did.

6 Q And you knew the contents of it?

7 A Yes, I did.

8 Q What about Mr. Noack's testimony, did you review  
9 it before it was filed?

10 A I reviewed it, yes, I did.

11 Q And did it meet with your approval?

12 A Yes, it did.

13 Q And what about Mr. Cummings, did you review his  
14 testimony?

15 A Jay Cummings?

16 Q Yes.

17 A Yes, I did.

18 Q And you did that --

19 A On revenue? Yes.

20 Q Before it was filed?

21 A Yes.

22 Q And it met with your approval?

23 A Yes.

24 Q Now, on Page 3 of your testimony, directing your  
25 attention -- actually, this is the whole area from

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1 Line 4 through Line 19 on Page 3. But if you'd  
2 read over that, but in particular, I would like to  
3 ask you about the part down at Lines 17 through 19  
4 if you would tell me when you are ready, when you  
5 have had a chance to review that.

6 A Um-hum. Okay.

7 Q Okay. Now, that states that, "I believe that  
8 shareholders are not likely to be satisfied if  
9 customers are not pleased. And the customers are  
10 not likely to be satisfied if employees are not  
11 satisfied. So, therefore, MGE places heavy  
12 emphasis on employee and customer satisfaction."

13 A Um-hum.

14 Q In regard to shareholders and employees, you seem  
15 to use satisfied and you want customers to be  
16 pleased. Is there any particular reason for that?

17 A No, not really. I want them all to be satisfied.  
18 I think employees, customers, and shareholders are  
19 our prime constituents and they all should be  
20 very -- very satisfied with our financial  
21 performance and our customer service.

22 Q Okay. Now, I believe I asked you earlier why you  
23 filed this rate case, you've stated that. Now, is  
24 it true that you filed this to satisfy  
25 shareholders?

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1 A I think that it's very important -- I think the  
2 financial condition of the company is very  
3 important for all those three groups that we just  
4 talked about, the customers, the employees, and  
5 the shareholders. They all have a part in it. So  
6 the rate case was filed because if MGE is  
7 financially secure, then that is important to all  
8 those groups. If we don't have the financial  
9 wherewithal to provide the customer service, to do  
10 some of the things that I said earlier, as it  
11 relates to technology, then that doesn't -- didn't  
12 help us provide customer satisfaction. In order  
13 to be able to acquire the money to do those  
14 things, we have to return a reasonable rate of  
15 return to the shareholders because they will not  
16 invest the money in the company that we need to do  
17 the things that are important to both the  
18 employees, the customers, and the shareholders.

19 Q Okay. My specific question is, was this -- the  
20 filing of this rate case a demonstration by MGE of  
21 their efforts to please shareholders?

22 MR. HACK: I guess I'll just object and  
23 say he's answered the question. But you can go  
24 ahead and answer.

25 A I -- I don't know any other way to answer it other

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1       than the filing of the rate case was in the best  
2       interest of all the parties involved, including  
3       the customers, the shareholders, and the  
4       employees, because the company has to have the  
5       financial wherewithal to do -- to operate.

6       Q    (By Mr. Franson)  Could you turn to Page 9 of your  
7       testimony beginning at Line 15 and read to Line  
8       20, please?

9       A    Fifteen?

10      Q    Yes, sir.

11      A    Okay.

12      Q    Now, therein, isn't it true specifically at Lines  
13      -- on Page 9, Lines 19 through 20 that you cite  
14      this specific rate case and the filing of it as an  
15      example of the emphasis you place on shareholder  
16      satisfaction?

17      A    I think that that is another example, it's not the  
18      sole example.  It's another example of the  
19      importance of filing a rate case.  I don't say  
20      that is the only example.

21      Q    Okay.  But isn't it true as you read from Page 9,  
22      Line 15 to Page 10, Line 3, that toward the end of  
23      that question, that you -- only at the end do you  
24      get to the question of sufficient earnings?

25      A    But it all -- it all ties -- you know, to me,

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1 that's kind of semantics because it all ties  
2 together. Without sufficient earnings, we are in  
3 no position to provide our employees and our  
4 customers with -- the employees with a job, our  
5 customers with good customer service, and the  
6 shareholders have to have a return because they  
7 are going to invest the money in the company that  
8 allows us to do the things that we need to do.

9 I think that is all -- I don't think you  
10 can take that apart and dissect it. I think it is  
11 all one issue. We have to have -- we have to have  
12 sufficient earnings in order to do all of that  
13 and provide -- provide for our employees, which is  
14 very important because, without the employees, we  
15 don't provide the customer service. Without the  
16 customer -- without the employees providing good  
17 customer service, the shareholders sure are not  
18 going to be happy.

19 So I think -- I think it all ties  
20 together and I think it's also very important that  
21 the customers and employees have to have a certain  
22 ability to do things and with that comes a lot of  
23 shareholder value.

24 Q Now, isn't it true that MGE is, in fact, a  
25 division of Southern Union?

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1 A Yes.

2 Q And Southern Union has other divisions and I  
3 believe at least one subsidiary?

4 A Yes.

5 Q So it is not possible for someone to buy stock in  
6 Missouri Gas Energy, they, in fact, buy Southern  
7 Union stock, isn't that true?

8 A Yeah, that is true.

9 Q So let's talk about shareholder satisfaction a  
10 little bit. Besides this rate case, how do you  
11 communicate with your shareholders about what  
12 management is doing and how the business is going?

13 A I provide a quarterly report about MGE to the  
14 board of directors that indicates, basically, how  
15 the business is going, both -- you know, and in  
16 that report is the financials as well as any other  
17 issues we have. Maybe an incident is included in  
18 that. The statistics from downstairs, the ACRSA  
19 statistics are included in that report. So that  
20 is communicated on a quarterly basis to the board  
21 of directors.

22 And on every Monday morning at nine  
23 o'clock central time, we have a phone -- I have a  
24 phone conference with the executive vice  
25 presidents of Southern Union, along with the

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1 presidents of the other operating areas. And we  
2 talk about, you know, how we're doing financially,  
3 what the through-put -- especially in the  
4 wintertime, what the through-put for the previous  
5 week or previous day was. Any major issues or  
6 concerns that we have that we need to be resolved.

7 An example for you of that is when we --  
8 when we realized that the number of phone calls we  
9 were having in the phone center was far exceeding  
10 anything we'd ever seen in the past, on one of the  
11 Monday morning calls, I asked the CFO, I said I  
12 need X number of dollars because I need to upgrade  
13 some technology to help us with that. So as part  
14 of that conversation was that issue.

15 And it's rather difficult sometimes for  
16 me at Missouri Gas Energy to acquire capital to do  
17 projects like that because the issue always comes  
18 why should the shareholders provide you with  
19 \$225,000 and get a 6 percent return when we can  
20 put that money somewhere else. Then it becomes an  
21 issue where I have to really work diligently to  
22 put my story together so that I can sell it. And  
23 in this particular case, I did sell it, I got the  
24 money. And as of yesterday, the equipment was  
25 operating. So...

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1                   And then every quarter, I think this is  
2                   answering your question, every quarter, I also am  
3                   invited to a face-to-face meeting with Tom Karam.

4       Q     And who --

5       A     And the executive vice presidents.

6       Q     Who is Tom Karam?

7       A     He is the chief -- president and chief operating  
8                   officer at Southern Union.

9       Q     Let me -- if you've finished your answer?

10      A     I'm happy if you are.

11      Q     Okay. Let me ask you about the rate-making  
12                   process. Do you believe that rates must be  
13                   sufficient to guarantee sufficient compensation to  
14                   shareholders?

15      A     Say that again.

16      Q     Do you believe that rates paid by customers must  
17                   be sufficient to guarantee sufficient compensation  
18                   to shareholders?

19      A     I believe the rates -- I believe the ability of  
20                   the company using rates to earn a reasonable rate  
21                   of return is important. Again, to all entities,  
22                   shareholders, employees, customers.

23      Q     Do you believe rates should be sufficient to  
24                   guarantee adequate compensation to shareholders or  
25                   should it be enough that they have that

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1 opportunity?

2 A I believe that we should be given every reasonable  
3 opportunity to earn our authorized rate of return,  
4 which would include providing all three entities,  
5 again, the right -- the right satisfaction.

6 Q Okay. Can I direct your attention to Page 7,  
7 beginning at Line 4? And I believe this runs to  
8 the -- actually, it goes into Page 8, Line 7. If  
9 you could review that again.

10 A Say that again, Page 8?

11 Q Yeah, it ends at Page 8, Line 4. It begins at  
12 Page 7, Line 4 through Page 8, Line 7.

13 A Okay.

14 Q Okay. On this, you relied on some analysis done  
15 by Mr. Noack, is that correct?

16 A Yes, I did.

17 Q And did you talk to Mr. Noack or learn from his  
18 testimony, either one or both, where this  
19 information came from that he used in his  
20 comparison?

21 A No, I did not. I took the information he provided  
22 me and I believe I have every reasonable  
23 expectation to believe that how he came up with  
24 this analysis to be accurate.

25 Q Well, I am not asking that. You didn't do any --

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1           you didn't gain an understanding of where  
2           Mr. Noack got this specific information in order  
3           to do his comparison?

4       A    No, I did not.

5       Q    Okay.

6       A    I assume -- actually, I assumed -- I assumed that  
7           he got it from the Missouri Public Service  
8           Commission.

9       Q    Okay. But other than that assumption --

10      A    I didn't ask him.

11      Q    -- you didn't ask him?

12      A    I did not, no.

13      Q    But you have all -- full faith and confidence in  
14           Mr. Noack's work?

15      A    Absolutely.

16      Q    Now, I want to talk to you a little bit about your  
17           collection process.

18      A    Okay.

19      Q    Is it fair to say that Missouri Gas Energy is  
20           aggressive, within the bounds of your tariffs and  
21           the law, as far as trying to collect amounts of  
22           money owed by customers?

23      A    Based on the fact that in every year that I am  
24           aware of the amount of uncollectibles out there  
25           always exceeds our ability to recover in rates, I

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1 would have to say that we try to be as aggressive  
2 as possible within the tariffs to collect that  
3 money to try to get to the point where the amount  
4 of money that we actually end up writing off is  
5 nominal.

6 Q Okay. Now, as part of that, is it fair to say  
7 that sometimes a customer might feel that they  
8 have a particular grievance because of the  
9 particular facts of their situation? Let me give  
10 an -- let me ask you, what is MGE policy on the  
11 following situation? A landlord owns a building  
12 with eight units in it. Each of the eight units  
13 are individually metered. And one of the tenants  
14 decides -- just runs up a debt, you shut them off.  
15 Besides -- and the customer in that specific unit  
16 was the tenant. Besides that tenant, and using  
17 all efforts you might use to try and collect that  
18 debt from the tenant, do you look to anybody else  
19 to pay that debt?

20 A You know, I'd have to refer to Kim Lambert, the  
21 person that does our collections, but I would --  
22 if the actual person owes the debt, is what you  
23 are saying?

24 Q Yes. And the actual customer was the tenant in  
25 this particular unit that was individually

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1 metered?

2 A I would think that if the particular customer owes  
3 the debt, then that particular customer is who we  
4 would look to collect from.

5 Q Would you look to the landlord for any reason that  
6 you can think of?

7 A Again, I would have to refer to Kim Lambert, who  
8 is the person that does the collections for that.  
9 I mean --

10 Q Well, have you ever --

11 A I don't have any personal knowledge of that.

12 Q You've never discussed with Kim Lambert or anyone  
13 else whether -- about MGE policy of seeking  
14 payment from landlords when a tenant does not pay  
15 a bill?

16 A I am sure I have had that discussion with Kim.  
17 But, you know, to be truthful, do I remember those  
18 discussions? No, I do not.

19 Q You don't remember making a decision about any  
20 specific policy?

21 A Well, I've made decisions on specific policies,  
22 but what you are asking me is about a specific  
23 case and I don't have any idea what that would  
24 be --

25 Q No, actually, I'm not trying to ask you about a

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1 specific case, I am trying to ask about a specific  
2 policy. Does MGE, with your knowledge and  
3 approval, have a policy that when a tenant does  
4 not pay the bill, they may seek payment from a  
5 landlord?

6 MR. HACK: And I am going to object and  
7 say it has been asked at least a couple of times  
8 and answered to the best of Mr. Oglesby's ability  
9 a couple of times. You can answer again, but...

10 A I don't -- you know, I don't -- I am not aware of  
11 the policy if there -- but there could be one and  
12 wouldn't necessarily mean that I can remember it,  
13 you know, at this moment. I might remember it  
14 when I -- later on, but right at this point, I do  
15 not remember that policy. I would expect that if  
16 a customer, a particular customer, owes us a bill,  
17 then we would look at that particular customer to  
18 recover that bill.

19 Q (By Mr. Franson) Are you familiar with the  
20 definition of customer in your tariffs?

21 A Off the top of my head, I couldn't quote it to  
22 you, no.

23 Q Okay. Now, let me direct your attention to  
24 Page 16, Line 14 through Page 17, Line 9.

25 A Okay. Page 16, Line --

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1 Q Line 14 and ending at Page 17, Line 9.

2 A Okay.

3 Q Now, could you take the opportunity to review  
4 that, please?

5 A Okay.

6 Q Please tell me when you're finished.

7 A Okay.

8 Q You have had an opportunity to review that?

9 A Yes, I have.

10 Q Okay. You talk about several things, but what I'd  
11 like to ask you about there is on Page 17, Lines 1  
12 through 3. You state that you want the Commission  
13 to reconsider whether all of its, and then you've  
14 got in quotation marks, traditional disallowances  
15 make sense in today's environment. What specific  
16 tradition disallowances are you talking about  
17 there?

18 A I think there is a lot -- I think it's in my  
19 testimony somewhere. Some disallowances for  
20 billing improvement costs, disallowance of  
21 imprudent gas supply expenditures, and things like  
22 that. I think that it is my perception that --  
23 and an example is the disallowance for some of the  
24 customer contacts that we -- that we use to deal  
25 with agencies, deal with government, local

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1 governments. Some of our employees that deal in  
2 area of agencies and those type of areas.

3 Because I think that, looking back, it's  
4 my perception that we get disallowances in rate  
5 cases sometimes that are traditional disallowances  
6 that go back for years. And I think what I am  
7 saying there is I think we -- my staff and the  
8 Commission staff needs to sit down and talk about  
9 those disallowances and really have a conversation  
10 around whether those really, in today's business  
11 environment, should be disallowed or not.

12 When you look at disallowances as it  
13 relates to dealing with legislative areas or  
14 government areas or anything that has impact on  
15 our customers, it doesn't seem fair to disallow  
16 that when it's in the best interest of everybody.

17 Q Okay. Let me ask you, one example there would be  
18 charitable donations?

19 A Um-hum.

20 Q Is that one area that you're talking about that  
21 you think needs to be reevaluated?

22 A I think it is -- I think there needs to be a  
23 conversation around it, and I would think there  
24 are some charitable contributions out there that  
25 might need to be included in the rates, maybe not

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1 all. I think, again, it's an issue that we need  
2 to sit down and we need to talk about.

3 Q Have you prior to the time that you filed this  
4 rate case initiated such a discussion with the  
5 Commission staff or the Office of Public Counsel  
6 or anyone else?

7 A Not to my knowledge. I would assume that we would  
8 have had those conversations. I would have to  
9 refer to Rob Hack, who is the regulatory person  
10 that generally has most of those conversations.

11 Q Let me ask you for some examples of, for instance,  
12 charitable contributions you think should be  
13 recovered in rates?

14 A Well, I think one of them is -- that is very  
15 important in Kansas City is the March of Dimes. I  
16 think that we provide not necessarily financial  
17 support, but we provide a lot of people for the  
18 March of Dimes. It seems to me they usually have  
19 the big March of Dimes walk on a weekend. But we  
20 provide -- we provide some equipment, you know, we  
21 help them in every way we can.

22 I think the March of Dimes is a very,  
23 very important charity. I think most people would  
24 agree with that. And we don't -- because of our  
25 ability to earn a reasonable rate of return in the

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1 last few years, we really cut back on what we do  
2 as it relates to community involvement, we can't  
3 afford to do it anymore. We don't earn the kind  
4 of moneys it requires to be in a lot of charitable  
5 areas and do some of the things that some of the  
6 other utilities, like KCP&L and the others are  
7 involved in. So there is only a few areas that  
8 are considered charitable or that are considered  
9 that, you know, Chambers of Commerce is not  
10 charitable, but we have to be involved in some  
11 Chambers of Commerce. But again, I would have to  
12 single out March of Dimes as one that I feel very,  
13 very serious about.

14 Q Now, how is it that donating to the March of Dimes  
15 benefits ratepayers?

16 A I think that it's in the best interest of  
17 everybody, the March of Dimes is an area that --  
18 particularly as it relates to children, and as a  
19 viable business in the community, I think that if  
20 we are going to be -- we should be a good  
21 corporate citizen as well as -- as just doing the  
22 business day-to-day. And being a good corporate  
23 citizens means that we should be involved in some  
24 things in the community and I think that is -- I  
25 think being a good corporate citizen is important

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1 to our ratepayers.

2 Q Can we have just a minute? I need to get out a  
3 couple things to go to our next area.

4 Okay. Mr. Oglesby, if you could turn to  
5 Page 5, Lines 10 through 15 of your testimony. Of  
6 you could review that, please. Actually, I would  
7 direct your attention from Page 5, Line 4 through  
8 Page 5, Line 21.

9 A From Line 5, you say?

10 Q Line 4, actually, through Line 21. There is a  
11 question and answer there, that whole thing I want  
12 to ask you to review. Please tell me when you  
13 have reviewed that.

14 A Okay.

15 Q Okay. Specifically, beginning at Line 10 into  
16 Line 11, you talk about -- you cite the testimony  
17 of MGE witness Carlton Ricketts that MGE has  
18 achieved and generally maintained high quality  
19 customer service performance levels. Can you  
20 elaborate on that, please?

21 A That is -- that is relating to the ASA and the ACR  
22 as it relate to the ability of customers to get  
23 into our phone center.

24 Q Now, as -- so that -- the ASA, what is that?

25 A Average speed of answer.

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1 Q You used another acronym, was it ACR?

2 A Yes.

3 Q And what is that?

4 A That is the...

5 Q Abandoned call rate?

6 A Yeah, abandoned call rate, yeah.

7 Q Do you believe that those are important ways to  
8 measure customer service performance?

9 A Yes, I do.

10 Q Can you think of other ways to measure customer  
11 performance?

12 A As it relates to the phone center or as it relates  
13 to --

14 Q Well, let's start with the phone center. As it  
15 relates to the phone center?

16 A I think that those are probably two of the key  
17 ones, mainly because they are easy to track, easy  
18 to manage. But there's others, you know, the  
19 courtesy of the phone reps, the training of the  
20 phone reps is all very important. The way that  
21 the customer service reps actually take care of  
22 the customers is very important.

23 Q Isn't it true that if you are looking at results  
24 of whether customers when they have a specific  
25 reason that they call in to the call center that

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1 ASA and ACR wouldn't actually measure whether the  
2 customer got the result the customer needed or the  
3 information the customer wanted?

4 A That is true.

5 Q How do you measure that?

6 A That is measured -- we do some customer  
7 satisfaction surveys that we send out. And then  
8 in some way we measure it by complaints that is  
9 received both by Missouri Public Service  
10 Commission and by our own offices.

11 Q And do you also ever have supervisors in the call  
12 center monitor some of the calls?

13 A Yes, we do.

14 Q And would that be a measure, also?

15 A Yes, it would.

16 Q Now, I want to direct your attention to three  
17 areas, specifically, Page 5, where I believe might  
18 still be Lines 10 through 14, actually, and you  
19 talk about high quality customer service  
20 performance levels and cite the testimony of  
21 Mr. Ricketts. Do you see that?

22 A Um-hum.

23 Q Could you then go over to Page 8, and starting at  
24 Line 9, and then you talk about your -- MGE's  
25 commitment to achieving customer service

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1 performance levels and you -- you explain some  
2 history there. And that goes on over to Page 9,  
3 Line 13. Could you review that, please?

4 A Over to Page 9, what line on Page 9?

5 Q Line 13.

6 A Okay.

7 Q Okay. Then one other place I would like to ask  
8 you to look at is Page 7, Lines 1 through 2. And  
9 if you would please tell me when you are done with  
10 that.

11 A Okay.

12 Q Okay. Have you had an opportunity to review  
13 those?

14 A Um-hum. Yes.

15 Q Okay. Thank you. On Page 7, Lines 1 through 2,  
16 you describe your customer satisfaction efforts as  
17 good. On Page 5, Lines 10 through 15, you stated  
18 that you have achieved and generally maintained  
19 high quality customer service performance levels,  
20 and then yet over on Page 8, Line 9 through -- I'm  
21 sorry, Page 8, Line 9 through Page 9, Line 13, you  
22 seemingly qualify it with rather substantial  
23 difficulties that you've had in the last several  
24 years. What is your overall belief about the  
25 level of MGE's customer service efforts?

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1 A I think overall customer service efforts as it  
2 relates to this area has been very good. Like I  
3 indicated earlier, we have been doing everything  
4 we possibly can to maintain the -- a good customer  
5 service level. We've hired employees in the phone  
6 center, we've added -- we spent a half a million  
7 dollars over the last 12 months in new technology  
8 down there to -- to maintain a good balance as it  
9 relates to the ACR and ASA numbers and the quality  
10 of service customer which we provide down there.  
11 So I would say it is very good. I am very pleased  
12 with it at this point.

13 Q Now, we talked about ACR, which I believe is  
14 abandoned call rate. Do you remember that?

15 A Yes.

16 Q And I believe you stated that you believe the  
17 abandoned call rate is one good measure of your  
18 level of customer service, is that correct?

19 A Yes.

20 Q Let me ask you, what exactly is the abandoned call  
21 rate?

22 A The abandoned call rate is -- you mean what it is  
23 is?

24 Q Yeah. What that thing is, yes?

25 A That is the percentage of people that call in to

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1 talk to a customer (sic) that end up not talking  
2 to anyone, hanging up and going away.

3 Q Let me ask you if you would agree with the  
4 following definition. And I will tell you where I  
5 am reading from. And I will be happy to show it  
6 to you. It's the direct testimony of Deborah Ann  
7 Bernsen, Page 4 -- Page 4, Line 6 through Line 10.  
8 Actually, I am going to ask you if you would read  
9 that.

10 A Page 4 --

11 Q Line 6 through Line 10. If you would actually  
12 read --

13 A "Please define these two indicators, ACR's used to  
14 measure" --

15 MR. HACK: Did you want him to read it  
16 into the record or just read it to himself,  
17 Robert?

18 MR. FRANSON: Read it into the record  
19 about the ACR.

20 A "The ACR is used to measure the number of customer  
21 calls that are abandoned by the customer prior to  
22 being handled by a customer representative. The  
23 number is a percentage and is a total number of  
24 incoming calls divided by the total number of  
25 abandoned calls."

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1 Q (By Mr. Franson) Do you agree with that  
2 definition?

3 A Yes.

4 Q Thank you. I need to ask you -- I need to also  
5 hand you and have marked as an exhibit the  
6 following.

7 (A short break is taken, Oglesby  
8 Deposition Exhibit Number 1 is marked for  
9 identification, and the following further  
10 proceedings are had.)

11 Q (By Mr. Franson) Mr. Oglesby, I've handed you  
12 what has been marked as Exhibit 1. And what that  
13 is is actually Schedule 2 from the direct  
14 testimony of staff witness Deborah Ann Bernsen.  
15 That's B-e-r-n-s-e-n. And could you review that,  
16 please?

17 A Um-hum.

18 Q Please tell me when you have had an opportunity to  
19 do that.

20 A Okay.

21 Q What does that appear to be?

22 A It is a chart that tracks Missouri Gas Energy  
23 abandoned call rate for years '01, '02, and '03.

24 Q Do you know Deborah Ann Bernsen?

25 A No, I don't think so.

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1 Q Well, she is a staff witness. Would you have any  
2 reason to doubt that this is, in fact, an accurate  
3 tracking of information she received from Missouri  
4 Gas Energy?

5 A I would have no reason to doubt that.

6 Q Okay. And you see how these -- Exhibit 1 has  
7 specific lines, the blue line -- do you see that?

8 A Um-hum.

9 Q -- I believe it's labeled Target. Then you've got  
10 2001 in a pink color, 2002 in a yellow, and 2003  
11 in what appears to be a green. Do you see that?

12 A Um-hum.

13 Q Now, let's talk about the target. Do you know if  
14 in prior Commission cases or prior stipulations  
15 and agreement whether MGE has agreed to have a  
16 certain target for the abandoned call rate?

17 A Yes.

18 Q Do you know what that percentage is?

19 A I think it is 8-1/2 percent. I think.

20 Q Is it possible it is 7-1/2 percent?

21 A I guess it is possible. I didn't think it was.

22 Q Okay. If it's 8-1/2 percent as a target, is it  
23 possible that came out of a specific case before  
24 the Public Service Commission, that being, I  
25 believe, GM-2003-0238, which was the situation --

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1 the case in which Southern Union received  
2 Commission approval to purchase Panhandle  
3 Pipeline?

4 A I don't know.

5 Q Okay. But you understand there is a target, you  
6 believe it's 8-1/2 percent --

7 A Yes.

8 Q -- abandoned call rate? In 2001 and 2002, is it  
9 fair to say that especially 2002 was -- calendar  
10 year was a pretty good year for you?

11 A Excellent, yes.

12 Q 2001 wasn't bad either?

13 A Right.

14 Q But let's look at 2003. Is it fair to say that in  
15 October, November, going into December, that the  
16 abandoned call rate got very high?

17 A Yes.

18 Q Prior to this deposition today, were you familiar  
19 with that?

20 A Yes.

21 Q Do you know the reason for the abandoned call rate  
22 getting so high?

23 A Yes.

24 Q What is that reason?

25 A The number of calls coming into our call center

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1 from -- for some unexplained reason started to  
2 elevate drastically over that time period. In  
3 some cases, twice as many calls coming in a daily  
4 period that had been coming in previously. We've  
5 looked and tried to analyze the reasons for that.  
6 Some of that probably has an impact based on what  
7 was going in the United States as it relates to  
8 public awareness of natural gas issues, rates, and  
9 deliverability. However, we contacted several of  
10 the other utilities and everybody was seeing that  
11 spike in the number of calls.

12 We believe that in a conversation with  
13 some of the folks downstairs was -- I actually had  
14 conversations with phone reps, that a lot of it  
15 has to do with the abundant availability of cell  
16 phones.

17 Q So some of these calls may actually be coming in  
18 from cell phones?

19 A A lot of them are coming in from cell phones and  
20 people can call us now on the move where before  
21 they had to be in an office and at home, actually,  
22 pick up a phone and call us. They no longer have  
23 to do that, which -- which a lot of what we have  
24 determined is repeat calls. People calling up,  
25 get a busy signal, hang up, hit redial.

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1 Q If that explains some of the volume, did you  
2 discuss with your customer service reps or anyone  
3 else what the subject matter of these calls were?

4 A Yes, we have.

5 Q What was the result of those conversations?

6 A Well, the calls -- the subject matter is varied,  
7 you know, it just depends. I mean, some of them  
8 were people wanting to not be shut off for nonpay,  
9 some of them are wanting service turned on. I  
10 mean, just the general gamut of phone calls that  
11 might come in to a natural gas utility.

12 Q And --

13 A We do have a tracking record of that. And  
14 Mr. Ricketts could better tell you what -- you  
15 know, what the calls were than I could.

16 Q Let me have just a moment. Okay. So as a result  
17 of this high level of ACR in late 2003, have you  
18 taken any specific steps to ensure that your ACR  
19 does not remain that high?

20 A Absolutely.

21 Q What are those steps?

22 A Several. Hiring people. As I indicated earlier  
23 in my testimony, we have dedicated a little over  
24 half a million dollars to providing technology  
25 that will help us with that and continuing --

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1 continuing to analyze what the cause of it is and  
2 what we need to do to get that down to our goal,  
3 which we are committed to reaching that goal.

4 Q Now, given everything that you have talked about  
5 and you know about your customer service efforts,  
6 does it justify, by itself, an increase of  
7 one-quarter point in return on equity? Do you  
8 believe that it does?

9 A I am not sure I understand the question.

10 Q Okay. Let's move on then. Going to have Exhibit  
11 Number 2 marked.

12 (Oglesby Deposition Exhibit Number 2 is  
13 marked for identification.)

14 Q (By Mr. Franson) Okay. What I have handed you is  
15 actually Schedule 3 from the direct testimony of  
16 Deborah Ann Bernsen and it has been marked as  
17 Exhibit 2, the Missouri Gas Energy average speed  
18 of answer. Have you had an opportunity to review  
19 that?

20 A Yes, I have.

21 Q What does this appear to be to you?

22 A This is a chart that indicates the Missouri Gas  
23 Energy's average speed of answer.

24 Q Okay.

25 A For the years '01, '02, and '03.

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1 Q And do you have any reason to doubt the accuracy  
2 of this document?

3 A No, I do not.

4 Q Okay. Let's talk a little bit about the target.  
5 Do you know how many seconds is the target for the  
6 average speed of answer?

7 A I believe it is 75.

8 Q Let's review each year on here. First of all,  
9 2001. That was -- how would you characterize  
10 2001?

11 A I would say that the average speed of answer was  
12 elevated. A lot of that had to do, I think, with  
13 the fact it was a cold -- cold, cold fall.

14 Q What about 2002? How would you evaluate that  
15 year?

16 A Same way. Average speed of answer is elevated.

17 Q What about 2003?

18 A Absolutely, it's elevated. It tracks with the  
19 ACR.

20 Q Okay. On Page -- I am going to direct your  
21 attention, hand you -- on Page 4, Lines 11 through  
22 12 of Ms. Bernsen's testimony and ask you to read  
23 that sentence into the record, please.

24 A Which lines?

25 Q Page 4, Lines 11 through 12.

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1 A "The ASA is the average amount of time in seconds  
2 between receiving customer's calls and having them  
3 answered by customer service representatives."

4 Q Okay. Do you agree with that statement?

5 A Yes, I do.

6 Q And I believe you've also stated that the average  
7 speed of answer, ASA, is also an important measure  
8 of the level of customer service that MGE  
9 provides, is that correct?

10 A That is correct.

11 Q Now, in your call center, have you had problems  
12 with staffing levels?

13 A I'm not sure what you mean by problems with  
14 staffing levels.

15 Q Well, have you had trouble retaining good trained  
16 people?

17 A In any call center, it seems to be an ongoing  
18 situation where you have people going and having  
19 to hire new people. Call centers generally have a  
20 high rate of, I think they call it turnover. They  
21 have a name for it in call centers, I'm not sure  
22 what it is. So, yes.

23 Q Do you know how long it takes to train a new  
24 employee in the call center?

25 A I think it takes eight weeks.

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1 Q Okay. Let me move on a little bit here. Let's  
2 talk a little bit about gas supply.

3 A Are you done with this?

4 Q Yes. If you could hand that back to the court  
5 reporter, please. Thank you.

6 Do you believe that MGE should have  
7 price protection in place for natural gas  
8 purchasing in order to protect customers?

9 A Can you explain what your question means?

10 Q Well, let me try and rephrase it for you. Does  
11 Missouri Gas Energy currently have a plan in place  
12 that governs how they make their gas purchasing  
13 decisions?

14 A Absolutely.

15 Q Okay. And do you believe an important part of  
16 that plan is to provide customers with price  
17 protection?

18 A I believe that is a part of the gas procurement  
19 area, yes.

20 Q Do you believe it's an important part of the gas  
21 procurement area?

22 A I believe it is important, yes.

23 Q In addition to customer protection, what other  
24 parts of the purpose of a gas purchasing plan are  
25 there?

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1 A Well, you know, the plan is rather large, so I  
2 can't quote you all the areas of the plan,  
3 however, we try to do everything we can, both in  
4 the procurement of our gas through callers and  
5 hedging and buying at a time when the gas price is  
6 reasonable to assure that our customers have the  
7 lowest -- lowest priced gas that we can  
8 possibly -- that we can possibly have for them.

9 We try to manage our storage capability  
10 so that we put lower price gas in storage. All of  
11 the things necessary to try to maintain low cost  
12 gas. Difficult in today's environment.

13 Q Who's currently in charge of your gas supply  
14 operations?

15 A Dave Kirkland.

16 Q And who does Mr. Kirkland report to?

17 A He reports to Rob Hack.

18 Q And then Mr. Hack reports to you?

19 A Yes.

20 Q Do you believe that MGE should hedge each and  
21 every month of the heating season? And by heating  
22 season, I mean from November each year through  
23 March of the following year?

24 A I don't have a belief on it one way or the other.  
25 I would have to refer that to Dave Kirkland.

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1 Q So when you give overall direction to the gas  
2 procurement folks that work for you, Mr. Hack and  
3 Mr. Kirkland, you don't discuss that or give them  
4 direction on that?

5 A Don't give them specifics. I tell them that I  
6 want them to do everything possible to acquire the  
7 lowest price gas that they can.

8 Q Okay.

9 A And to maintain that security of that.

10 Q Let me turn your attention to another matter. As  
11 part of your testimony or in part of MGE's rate  
12 case, isn't it true that you are requesting the  
13 Commission to give you a quarter point bump in  
14 return on equity with -- above and beyond anything  
15 they may determine to be just and reasonable on  
16 the basis of management efficiency?

17 MR. HACK: I'll object to the phrasing  
18 of the question because I think it  
19 mischaracterizes the testimony.

20 Q (By Mr. Franson) Okay. Let's go back a little  
21 bit, step-by-step. Is MGE specifically asking for  
22 a quarter point higher ROE because it is asserting  
23 management -- higher management efficiency, is  
24 that correct?

25 A I believe it is important for the Commission to

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1 recognize when a company, when a utility company,  
2 provides initiatives that lower the cost of  
3 service, improve customer service. I believe they  
4 should be as forthright rewarding with financial  
5 means, if that is what you are indicating, as they  
6 are in providing for when -- when we do something  
7 that doesn't appear to be in the favor of our  
8 customers, our employees, or our company.

9 Q Specifically, are you suggesting that the  
10 Commission has reduced return on equity in the  
11 past because of what the Commission deemed to be  
12 inappropriate actions by Missouri Gas Energy?

13 A That is my perception.

14 Q What are those past actions?

15 A Well, I think -- you know, I can't go back and  
16 quote them off the top of my head. I think  
17 there's some in my testimony listed.

18 Q Do you know where those are located?

19 A I think it's on Page 15 and 16, top of 16, Lines 1  
20 through 3.

21 Q And, in fact, you --

22 A Gas safety incidents, disallowance of some billing  
23 improvement costs, disallowance of alleged  
24 imprudent gas supply expenditures.

25 Q Let's talk about Case Number 96-285. Do you know

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1 specifically what the Commission did there? I  
2 believe you cite -- and there was complaints  
3 regarding gas safety incidents, disallowance of  
4 billing improvement costs. Do you know what  
5 specifically the Commission did there that you  
6 think was inappropriate?

7 A Off the top of my head, no.

8 Q Okay. And same question about Case Number 98-140.  
9 Do you know -- when you say disallowance of  
10 allegedly, in quotation marks, "imprudent," that's  
11 the end of the quotation mark, gas supply  
12 expenditures that -- this is at Page 16, Lines 3  
13 through 4 of your testimony, can you elaborate on  
14 what you're referring to there?

15 A Specifics of that, no, I cannot at this time.

16 Q Do you know whether in Case Number GR-96-285  
17 whether MGE appealed any aspects of that decision?

18 A Do I know whether they -- say that again.

19 Q Whether they sought court review of any aspects of  
20 Case Number GR-96-285?

21 A I do not specifically know whether they appealed  
22 that or not, no.

23 Q And you don't know specifically whether Missouri  
24 Gas Energy sought court review of this thing that  
25 you are referring to here, complaints regarding

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1        billing issues in 1996 and 1997, complaints  
2        regarding gas safety incidents and disallowance of  
3        billing improvement costs?

4        A    Do I specifically know that, no.

5        Q    And in regard to Case Number 98-140, do you know  
6        whether Missouri Gas Energy sought disallowance of  
7        allegedly imprudent gas supply expenditures?

8        A    No, I do not.

9        Q    So is it fair to say that you don't know, and I  
10       understand you weren't the president and CEO of  
11       MGE at that time, you don't know whether MGE  
12       sought review of those, court review of those  
13       matters?

14       A    No. I do not specifically know the details of  
15       that, no.

16       Q    Do you know -- do you know what a stipulation and  
17       agreement is, Mr. Oglesby?

18       A    Vaguely.

19       Q    Okay.

20       A    I am not an attorney.

21       Q    I understand that. But that wasn't my question.

22       A    Oh.

23       Q    For instance, in Case Number GM-2003-0238, do you  
24       know what that is?

25       A    No.

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1 Q Okay. That was the case wherein Southern Union  
2 came in and sought Missouri Public Service  
3 Commission approval of your acquisition of  
4 Panhandle Pipeline.

5 A Okay.

6 Q Okay. Are you aware that that case was settled by  
7 something called a stipulation and agreement?

8 A Yes.

9 Q And I believe that was signed by Mr. Hack on  
10 behalf of Southern Union?

11 MR. HACK: I'll object and just state  
12 that the document will reflect whoever signed it.

13 Q (By Mr. Franson) Okay. Do you know who signed  
14 it?

15 A No, I do not.

16 Q But your understanding is that that case was  
17 settled with a comprehensive agreement among the  
18 parties and the end result was you had Missouri  
19 Public Service Commission approval of your  
20 acquisition of Panhandle Eastern Pipeline?

21 A Yes.

22 Q Okay. Do you know whether in Case Number  
23 GR-96-285, there was an actual Commission decision  
24 regarding that case or whether there was some  
25 agreement among the parties to resolve matters?

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1 A No, I do not.

2 Q So you don't know whether MGE actually agreed to  
3 these things that you settled that you are  
4 referring to here or whether they did not?

5 A No, I do not.

6 Q Same question about GR-98-140, you don't know  
7 whether that case resulted in a Commission  
8 decision regarding these matters or whether it was  
9 settled by the parties?

10 A No, I do not.

11 Q Your last rate case, GR-2001-292, are you familiar  
12 with that case?

13 A Somewhat.

14 Q And at the time that that was actually being  
15 litigated in 2001, were you the president of MGE?

16 A I don't believe so.

17 Q Okay. Do you know how that case was resolved?

18 A That was settled, I believe --

19 Q Okay.

20 A -- or there was a settlement.

21 Q So anything in the settlement would have been  
22 agreed to by MGE, presumably?

23 A Yes.

24 Q Let's go back to your comments about -- because  
25 there you've talked about how you believe the

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1 Commission has, I believe your words are punished  
2 MGE. And what was the nature of this punishment  
3 you are referring to, what specifically was it?

4 A My perception is that the low rate of return that  
5 we seem to generally get in a rate case, some of  
6 that is compared back to some of the areas where  
7 we have not done very well. And I think my  
8 comment mainly is geared toward the fact that when  
9 we do well, when we provide excellent customer  
10 service, when we do all of the things that I  
11 believe that our customers and the Commission  
12 would like for us to do, that there should be some  
13 reward for some of that. My perception, again, is  
14 that that is not the case at this time.

15 Q I'm sorry, go ahead.

16 A No, that's fine.

17 Q Were you finished?

18 A Yes.

19 Q Okay. Now, but as part of forming -- preparing  
20 your testimony and forming your opinions, you did  
21 not specifically become aware of what actually  
22 happened in these prior cases, that being Case  
23 Number GR-96-285 and GR-98-140?

24 A Generally aware, but not specifics.

25 Q And by specifics, I am referring to you don't know

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1           what it was that the Commission did in those other  
2           than a general comment you've already made, is  
3           that correct?

4       A    That's right.

5       Q    Okay. Now, turning to this case, are you  
6           asserting that you believe that MGE deserves a  
7           higher ROE and what I am referring is the  
8           Commission will determine an ROE, whatever that  
9           may be, but then you want a higher ROE above and  
10          beyond that for a specific reason, is that  
11          correct?

12       A    I would like to see the ability of Missouri Gas  
13           Energy to earn whatever the authorized rate of  
14           return is that the Commission sets. And based  
15           upon that, I would like to see some way that they  
16           would look at improvements in our operations,  
17           improvements in the efficiency of our operations,  
18           improvement in customer service, and provide the  
19           financial means to actually get to the point where  
20           we can actually achieve our authorized rate of  
21           return, whatever that authorized rate of return is  
22           that is set by the Commission.

23       Q    Isn't it true that in forming -- you have over all  
24           direction and control over this rate case, is that  
25           correct?

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1 A Yes.

2 Q And it was ultimately your decision to file this  
3 rate case?

4 A Yes.

5 Q And isn't it true that in the testimony of  
6 Mr. Dunn that there is a reference to a higher  
7 return of equity boost of .25 percent based on, I  
8 believe his terms were management efficiency. Are  
9 you aware of that?

10 MR. HACK: I object at this point and  
11 state that Mr. Oglesby has already testified, I  
12 believe, that he didn't read the testimony of  
13 Mr. Dunn.

14 Q (By Mr. Franson) Now, do you have a specific  
15 belief on -- in the terms of this rate case  
16 whether or not MGE should receive a higher ROE  
17 based on management efficiency?

18 A I believe that whatever the ROE is that the  
19 Commission sets, then the process should allow us  
20 a reasonable expectation to earn that rate of  
21 return.

22 Q That's not what I am asking, Mr. Oglesby. Let's  
23 go back. You are aware that as part of MGE's  
24 testimony, they are asking for -- somewhere in  
25 that testimony, do you know that they are asking

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1 for a specific number for an ROE?

2 A Yes.

3 Q Do you know what number is?

4 A I believe it is 9 percent. Is that correct? I  
5 don't know.

6 Q Okay. Would you have any reason to doubt me if I  
7 told you that Mr. Dunn says that number is 12  
8 percent on return on equity?

9 A No, I wouldn't have no reason to doubt it.

10 Q So is it fair to say that you have an  
11 understanding, whatever the number is, that MGE  
12 wants a specific return on equity and they are  
13 saying here's our testimony, Commission, you  
14 should credit this and give us a 12 percent or 9  
15 percent, whatever your ROE might be? Is that --  
16 do you understand that and do you agree with that?

17 A I am not sure that I understand if that was a  
18 question or a statement.

19 Q Okay. Let's go back. Is MGE asking for a  
20 specific ROE as part of its case?

21 A Yes.

22 Q Whatever that number is --

23 A Yes.

24 Q -- there is one?

25 A Yes.

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1 Q Okay. Now, are you also asking for something  
2 above and beyond that because of a certain reason?

3 A I believe that there should be a reasonable  
4 expectation that if we do all of the things that  
5 improve customer service, and provide efficiencies  
6 that actually help lower the rates, that we should  
7 be rewarded for that, yes.

8 Q And how should you be rewarded?

9 A In the ROE, yes.

10 Q How?

11 A With an increase of the ROE.

12 Q Okay. So whatever you are asking for in ROE,  
13 there should be an additional addition to that for  
14 things that you've already done?

15 A Or are going to do.

16 Q But haven't done yet?

17 A Don't know.

18 Q Well, what is it that you're planning to do and  
19 tell the Commission that you are going to do to  
20 earn this higher ROE?

21 A We continually look at our operation to see where  
22 efficiency may be gained. Example is just what we  
23 just talked about as far as technology down in the  
24 call center. We are continually evaluating what  
25 we need to do to improve the efficiency of our

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1 operation in going forward. We have done a lot in  
2 the past two years to improve the efficiency of  
3 our operation, a great deal. And I would expect  
4 that that will continue.

5 Q Okay. Let's turn to a different area. As part of  
6 this, I would like for you to direct your  
7 attention to your testimony on Page 14, beginning  
8 at Line 22 and through Page 15, Line 14.

9 A To what line?

10 Q Line 14 on Page 15. Please tell me when you have  
11 had an opportunity to review this.

12 A Okay.

13 Q Okay. I believe we have talked a little bit about  
14 traditional disallowances. But in here, you talk  
15 about Commission -- community relations and public  
16 affairs staffing. And what is your community  
17 relations and public affairs division or  
18 department?

19 A The folks that deal with the -- the agencies that  
20 deal with the different community issues that are  
21 out there that when we go out and meet with  
22 community groups as relates to high gas costs or  
23 issues like that and try to help people understand  
24 what they can do to lower their gas bills or to  
25 make arrangements with agencies. We help people

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1 in community relations meetings to understand how  
2 to contact agencies and, once they contact them,  
3 you know, how the procedures work. They make a  
4 lot of contact out in the community with all types  
5 of groups that have -- an example is right now,  
6 the ACORN group that, you know, is very active in  
7 the community.

8 Q Is part of the job of the community relations and  
9 public affairs -- by the way, is that the current  
10 name of that unit?

11 A I think that we just changed it and I couldn't  
12 tell you what we just changed it to, though.

13 Q Okay. But that --

14 A I do think the name has changed.

15 Q But that unit, do they also do some of your  
16 legislative activities?

17 A They do some of the -- a small amount of the  
18 legislative work, yes.

19 Q Who else in addition to community relations and  
20 public affairs does your legislative work?

21 A That is pretty well it, I think. That -- the  
22 people in that department.

23 Q So, in fact --

24 A Except for maybe Rob Hack, he may have a contact  
25 once in a while. Very, very minimal.

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1 Q But any legislative initiatives or activities that  
2 you have pretty much come out of community  
3 relations and public affairs?

4 A Yes, that's true.

5 Q Okay. Now, do you believe that your legislative  
6 processes and your activities should be paid for  
7 by ratepayers?

8 A Yes.

9 Q Okay. Does that includes all of the legislative  
10 initiatives you might make?

11 A I believe it's very important that we stay in  
12 contact with that area because, you know, the size  
13 of company we are, the huge geographical area that  
14 we cover, it's important that we are aware of  
15 initiatives or agendas that are happening in the  
16 legislative arena. It's important to our  
17 customers to be informed. And so from that  
18 standpoint, I think it's a part of doing -- in  
19 today's world, it's a part of doing business.

20 Q Well, let me ask, has the Commission ever said,  
21 MGE, you cannot engage in legislative and lobbying  
22 activities?

23 A Not to my knowledge.

24 Q Is it fair to say that your belief here is that  
25 the Commission should allow this to be recovered

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1 in rates?

2 A It is my belief that it is a part of doing  
3 business in today's business world that's  
4 extremely important for all the parties concerned.  
5 So, yes, I believe that.

6 Q Now, is that true, and by that, I mean that  
7 ratepayers should pay for all legislative  
8 initiatives without regard to what they are?

9 A Yes.

10 Q Okay. So if MGE, for instance, comes up with an  
11 idea or supports an idea in the legislature that  
12 benefits only shareholders, let's assume there was  
13 such a situation, should that, in fact, be paid  
14 for by ratepayers?

15 A I believe anything that we would do that would  
16 impact shareholders would also impact our  
17 customers and our employees.

18 Q Let's assume that there is legislation that's been  
19 introduced in the legislature and it impacts MGE's  
20 operations and there is a greater benefit, let's  
21 say, much greater benefit to ratepayers -- I mean,  
22 I'm sorry, to shareholders than there is to  
23 ratepayers. Should that be completely paid for by  
24 ratepayers in rates, anything MGE would do in  
25 regard to supporting such legislation?

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1 A It seems to be a what-if question and it would be  
2 very difficult for me to answer that.

3 Q So you're not capable of answering that?

4 A Not as a what-if. I mean, you know, I believe  
5 that, as I stated, that the agendas and  
6 legislation and issues that arise in government,  
7 in the state government, have a huge impact both  
8 upon my operation as well as my operation's  
9 relationship with other entity in Jeff City,  
10 including the Commission, and I think we should be  
11 aware of those issues and agendas so that we can  
12 operate our business in a fiducially sound manner.

13 Q Let me turn your attention to Page 14, Line 27.  
14 You are talking there about advertising costs. Is  
15 your particular complaint here that you don't  
16 recover enough for advertising costs in rates?

17 A Yes.

18 Q What is it that you're not recovering for  
19 advertising costs, what specific things are you  
20 not recovering that you should be recovering?

21 A We -- we do very little advertising, as you look  
22 at our revenues, and the ability of us to acquire  
23 new customers in the natural gas -- in our natural  
24 gas operation as it compares to electricity. We  
25 do no advertising to acquire new customers, which

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1 has a real impact on our revenues. And it would  
2 seem that money spent there would be -- if we  
3 could attract new customers, would be in the best  
4 interest of everybody.

5 Q Have there been specific instances where you've  
6 had advertisements designed to attract new  
7 customers that have been disallowed by the  
8 Commission?

9 A I don't know.

10 Q So you don't know whether there's any basis for  
11 this particular complaint regarding advertising  
12 costs on Page 14?

13 A Yeah, we cannot -- we have not been able to  
14 recover in the past the advertising costs. And so  
15 we at this point, based on our ability to -- the  
16 financial condition of the organization, we just  
17 don't do any advertising.

18 Q Do you believe that ratepayers should pay for all  
19 advertising that MGE decides to do without regard  
20 to whether it is designed to attract new  
21 customers, promote MGE, inform people about  
22 safety, that all of that should be recovered  
23 without regard to what it is or the type of  
24 advertisement?

25 A I believe that -- I believe, again, that that is

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1 an integral part of doing business. And if it is  
2 an integral of part of doing business, then it  
3 should be recovered.

4 The way the rate cases are filed, it  
5 would -- the Commission would have an oversight of  
6 any costs that we spend. So I believe that it is  
7 an integral part of doing business in today's  
8 world. And as an integral part, I believe it  
9 should be recovered in rates.

10 Q All advertising without regard to what the actual  
11 content of it, is what you are saying, that should  
12 be recovered?

13 A Yes.

14 Q Okay. Okay. Let me turn your attention to  
15 Page 2, Line 23 -- actually, no. Okay. Let's go  
16 to Page 7 of your testimony, please. In your  
17 testimony here, you state that, "MGE provides  
18 service in a considerably more cost effective  
19 fashion than other LDC's," at Page 7, Lines 10  
20 through 12. Is that a fair statement?

21 A Yes.

22 Q Okay. I believe you've already talked about this  
23 information was compiled by MGE witness Michael  
24 Noack and you rely on it, is that correct?

25 A That is correct.

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1 Q Do you know when MGE's cost advantage over other  
2 Missouri LDC's first appeared?

3 A No, I do not.

4 Q Do you know in what specific areas of the  
5 operations and maintenance that MGE has a large  
6 advantage over the other LDC's in Missouri?

7 A No, I do not.

8 Q Do you know the same question about the smallest  
9 advantage?

10 A No.

11 Q Okay. Then down below that, you have -- let's  
12 see. You have another comparison at Page 7, Lines  
13 25 through 26. What is that?

14 A Average customer cost.

15 Q Okay. Do you know when MGE's advantage over other  
16 LDC's, specifically Laclede, AmerenUE, and MoPub  
17 first appeared?

18 A No, I do not.

19 Q And does what you have at Page 7, Lines 25 to 26  
20 of your direct testimony, do you know what time  
21 period that is for?

22 A No, I do not.

23 Q So you don't know if this low cost per customer  
24 that you've got and we've been talking about,  
25 whether that has been true since Southern Union

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1       acquired Western Resources or whether it was true  
2       before that?

3       A    I would have to refer to Mr. Noack.

4       Q    Okay. Let me turn your attention to Page 11 of  
5       your testimony, starting at Line 8 through, I  
6       believe, Page 12, Line 16 where you're talking  
7       about MGE never earning its authorized return.  
8       Please tell me when you have had an opportunity to  
9       review Page 11, Line 8 through Page 12, Line 16.

10      A    Okay.

11      Q    Now, Mr. Oglesby, is it fair to say that you're an  
12      expert in running an operation of the magnitude of  
13      Missouri Gas Energy?

14      A    I don't consider myself an expert in anything.

15      Q    Well, are you knowledgeable about running your  
16      company?

17      A    Yes, I am.

18      Q    And are you knowledgeable about various aspects of  
19      running your company?

20      A    Yes.

21      Q    And as a part of your duties, you at this time  
22      have decided to file a rate case --

23      A    Yes.

24      Q    -- is that correct?

25      A    Yes.

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1 Q Do you have a pretty good understanding of the  
2 regulatory process in Missouri?

3 A Yes.

4 Q Now, based upon your understanding as someone who  
5 is qualified to run an operation like MGE and your  
6 understanding of the regulatory process in  
7 Missouri, the utility is continually adding plant  
8 to rate base, doesn't that make it difficult for  
9 that utility to earn its authorized return over  
10 the long term?

11 A Yes.

12 Q Is MGE continually adding plant to rate base?

13 A Yes.

14 Q The recently enacted ISRS legislation, do you know  
15 what I am referring to?

16 A Yes.

17 Q I believe that's also House Bill 208?

18 A Yes.

19 Q Now, do you believe that that recently enacted  
20 ISRS legislation will aid MGE in earning its  
21 authorized return in Missouri?

22 A Yes.

23 Q Do you believe that there are any other actions  
24 that you would like to see enacted by the Missouri  
25 legislature that would aid MGE in earning its

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1 authorized return?

2 A By the Missouri legislature?

3 Q Yes.

4 A Not at this time.

5 Q How about the Missouri Public Service Commission?

6 A Well, I think that the rate case is -- a  
7 reasonable expectation from the rate case would be  
8 the one thing I would like to see. That based on  
9 the ability of us to have the opportunity to  
10 achieve whatever -- again, like we talked earlier,  
11 the rate of return that is set.

12 Q Okay. In the last few years, has MGE reduced its  
13 annual construction expenditures?

14 A Yes, it has.

15 Q Why is that?

16 A One of the reasons was that we had been for  
17 several years been under a safety mandated program  
18 through the Commission to replace X number of  
19 services and mains every year. And as we come to  
20 the end of that program, we took a look at it.  
21 And working with Bob Leonberger and his staff  
22 determined that there was -- we were -- under the  
23 mandate that we had, we were replacing mains and  
24 services really that were -- were okay to operate.  
25 And so working with Bob Leonberger and his staff,

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1 we determined that, you know, let's go after the  
2 mains and service replacements that really are in  
3 dire need of replacement rather than just  
4 replacing mains and services for the sake of the  
5 program. When we did that, it reduced the amount  
6 of capital dollars that we need to sustain that  
7 program.

8 Q Was that program actually called, I believe,  
9 between MGE and Commission staff on a regular  
10 basis the safety line replacement program?

11 A Yes, it was.

12 Q Okay. Besides the safety line replacement  
13 program, are there any other reasons that MGE has  
14 reduced its annual construction expenditures in  
15 recent years?

16 A That is -- I think that is the major -- the major  
17 reason.

18 Q No others that come to your mind?

19 A Not that comes to my mind at this time.

20 Q Okay. Let me -- let's go to Page 12. And you  
21 talk about bad debt. Actually, make this -- this  
22 is still part of your question beginning at Page  
23 11, Line 8 regarding MGE not achieving its  
24 Commission authorized return, but where I am going  
25 is on Page 12, Line 6. You say, "There is no

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1 'normal' level of bad debt expense"?

2 A Um-hum.

3 Q If there is no normal, what is the appropriate way  
4 to reflect bad debts in MGE's rates?

5 A I think the appropriate way is to really look at  
6 the reality of it over a smaller time frame than  
7 it's normally looked at, maybe three years. And  
8 determine from that when -- when every year we  
9 continually exceed the bad debt expense as it  
10 relates to what we can recover in rates, it would  
11 seem to me that it needs to be changed.  
12 Especially when I think, as you reflected on  
13 earlier, we have been rather aggressive in trying  
14 to hold that cost down.

15 So I think that it is very important  
16 that that's one area that, whether it be termed  
17 normal or whether it be termed level of reality,  
18 we need to be assured that the bad debt expense is  
19 looked at appropriately.

20 Q Well, turning your attention to Page 14 beginning  
21 at Line 5 running through, I believe, about Line  
22 14, you have, in fact, got on the left-hand side  
23 actual bad debt and on the right-hand side bad  
24 debt allowance in rates?

25 A Um-hum.

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1 Q Is it fair to say that there is a great volatility  
2 in the actual bad debt incurred by MGE versus that  
3 allowance -- the bad debt allowance in rates?

4 A Yes.

5 Q Okay. What is your specific proposal to correct  
6 this?

7 A You know, it's pretty well impossible to identify  
8 what the normal is. However, when you look at --  
9 if you take an average over several years and even  
10 if you look at '02 and discover that that year we  
11 actually -- we did pretty well, and realize that  
12 year after year, we exceed it by at least a  
13 million and a half, then seems like that is --  
14 there is the answer right there.

15 Q So you suggest that the actual bad debt be  
16 averaged for the last several years and that  
17 should be the number set in rates to --

18 A I say that, yes. It should be looked at from what  
19 the real -- the reality of the bad debt expense  
20 is. And if -- you know, if there are policy  
21 changes, either at the Commission or at the  
22 legislative level that impacts bad debt, then that  
23 should be included in our ability to recover that  
24 in rates.

25 Q But based on -- do you believe that somewhere in

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1 MGE's prefiled testimony in the rate case there is  
2 some specific proposal dealing with bad debt, what  
3 should be a number allowed in rates?

4 A Not that I recall. I am sure there is.

5 Q If there is, you don't know what it is?

6 A I don't know what it is, no.

7 Q Okay. Going back a moment to Page 15 through 16.

8 You talked about how you believe that the

9 Commission has punished MGE for various things

10 that are in your testimony. Do you know that in

11 the subsequent rate case after this, specifically

12 GR-2001-292, was there anything in that case where

13 you believe that the Commission punished MGE?

14 A I don't know. I don't recall.

15 Q Okay. Now, in these cases, the 96-285 that you

16 referred to on Page 16, Line 1, the GR-98-140 --

17 well, let's move on.

18 In 2001, did Southern Union implement a  
19 cash flow improvement program?

20 A Yes, they did.

21 Q What was that?

22 A That was a program that was initiated by Southern  
23 Union to try to improve the cash flow of the  
24 corporation. You know, I can't recall all of the  
25 specifics. Some of the specifics was some

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1 economies that -- at corporate, I think they did a  
2 RIF at the corporate headquarters and some things  
3 like that.

4 Q Did they give the divisions any more autonomy?

5 A Any more autonomy?

6 Q Yes, in part of their overall operations as part  
7 of this cash flow program?

8 A I wouldn't say they gave us any more autonomy, but  
9 they didn't give us any less. I can't say that it  
10 had any impact on the autonomy at all, that  
11 program.

12 Q Do you know why Southern Union decided to  
13 implement this cash flow improvement program?

14 A No, I do not.

15 Q And do you know how, if at all, the cash flow  
16 improvement program affected gas purchasing  
17 decisions?

18 A No, I do not.

19 Q So you don't know whether there was an effect on  
20 gas purchasing decisions or not?

21 A No, I do not.

22 Q What impact did the cash flow improvement program  
23 have on Southern Union, specifically MGE -- upon  
24 the divisions, specifically MGE?

25 A I think we were asked to look at our operations

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1 and see if there was any areas that we could  
2 better control expenses. We held down on travel.  
3 I can't recall that there was any major specifics  
4 that impacted us at this level.

5 Q So you don't recall any specific measures that MGE  
6 took in regard to this cash flow improvement  
7 program?

8 A No. I really don't recall any, no.

9 Q Has MGE's cash flow improved under this program  
10 since 2001?

11 A The amount of revenue has continually degraded, so  
12 I would have to say no.

13 Q Okay. Will the ISRS legislation -- do you  
14 remember what I'm talking about there?

15 A Um-hum.

16 Q That being House Bill 208?

17 A Yes.

18 Q Okay. That passed last year. Do you believe that  
19 that will improve MGE's cash flow versus the  
20 traditional way of reflecting plant additions in  
21 rates in Missouri?

22 A Yes.

23 Q Why?

24 A Because we will be able to recover some of the  
25 dollars spent on the public improvement projects

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1 without having to go to the expense of filing a  
2 rate case. It's extremely -- you know, in filing  
3 a rate case, we don't take it real lightly because  
4 it requires a huge amount of resource drain on our  
5 part, as it does on the Commission staff. So to  
6 be able to recover something like that without  
7 having to file a rate case is very important.

8 Q Okay. What exactly was House Bill 208, what is  
9 the nature of that legislation?

10 A The ISRS bill?

11 Q Yes.

12 A That any capital dollars that we spend on public  
13 improvements that is a government mandated  
14 expenditure, that we can recover -- I think we  
15 have to file every six months and start recovering  
16 it without having to file a rate case. And then  
17 every three years, we have to file a rate case so  
18 that prudence can be looked at.

19 Q But -- okay. When you file a rate case every  
20 three years, is that mandated by the ISRS  
21 legislation?

22 A I believe that it is, yes.

23 Q So for instance, this current rate case that you  
24 are filing, part of the reason you filed it, is it  
25 fair to say, was this ISRS legislation?

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1 A No.

2 Q That had no impact on it whatsoever?

3 A No.

4 Q Okay. What is regulatory lag?

5 A Regulatory lag, that is the lag between the time  
6 we file a rate case and the time the rates  
7 actually become effective.

8 Q Is there any regulatory lag, for instance, in the  
9 time that MGE provides service to a customer and  
10 then when they actually collect for it from the  
11 customer?

12 A I am not exactly sure what you mean, but yes.

13 Q Okay. Isn't that another form -- well, let's call  
14 that billing lag. If I say what is billing lag --

15 A Billing lag.

16 Q -- what does that mean to you?

17 A Billing lag means the time that we actually  
18 provide service to the customer and the time we  
19 collect. That would be a billing lag.

20 Q Okay. Does the ISRS legislation address billing  
21 lag, in your opinion?

22 A I don't know.

23 Q Does it address regulatory lag, other than what  
24 you already talked about?

25 A I think it addresses the regulatory lag for a very

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1 small part of capital dollars that we spend.

2 Q Do you know what party or parties or specific  
3 legislators were the originator of House Bill 208,  
4 which was the ISRS legislation?

5 A Do I know who it was? No.

6 Q Did MGE play any role in the passage of House Bill  
7 208 with --

8 A Yes.

9 Q What was that role?

10 A We -- I think we were a part of the drafting of  
11 that legislation, had a part in the drafting of  
12 that legislation.

13 Q Did the actual idea for the ISRS legislation --  
14 that's I-S-R-S -- did that idea for the ISRS  
15 legislation, House Bill 208, actually originate  
16 with Southern Union?

17 A Southern Union?

18 Q Yes.

19 A No.

20 Q MGE?

21 A I think MGE based upon conversations with water  
22 companies and some other utilities felt like that  
23 that was a good way to solve an issue that we had  
24 as it related to public improvement dollars we  
25 were spending, yes.

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1 Q What role has Southern Union played in MGE's  
2 lobbying activities in Missouri?

3 A None.

4 Q If you want to support legislation in Missouri,  
5 any legislation, do you have to get Mr. Karam's  
6 approval?

7 A No.

8 Q So did you ever discuss the ISRS legislation with  
9 Mr. Karam?

10 A Yes.

11 Q And did Mr. Karam support your efforts in regard  
12 to the ISRS legislation?

13 A Yes.

14 Q And in your conversations with Mr. Karam, was it  
15 just more advising him or were you actually  
16 seeking his approval of pursuing that legislation?

17 A Advising.

18 Q So the decision about MGE's role in the ISRS  
19 legislation was yours?

20 A Yes.

21 Q What is the Missouri Energy Development  
22 Association?

23 A The Missouri Energy Development Association, that  
24 is a group of seven utility presidents, or maybe  
25 even eight now, I'm not sure, that formed an

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1 organization to provide, in particular,  
2 regulatory -- the regulatory people, the staff and  
3 the commissioners are the one call place where  
4 they could acquire information as it relates to  
5 utilities in the state of Missouri, whether it be  
6 gas, natural gas, electricity, water, that type of  
7 thing.

8 Q And to your knowledge, besides MGE, you have said,  
9 I believe, the number of members is either seven  
10 or eight. Do you know who that is besides MGE,  
11 what members?

12 A Yeah. It is -- you want me to tell who they were?

13 Q If you can.

14 A MGE -- let's see, it's MGE, Laclede, KCP&L, ATMOS,  
15 AmerenUE. How many you got?

16 Q I've got five.

17 A I think the American Water Company now is part of  
18 that.

19 Q Would that actually be Missouri American Water?

20 A Yeah, Missouri American Water. How many you got  
21 now.

22 Q Six. I think you've named MGE, Laclede, ATMOS --  
23 it's A-T-M-O-S.

24 A KCP&L.

25 Q KCP&L, Ameren and MAWC?

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1 A Okay.

2 Q But the actual -- is there a governing board of  
3 MEDA?

4 A Yes.

5 Q And is it the actual presidents of these various  
6 company members?

7 A Yes.

8 Q Okay. What was MGE's role in forming MEDA?

9 A We were -- as we came together with those -- the  
10 presidents of the other organizations and talked  
11 about forming that organization, so as a role, we  
12 were at the meeting where they -- a decision was  
13 made to form the organization.

14 Q What is the current level of involvement that MGE  
15 has in MEDA?

16 A Actually, the current level that MGE has is rather  
17 minimal. They have a board meeting every quarter,  
18 some of which I attend, many of which I do not.  
19 And they have a subcommittee, and I'm not sure  
20 what the name of that subcommittee is called, that  
21 Paul Snider attends sometimes if he happens to be  
22 in Jeff City when they happen to have a meeting.

23 Q Are there any conference calls that you sit in on  
24 regarding MEDA?

25 A I don't -- I don't recall but maybe one conference

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1 call that I sat in and that was at the very  
2 beginning when the conversation was around forming  
3 the organization and kind of how it should be made  
4 up and who -- how we would hire an executive  
5 director. That is the only conference call I  
6 recall.

7 Q Has MEDA hired an executive director?

8 A Yes, they have.

9 Q Do you have any idea how much time in a month on  
10 an average that you spend on MEDA-related  
11 activities?

12 A None. On a monthly basis, I may spend -- if I  
13 happen to go to the board meeting and the board  
14 meetings are rotated around, why, I may go to a  
15 board meeting once a quarter and, basically,  
16 that's my -- it. And I don't attend all board  
17 meetings.

18 Q Do you know when MEDA was specifically formed?

19 A No, I couldn't give you the date, no.

20 Q Would 2001 sound approximately correct?

21 A No, that's not right.

22 Q Well, since whenever it was formed --

23 A It's only been in maybe, I don't know, the last  
24 year, I think, but I am not sure. I mean that is  
25 not a --

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1 Q Well, didn't MEDA support and lobby for the ISRS  
2 legislation in 2003?

3 A Yes, they did.

4 Q So it existed, at least, at that time --

5 A Yes.

6 Q -- as a full-going entity?

7 A Yes.

8 Q Did you spend any time contacting Missouri  
9 legislators personally in advocating for the ISRS  
10 legislation?

11 A No, I did not.

12 Q Do you know whether Mr. Hack did?

13 A No, I do not.

14 Q Okay. Do you fill out a time sheet that reflects  
15 what you spend your time on?

16 A No, I do not.

17 Q Okay. So would there be any records of any time  
18 you spent regarding lobbying or legislative  
19 activities?

20 A Yes.

21 Q And if you don't keep time sheets, what would the  
22 documentation of that time be?

23 A My daily calendar.

24 Q Okay. And you meticulously keep a daily calendar?

25 A No, I don't meticulously keep it, but my

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1 administrative assistant meticulously keeps it.

2 Q So if there was a -- if you meet with Mr. Hack,  
3 for instance, and you discuss legislation, would  
4 that be reflected in your daily calendar?

5 A It should be.

6 Q Would it reflect that you met with Mr. Hack or  
7 would it reflect more?

8 A It would probably just reflect that I met with  
9 Mr. Hack.

10 Q So what you and Mr. Hack might have discussed  
11 would simply be -- all your daily calendar would  
12 show is you met with Mr. Hack, but it wouldn't be  
13 any subject matter that you discussed?

14 A That's true.

15 Q Are you aware of any company procedures for  
16 accounting for the time associated with and the  
17 cost of lobbying-related activities, not only for  
18 yourself, but for any other employees?

19 A Say that again.

20 Q Okay. Is there any company procedures for  
21 accounting that deal with the time that you spend  
22 with legislative or lobbying activities?

23 A No, not that I am aware.

24 Q Do you know whether there's any such procedures  
25 for any other company employees?

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1 A Not that I am aware of.

2 Q Do you know whether any such accounting is  
3 required for income tax purposes?

4 A I would imagine there is some accounting for it,  
5 but...

6 Q All right.

7 MR. FRANSON: We need to take a break.  
8 I may be finished but I need to consult for just a  
9 moment.

10 (A short break is taken and the  
11 following further proceedings are had.)

12 Q (By Mr. Franson) Mr. Oglesby, besides yourself,  
13 maybe Mr. Hack and Mr. Paul Snider, is there  
14 anyone else at MGE that does any work in regard to  
15 lobbying or legislative activities?

16 A No.

17 MR. FRANSON: I don't believe I have any  
18 further questions.

19 CROSS-EXAMINATION

20 By MR. MICHEEL:

21 Q Mr. Oglesby, Mr. Franson had asked you some  
22 questions about customer service and you had  
23 indicated that Mr. Snider has -- you have directed  
24 Mr. Snider to form a task force to look into how  
25 MGE can work better with its customers.

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1 A Actually, I have asked him how to -- how our  
2 customers can do business with MGE easier, I  
3 believe.

4 Q And when was that task force formed?

5 A Oh, I don't know. I think he started about three  
6 months ago, something like that. I mean, I  
7 couldn't tell you exactly.

8 Q So it was in calendar year 2004?

9 A It was in calendar year 2004, I believe so, yes.

10 Q And what was the genesis of that task force being  
11 formed?

12 A My concern that we were too difficult to do  
13 business with.

14 Q How did you come to that concern that MGE was too  
15 difficult to do business with?

16 A Just in visiting with employees.

17 Q And what did those employees tell you with respect  
18 to the difficulty customers had doing business  
19 with MGE?

20 A The main -- the main issues were centered around  
21 the public business office and the issue as it  
22 surrounds making a contact at Missouri Gas Energy.  
23 An example would be a developer who wants to  
24 acquire gas service and he might have to call two  
25 or three different people in order to get the

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1           answer he needs. And I believe he should only  
2           have to make one call.

3       Q   Who specifically at the public business office did  
4           you discuss this matter -- these matters with?

5       A   I actually discussed them with Kim Lambert and Ron  
6           Crow, and nobody at the particular -- the  
7           particular business office.

8       Q   Ms. Lambert, what is her position with company?

9       A   She is the manager of account services and  
10          billing. And she also is a supervisor -- or the  
11          manager over the supervisors at the PBO's.

12      Q   And, Mr. Crow, what is his position with the  
13          company?

14      A   Ron Crow is the director of customer service.  
15          Actually, Ron Crow and Kim both are on the task  
16          force.

17      Q   And, what, Ms. Lambert and Mr. Crow came to you  
18          and expressed that parties were having issues in  
19          doing business with MGE?

20      A   No, they -- it was really in my being out -- I go  
21          out twice a year and have all-employee meetings  
22          and then I get out and visit with employees on a  
23          regular basis. I go downstairs with the phone  
24          center reps and talk to them on a regular basis.  
25          And just in general conversations with employees,

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1 my perception became that we had an issue that we  
2 needed to deal with.

3 Q Other than the example of developers, could you  
4 give me some more examples of where customers are  
5 having problems doing business with MGE?

6 A Yeah, I can give you one other example, probably,  
7 off the top of my head is the fact that sometimes  
8 a customer would call in to MGE and maybe want to  
9 talk with me and end up with someone in human  
10 resources or someone in another department based  
11 on the way they call in. And so they may end up  
12 having to go through two or three folks before  
13 they actually end up getting to me.

14 And I am thinking more of an issue where  
15 a customer might have a concern or complaint with  
16 our company and wants to visit with the president.  
17 And it seems to me that if they have that concern  
18 and they want to talk with me, they ought to -- it  
19 ought to be a little bit easier to reach my  
20 office. Doesn't necessarily mean that they should  
21 be talking with me, but they should be able to  
22 reach my office so that I know there is a concern.

23 Q What specific guidance did you give Mr. Snider in  
24 forming this task force?

25 A Basic guidance was just what I said. I said look

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1 at the different processes that we have, pick a  
2 couple of processes and look at the way that our  
3 customers do business with us and look if there --  
4 and look to see if there is an opportunity to  
5 change a process that might improve the customer's  
6 ability to do business with us easier.

7 Q Was there a written memorandum that set out the  
8 purposes of the task force?

9 A No, there was not.

10 Q Was there an e-mail?

11 A There was no e-mail, no.

12 Q Does Mr. Snider's task force provide you with  
13 written reports on the progress?

14 A Yes, they do.

15 Q And how many written reports have they provided?

16 A I think two. I think.

17 Q What's the name of the task force?

18 A Oh, I don't know that there is a -- I don't know  
19 that there is a name for it, actually.

20 Q What would you call it?

21 A Easy -- customer easy to do business with MGE, I  
22 guess.

23 Q I want to know because I am going to be sending  
24 you a DR to get some of that information and I  
25 don't want you to forget.

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1 A I just forgot.

2 Q Fortunately, we're having this transcribed and I  
3 will send the line to you in the deposition.

4 How many public -- who's on the task  
5 force other than Mr. Snider?

6 A Let's see, Paul Snider, Kim Lambert, Ron Crow,  
7 let's see, Kenny Thomas. And then I think they  
8 bring different folks in as they are looking for  
9 information. And whoever -- whoever they need to  
10 provide information.

11 Q What does Kenny Thomas do for MGE?

12 A Kenny Thomas is director of field operations.

13 Q And what is the purview, what does the director of  
14 field operations do?

15 A He manages everything that happens basically  
16 outside of this building as it relates to our  
17 servicemen, our construction crews.

18 Q He took your old job?

19 A Yeah, he did.

20 Q How many public business offices does MGE operate,  
21 sir?

22 A We have three.

23 Q Three. And where are those public business  
24 offices, sir?

25 A Joplin, Monett, St. Joe.

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1 Q And the company no longer has a public business  
2 office in the Kansas City metropolitan area?

3 A No, it does not.

4 Q And so it was in the public business offices in  
5 Joplin, Monett, and St. Joe that these issues came  
6 up?

7 A No. As I said earlier, it really wasn't issues  
8 outside of those public business offices, it was  
9 perceptions that I had in visiting with all  
10 employees, so there was no specific concerns,  
11 however, one of the first tasks that we looked at  
12 was public business offices.

13 Q You have indicated in your prefiled direct  
14 testimony and in response to some questions from  
15 Mr. Franson today that you filed the rate case to  
16 satisfy shareholders and customers and employees.  
17 And my question is, has MGE heard from customers  
18 regarding this rate case filing?

19 A To my knowledge, no.

20 Q Have you heard from any customers directly?

21 A No, I have not.

22 Q And you're unaware of whether or not Missouri Gas  
23 Energy's call center has received any calls from  
24 customers regarding the proposed rate increase?

25 A I'm not aware of any.

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1 Q And you are not aware of whether or not MGE has  
2 received any e-mails from customers regarding the  
3 proposed increase?

4 A I am not aware of any.

5 Q Do you think if your company had received calls  
6 and e-mails from customers regarding the proposed  
7 increase that you would be aware of that?

8 A I would imagine so, yes.

9 Q And do you think if you were receiving input, you  
10 being MGE, was receiving input from customers  
11 regarding the proposed rate increase that is a  
12 matter that you would like to know about?

13 A Um-hum, yes.

14 Q And have you instructed your staff to inform you  
15 if you are getting calls and e-mails from  
16 customers regarding the rate increase?

17 A Specifically, no, I have not instructed them,  
18 however, we have had conversations around if there  
19 are any issues, you know, I mean in a general  
20 meeting with staff. I have not given  
21 instructions, no.

22 Q And who did you have those conversations with,  
23 sir?

24 A The senior staff.

25 Q And who is on your senior staff?

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