

EXHIBIT

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

REBUTTAL TESTIMONY OF

KIMBERLY K. BOLIN

FILED²

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Missouri Public
Service Commission

Submitted on Behalf of
The Office of the Public Counsel

MISSOURI GAS ENERGY

Case No. GR-2004-0209

_____ Exhibit No. 205 MP
Case No(s). _____
Date _____ Rptr _____

**** Denotes Highly Confidential ****

May 24, 2004

NP

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

[illegible]

My commission expires January 31, 2006.

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REBUTTAL TESTIMONY

OF

KIMBERLY K. BOLIN

MISSOURI GAS ENERGY

CASE NO. GR-2004-0209

1 **Q. PLEASE STATE YOUR NAME AND ADDRESS.**

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

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

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

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

8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my rebuttal testimony is to response to Company's allegation that MGE should be
11 rewarded a .25% addition to rate of return for providing what MGE claims is good customer
12 service. I will also respond to Company direct testimony on the following issues: Incentive
13 Compensation, Manufactured Gas Plant Remediation/Environmental Response Fund and Lobbying
14 costs.

15 **CUSTOMER SERVICE**

16 **Q. HAS MISSOURI GAS ENERGY ALLEGED THAT IT IS PROVIDING "HIGH**
17 **QUALITY CUSTOMER SERVICE PERFORMANCE LEVELS"?**

1 A. Yes. MGE's President and Chief Operating Officer James Oglesby in his prefiled direct testimony
2 alleges "MGE has achieved and generally maintained high quality customer service performance
3 levels."

4 Q. UPON WHAT DID WITNESS OGLESBY BASE HIS ASSERTION THAT MGE WAS
5 PROVIDING "HIGH QUALITY CUSTOMER SERVICE PERFORMANCE LEVEL"?

6 A. In response to Public Counsel data request 5025 attached as Schedule KKB-1 witness Oglesby
7 claims his belief is based upon "meeting the merger commitments related to abandoned call rate and
8 average speed of answer, maintaining estimated meter reads at a very low level, and maintaining
9 Commission complaints/inquiries at generally moderate levels". Also, "his overall experience in
10 the business, his knowledge of MGE's overall operations". Finally, witness Oglesby points to
11 pages 2 and 3 of witness Ricketts prefiled direct testimony regarding the abandoned call rate (ACR)
12 and average speed on answer (ASA).

13 Q. WHAT MERGER COMMITMENTS REGARDING THE ABANDONED CALL RATE AND
14 AVERAGE SPEED OF ANSWER ARE WITNESS OLGESBY AND RICKETTS
15 DISCUSSING?

16 A. In response to Public Counsel data request 5028 attached as Schedule KKB-2 witness Ricketts
17 identifies the 8.5% abandon call rate and 75 second average speed of answer used to demonstrate
18 MGE's alleged "commitment to service quality" stemming from Commission Case No. GM-2000-
19 43 and notes these performance measures were subsequently re-adopted in Cases Nos. GM-2000-
20 500, GM-2000-503 and GM-2003-0238. A copy of the Stipulation and Agreement and Order
21 Approving the transaction is attached as Schedule KKB-3.

1 **Q. PLEASE DESCRIBE THE ABANDONED CALL RATE.**

2 A. The abandoned call rate (ACR) measures the number of customer calls that are abandoned by the
3 customer prior to being handled by a customer representative. The number is a percentage and is
4 the total number of incoming calls divided by the total number of abandoned calls.

5 **Q. PLEASE DESCRIBE THE AVERAGE SPEED OF ANSWER.**

6 A. The average speed of answer is the average amount of time in seconds between receiving customer
7 calls and having them answered by a customer service representative.

8 **Q. HAS MGE REQUESTED THAT THE COMMISSION INCREASE ITS RATE OF**
9 **RETURN BECAUSE MGE IS ACHIEVING "HIGH QUALITY CUSTOMER**
10 **PERFORMANCE LEVELS"?**

11 A. Yes. MGE witness Dunn in his prefiled direct testimony at page 62 requests the Commission make
12 a .25% increase to rate of return.

13 **Q. DOES THE OFFICE OF PUBLIC COUNSEL BELIEVE MGE IS PROVIDING A**
14 **LEVEL OF CUSTOMER SERVICE THAT JUSTIFIES A .25% ADDITION TO**
15 **RATE OF RETURN?**

16 A. No.

17 **Q. PLEASE PROVIDE A HISTORICAL REVIEW OF THE CUSTOMER SERVICE**
18 **PROBLEMS MISSOURI GAS ENERGY HAS CREATED SINCE ACQUIRING**
19 **WESTERN RESOURCES MISSOURI GAS DISTRIBUTION ASSETS.**

20 A. Only ten months after MGE purchased Western Resources Missouri gas distribution assets, the
21 Commission issued an order to establish a docket (Case No. GO-95-177) based on a joint motion
22 filed by the Office of Public Counsel, the Missouri Public Service Commission staff and MGE to

1 investigate the billing practices and customer service practices of the Company in light of problems
2 experienced by MGE in complying with the provision of Chapter 3 of the Commission's rules.
3 Staff filed a report in this case detailing 37 audit recommendations. As a result of this case, the
4 Company provides Public Counsel and Staff with monthly status reports of the activities of its
5 customer service and call center department until that case was closed in early 2004.

6 **Q. WHAT HAPPENED IN 1996?**

7 A. In July 1996, the Staff filed a seven count complaint the MGE unlawfully billed certain residential
8 customers and engaged in billing practices that were inconsistent with Commission rules and
9 MGE's tariff.

10 Less than a year later, the Office of Public Counsel filed a complaint with the Commission against
11 MGE alleging MGE unlawfully billing certain customers from November 1996 through February
12 1997. The alleged unlawful bills were the result of the use of unauthorized purchase gas adjustment
13 cost of gas (PGA) rates by MGE. This case was docketed as GC-97-497. The result of this
14 complaint and Staff's complaint was a Commission approved Stipulation and Agreement filed in
15 each case in which the Company committed to correct bills and issue credit and donate money to
16 heating assistance programs in the Company's service territory.

17 **Q. WAS CUSTOMER SERVICE AN ISSUE IN ALL THREE OF THE PREVIOUS**
18 **MGE RATE CASES?**

19 A. Yes. Besides the cases I have previously mentioned, customer service has been an issue in all of
20 MGE's rate cases. In the first case, Case No. GR-96-285, the Company made commitments to the
21 Commission to improve its customer service in MGE's late-filed Exhibit number 120 and in

1 testimony filed by a Company witness. In Case No. GR-98-140, the commitments made by the
2 Company were still not satisfied and the Commission stated in its Report and Order on page 63,

3 "The Commission urges the Company to redouble its efforts and fulfill
4 prior commitments made in Case No. GR-96-285 in order to ensure timely
5 and successful completion of customer service improvements. The
6 Commission wishes to reinforce the parties' understanding that prior
7 commitments ordered in Case No. GR-96-285 remain in effect and will
8 continue to be in effect until such time as an order relieving MGE of said
9 commitments is issued."

10 Testimony was filed in Case No. GR-2001-292, showing that the Company had still not achieve the
11 commitments made in Case No. GR-96-285 and reaffirmed in Case No. GR-98-140.

12 **Q. DO YOU BELIEVE THAT THE 8.5% ABANDONED CALL RATE AND 75**
13 **SECOND SPEED OF ANSWER SET OUT IN CASE NO. GM-2000-43 AND**
14 **RELIED ON BY WITNESSES RICKETTS AND OGLESBY IS THE**
15 **APPROPRIATE STANDARD TO CONCLUDE THAT MGE IS PROVIDING "HIGH**
16 **QUALITY CUSTOMER SERVICE"?**

17 **A.** No, I do not.

18 **Q. WHY NOT?**

19 **A.** First, Case No. GM-2000-43 was a merger proceeding in which Southern Union Company d/b/a
20 Missouri Gas Energy sought to merge with Pennsylvania Enterprises, Inc., the parent company of a
21 local distribution company in Pennsylvania. Second, the Missouri call center performance
22 standards that were agreed to were to ensure that the merger would not have a detrimental impact
23 on Missouri customers. These standards were the minimal standards acceptable to Public Counsel
24 to settle those cases.

1 Q. DO THE GOALS FOR ABANDONED CALL RATE AND AVERAGE SPEED OF
2 ANSWER CONTAINED IN CASE NO. GM-2000-43 REPRESENT EVEN AN
3 AVERAGE INDUSTRY PERFORMANCE?

4 A. No. These measures represent below average industry performance.

5 Q. UPON WHAT DO YOU BASE THE CLAIM THAT A 8.5% ABANDONED CALL
6 RATE AND 75 SECONDS SPEED OF ANSWER REPRESENT BELOW AVERAGE
7 INDUSTRY PERFORMANCE?

8 A. I base that statement on a study conducted by Theodore Barry and Associates commissioned by
9 MGE in 1997. According to the study (a copy of which is attached as Schedule KKB-4) the
10 industry average abandoned call rate is 7.5% and the industry average for speed of answer is 60
11 seconds (See page 7 of Schedule KKB-4).

12 Q. DO YOU BELIEVE THAT MGE SHOULD RECEIVE A .25% INCREASE IN ITS
13 RATE OF RETURN FOR PROVIDING CUSTOMER SERVICE WITH RESPECT TO
14 THE ABANDONED CALL RATE AND AVERAGE SPEED OF ANSWER THAT IS
15 WORSE THAN THE INDUSTRY AVERAGE?

16 A. Absolutely not. While those levels of performance for abandoned call rate and average speed of
17 answer are improvements over MGE's past unacceptably high levels of abandoned calls and high
18 average speed of answer rate the level of these customer service indicators do not represent the
19 alleged "high quality customer service performance levels" witness Oglesby claims. In fact, these
20 "standards" are not consistent with customer service commitments MGE made to this Commission
21 or consistent with MGE's own customer service plans.

1 **Q. WHAT ABANDONED CALL RATE IS MGE CURRENTLY ACHIEVING?**

2 A. As of March 31, 2004, the year to date abandoned call rate was 26.39%.

3 (Source: Missouri Gas Energy's GM-2000-43, et.al. customer service report for January 1, 2004
4 through March 31, 2004.)

5 **Q. WHAT AVERAGE SPEED OF ANSWER RATE IS MGE CURRENTLY ACHIEVING?**

6 A. As of March 31, 2004, MGE's year-to-date average speed of answer was 378 seconds (six minutes
7 and 18 seconds).

8 (Source: Missouri Gas Energy's GM-2000-43, et.al. customer service report for January 1, 2004
9 through March 31, 2004)

10 **Q. WHAT DO YOU MEAN WHEN YOU SAY THE STANDARDS USED BY WITNESSES**
11 **OGLESBY AND RICKETTS ARE NOT CONSISTENT WITH CUSTOMER SERVICE**
12 **COMMITMENTS MGE MADE TO THIS COMMISSION OR CONSISTENT WITH**
13 **MGE'S OWN CUSTOMER SERVICE PLANS?**

14 A. Customer service or lack thereof has been an issue with MGE since it purchased the assets of
15 Western Resources in 1994. In MGE's first rate case, Case No. GR-96-285, MGE made specific
16 commitments to the Commission to improve customer service. MGE developed a Customer
17 Service Action Plan that set certain customer service goals MGE would meet.

18 **Q. WHO ON BEHALF OF MGE MADE THOSE CUSTOMER SERVICE COMMITMENTS?**

19 A. Those commitments were made by MGE President and Chief Operating Officer, Thomas Clowe.
20 Mr. Clowe stated in his surrebuttal testimony in GR-96-285 on page 2:

I have previously told the Commission informally that MGE is fully aware that the performance of the customer service center earlier in the year was less than it should have been. I have previously communicated to the Commission informally that MGE is committed to taking whatever corrective action is needed to insure that our customer service is what it should be. The action plan addressed by Mr. Gillmore will be carried out. The performance standards contained in that action plan will be met.

Significant progress has already been made toward the achievement of the goals set forth in the action plan, and I can assure the Commission that I personally will accept nothing less than full achievement of those goals.

Q. WHAT WERE THE PERFORMANCE STANDARDS CONTAINED IN THE CUSTOMER SERVICE ACTION PLAN FOR THE ABANDONED CALL RATE AND THE AVERAGE SPEED OF ANSWER?

A. The Customer Service Action Plan which was Exhibit 112 in Case No. GR-96-285 set performance goals of 45 seconds for the average speed of answer and 5 % for the abandoned call rate. The Customer Service Action Plan is attached as Schedule KKB-5.

Q. DID THE PLAN ADDRESS OTHER CUSTOMER SERVICE AREAS SUCH AS SCHEDULING SERVICE, COLLECTION EFFORTS, REMITTANCE PROCESSING AND THE BILLING SYSTEM AND THEIR EFFECT ON THE CALL CENTER PERFORMANCE?

A. Yes. The plan stated:

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

1 good job we are doing! They are simple (sic) reacting to our business
2 practices.

3 **Q. DID THE COMPANY ALSO COMMIT TO IMPLEMENTING CHANGES TO**
4 **IMPROVE CUSTOMER SERVICE IN MGE'S LATE FILED EXHIBIT NUMBER**
5 **120?**

6 A. Yes, after the hearings in Case No. GR-96-285, MGE filed the late-filed exhibit number 120
7 describing the changes that the Company would implement to improve customer service (See
8 Schedule KKB-6).

9 **Q. DID THE COMPANY ACHIEVE THESE PERFORMANCE STANDARDS AND**
10 **COMMITMENTS MADE IN THE COMPANY'S LATE FILED EXHIBIT NUMBER**
11 **120?**

12 A. No. Attached to my rebuttal testimony as Schedule KKB-7 is a consolidated report prepared by the
13 Consumer Service Staff which was a schedule to Staff witness Janet Hoerschgen's direct testimony
14 in Case No. GR-98-140. This report details which changes were completed and which were not
15 completed as of that date.

16 **Q. IN HIS REBUTTAL TESTIMONY IN CASE NO. GR-98-140, DID MR.**
17 **CLOWE COMMIT TO ACHIEVING THE SAME GOALS CONTAINED IN THE**
18 **COSTUMER SERVICE ACTION PLAN AGAIN?**

19 A. Yes. On page 4 of his rebuttal testimony (See attached Schedule KKB-8) Mr. Clowe states on page
20 4:

21 Q. Does MGE still intend to achieve the call center performance
22 goals set out in the "customer service action plan"?

23 A. Yes.

Also, on page 5 of his rebuttal testimony Mr. Clowe stated:

Although I am pleased with the progress that has been made to date, performance of MGE's call center must be further improved. The goal at MGE is to be among the top call center performers nationally, which is why we have set a long term goal of achieving an ACR of 5%. We are well on our way toward achieving that goal.

Q. DID MGE ADMIT IT FAILED TO ACHIEVE THOSE GOALS?

A. Yes, on page 118 of MGE's initial brief in Case No. GR-98-140 the Company states:

MGE candidly admits, however, that it did not achieve all of the goals set in Case No. GR-96-285. Among them was the goal to achieve an abandoned call rate ("ACR:") of 5% and an average speed of answer ("ASA") of 45 seconds.

Q. IN CASE NO. GR-98-140 DID MGE INDICATE IT HAD CHANGED ITS GOALS FOR ABANDONED CALL RATE AND AVERAGE SPEED OF ANSWER?

A. No. However, Mr. Buckstaff from the firm Theodore Barry & Associates who MGE hired to conduct a review of MGE's billing process and customer service suggested the following on page 6 of his rebuttal testimony in Case No. GR-98-140:

Q. Did TB&A assist MGE in assessing both short and long term center performance goals?

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

Q. WHEN WAS THE STIPULATION AND AGREEMENT FOR CASE NO. GR-2000-43 SIGNED IN WHICH THE COMPANY AGREED TO THE 8.5% ABANDONED CALL RATE AND THE 75 SECONDS AVERAGE SPEED OF ANSWER?

1 A. The Stipulation and Agreement was signed on October 6, 1999. The standards set out in the merger
2 stipulation were base measurements representative of MGE's average performance from July 1997
3 to June 1999.

4 Q. DID THE COMPANY STATE ANYWHERE IN CASE NO. GR-2001-292 THAT
5 THE GOALS SET IN CASE NO. GR-96-285 AND REAFFIRMED IN CASE
6 NO. GR-98-140 FOR THE ABANDONED CALL RATE AND AVERAGE SPEED
7 OF ANSWER HAD BEEN CHANGED?

8 A. No.

9 Q. IN THE THIRD RATE CASE, CASE NO. GR-2001-292 DID THE
10 COMPANY'S PRESIDENT AND CHIEF OPERATING OFFICER STEVEN
11 CATTRON STATE IT WAS HIS INTENTION THAT MGE WOULD LIVE UP TO
12 EACH AND EVERY COMMITMENT MADE IN THE PRIOR RATE CASES?

13 A. Yes, on page 8 of his direct testimony (attached as schedule KKB-9) that was filed November 7,
14 2000 he states the following:

15 Q. In its order in Case No. GR-98-140, the Commission found that
16 MGE had not yet fully complied with commitments made in its prior rate
17 case (No. GR-96-285) and reminded the parties that such commitments
18 remain in effect until such time as an order relieving MGE of such
19 commitments is issued. Are you aware of this statement?

20 A. Yes. I take very seriously all commitments made by MGE to the
21 Commission. It is my intention that MGE live up to each and every such
22 commitment. As more specifically reported in the direct testimony of
23 MGE witness Karen M. Czaplewski, it is my belief that, except for not yet
24 reaching the ASA ("average speed of answer") goal of 45 seconds, MGE
25 has fulfilled all of the commitments it has made to the Commission.

1 Q. HAS THERE BEEN AN ORDER OF THIS COMMISSION RELIEVING MGE OF
2 SUCH COMMITMENTS?

3 A. No, not to my knowledge.

4 Q. WAS COMPANY WITNESS OGLESBY AWARE OF THESE COMMITMENTS?

5 A. Apparently not. At his deposition taken April 23, 2004 witness Oglesby testified as follows:

6 By Mr. Micheel

7 Q. Would you agree with me that one of your predecessors as (sic)
8 the job of president and chief operating officer was Mr. Steve Cattron?

9 A. Yes.

10 Q. And would you agree with me that prior to Mr. Cattron being the
11 president and chief operating officer, that was held by a gentleman by the
12 name of Mr. Clowe?

13 A. Yes.

14 Q. And you worked with both Mr. Clowe and Mr. Cattron, did you
15 not?

16 A. I worked for both of them, yes.

17 Q. You worked for both of them, yes.

18 A. Um-hum.

19 Q. - - or is there some top-down difference between working for and
20 with?

21 A. I work for Mr. Cattron and I worked for Tom Clowe in different
22 positions.

23 Q. Are you aware whether or not Mr. Clowe had certain goals with
24 respect to the abandoned call rate?

25 A. I am not aware of them.

1 Q. Are you aware of whether Mr. Clowe had certain different
2 standards with respect to the average speed of answer?

3 A. No, I am not.

4 Q. Did you do anything to endeavor to find out whether or not your
5 predecessors had items in place with respect to the abandoned call rate and
6 the average speed of answer?

7 A. The abandoned call rate – the goals for the abandoned call and
8 average speed of answer was in place, as I indicated. And no, I did not go
9 back to research to see if there was any other standard that had been I
10 place in the past.

11 Q. And you didn't think it was important to do that?

12 A. No, I did not.

13 Q. And why didn't you think it was important to do that?

14 A. As I indicated earlier, I felt like in visiting with the staff on the
15 floor in the phone center, they felt these were very, very, very good goals
16 as industry standards go and that it was going to be difficult to meet them
17

18 (Oglesby deposition, pps. 116-117)

19 **Q. SHOULD WITNESS OGLESBY HAVE BEEN AWARE OF THE PREVIOUS**
20 **COMMITMENTS MADE BY MGE?**

21 A. Yes he should have been. In March of 1997 he participated in a strategic planning session where in
22 MGE reaffirmed its goal to achieve or excess a 5 % abandoned call rate and a 45 second average
23 speed of answer. This strategic planning document is attached as Highly Confidential KKB-10. In
24 fact, Ron Crowe, the Director of Customer Service also attended this meeting and should have been
25 well aware of these commitments. Moreover, witness Oglesby should have reviewed at least
26 witness Cattron's testimony from Case No. GR-2001-292 to see if he had made any commitments.

1 Q. DO YOU BELIEVE WITNESS OGLESBY DID REVIEW WITNESS CATTRON'S
2 TESTIMONY IN CASE NO. GR-2001-292?

3 A. Yes. Witness Cattron's testimony in Case No. GR-2001-292 and witness Oglesby's testimony in
4 this case are word for word in numerous questions and answers.

5 Q. MR. RICKETTS STATES ON PAGE 4 OF HIS DIRECT TESTIMONY,
6 "PERFORMANCE STANDARDS WERE IMPLEMENTED IN THE CONTACT CENTER
7 IN 2002." WHAT ARE THESE PERFORMANCE STANDARDS?

8 A. Attached as Schedule KKB-11 is a copy of the response to Staff data request number 146. The
9 response contains departmental goals for call center analysts, customer service supervisors and
10 trainers and quality assurance analysts.

11 Q. WHAT ARE THE SPEED OF ANSWER AND ABANDON CALL RATE GOALS SET
12 OUT IN MGE'S DEPARTMENTAL GOALS?

13 A. 75 seconds for average speed of answer and 8.5 percent for the abandon call rate, which are the
14 maximum allowable levels to be obtained to comply with the merger stipulations. These goals are
15 lesser goals than the goals the Company committed to the Missouri Public Service Commission to
16 achieve in the last three rate cases.

17 Q. DOES PUBLIC COUNSEL CONSIDER THESE GOALS TO BE ABOVE AVERAGE
18 GOALS FOR A COMPANY TO ACHIEVE?

19 A. No. As I previously discussed, these goals are not even average goals for the industry. According
20 to a study commissioned by MGE in 1997 by Theodore Barry and Associates, the industry average
21 is 60 seconds for average speed of answer and an abandoned call rate of 7.5%.

1 Q. HAS MISSOURI GAS ENERGY OBTAINED OR CONDUCTED ANOTHER STUDY
2 ON CALL CENTER OBJECTIVES SINCE THE 1997 STUDY THAT WOULD
3 STATE THE GOALS IN THE CALL CENTER ARE ABOVE OR BELOW
4 INDUSTRY AVERAGE?

5 A. No.

6 Q. ON PAGE 3 OF HIS TESTIMONY WITNESS RICKETTS CLAIMS THAT THE
7 DECLINE IN THE NUMBER OF ESTIMATED METER READS DEMONSTRATES
8 MGE'S COMMITMENT TO HIGH QUALITY SERVICE. DO YOU AGREE WITH
9 HIS CONCLUSION?

10 A. No. The decreased number of estimated meter reads is due to the installation of the automated
11 meter reading (AMR) system the Company installed in 1997-1998. The estimated meter reads
12 occurring now are not employee errors but machine failures.

13 Q. WHEN WAS THE AMR SYSTEM INCLUDED IN THE COMPANY'S COST OF
14 SERVICE?

15 A. The AMR system and all AMR associated expenses were included in the Company cost of service
16 in MGE's rate case, Case No. GR-98-140. The rates that were produced from this rate case and
17 include the costs of the AMR system became effective on September 2, 1998.

18 Q. ALSO ON PAGE 3 OF THE SAME TESTIMONY MR. RICKETTS STATES, "IN
19 ADDITION, THE NUMBER OF COMPLAINT/INQUIRY CONTACTS MADE BY
20 MGE CUSTOMERS WITH THE COMMISSION'S CONSUMER SERVICES
21 DEPARTMENT HAS ALSO BEEN TRENDING FAVORABLY OVER THE PAST
22 SEVERAL YEAR. . . " DO YOU AGREE WITH THIS STATEMENT?

1 A. No. In fact the chart that shows the number of complaints/inquires in Mr. Ricketts testimony only
2 contains data for the first six months of calendar year 2003. In a report recently filed in Case No.
3 GO-95-177 by the Staff, titled Implementation Review of Missouri Gas Energy Billing and
4 Customer Service Review, the Commission's consumer services department received 469 for the
5 calendar year 2003. This produced a rate of .9 complaints per 1,000 customer for the calendar year
6 2003. Attached as schedule KKB-12 is a chart showing MGE's complaints per customers ratio for
7 the past five years. The Company is achieving close to the same rate of complaints per customer
8 now as it was in 1999.

9 Q. WHAT MATERIALS RELATING TO MISSOURI GAS ENERGY DID COMPANY
10 WITNESS JOHN QUAIN REVIEW IN PREPARING HIS DIRECT TESTIMONY?

11 A. On page 4 of his direct testimony, Mr. Quain states he reviewed the direct testimony of James
12 Oglesby and Michael Noack.

13 Q. DO YOU BELIEVE THE INFORMATION IN MR. OGLESBY AND MR. NOACK'S
14 DIREST TESTIMONY IS SUFFICIENT TO DRAW A CONCLUSION THAT
15 THERE IS A SIGNIFICANT PROBLEM IN THE REGULATORY PROCESS AS
16 APPLIED TO MGE?

17 A. No.

18 Q. HAS THE OFFICE OF PUBLIC COUNSEL RECEIVED ANY E-MAILS OR
19 LETTERS FROM CUSTOMERS IN OPPOSITION TO THIS RATE INCREASE?

20 A. Yes, attached to my testimony as Schedule KKB-13 are copies of e-mails and letters our office has
21 received. Public Counsel did not receive any letters supporting this increase or stating that the
22 service Missouri Gas Energy provides is excellent.

1 Q. AT THE LOCAL PUBLIC HEARINGS DID ANY CUSTOMERS REGARDING POOR
2 CUSTOMER SERVICE?

3 A. Yes, several customers relayed their poor customer service experiences to the Commission at the
4 local public hearings.

5 Q. HAS THE COMPANY ALSO RECEIVED E-MAILS FROM CUSTOMERS
6 CONCERNING THIS RATE INCREASE?

7 A. Yes, attached to my testimony as Schedule KKB-14 are copies of e-mails that the Company has
8 received.

9 Q. ON PAGE 16 OF COMPANY WITNESS OGLESBY'S TESTIMONY HE STATES,
10 "AS SHOWN IN THE DIRECT TESTIMONY OF MGE WITNESS CARLTON A.
11 RICKETTS, MGE PROVIDES HIGH QUALITY CUSTOMER SERVICE...." DOES
12 PUBLIC COUNSEL AGREE WITH THIS STATEMENT?

13 A. No. Mr. Ricketts testimony provides several customer service measure results, such as the average
14 speed of answer, average abandoned call rate, number of estimated reads, and number of
15 complaints/inquiries received by the Commission as evidence of the quality of customer service
16 MGE is currently providing. These standards do not prove that MGE is even providing average
17 customer service.

18 Q. DOES PUBLIC COUNSEL AGREE THAT MISSOURI GAS ENERGY SHOULD BE
19 REWARDED FOR GOOD QUALITY SERVICE AT A COST EFFECTIVE
20 FASHION?

21 A. No. Good quality service at a cost effective fashion would be expected of any regulated utility.
22 Utility shareholders do not deserve a higher return on their investments because a utility is

1 providing a level of customer service that is expected of all regulated utilities within the state of
2 Missouri.

3 **Q. SHOULD MGE BE REWARDED FOR IMPROVING ITS CUSTOMER SERVICE?**

4 A. No. MGE should not be rewarded for improving terrible customer service to a level that is not even
5 an average level of customer service. As I stated before good quality customer service should be
6 expected of any utility company, just because MGE is now closer to providing the type of service
7 the Company should have provided all along is no reason to reward the Company with an addition
8 of .25 % to its rate of return.

9 **INCENTIVE COMPENSATION**

10 **Q. PLEASE DESCRIBE MGE'S INCENTIVE COMPENSATION PROGRAM.**

11 A. Missouri Gas Energy's incentive compensation program is based upon the Company achieving
12 three sets of goals. The first goal is the return on rate base/financial goal for both the Southern
13 Union Company and for its division, MGE. The second goal is achieving a ** __ * seconds
14 average speed of answer and the third goal is a safety goal. The standard for the safety goal is to
15 response to leaks under ** _____ ** (See Highly Confidential Schedule KKB-15)

16 **Q. DID THE PUBLIC COUNSEL INCLUDE THE SAFETY BONUS IN ITS COST**
17 **OF SERVICE?**

18 A. Yes.

19 **Q. SHOULD THE CUSTOMER SERVICE BONUS BE INCLUDED IN THE COST OF**
20 **SERVICE?**

1 A No. As I stated in earlier in this testimony and in my direct testimony, the goal of average speed of
2 answer is too low of a goal to achieve to reward the Company or its employees for obtaining.

3 **Q. WHAT IS THE RETURN ON RATE BASE/FINANCIAL GOAL?**

4 A. This goal has two parts. The first goal, which is the given the most weight in figuring the incentive
5 compensation to be paid is based upon Southern Union achieving the following goal:

6 ** _____
7 _____
8 _____
9 _____
10 _____
11 _____ *

12 The second part of the return on rate base/financial goal is based upon the following goal for MGE:

13 ** _____
14 _____
15 _____
16 _____

17 **Q. DID THE COMMISSION RULE IN CASE NO. GR-96-285 THAT MGE'S**
18 **INCENTIVE COMPENSATION PROGRAM SHOULD NOT HAVE BEEN INCLUDED**
19 **IN THE COST OF SERVICE BECAUSE THE PROGRAM WAS CREATED TO**
20 **REWARD EMPLOYEES FOR MAXIMIZING SHAREHOLDER WEALTH?**

21 A. Yes. In the Report and Order the Commission stated:

22 The Commission finds that the costs of MGE's incentive compensation
23 program should not be included in MGE's revenue requirement because the
24 incentive compensation program is driven at least primarily, if not solely,
25 by the goal of shareholder wealth maximization, and it is not significantly
26 driven by the interests of ratepayers.

1 Q. IS THE MGE'S CURRENT INCENTIVE COMPENSATION PLAN ALSO DRIVEN
2 BY THE GOAL OF MAXIMIZING SHAREHOLDER WEALTH

3 A. Yes, it is. The majority of the incentive available is based upon the Company achieving its return
4 on rate base/financial goal. The achievement of this goal solely benefits the Company's
5 shareholder.

6 MANUFACTURED GAS PLANT REMEDIATION/ENVIRONMENTAL RESPONSE FUND

7 Q. WHICH COMPANY WITNESS ARE YOU REBUTTING WITH THIS TESTIMONY?

8 A. Mr. Michael Noack.

9 Q. WHAT IS MR. NOACK'S RECOMMENDATION?

10 A. On pages 22, line 19-21 of his direct testimony, Mr. Noack requests that the Commission authorize
11 an annual funding of \$750,000 to cover manufactured gas plant remediation costs. His proposal is
12 that Company be authorized to setup what it terms as an "Environmental Response Fund" to be
13 funded initially with a ratepayer provided \$750,000 per year.

14 Q. DOES MR. NOACK ALSO ALLEGE THAT COMPANY ACTUALLY INCURRED
15 REMEDIATION COSTS DURING THE TEST YEAR?

16 A. Yes. On page 23, line 5, of his direct testimony, Mr. Noack alleges that MGE expended \$6,320,000
17 during the test year for remediation efforts.

18 Q. WHAT IS THE PUBLIC COUNSEL'S POSITION ON THE COMPANY'S
19 PROPOSAL?

20 A. The Public Counsel recommends that the Commission deny Company authorization to recover from
21 ratepayers any of the remediation costs associated with the former manufactured gas plant sites. It
22 is our belief that the customers of MGE should not be forced to reimburse Southern Union

1 Company (SUC or Southern Union) for the costs for various reasons, not the least of which, is the
2 fact that SUC knew of the environmental problems when it purchased MGE from Western
3 Resources, Inc. (WRI). Furthermore, because SUC knew that the costs would likely be incurred, it
4 and the former MGE owner, WRI, contractually agreed to share liability for the payment of any
5 costs associated the MGP remediation. Company's current request to have ratepayers fund some
6 type of reserve surreptitiously titled as an environmental response fund makes no sense given that
7 SUC and WRI (and other potentially responsible parties (PRPs)) have already agreed to pay for any
8 costs expended to remediate the MGP sites.

9 **Q. DID SOUTHERN UNION COMPANY WILLINGLY ASSUME RESPONSIBILITY**
10 **FOR THE POTENTIAL LIABILITY ASSOCIATED WITH THE MGP**
11 **REMEDICATION?**

12 **A.** Yes it did. On page one of the Environmental Liability Agreement, attached as Schedule KKB-16,
13 it states:

14 Article 1. ASSUMPTION OF LIABILITY. Except as hereinafter
15 provided, Buyer hereby (a) assumes and agrees to be responsible for all
16 Environmental Claims now pending or that may hereafter arise with
17 respect to the Assets and the Business and (b) agrees to pay perform and
18 discharge, as and when due and payable, all Environmental Costs with
19 respect to such Environmental Claims. Buyer hereby agrees, except as
20 herein provided, to indemnify and hold Seller harmless from and against
21 all Environmental Claims and Environmental Costs which Buyer has
22 assumed or agreed to be responsible for pursuant to this Article 1.

23 **Q. WHAT EXACTLY WAS THE LIABILITY THAT SUC ASSUMED?**

24 **A.** Covered matters are defined on page 2 of the Environmental Liability Agreement as:

25 Article 2. DEFINITION OF COVERED MATTERS. (a) Definition. As
26 used herein, the term "Covered Matters" shall mean and refer to all
27 Environmental Claims and Environmental Costs related to the Assets or

1 the Business which (i) arise out of or are based upon Environmental Laws,
2 and (ii) are not included in Assumed Liabilities.

3 Newly Discovered Matters. Covered Matters that are discovered by Buyer
4 prior to the date which is two (2) years following the date of this
5 Agreement shall be subject to the cost sharing provision contained herein.
6 All Covered Matters discovered by Buyer more than two (2) years
7 following the date of this Agreement shall be the sole responsibility of
8 Buyer.

9 **Q. WHAT IS WESTERN RESOURCES FINANCIAL RESPONSIBILITY?**

10 A. Article 2 (c) of the Environmental Liability Agreement states:

11 (v). Buyer/Seller Shared Liability Amount. Upon exhaustion of relief
12 contemplated under subparagraphs (c) (i) through (iv), Buyer and Seller
13 shall share equally in payment of costs incurred by Buyer in connection
14 with Covered Matters in excess of the amounts received by Buyer under
15 subparagraph (c) (i) through (iii) (or paid by Buyer under subparagraphs
16 (c) (iv)) to a maximum aggregate amount of Fifteen Million Dollars
17 (\$15,000,000.00), without regard to the number of claims concerning
18 Covered Matters required to reach said amount. Notwithstanding anything
19 to the contrary herein, Seller's total liability for Covered Matters shall be
20 limited to the amount of Seven Million Five Hundred Thousand Dollars
21 (\$7,500,000.00), and Buyer shall indemnify and hold Seller harmless with
22 respect to all claims, costs, demands and liabilities with respect to all other
23 Covered Matters.

24 Furthermore, in Article 2(d) the Agreement states:

25 (d) Limitation on Seller's Liability. Seller's liability under subparagraph
26 (c) above shall terminate upon that date (the "Termination Date") which is
27 fifteen (15) years after the Closing Date. From and after the Termination
28 Date, Seller shall have no further obligations or responsibilities with
29 respect to all other Covered Matters.

1 Q. ARE THE MGP REMEDIATION COSTS POTENTIALLY RECOVERABLE FROM
2 THE COMPANY'S INSURERS?

3 A. Yes, possibly through MGE's share of historical coverage with Western Resources relating to sites
4 formerly owned and/or operated by The Gas Service Company. The Company is investigating this
5 coverage. (See Schedule KKB-17)

6 Q. ARE MANUFACTURED GAS PLANT REMEDIATION COSTS POTENTIALLY
7 RECOVERABLE FROM OTHER POTENTIALLY RESPONSIBLE PARTIES?

8 A. Yes, they are. As former owners of the Missouri utility operations, Western Resources, Inc. is
9 potentially liable for the payment of costs associated with the remediation of the MGP sites. It is
10 likely that WRI's potential liability will exceed that agreed to by WRI and SUC in their Asset
11 Purchase Agreement.

12 Q. IS IT REASONABLE TO ASSUME THAT MGE COULD POSSIBLY ENTER INTO
13 FUTURE COST SHARING AGREEMENTS WITH THE FORMER OWNERS OR
14 OTHER POTENTIALLY RESPONSIBLE PARTY'S?

15 A. Yes.

16 Q. YOU REFERENCED SUC AS THE PARTY LIABLE FOR THE MGP
17 REMEDIATION. DID MGE ACTUALLY EXPEND ANY FUNDS DURING THE
18 TEST YEAR FOR REMEDIATION ACTIVITIES?

19 A. No. Contrary to Mr. Noack's testimony (referenced above), MGE did not actually incur any costs
20 associated with MGP remediation activities during the test year. It's my understanding that all costs
21 associated with the remediation activities were paid for by Southern Union Company and recorded
22 on Southern Union's books. MGE has it own books and no costs were recorded on MGE's books.

1 **Q. NO COSTS ASSOCIATED WITH THE MGP REMEDIATION ACTIVITIES ARE**
2 **BEING BOOKED IN MGE'S FINANCIAL RECORDS - IS THAT CORRECT?**

3 A. Yes, all the costs are being booked at the corporate level. Mr. Noack's statement, on page 23, line 5,
4 of his direct testimony, that MGE expended \$6,320,000 during the test year for MGP remediation
5 efforts is inaccurate. SUC is the liable party and SUC is the entity booking the costs.

6 **Q. PLEASE DISCUSS SOME OF THE OTHER REASONS THAT SUPPORT THE**
7 **PUBLIC COUNSEL'S RECOMMENDATION THAT SUC'S MGP REMEDIATION**
8 **COSTS NOT BE RECOVERED FROM RATEPAYERS.**

9 A. One very important reason is that no coal gas is manufactured at the plant sites where the
10 manufactured gas plants were formerly operated. That and the fact that the Company does own
11 many of the sites where the alleged activities are occurring indicates that the sites are not, and will
12 not, be used and useful in the provision of gas services to current or future MGE customers.

13 **Q. PLEASE EXPLAIN THE CONCEPT OF "USED AND USEFUL."**

14 A. The "used and useful" test is commonly used by regulatory commissions to determine if an item
15 should be included as a utility's cost of service component. Under this concept, only the costs
16 associated with plant or property that currently provides utility service to the public is authorized
17 cost of service treatment. As I stated in my direct testimony on page 10, lines 15 and 16, MGE has
18 a current ownership interest in only six MGP sites, but it has identified fourteen other MGP sites it
19 does not own in which it may or may not be a PRP. While it is undisputed that no manufactured
20 gas is being produced at any of the twenty sites identified, it is extremely relevant that the fourteen
21 MGP sites not owned by the utility will never produce or provide any services to the customers of
22 MGE. To include any costs associated with the remediation of these sites would be unreasonable.

1 Theses sites play no part in the current operations of MGE. They are nothing more than a legal
2 obligation of the Southern Union Company. Therefore, SUC and its shareholder, not MGE
3 ratepayers, are solely responsible for any remediation costs they incur.

4 **Q. ARE THERE OTHER REASONS THAT, FOR THE SIX MGP SITES ACTUALLY**
5 **OWNED BY MGE, RATEPAYERS SHOULD NOT BE HELD RESPONSIBLE FOR**
6 **REIMBURSEMENT OF THE REMEDIATION COSTS?**

7 A. Yes. Essentially, the activities involved in the MGP remediation process are intended to bring the
8 property in question back up to a normal standard of usability or, at least, a non-threatening status
9 level. What I mean by that statement is that a MGP site that has been cleaned-up is capable of
10 being sold and/or utilized for other purposes. As such, if Company desires it could likely sell its
11 interest in the properties possibly without recourse. If that occurs, any gain associated with a
12 property's sale would naturally flow to the shareholders. In such a situation, shareholders would
13 directly benefit from a sale that was only made possible because ratepayers funded the activities
14 that brought the site back up to par so it could be sold. Ratepayers would be harmed in two ways,
15 1) they reimbursed the utility for the remediation costs but received no services from it, and 2) they
16 do not share in the gain when the site is sold.

17 **Q. ARE GAINS AND LOSSES ON THE SALE OF UTILITY PROPERTY IN THE**
18 **STATE OF MISSOURI EVER SHARED WITH RATEPAYERS?**

19 A. No. Based on past Commission practice, utilities in Missouri expect that any gain on a sale of an
20 asset (i.e., any sale of an asset in excess of its net book value) will occur to the shareholders and not
21 to the ratepayers. To my knowledge no Missouri utilities have come forward proposing to share
22 gains from the sale of assets with ratepayers. It is inconsistent to expect ratepayers to pay for losses

1 on sale of property or assets while shareholders reap the benefits of any gains when a company
2 disposes of utility property.

3 **Q. WERE RATEPAYERS AT FAULT FOR THE MGP CONTAMINATION?**

4 A. No. Ratepayers had no input as to the manner in which MGP sites were operated or dismantled nor
5 were they at fault for the contamination of the MGP sites.

6 **Q. WHY IS IT SIGNIFICANT TO ESTABLISH THAT THE RATEPAYERS ARE**
7 **NOT AT FAULT FOR THE MGP CONTAMINATION?**

8 A. It is significant to establish the ratepayers lack of fault in order to highlight the impropriety of
9 MGE's proposal. The proposal is a classic example of a public utility trying to take advantage of
10 the captive position of its customers. Essentially, it's the Company's desire to shift the risk and
11 financial burden of the MGP sites remediation from its shareholders to its customers. Customers
12 did not cause the contamination. In fact, it is unlikely that current customers played any part in the
13 management and operation of the plant that is now being remediated. Any contamination that
14 occurred was done under the auspices of managers of the Company. To absolve them of this
15 responsibility, for whatever reason, is not appropriate. The Company's shareholders have been
16 reimbursed for the risk of events such as these through Commission approved rate of return.
17 Accordingly, the Company's shareholders should be held responsible for the resulting liabilities and
18 costs.

19 **Q. DOES THE PUBLIC COUNSEL BELIEVE THAT SUC HAS ALREADY BEEN**
20 **REIMBURSED BY RATEPAYERS FOR THE MGP REMEDIATION COSTS?**

21 A. Yes. It is the Public Counsel's belief that SUC has already been reimbursed for the costs. Our
22 position is that the utility's shareholders are compensated for this particular business risk through

1 the risk premium applied to the equity portion of the utility's weighted average rate of return. Since
2 businesses are dynamic, the risk of unknown business changes is a factor included in a utility's rate
3 of return authorized by the Commission, and utility's in this State receive a monetary recovery for
4 that risk each and every year of their existence. MGE, and its predecessors, received that monetary
5 recovery for the MGP sites at the time of their operation going forward every year to the present.
6 The utility should not now be allowed an additional return to compensate it for those very same
7 costs.

8 **Q. DOES THE PUBLIC COUNSEL BELIEVE THE COMPANY'S ENVIRONMENTAL**
9 **RESPONSE FUND PROPOSAL TO BE FAIR AND REASONABLE?**

10 A. No. Public Counsel finds the Company's proposal to be quite the opposite as I will explain in the
11 following testimony.

12 **Q. IN YOUR DIRECT TESTIMONY YOU ADDRESSED THE COMPANY PROPOSED**
13 **ENVIRONMENTAL RESPONSE FUND AND THE COMPANY FILED A MOTION TO**
14 **STRIKE YOUR TESTIMONY BECAUSE IT WAS "IN THE GUISE OF DIRECT**
15 **TESTIMONY." BY MENTIONING THE COMPANY'S PROPOSAL IN YOUR**
16 **DIRECT TESTIMONY WERE YOU TRYING TO EXPLAIN PUBLIC COUNSEL'S**
17 **POSITION ON MANUFACTURED GAS PLANT REMEDIATION COSTS?**

18 A. Yes, I was. The Company in its direct proposed including money in the cost of service for future
19 manufactured gas plant remediation costs through a fund they titled Environmental Response Fund.
20 In order to avoid confusion of the issues in this case, while putting forth Public Counsel's position
21 of including no manufactured gas plant (MGP) remediation costs in the cost of service, I referenced
22 the Company's proposal for the fund.

1 **Q. WHY ELSE DOES THE PUBLIC COUNSEL FIND THE COMPANY'S "FUND"**
2 **PROPOSAL TO BE INAPPROPRIATE?**

3 A. The major issue we have with the Company's environmental response fund proposal (excluding
4 those issues I discussed in the preceding testimony) is the fact that, under the terms proposed by
5 Company, it is their intention that SUC shareholders should profit from any insurance proceeds
6 received related to the remediation activities and/or contributions obtained from Westar Energy (the
7 successor of Western Resources, Inc.) and/or contributions obtained from any other potentially
8 responsible parties. Company's position is that its shareholders should receive, net of the costs
9 associated with obtaining such proceeds, 50% of all such reimbursements and/or contributions, and
10 the remaining 50% will be utilized to benefit ratepayers by reducing the remediation costs recorded
11 in the proposed fund mechanism. In essence, Company wants ratepayers to reimburse it for all
12 remediation costs it incurs, and also provide SUC's shareholders with a 50% bonus for all net
13 proceeds received from other parties. Ironically, it is ratepayers alone who provide the Company
14 reimbursement, via rates, with all the "costs" (i.e., salaries, outside services, etc.) it would incur to
15 obtain the proceeds from insurance companies, WRI and/or other PRPs. Public Counsel finds this
16 aspect of the Company's proposal to be quite unfair and unreasonable.

17 **Q. PLEASE CONTINUE.**

18 A. Given that it was the Company's past management (i.e., the shareholders representatives) that
19 allowed the MGP contamination to occur in the first place, Public Counsel finds it completely
20 unacceptable that current and future customers of the Company should be held responsible for
21 funding the utility's entire MGP remediation activities going forward, and also must provide

1 incentives to the current crop of management to seek reimbursements from other entities which, in
2 part, would be provided to shareholders as a bonus. We find such a situation at best illogical.

3 **Q. DOES PUBLIC COUNSEL BELIEVE THAT SUC SHAREHOLDERS SHOULD**
4 **RECEIVE ANY OF THE MGP-RELATED INSURANCE, WRI OR OTHER PRP**
5 **REIMBURSEMENTS OR PROCEEDS?**

6 **A.** Yes, they should receive all that is obtained. Since it is the Public Counsel's recommendation that
7 no MGP remediation costs be reimbursed to Company by MGE's ratepayers, it is also our position
8 that Company should be allowed to keep for its shareholders any and all reimbursements or
9 proceeds received from entities such as insurance companies, etc.

10 **LOBBYING/LEGISLATIVE COSTS**

11 **Q. WHAT IS THE ISSUE?**

12 **A.** Public Counsel believes the salary of MGE employee Paul Snider and his reimbursed expenses
13 incurred should be removed from the cost of service in this case.

14 **Q. WHAT IS MR. SNIDER'S OFFICIAL EMPLOYEE TITLE?**

15 **A.** Mr. Snider's position at MGE is Legislative Liaison.

16 **Q. WHICH DEPARTMENT IS MR. SNIDER ASSIGNED TO?**

17 **A.** He is an employee in the Company's Customer and Governmental Relations Department.

18 **Q. IN CASE NO. GR-98-140 DID THE COMMISSION DIRECT THE COMPANY**
19 **TO KEEP TIME RECORDS TO SHOW THE TIME EMPLOYEES SPEND**
20 **PERFORMING TASKS THAT ARE PROPER AND NOT PROPER TO INCLUDE IN**
21 **THE COST OF SERVICE?**

1 A. Yes. On page 30 of the Report and Order for Case No. GR-98-140 the Commission states:

2 MGE should keep time records that would at least show the time expense
3 spent by staff members on regulated or recoverable activities. This would
4 give the Commission competent documentary evidence indicating the
5 respective amount of time spent on the various activities assigned to the
6 Public Affairs and Community Relations Department. Lacking such
7 competent evidence, the Commission must disallow any expense that is
8 not supported by competent and substantial evidence.

9 **Q. DOES MR. SNIDER COMPLETE TIME SHEETS?**

10 A. Yes, he does.

11 **Q. DO YOU BELIEVE THESE TIME SHEETS ARE COMPLETE DOCUMENTATION**
12 **WHICH WOULD ALLOW VERIFICATION OF WHICH TASKS SHOULD BE**
13 **INCLUDED OR NOT INCLUDED IN THE COST OF SERVICE?**

14 A. No, I do not. The time sheet entry category descriptions are too vague to determine if the activity
15 the employee performed is an activity that is one that is necessary for the utility to provide safe and
16 adequate service. (See Schedule KKB-18)

17 **Q. PLEASE GIVE AN EXAMPLE.**

18 A. The Definition of work description of Communication-Public Policy is:

19 This includes communication activities related to public policy
20 development. PAC related activities are included here. Specific projects
21 to which significant time is devoted may be listed separately on the time
22 sheets.

23 Many tasks that an employee might perform for MGE could be recorded under this description.,
24 thus it is difficult to ascertain whether the employee's time was spent performing tasks that are
25 necessary to provide safe and adequate service.

1 **Q. PLEASE STATE AGAIN HOW YOU ARRIVED AT REMOVING ALL OF MR.**
2 **SNIDER'S SALARY FROM THE COST OF SERVICE?**

3 A. I reviewed his time sheets, appointment calendar and expense reports. Mr. Snider's appointment
4 calendar and expense reports indicate that he spends most if not all of his time contacting legislator
5 and political groups, interacting with the Company's outside lobbyists and attending political
6 fundraisers. Mr. Snider's appointment calendar and expense reports are attached to my direct
7 testimony as Schedules KKB-6 and KKB-7.

8 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

9 A. Yes.

MISSOURI GAS ENERGY
A division of Southern Union Company

FILE COPY

Office of Public Counsel - Missouri
DATA INFORMATION REQUEST RESPONSE

Case Number: GR-2004-0209

Data Request No 5025

Requested From: Michael Noack

Date Requested: 1/21/2004

Information Requested:

At page 5 of his direct testimony witness Oglesby states "MGE has achieved and generally maintained high quality customer service performance levels." Please answer the following:

A. Upon what standard does witness Oglesby base his claim?

B. Please provide any and all information witness Oglesby relied upon in making this statement.

Requested By: Douglas Micheel

Information Provided:

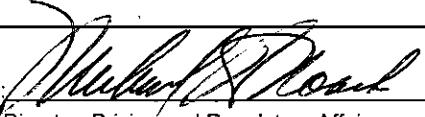
Mr. Oglesby has responded to your request as follows:

A. In light of MGE's cost-effectiveness (as shown on pages 7-8 of his direct testimony) and the pressure associated with MGE's continuing inability to actually achieve its authorized rate of return (as shown on Schedule G-4 of Mr. Noack's direct testimony), Mr. Oglesby believes that by meeting the merger commitments related to abandoned call rate and average speed of answer, maintaining estimated meter reads at a very low level, and maintaining Commission complaints/inquiries at generally moderate levels (all as shown on pages 2-3 of the direct testimony of Mr. Ricketts), demonstrate that MGE meets the standard of high quality customer service.

B. Mr. Oglesby's belief that MGE has achieved and generally maintained high quality customer service performance levels is based on his overall experience in the business, his knowledge of MGE's overall operations as well as on the information referred to in sub-part A.

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

Date Response Received: _____

Signed By: 
Director, Pricing and Regulatory Affairs

Date: 2/4/04

FEB 06 2004

Schedule KKB-1

MISSOURI GAS ENERGY
A division of Southern Union Company

FILE COPY

Office of Public Counsel - Missouri
DATA INFORMATION REQUEST RESPONSE

Case Number: GR-2004-0209

Data Request No 5028

Requested From: Michael Noack

Date Requested: 1/21/2004

Information Requested:

At page 2, lines 20-22 witness Ricketts states "MGE has consistently been able to maintain relatively stable ACR and ASA levels that are better than the merger commitments for these measures, 8.5% and 75 seconds respectively." To which merger commitments is witness Ricketts referring.

Requested By: Douglas Micheel

Information Provided:

Customer service performance measures were initially adopted by the Commission in Case No. GM-2000-43 and subsequently re-adopted in Case Nos. GM-2000-500, GM-2000-502, GM-2000-503 and GM-2003-0238.

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

Date Response Received: _____

Signed By: 
Director, Pricing and Regulatory Affairs

Date: 2/4/04

FEB 06 2004

Schedule KKB-2

FILE COPY

STATE OF MISSOURI PUBLIC SERVICE COMMISSION

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 21st
day of October, 1999.

In the Matter of the Application of)
Southern Union Company for Authority)
to Acquire and Merge with Pennsylvania)
Enterprises, Inc., and, in Connection) Case No. GM-2000-43
Therewith, Certain Other Related)
Transactions)

ORDER APPROVING STIPULATION AND AGREEMENT

On July 21, 1999, Southern Union Company (Southern Union) filed an Application asking that the Commission grant it the authority to acquire and merge with Pennsylvania Enterprises, Inc. Southern Union requested that the Commission approve its application no later than November 1. In order to comply with Southern Union's request for expedited consideration, the Commission issued an order on August 2 that directed the Staff of the Public Service Commission (Staff) to file its recommendation regarding Southern Union's application no later than October 1. That order also provided that the Office of the Public Counsel (Public Counsel) might also file its recommendation on that date.

On October 1, Southern Union filed a Motion to Extend Time for Filing of Recommendations. That motion indicated that Southern Union, Staff and Public Counsel were engaged in discussions that it hoped would lead to a stipulated resolution of the application, thus eliminating the need for a Staff Recommendation. Southern Union asked that the deadline

for the Staff Recommendation be extended to October 8, in the event that a stipulated resolution was not filed by October 6. On October 6, Southern Union, Staff and Public Counsel filed a Unanimous Stipulation and Agreement (Agreement).

The Agreement purports to resolve all outstanding issues in this case. The parties indicate that the Agreement imposes certain modifications and conditions on the merger and that subject to those modifications and conditions, the merger is not detrimental to the public interest. The parties requested that the Commission approve the merger by October 15, or as soon thereafter as possible.

At the request of the Commission, Staff filed a Memorandum explaining its rationale for entering into the Stipulation and Agreement on October 15. Southern Union filed a response to Staff's explanatory memorandum on October 18. Public Counsel represented that it does not intend to file a response to Staff's memorandum.

In the Stipulation and Agreement, contingent upon the Commission accepting the Stipulation and Agreement, the parties waived their rights to present testimony, to cross-examine witnesses, to present oral argument or briefs, to have the transcript read by the Commission and to judicial review. The Commission has the legal authority to accept a stipulation and agreement as offered by the parties as a resolution of issues raised in this case, pursuant to Section 536.060, RSMo Supp. 1998.

The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence. State ex rel. Rex Deffenderfer

Enterprises, Inc. v. Public Service Commission, 776 S.W.2d 494, 496 (Mo. App. 1989). Since no one has requested a hearing in this case, the Commission may grant the relief requested based on the Stipulation and Agreement.

IT IS THEREFORE ORDERED:

1. That the Stipulation and Agreement filed on October 6, 1999 by Southern Union Company, the Staff of the Public Service Commission and the Office of the Public Counsel, is hereby approved as a resolution of all issues in these cases (See Attachment 1).

2. That Southern Union Company is authorized to acquire and merge with Pennsylvania Enterprises, Inc., subject to the terms and conditions contained within the Stipulation and Agreement approved in this order.

3. That this order shall become effective on November 1, 1999.

BY THE COMMISSION



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

(S E A L)

Lumpe, Ch., Crumpton, Murray,
and Drainer, CC., concur
Schemenauer, C., absent

Woodruff, Regulatory Law Judge

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED
OCT 6 1999
Missouri Public
Service Commission

In the Matter of the Application of)
Southern Union Company for Authority to)
Acquire and Merge with Pennsylvania)
Enterprises Inc., and, in Connection)
therewith, Certain Other Related)
Transactions.)

Case No. GM-2000-43

UNANIMOUS STIPULATION AND AGREEMENT

COME NOW the Staff of the Missouri Public Service Commission ("Staff"), Southern Union Company ("Southern Union" or "Company") and the Office of the Public Counsel ("OPC") and, as a result of discussions among the parties to Case No. GM-2000-43, hereby submit to the Missouri Public Service Commission ("Commission") for its consideration and approval the following Stipulation and Agreement, in connection with the Application of Southern Union Company for authority to acquire and merge with Pennsylvania Enterprises Inc., and other related transactions.

1. APPROVAL OF THE MERGER

The parties to this Stipulation and Agreement respectfully request that the Commission issue an Order approving the merger by October 15, 1999, or as soon as possible thereafter on the basis that, subject to the conditions and modifications set forth herein, the merger is not detrimental to the public interest and that this Stipulation and Agreement resolves all outstanding issues in this docket.¹

2. CUSTOMER SERVICE

In order to assist in making determinations regarding the level of service being provided

¹ Southern Union has requested expeditious Commission approval, to which the Staff and OPC do not object, in order to permit the transaction to close by late October or, at the latest, early November, 1999. Southern Union has been informed by its financial advisors that this timing will allow the greatest financing flexibility, including rates, terms and conditions. If October 15, 1999, is not reasonably achievable, Southern Union respectfully requests that the Commission approve this Stipulation and Agreement as soon thereafter as possible.

to the customer, Southern Union, Staff and OPC have established a series of performance measures to measure some components of customer service for Southern Union's Missouri Gas Energy ("MGE") customers. The measures are similar in nature to the measurements agreed to in Case No. EM-97-515, Western Resources, Inc. and Kansas City Power & Light Company. This is being done to ensure that this merger will have no adverse effect on the level of customer service to post-merger MGE customers. This Agreement also contains reporting requirements to enable the Staff and OPC to monitor various other components of customer service following the closing of the merger.

Southern Union will ensure that the merger will have no adverse effect on MGE's efforts to provide high quality service to its customers. Southern Union, through its MGE operating division, agrees to the customer service performance measures as summarized below:

a.) Customer Service Performance Measures

- Average Abandoned Call Rate (ACR) is not to exceed 7.5% on an annual basis plus a 100 basis point variance (a maximum allowable level of 8.5%) for the calendar year beginning January 1, 2000.
- Average Speed of Answer (ASA) is not to exceed 65 seconds plus a 25 percent variance of 16 seconds annually (a maximum allowable level of 81 seconds) for the calendar year of January 1, 2000 through December 31, 2000. Thereafter, the measurement will be 65 seconds plus a 15 percent variance of 10 seconds annually (a maximum allowable level of 75 seconds).²

² MGE has plans to implement an automated work order system and other automation improvements in its customer service operations during the year 2000. In recognition of this plan, an additional twenty five percent was added to the ASA measurement to allow for possible variances attributable to this implementation during the first twelve month period.

The base measurements of 7.5% and 65 seconds represent MGE's average actual performance during the July 1997 through June 1999 twenty-four month period.

Future changes made to the annual average abandoned call rate and/or annual average speed of answer measurements established, if any, will have to be based on valid studies/analysis to determine whether such changes will result in providing efficient and economic performance.

b.) Company Response to Customer Service Measures

The Company shall provide the Staff and OPC quarterly reports (within 45 days of quarter-end) on the Customer Service Measures. Statistics for the measures shall be tracked and displayed monthly, reported to Staff and OPC on a calendar year quarterly basis and assessed for compliance annually. Within ninety (90) days after the end of the calendar year, the Company shall submit a draft report to the Staff and OPC which shall include actual performance measures for the year, explanation of any deviation above the measures, actions to be undertaken to eliminate the deviations above the measures and estimates of the cost of such actions. The Staff and OPC shall provide a response to the Company's draft report within thirty (30) days. The Company shall file a final report with the Commission 150 days after the end of the calendar year.

If the Customer Service Measures exceed the 24-month averages for the measures identified, MGE will initiate the following responses:

- Should the actual Service Measures exceed, for any calendar year, the 24-month averages identified, MGE shall provide the Staff and OPC a written explanation of why MGE believes these figures have increased.
- Should the actual Service Measures for any calendar year period exceed the maximum allowable levels, the Company shall also provide an estimate of the cost, if any, to improve

the applicable measure to the 24-month average Service Measure level. The Company shall expense or invest the appropriate amount in the next year to improve the Measure to the 24-month average Service Measure level. These expenditures may be in whatever form necessary. The Company will credit to customers a like amount (annual revenue requirement) during the subsequent year for the year in which the indicator was exceeded. The credit may be booked to a deferred liability account, if the Company, Staff, and OPC agree, until a sufficient amount is accumulated to warrant a credit to customers. The impact of emergencies, catastrophes, natural disasters, extreme adverse weather, extreme natural gas prices, sabotage, work stoppage or other unforeseen events beyond the Company's control shall be taken into account, in which case no credit or expenditure may be required.

c.) Customer Complaints/Inquiries to Staff

For purposes of this section, customer complaints/inquiries include contacts the Staff receives from MGE's customers, but are not necessarily the result of MGE's violation of its tariffs or Commission rules.

FISCAL YEAR	TOTAL COMPLAINTS / INQUIRIES	NO. OF CUSTOMERS (CALENDAR YR)	NO. OF CUSTOMER CONTACTS PER 1,000 CUSTOMERS
1998	1,095	480,077	2.28
1999	678	482,000	1.40
24 Month Average			1.84

Significant increases in the annual average number of complaints/inquiries of 1.84 per one thousand (1,000) customers will be explained by the Company and/or may prompt an investigation by the Staff and/or OPC. The impact of events beyond the Company's control will be taken into account in the Company's explanation and in any investigation by the Staff and/or

OPC. The Staff shall provide Company and OPC quarterly reports (within 45 days of quarter-end) showing monthly information regarding the number and category of customer complaints/inquiries received by the Commission's Consumer Services Department.

d.) Customer Service Operating Procedures

Southern Union agrees that the present practices of MGE in the following areas will be continued, or improved upon to ensure that customers do not experience a decline in service levels:

- Company will adhere to Commission rules and MGE's approved tariffs.
- Company will, consistent with Commission rules, attempt to collect at customer premise prior to service discontinuance. If payment is not made to collector, payment can be made at the Company's available public business offices, pay stations or through auto-pay.
- Company will restore service five (5) days a week, subject to exceptions for holidays, consistent with Commission rules, and will at all times make a reasonable effort to restore service on the day requested once the reason for the discontinuance is remedied and the request for service is made. In no event shall service be restored later than the next business day following the date requested by the customer.
- Company will use bill test procedures to ensure bill accuracy.
- Company will take appropriate steps to maintain the operation of its automated meter reading system.
- Company will notify Staff and OPC of substantive changes in customer service procedures in call center operations and staffing, customer billing, meter reading, customer remittance, credit and collections, and connection and disconnection.
- Company will identify (1) personnel responsible for handling Commission complaints and ensure they have proper authority, (2) after hours contact personnel, and (3) management

employee(s) accountable for ensuring MGE employees are trained in and maintain a working knowledge of Missouri customer service rules and regulations. Company will notify Staff and OPC of any changes in these personnel within three (3) business days of the changes.

- Company will continue the following programs: LIHEAP participation, the "Neighbors Helping Neighbors" Program, the "Flexible Due Date Plan", and the availability of "Customer Advisors".
- Company will identify the process and level of authority for discontinuance of service to a registered customer.
- Company will provide the Staff and OPC quarterly reports (within 45 days of quarter-end) containing customer service organization charts, customer service staffing, number of estimated bills (including consecutive estimates), list of customer pay station locations, and actual Missouri jurisdictional bad debt write-off by customer class, including the dollar amount written off, number of accounts written off and revenue by customer class.

The customer service measures are subject to renegotiations by the parties in the event of natural gas restructuring.

3. MERGER PREMIUM

The amount of any asserted merger premium (i.e., the amount of the total purchase price above net book value, including transaction costs), paid by Southern Union for PNT or incurred as a result of the acquisition shall be treated below the line for ratemaking purposes in Missouri and not recovered in rates. Southern Union shall not seek either direct or indirect rate recovery or recognition of the merger premium, including transaction costs, through any purported merger savings adjustment (or similar adjustment) in any future ratemaking proceeding in Missouri.

Southern Union reserves the right to seek Missouri rate recovery of internal payroll costs necessary to obtain Missouri regulatory approval of this transaction, to the extent that it can be

shown that merger savings achieved and allocated to MGE as a result of this transaction are equal to or in excess of such costs. Other parties to this proceeding reserve the right to oppose rate recovery of such costs, regardless of any asserted merger savings.

In addition, Southern Union shall not seek to recover in Missouri the amount of any asserted merger premium in this transaction as being a "stranded cost" regardless of the terms of any legislation permitting the recovery of stranded costs from Missouri ratepayers.

4. MGE'S CONSTRUCTION BUDGET

Southern Union agrees that the proposed acquisition will have no effect on its budget to complete MGE's service line and main replacement program and will continue to comply with the replacement schedules approved by the Commission in Case No. GO-99-302, and Case No. GO-91-277.

5. JOINT AND COMMON COSTS ALLOCATED TO MGE

Total joint and common costs allocated to Missouri will not increase as a result of the proposed transaction. Southern Union agrees to make available to the Staff and OPC, at reasonable times and places, all books and records and employees and officers of Southern Union and any affiliate, division or subsidiary of Southern Union as provided under applicable law and Commission rules. Southern Union agrees that, in any MGE-initiated rate proceeding, it has the burden of proving the reasonableness of any allocated or assigned cost to Missouri Gas Energy from any Southern Union affiliate, division or subsidiary, including all corporate overhead allocations.

6. STATE JURISDICTIONAL ISSUES

a. Southern Union will retain all documentation relative to the analysis of the PNT acquisition. This documentation will include a list of: a) all Southern Union personnel, consultants, legal, financial and accounting advisors involved in the acquisition; b) the time (in

hours) spent by those individuals on work related to the proposed acquisition; c) other expenses, costs or expenditures incurred or recognized by Southern Union that are related to the proposed acquisition; d) business entity (corporate, subsidiary, division) where the costs were booked, including account number, account description and amount; e) description of the nature of the costs incurred.

b. Southern Union will maintain its books and records so that all acquisition and merger costs (including this transaction and future Southern Union merger and acquisition transactions) are segregated and recorded separately.

c. During MGE's next general rate proceeding, Southern Union agrees to work with the Staff and OPC to identify all acquisition-related costs recorded in Southern Union's books and records in the appropriate test year. This condition does not restrict Southern Union's right to seek rate recovery of merger and acquisition costs related to future transactions. Other parties to this proceeding reserve the right to oppose recovery of merger and acquisition costs related to future transactions.

d. Southern Union agrees to create and maintain records listing the names of Southern Union employees (excluding current PNT employees), number of hours worked, type of work performed and travel and other expenses incurred for all work related to PNT after the closing of the transaction through the end of the test year, updated test year or true-up test year in MGE's next rate case.

e. Southern Union will submit to the Commission's accounting department and OPC verified journal entries reflecting the recording of the proposed acquisition in Southern Union's books and records within forty-five (45) days of closing.

7. FINANCIAL ISSUES/COST OF CAPITAL

Southern Union will not seek an increase in Cost of Capital for MGE as a result of this transaction. Any increases in the Cost of Capital Southern Union seeks for MGE will be supported by documented proof: that the increases are a result of factors not associated with this transaction; that the increases are not a result of changes in business, market, economic, or other conditions for MGE caused by this transaction; or that the increases are not a result of changes in the risk profile of MGE caused by this transaction. Southern Union will ensure that the rates for MGE ratepayers will not increase as a result of this transaction.

8. ACA ISSUES

Southern Union agrees that any Stipulation and Agreement to which Southern Union is a signatory, with regard to any MGE Actual Cost Adjustment case approved by the Commission which occurs prior to the merger closing of Southern Union and Pennsylvania Enterprises, will be adhered to by Southern Union Company.

9. ALLOCATIONS AGREEMENTS

Southern Union agrees that within six (6) months of the close of the merger, it shall meet with the Staff and OPC to discuss the impact of the PNT acquisition on the Company's structure and organization, including Southern Union's progress toward incorporating PNT's operations into its Administrative and General ("A&G") expense allocation methodology. In its A&G expense allocation methodology, the Company should specifically identify how its total company corporate overheads are to be allocated between the Company's regulated and nonregulated functions of its regulated divisions, as well as its nonregulated subsidiaries. The Company agrees that the types and the availability of raw data necessary to perform allocations of corporate overhead costs shall be discussed at the meeting to occur within six (6) months of the close of the acquisition. This raw data to be discussed should include, but not be limited to,

regulated and nonregulated information concerning customer numbers and billing information, revenue data, asset information (gross and net plant, etc.), management work time allocations, employee numbers and other payroll data, and the Missouri jurisdictional rate of return on investment ("ROR") and return on equity ("ROE"). The allocation procedures to be discussed may include, but need not be limited to, the use of cost allocation manuals, time sheets, time studies, and/or other means of tracking and allocating costs. The allocation procedures agreed upon should provide a means to identify and substantiate the portions of each individual corporate employee's time and associated payroll costs to be allocated to Southern Union's regulated divisions.

10. THE STAFF'S RIGHTS

The Staff shall have the right to file suggestions or prepared testimony in support of this Stipulation and Agreement, and the other parties shall have the right to file responsive suggestions or prepared testimony.

If requested by the Commission, the Staff shall have the right to submit to the Commission a memorandum explaining its rationale for entering into this Stipulation and Agreement. Each party of record shall be served with a copy of any memorandum and shall be entitled to submit to the Commission within five (5) days of receipt of the Staff's memorandum, a responsive memorandum which shall also be served on all parties. All memoranda submitted by the parties shall be considered privileged in the same manner as are settlement discussions under the Commission's rules, shall be maintained on a confidential basis by all parties, and shall not become a part of the record of this proceeding, or bind or prejudice the party submitting such memorandum in any future proceeding, or in this proceeding, whether or not the Commission approves this Stipulation and Agreement. The contents of any memorandum provided by any party are its own and are not acquiesced in or otherwise adopted by the other signatories of this

Stipulation and Agreement, whether or not the Commission approves and adopts this Stipulation and Agreement.

The Staff also shall have the right to provide, at any agenda meeting at which this Stipulation and Agreement is noticed to be considered by the Commission, whatever oral explanation the Commission requests, provided that the Staff shall, to the extent reasonably practicable, provide the other parties with advance notice of when the Staff shall respond to the Commission's request for such explanation once such explanation is requested from the Staff. The Staff's oral explanation shall be subject to public disclosure, except to the extent it refers to matters that are privileged or protected from disclosure pursuant to any Protective Order issued in this case.

11. NO ACQUIESCENCE

Except as expressly provided otherwise in paragraphs 2, 3, 5, 6(c) and 7 herein, none of the signatories to this Stipulation and Agreement shall be deemed to have approved or acquiesced in any question of Commission authority, accounting authority order principle, cost of capital methodology, capital structure, ratemaking principle, valuation methodology, cost of service methodology or determination, depreciation principle or method, rate design methodology, cost allocation, cost recovery, or prudence, that may underlie this Stipulation and Agreement, or for which provision is made in this Stipulation and Agreement.

12. NEGOTIATED SETTLEMENT

This Stipulation and Agreement represents a negotiated settlement. Except as specified herein, the signatories to this Stipulation and agreement shall not be prejudiced, bound by, or in any way affected by the terms of this Stipulation and Agreement: (a) in any future proceeding; (b) in any proceeding currently pending under a separate docket; and/or (c) in this proceeding should the Commission decide not to approve this Stipulation and Agreement in the instant

proceeding; or in any way condition its approval of the same, except as stated herein; or should the proposed merger not be consummated.

13. PROVISIONS ARE INTERDEPENDENT

The provisions of this Stipulation and Agreement have resulted from negotiations among the signatories and are interdependent. In the event that the Commission does not approve and adopt the terms of this Stipulation and Agreement in total, it shall be void and no party hereto shall be bound, prejudiced, or in any way affected by any of the agreements or provisions hereof.

14. WAIVER OF RIGHTS TO CROSS EXAMINATION. ETC.

In the event the Commission accepts the specific terms of this Stipulation and Agreement, the signatories waive their respective rights to cross-examine witnesses; their respective rights to present oral argument and written briefs pursuant to Section 536.080.1, RSMo 1994³; their respective rights to the reading of the transcript by the Commission pursuant to Section 536.080.2; and their respective rights to judicial review pursuant to Section 386.510. This waiver applies only to a Commission Report and Order respecting this Stipulation and Agreement issued in this proceeding, and does not apply to any matters raised in any subsequent Commission proceeding, or any matters not explicitly addressed by this Stipulation and Agreement.

15. ADHERENCE TO MISSOURI RULES

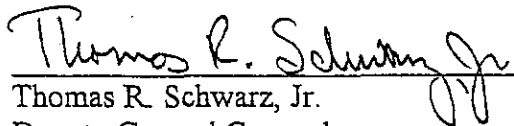
Southern Union agrees to continue to comply with all applicable and lawful Missouri Commission orders, rules, reporting requirements and other practices, and filed and approved tariffs.

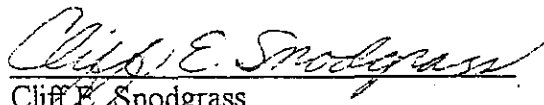
³ All statutory references are to Revised Statutes of Missouri 1994, unless otherwise noted.

WHEREFORE, the signatories and parties listed below respectfully request that the Commission issue an Order approving this Stipulation and Agreement and allowing Southern Union Company to acquire and merge with Pennsylvania Enterprises Inc., subject to the terms and conditions contained within this Stipulation and Agreement.

Respectfully submitted,


DANA K. JOYCE
General Counsel


Thomas R. Schwarz, Jr.
Deputy General Counsel
Missouri Bar No. 29645


Cliff E. Snodgrass
Senior Counsel
Illinois Bar No. 3123645


Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102
(573) 751-3966
(573) 751-9285 (Fax)

Attorneys for the Staff of the
Missouri Public Service Commission


Paul A. Boudreau
Missouri Bar No. 33155

Brydon, Swearngen & England, P.C.
P.O. Box 456
Jefferson City, MO 65102
(573) 635-7166
(573) 635-0427 (Fax)

Attorney for Southern Union Company

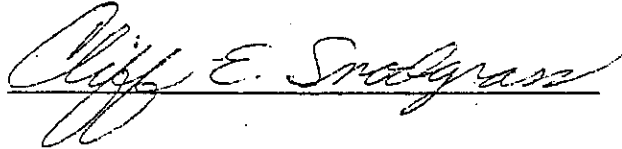

Douglas E. Micheel
Senior Public Counsel
Missouri Bar No. 38371

Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102
(573) 751-5560
(573) 751-5562 (Fax)

Attorney for the Office of the Public
Counsel

Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel of record as shown on the service list below on this 6th day of October, 1999.



Service List for

Case No. GM-2000-43

Revised: October 6, 1999

Douglas E. Micheel
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

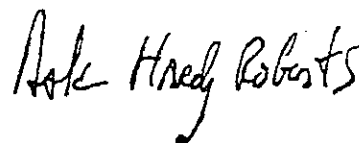
Paul A. Boudreau
Brydon, Swearingen & England
P.O. Box 456
312 Capital Avenue
Jefferson City, MO 65102

STATE OF MISSOURI
OFFICE OF THE PUBLIC SERVICE COMMISSION

I have compared the preceding copy with the original on file in this office and
I do hereby certify the same to be a true copy therefrom and the whole thereof.

WITNESS my hand and seal of the Public Service Commission, at Jefferson
City,

Missouri, this 21st day of October, 1999.



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION
JEFFERSON CITY
October 21, 1999**

CASE NO: GM-2000-43

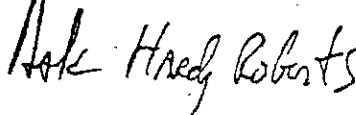
Office of the Public Counsel
P.O. Box 7800
Jefferson City, MO 65102

General Counsel
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

James C. Swearengen
Paul A. Boudreau
Brydon, Swearengen, & England, P. C.
312 East Capitol Avenue
P. O. Box 456
Jefferson City, MO 65102

Enclosed find certified copy of an ORDER in the above-numbered case(s).

Sincerely,



Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge

Uncertified Copy:

Call Center Evaluation

Missouri Gas Energy

October 6, 1997



CALL CENTER EVALUATION: MISSOURI GAS ENERGY

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Call Center Evaluation Summary

Kansas City Call Center

INTRODUCTION

The Southern Union Company provides gas delivery services to retail customers in parts of several states, through the activities of Southern Union Gas (SUG) and Missouri Gas Energy (MGE). The company has determined that customer service improvement is a key success factor for the future as the gas industry becomes more competitive. One element of the management of delivery of gas is customer service and customer contact activities such as operation of customer call centers.

As part of the customer service improvement activities throughout the company, an initiative has begun to measure performance in various customer service activities, and compare performance against benchmarks from other providers, as well as the past performance of the operating companies themselves. This report is designed to provide a summary of the performance of the call center operated by MGE, with the idea of providing a baseline of current performance, against which future performance can be compared.

This draft summary is structured into the following sections for review:

- Goals of the Evaluation
- Approach
- Findings
- Recommendations
- Appendices

GOALS OF THE EVALUATION

The purpose of the analysis is to provide a baseline for MGE to use for a benchmark of performance in customer service telephone answering. This will be used to track performance and set targets for future performance.

The goals of MGE include the following items:

- Customer Satisfaction
- Prompt call answering with few abandons
- Courteous and efficient CSRs
- One-call response to customer requests (minimizing referrals to the field or callbacks by the phone centers)

The evaluation of the call center at MGE was structured to provide senior management with insight into CSR behaviors that are encouraged and meant to promote customer satisfaction, provide call length statistics from a random sample of calls over a week's time, identify types

of calls from this same monitoring sample, quantify customer call outcomes (problem resolution) and identify training and development implications regarding policy consistency, behaviors, systems and environmental issues.

In addition, this evaluation was structured to provide senior management with recommended performance measures and targets that will promote customer focused behavior and have a clear line of sight to the corporation's strategic objectives and corporate goals.

APPROACH

The approach to this evaluation involved several data gathering and analysis steps. It began with establishment of the appropriate measures of performance to use in tracking success. This was followed with a review of the criteria for how individual calls should be answered, and development of an evaluation sheet for ranking the performance in answering calls.

The evaluation attempted to monitor a typical week and a substantial percentage of the full time representatives across the chosen time period. Calls were monitored by listening to two calls in a row by individual CSRs during randomly chosen time periods during the week of July 14, 1997. The representatives were only identified by the channel indices on the tape, not by name.

The evaluation sheet (see appendix A) captured the length and type of call, the behaviors observed during the call, resolution outcome, policy issues, perceived customer satisfaction with the encounter, expectation of additional calls on this subject and customer/CSR anecdotes.

Performance in such categories as average speed of answer was monitored through the standard reports available in the call center, and then compared against benchmarks of performance by other call center operations, primarily those operated by other gas or electric utilities.

FINDINGS

As requested, TB&A has quantified the findings into categories that were being measured as performance standards within the call center for MGE. The findings are broken down into the categories of average length of all calls monitored, call type, length of call per type, behaviors exhibited, call outcome (resolution), customer satisfaction as perceived by evaluator, policy adherence and issues, and customer anecdotes.

General Findings From the Evaluation

The following represents a summary of the sample size, average call length (in minutes) and breakdown of call types in the sample:

Dates Monitored 7/14 -18		MGE
Number of calls		125
Avg. length of call (minutes)		4.26
<i>Type of Calls</i>		%
Turn On		16%
Turn Off		8%
Amount of Bill		21%
Reconnect/Extension/Shut Off Notice		30%
Auto Pay		15%
Other		10%

The analysis also identified the time per call type. Some of the call types were mixed with others, e.g. amount of bill/reconnect, shut off notice/payment arrangements, etc. Based on these data, for future gating strategy, consideration should be given to the differences in expected call length for different call types. The following is a breakdown of the average time per call category (in minutes):

Category	MGE
Turn On	5.1
Turn Off	4.4
Amount of Bill	2.8
Reconnect	9.8
Shut Off Notice/Payment Arrangements	5.3
Extensions	4.4
Auto Pay	5.9

Customer Satisfaction

Customer satisfaction measurement is typically done by contacting customers directly to discuss with them their level of satisfaction with respect to their interactions with the company. This can be done through telephone surveys, focus groups, mailed questionnaires, or a variety of other means. For this brief analysis, we have not directly contacted customers, but rather attempted to assess the level of satisfaction produced by the interactions in the calls listened to during the evaluation.

TB&A's analysis was driven by the evaluator's observation of the interaction between the customer and the CSR and the perceived outcome of the transaction in the customer's mind. Further, the evaluation captured examples of the following results: the customer was left with a negative image of the company, policy disagreements, inaccurate information provided to the customer, calls that had excessive conversation, language comprehension problems, system problems while on the phone with the customer, and commission complaints threatened. In addition, data regarding previous calls on the same issue were quantified to highlight for management how many repeat calls are generated.

The listing of categories as outlined is a series of possible negative outcomes, which is helpful in attempting to find areas where there may be problems. At the same time, the results show some very positive outcomes. The following is a breakdown of this data:

Customer Satisfaction	MGE
Satisfied w/ Outcome	79%
Satisfied w/ Treatment	86%
Previous Calls	20%
Negative Image Left	10%
Policy Disagreement	8%
Inaccurate Information	1%
Excessive Conversation	5%
Language Comprehension	2%
System Problems	1%
Commission Complaint	0%

Promptness of Call Answering and Abandonment Rates

During the course of the past year, the ability to answer calls promptly and avoid abandonments by the customers has been a problem for the MGE call center. Much of this was due to the high volume of calls received in the most recent winter, and the extended length of many of those calls. During the period of the evaluations, the abandonment rate was substantially better than it was over the past year.

	Annual Performance - Average Speed of Answer	Evaluation Period Performance Average Speed of Answer	Annual Performance - Abandoned Call Rate	Evaluation Period Performance - Abandoned Call Rate
MGE	189 Seconds	66 Seconds	15.5%	7.3%
Industry Average	60 Seconds	—	7.5%	—
Industry Top Quartile	28 Seconds	—	4%	—

Courtesy and Efficiency of CSRs - Behaviors Exhibited

The sources for the list of behaviors looked for in the analysis were the various monitoring forms supplied by the center. It is important to note that the analysis identifies the frequency of the behaviors, however, obviously not all the behaviors are appropriate for each type of call. The exceptions to this statement would be in the behaviors of greeting, thank you at end of the call and using customer name. In this regard the presumption was that these were

appropriate in all instances. In addition a courtesy area was consistently lacking in the handling of customers; when a customer was put on hold for extended periods, sometimes for more than 7 minutes, there was no checking back with them. This was a frequent observation.

Comments that describe the essence of the behaviors listed can be found on the evaluation sheet (Appendix A). The following is a breakdown of the behaviors observed:

Behavior	MGE
Pleasant Greeting	94%
Determine Problem	44%
Provide Facts	45%
Elicit Concerns	11%
Empathize	16%
Repeat Data	35%
Ask for Solutions	2%
Offer Choices	24%
Test Solutions	0%
Give Helpful Data	25%
Use Customer Name	30%
Alert When Going On Hold	34%
Thank You @ End of Call	29%

One-Call Response - Call Outcomes

The analysis in this area was looking mainly to identify how successful the CSR was in resolving the customer issue over the phone. In some cases this resolution resulted in the appropriate CSS order being initiated and fieldwork scheduled. The observation in these cases was that the issue was resolved and passed on to the appropriate entity. The issues that went unresolved were categorized as supervisor referrals and callbacks required. The following is a breakdown of the findings in this area:

Category	MGE
First Call Resolution	66%
CSS Order Initiated	24%
Field Work Required	15%
Call Back Required	6%
Checked w/ Supv.	3%
Passed on to Supv.	2%

Policy Issues

In previous sections the analysis has indicated that there were policy issues. Specifically this section of the findings identifies where there were perceived inconsistencies with regard to carrying out or communicating policy to the customers. The evaluation team met with supervisors to identify general policies in critical or high activity areas. The discussions

covered such areas as billing, deposits, services for customers, customer information requirements, controls, and disconnects. The analysis tried to recognize the difference between state and local municipalities' rules and tariffs, but there may be some statements in this section that are a result of not completely understanding the nuances of different regulatory rules.

The issues have been grouped into categories and have been identified as a case of inconsistent interpretation or instances where numerous customers disagreed with the policy or felt it unfair.

Billing

- Customer payments made at payment agencies on due dates suffer late charges and do not prevent disconnection.
- Billing for re-read of meter when original read was in error.
- Call back required by customer after payment made in field to collector or collection agency to set up payment arrangements.
- Inconsistent interpretation or use of the following items or requirements; waiver sheets for access, appointments (a.m./p.m. or Saturdays).

Services

- Pilot lighting fee for senior citizens.

Deposits

- Inconsistent use of transferring deposit option.
- Billing versus non-billing of deposit is inconsistently applied with no apparent criteria

Customer Information

- Customer appliance records were rarely updated on any of the calls monitored.
- Social security #s to verify customer's authenticity were not consistently applied by the CSRs.

Controls

- AutoPay option for customers was well received by MGE customers. However, the CSRs will accept a check with a name and address different from the one on the account being settled. There was never any questioning by the CSR when this was the case.

Disconnects

- CSRs approached stopping disconnects in the field inconsistently. In the majority of the cases, customers were told that there was no way to stop a disconnect no matter what the situation. However, in a few instances some CSRs offered to page the collector and try to avoid their coming to the location.

Benchmarking and Best Practices Comments

This section was developed through various sources; TB&A expertise and experience with call center operations, TB&A's Annual Customer Service Best Practices Survey of Utilities, and the Benchmarking Consortium Study by the International Benchmarking Clearinghouse.

The categories chosen are meant to give the best practices and other information a structure.

Service Standards - Both efficiency and customer service level need to be tracked over time. A variety of objective measures are available, along with a series of more subjective measures. The objective measures can typically be tracked through the telephone equipment or the accounting systems. Customer satisfaction is measured through periodic assessments with customers. Standard evaluations should include both soft (interpersonal) and technical (new products and systems) skills and competencies.

Strategy - The Call Center must be seen as an integral part in achieving the Corporate mission. The Call Center must be intimately involved and part of the corporate communication system, internal and external. Call Center hiring and training practices should promote customer-focused employees who are valuable to the corporation as a whole.

Technology - state of the art VRU, voice recognition, information storage capability and retrieval (imaging systems), advanced staffing software, user friendly and multi-screen system capability and attention to ergonomics including; work stations, windows, long head set cords for ease of movement, supervisor accessibility, equipment designed to eliminate repetitive injuries, team friendly cubicles, TV monitors in break rooms (training and company information videos playing, not network television shows), and work stations that are capable of being individually personalized.

Hiring and Employee Development - first and foremost career paths must be visible from the Call Center. The center should be seen as a door to development and advancement. This has been accomplished and has brought success to the companies that practice this along with greater customer and employee satisfaction. The following are some best practice techniques used in this area:

- Recognizing during hiring that one of the goals of the position is to create a pool of talented, well-trained individuals who can move on to other areas of customer service and smoothly pick up the responsibilities in the other job classifications.
- Reinforcing in training and evaluations behaviors that promote teamwork and customer satisfaction; greetings, empathy, data access, follow up, logging customer information on line, thanking customers, team and self monitoring, and commitment.
- Hiring techniques consider both the soft and technical skills with emphasis on the interpersonal side, technical skills for the most part can be developed. Assessment centers, simulation exercises, phone screening by employee teams, role playing in real life customer situations and interviews are some of the processes used to make hiring decisions. Some sample traits and competencies to

consider are: friendly, listening skills, persuasive, probing, problem solving, team player, courteous, empathy, high energy, innate interest in business and ability to learn technical requirements.

The resultant training curriculum should be roughly 55% classroom, 35% on the job, and 10% lecture done by in house trainers with subject matter experts from all major departments as part of the training. Particular emphasis should be placed on dealing with anger, critical thinking, customer focus-giving permission to go beyond normal expectations and to exceed them, teambuilding, and stress and time management. The technical aspect of the training can be reinforced through study aids, computer based training and system queues.

Operations - flat organizations with multiple teams are recognized as the most effective structure for Call Centers. Teams should consist of different skilled CSRs and at different levels of development and career. The teams and their leaders should be in proximity to one another and have access to supervisors. The teams should be a major player in the development of monitoring techniques, evaluations and training recommendations and development.

RECOMMENDATIONS

For each of the major areas of evaluation, we have provided a summary of the findings above, and in this section, we provide a summary of the key recommendations for action. In each of the four major areas, we have highlighted both actions to take and suggested targets for performance levels which could be achieved in the next year. Note that these performance levels can be achieved on a long-term, steady basis across a 12-month span, not immediately. In other words, for the annual average, we would not expect the suggested targets to be achieved, but by the end of the 12 months, the call center should be consistently performing at the target levels.

For other areas beyond the primary four, we have provided some additional recommended actions, although without measures and targets. These recommendations are designed to assist in achieving the performance in the four key areas.

Customer Satisfaction

Actions: Customer satisfaction research should be performed on a regular basis. This should be done through direct contact with customers, using a combination of telephone, mail, and focus group approaches. An initial survey should be done as soon as practically possible. The survey should cover the performance of the telephone call center, but to get the most "bang for the buck", it should really be a bit broader, to cover other elements of customer interaction with MGE. The incremental cost to cover more than just phone answering performance will be far overshadowed by the additional benefit achieved.

Use of a direct customer research effort will enable the company to create a baseline and then set targets for true customer satisfaction, now and for the future. The initial effort should be followed up on a quarterly and annual basis for the future.

Based on the call monitoring done in this study, the performance by the CSRs resulted in "good" customer satisfaction levels, although not outstanding. Several areas of improvement are possible, some through training and improvement of CSRs, and some through service and policy changes for the company as a whole.

Targets: Reasonable targets for performance are; 85-90% satisfied with the outcome of the calls, and 95% satisfied with how they were treated. Each of these will require some significant effort on the part of the CSRs and the company. In particular, for the "satisfaction with outcome" category, it will be very difficult to achieve the 90% figure until the company creates a capability for making and meeting appointments for field visits within a two-hour window. The 85% target is appropriate for the telephone center in the absence of a corporate decision for the appointments.

Promptness of Call Answering and Abandonment Rates

While this has been a problem area for the past year, a few (conceptually) simple steps can make significant improvements possible. The key to prompt call answering with few abandoned calls is a call forecasting and staff scheduling method to assure that the appropriate number of CSRs are available at each hour of operation for the number of calls which come in during that hour.

Actions: MGE should purchase a call forecasting and staff scheduling software package which will enable the company to accurately forecast call volumes, as well as staffing requirements. This purchasing effort is already underway, so the critical issue now is appropriate implementation. The second step is then to schedule staff, including significant use of part-time staff, to precisely meet the peak call demand with the appropriate number of CSRs to answer the calls during each hour.

Targets: Aggressive, yet achievable targets of performance for the MGE phone center are a 5% abandonment rate, with a 45 second average speed of answer. These both represent better than average performance for utilities, but not yet "top-quartile" performance. For the next year, a decision can be made regarding whether to strive for higher levels of performance.

Courtesy and Efficiency of CSRs

There are many elements to this issue for customer service. Because each call is different, there are a number of different issues to address.

Actions: Key areas to address for the next year are the following: use of the customer's name during the call, thanking the customer at the end of the call, and consistently pleasant greetings. One additional area in need of significant improvement is in alerting customers

when they are to be put on hold, and checking back with them when the hold time becomes extended. Employees need to have refresher training in these areas, and supervisory call monitoring should be focused on these areas.

Targets: For the next year, reasonable targets of performance should be 95% pleasant greetings, 50% use of the customer's name during the call, 75% thanking the customer at the end of the call, and 75% alerting the customers when they are put on hold. These targets represent average performance in customer service operations, but will require a significant change from current performance levels.

One technology note is that some companies use a "best greeting" approach, in which each CSR creates a recording of herself at her best, and that recording is played for each customer, thus creating a situation of 100% pleasant greetings. Because the CSR hears the greeting at the same time as the customer, it tends to give a "lift" to the CSR, even when she may not be feeling fully up to being extremely cheerful.

One-Call Response

The one-call response is the most difficult area to create a target for, because of the variety of different call types, and the fact that relatively few companies have an effective mechanism for tracking performance, so adequate benchmarks are minimal. Issues impacting the ability of a CSR to answer the call completely the first time include the ease of use of the CSS and the training and experience level of the CSRs.

Actions: Create a more complete policy manual which answers the most frequently asked customer questions, and institute training for employees in the correct policies. A listing of appropriate policy questions to address is provided in the section immediately below. The "manual" must be easily accessible in real-time for responding to customer inquiries, which probably means it will need to be accessible through the CSS, or Robo Help.

Targets: Based upon current performance levels, along with performance at other utilities, a target of 85% first call resolution can reasonably be called a "stretch target".

Policy

The current combination of Robo Help and desk reference manuals isn't effective in providing a real-time reference capability to the majority of representatives. Most don't use the Robo Help, and desk reference material is not kept up to date. This leaves the CSRs in the difficult position of attempting to remember all policies for the company, or not being able to be precise in responding to customer inquiries or requests.

Actions: Develop an effective policy reference resource for CSRs, either on the current Robo Help or in an easily-used desk manual, and provide appropriate training in such areas as deposits, waivers for access, CSR decision level authority and criteria, customer appointments, CSR customer record update requirements, social security # requirements, etc.

In addition consideration should be given to strengthening the communication system between the field and the call center in an effort to establish consistent policy and procedure interpretation. An effort in Southern Union Gas called Texas Uniformity shows promise for improvement. Provided it works well, the program should be expanded to include MGE.

Finally a policy should be established with regard to senior officer access and that information should be provided to all CSRs. Efforts have begun in this arena for the Southern Union Gas company, and this needs to be completed, and expanded to MGE.

Standards

The key is in using a small number with the employees and management to focus efforts on the most important items. Conversations with different CSRs and supervisors indicated that there isn't a consistent view regarding which small number of performance indicators are most important.

Actions: A standardized group of performance measures should be used. These measures should include both production and quality standards with equal weight given to each area. Production standards for individuals should include such items as average call length, and occupancy rate (which is made up from man time, ready time, and unavailable time). These standards can be tracked through the ACD and CSS equipment, and will generally translate at the aggregate level to such targets as average speed of answer and abandonment rate.

Quality standards are primarily the items noted above under courtesy and efficiency of CSRs, and include customer satisfaction, greetings, empathy, alerting customers prior to going on hold, follow up, logging appropriate customer information and feedback and finally thanking the customer at the end of the call. These items can be tracked through call monitoring by supervisors and CSRs, and ultimately will influence the level of customer satisfaction with the service by the company.

Training and Development

In this area there are two categories of recommendations; hiring techniques and employee development recommendations. While there are some elements of all the items mentioned in the recommendations in place at MGE, there isn't a complete and comprehensive approach available.

Actions: Hiring practices should define the desired competencies and skills for CSRs and then develop an assessment center or dimensional and performance based interview approach to screen and hire CSRs. In addition to this, career paths that demonstrate how this position can be leveraged for advancement and movement throughout the company should be developed and supported.

The training and development curriculum for CSRs should be modified to include more computer based training for the technical skills and systems adeptness required. Interpersonal skill development courses should be sought in the areas of customer satisfaction

delivery, sales (being persuasive in working with customers with respect to policies, services, etc.), conflict management, stress management, time management, diffusion of anger modules, and team building.

Systems

There is no mechanism currently in place to automatically track customer calls and record the information in the CSS. In other words, a customer might call multiple times about the same issue, and unless the CSR happened to record the time, date, and information about the call, a CSR won't have that information available when the next call from that customer comes in.

Actions: The CSS should be modified to track information about customer calls as automatically as possible, recording time and date information, along with the user ID for the CSR who dealt with the call. In addition to providing very basic data, that will also both enable and encourage the CSRs to record information regarding the purpose of the calls.

Monitoring systems in the MGE call center should be improved to be at least as sophisticated as the Southern Union Gas system. This includes both the technology of the system (tape recording and playback equipment) as well as the management approach to actually doing the call monitoring.

The current phone and CSS system should be considered for "queuing enhancement" for the CSRs when Spanish speaking customers call. The Southern Union Gas center has some new custom call routing software, and the same should be installed for MGE.

Calculator software or default formulas on the CSR's PC's would enhance their capability for calculating customer payments and bills.

Organization

Current approaches to call center staffing and management encourage a team-based style, with supervisory staff acting in a coaching and leadership role more than in a control/disciplinary role. Some progress has been made in this arena for the call center, and there is a need to proliferate the effort.

Actions: Expand on the team concept to support some of the policy and training and development recommendations listed above.

Supervisory skill development in such areas as monitoring, performance management, team leadership and building and coaching would also enhance a flatter organization structure.

Customer Service

Customers have become ever more demanding in recent years. Some of this is due to improvements in service delivered by other service providers, so that customer expectations have increased. Another factor is that in most households, the adults all work during the day.

so having to be at a particular facility for any extended period to await a service person is a significant difficulty. A consistent issue with customers during this study was the lack of a standardized use of appointments for field visits to customer premises. Many calls resulted in customers who were unhappy about having to be at the premise all day waiting for the gas company representative to arrive.

Actions: To the extent that it is possible, we strongly recommend adopting at a minimum a window for appointments of 4 hours, and shortening that even further as capabilities permit. This isn't a call center issue particularly, but it is a significant one for company customer service performance.

Ongoing Reviews (quarterly updates/reviews of Call Center)

Actions: The supervisors and managers in the call center should continue to monitor calls on a regular basis in order to be able to provide counseling and training for CSRs. In addition, for the next year, a follow-up review to this study should be performed on a quarterly or 6-month basis in order to track progress toward company customer service goals, with a detailed annual update in 12 months.

APPENDIX A

Evaluation Sheet Summary

Evaluator: _____ Date: _____ Time: _____

A "Avg. data from evaluation
dates(____/____/97)

--

Abandoned Rate
ACR
Calls

B Start: _____ End: _____ Elapsed: _____

--

Operator: _____

C Type of Call

Service Orders

• Turn-On

• Turn-Off

Billing

• Amount of bill

Telepay

• Auto Pay

• Change Account Name

Credit

• Shut-off notice

• Extensions

Returned Check

Reconnect

Payment Arrangements

Other

"I want gas service at ____"

"I want to discontinue gas service"

"What is the deposit charge for?"

"I want to start auto pay"

"Change name of account to ____"

"I received a shut off notice"

"I need more time to pay"

D Customer Acct: _____

E Did the CSR exhibit these behaviors
at appropriate times?

Pleasant Greeting

Determine Problem

Provide Facts/Clarify Understanding

Elicit Concerns/Understanding

Empathize

Repeat Data

Ask for Solutions

Offer Choices

Test Solutions

Give helpful data

Use customer name

Tell when going on pause/Hold

Thank you at end of call

"Cust Svc, this is __, how may I help you?"

"When do you want it?"

"Our deposit policy is . . ."

"Is this a problem for you?"

"That must have been awful."

"I understand your problem."

"How can we help?"

"We can't do that, but we can .."

"Do you understand."

"You will get interest on deposit"

"Mr. ____"

"Just a minute. ...I am still working on problem."

F Call Resolution

Problem Solved on phone
Appropriate CSS order initiated
Field work planned
Appropriate Cust Call Back Req.

No resolution

- Passed on to Supv.
- Had to check w/ supv.

"Customer satisfied, no field appt"
"Final billing address for turn off"
"Appointment set"
"Please call us back if desired, after payment made."
"Customer not satisfied with outcome"

G Customer Reaction

Satisfied with outcome
Not satisfied with outcome
Satisfied with treatment
Not satisfied with treatment
Threat of commission complaint

"Thank you"; "appreciate your help"
"I don't like your answer"
"Thank you"
"I don't like your attitude"
"I'm going to call the PSC"

H Previous history

Previous call on subject
Expect another call

"This is the second time I've called"
"Call back with more info"

I Other (Describe)

Comments

Overall Image left w/Cust.
Consistency w/policy
Accuracy of Information/Update cust
information(CCON/DMCU)
Unusual occurrences
Excessive conversation
Language problem
System problems
Other

J Complaints about company policy

- Someone present for turn on
- No appointments
- Deposit policy
- Need for SSN

L Notable Quotes:

APPENDIX B

Anecdotes from the Calls

Anecdotes

This area of the data includes customer and CSR quotes. It also includes observations that did not seem to fit anywhere else in the report. As anecdotes, the content can in no way be considered statistically significant, rather the content in this appendix is meant to provide insight for consideration or further research in areas of interest. The data has been grouped into several areas; systems, customer comments, CSR comments and observations.

Systems

In the MGE call center the norm was a 30-second delay/pause until the CSR talked to the customer about the account or question or service they desired. The obvious implication is that the system was being reviewed for pertinent customer information. Delays up to 60 seconds were observed in some cases.

System down time and communication of the circumstances or situation was very often not done in a positive way by the CSR:

CSR: *"I just hate working with one screen on CSS... its down...flying with one computer...."*

CSR: *"Computer only takes certain dates."*

CSR: *"...just a second, my computer is having problems..."*

CSR: *"Computers have gone up and down all day.....I can't do anything right now"*

CSR could not investigate on system why customer was dropped from ABC plan

System was down both times customer called, a.m./p.m.

Customer

Cust: *"I've been on hold long enough to earn the money to pay the bill!"* CSR kept customer on hold for 4+ minutes without checking back.

Cust: *"Cust. name on account is not deceased...."*

CSR: *"....oh really!...." no further follow up apparent by CSR*

Cust: *"talked with CSR on Sat., CSR was rude...."*

Communication on bills for no read months should be more than the days the billing covers, there should be some message on the bill alerting the customer to this fact. There was a lot of misunderstanding on the customer's part about why such a large bill and possibly this step would avoid a call to the center.

CSR

CSR: "As long as I have an account #, I can discuss account with you"

CSR: "Internal problem with Sat people who are on the phones...." off line comment to supervisor in field.

CSR chased down bad check location, offers to call bank to verify funds"

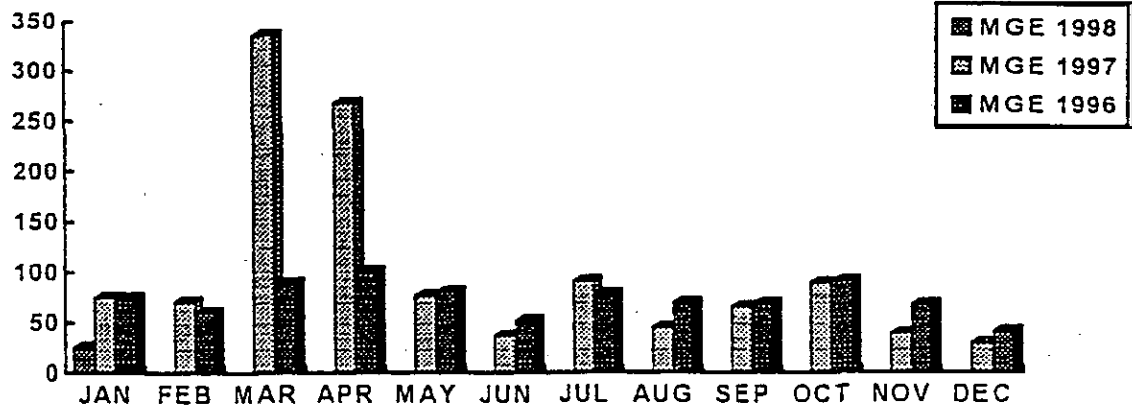
CSRs handle abusive language to varying degrees, training in this area is warranted

Offering new products and services is not consistently done by all CSRs (ABC payment plan, auto pay, etc.).

CSR offered ABC plan to customer.

CSR should have waived monthly energy/customer charge when there was no obvious usage, instead passed it on to supervisor.

COMMISSION INQUIRIES



	1998	1997	1996
January	26	75	75
February		71	60
March		336	89
April		268	101
May		77	81
June		37	52
July		91	78
August		45	70
September		66	69
October		90	91
November		39	69
December		29	41
TOTAL		1224	876

1997 Inquiries increased 40% over 1996

January 1996 through YTD January 1998

MONTH	TOTAL CALLS ANSWERED	CALLS ABAND	TOTAL OFFERED CALL CTR	TOTAL HANDLED BY AUTOMATION	TOTAL INCOMING CALLS	% ACR	AVG F.T.E.	CALLS PER F.T.E.	AVG SPEED ANSWER	AVG TALK TIME	AVG NOT READY TIME	MAXIMUM DELAY		AVG DELAY ABAND
												ANSWER	ABAND	
Jan-96	109,965	38,237	148,202	-	148,202	25.80%	28	3,911	117	195	67	-	-	-
Feb-96	112,792	37,272	150,064	-	150,064	24.80%	30	3,819	122	204	41	-	-	-
Mar-96	103,811	67,586	171,397	-	171,397	39.40%	26	4,008	197	217	47	-	-	-
Apr-96	90,131	76,046	166,177	-	166,177	45.80%	25	3,556	213	218	52	-	-	-
May-96	86,174	37,742	123,916	-	123,916	30.50%	24	3,630	157	215	39	-	-	-
Jun-96	73,180	29,626	102,806	-	102,806	28.80%	22	3,375	120	221	44	-	-	-
Jul-96	74,726	25,784	100,510	-	100,510	25.70%	35	2,143	176	236	39	2,160	1,550	107
Aug-96	69,091	26,607	95,698	-	95,698	27.80%	34	2,048	199	253	57	1,612	1,410	128
Sep-96	74,944	7,063	82,007	2,342	84,349	8.60%	44	1,714	80	242	47	1,138	958	98
Oct-96	78,109	11,760	89,869	8,994	98,863	13.10%	42	1,858	133	260	51	1,646	1,458	110
Nov-96	62,907	9,293	72,200	11,822	84,022	12.90%	39	1,597	130	259	47	1,318	1,224	122
Dec-96	77,384	6,149	83,533	15,727	99,260	7.40%	41	1,885	60	217	36	1,028	770	73
Jan-97	96,223	19,931	116,154	23,257	139,411	17.20%	45	2,133	180	241	31	1,066	1,058	122
Feb-97	82,915	33,615	116,530	21,145	137,675	28.80%	40	2,080	342	273	34	2,094	1,696	187
Mar-97	74,775	37,727	112,502	19,235	131,737	33.50%	39	1,933	406	275	38	1,966	1,912	200
Apr-97	71,556	26,780	98,336	11,960	110,296	27.20%	35	2,016	304	254	33	2,212	2,086	196
May-97	58,132	9,948	70,969	7,608	78,577	14.00%	29	1,992	124	235	26	1,818	1,506	141
Jun-97	52,471	12,235	64,706	6,608	71,314	18.90%	35	1,513	141	253	24	2,560	1,530	130
Jul-97	75,512	5,878	81,390	6,709	88,099	6.67%	42	1,798	45	262	29	1,152	1,000	87
Aug-97	70,000	3,076	73,076	6,191	79,267	3.88%	38	1,842	31	246	29	1,464	1,362	92
Sep-97	68,995	3,360	72,355	5,803	78,158	4.30%	39	1,769	38	251	32	1,300	1,160	106
Oct-97	81,933	12,172	94,105	6,097	100,202	12.15%	42	1,951	102	269	43	1,882	1,674	122
Nov-97	61,337	5,016	66,353	6,370	72,723	6.90%	41	1,496	60	265	50	1,084	880	96
Dec-97	70,308	5,096	75,404	7,307	82,711	6.16%	41	1,715	53	262	58	1,218	1,148	88
Jan-98	49,185	4,557	53,742	5,822	59,564	7.65%	41	1,200	56	248	50	1,606	1,416	86

*Total Answered through June 1996 included calls which left voice mail messages for call backs from Customer Service.

*January 1996-June 1996 statistics for Maximum Delay Answered, Maximum Delay abandoned and Average delay abandoned were not compiled.

*The Auto Attendant was operational on September 1, 1996.

*The Interactive Voice Response (IVR) unit was operational on October 15, 1996.

*Beginning July 1997, ACR% was calculated by including Total Handled By Automation, instead of Total Offered Call Center used in Fiscal Year 1997.

*Total Handled by Automation is determined by the number of calls that select the meter reading option, and those calls which are handled in their entirety by the IVR.

*Total Incoming Calls is the sum of Total Offered to Call Center and Total Handled by Automation.

*Total Offered Call Center in May 1997 was determined by Auto Attendant statistics on May 8th since ACD MAX stats did not print that day.

*Customer Controlled Routing (CCR), which allows greater flexibility in the routing of calls, became operational January 15, 1998.

*Statistics are year to date through January 20, 1998.

ATTACHMENT III

CUSTOMER SERVICE ACTION PLAN

PAUL D. BLANKENSHIP
AUGUST 12, 1996

EXHIBIT 112
G2-96-285

Customer Service Action Plan

EXPECTATION

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

SUMMARY OF FINDING

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

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

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

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

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

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

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

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

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

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

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

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

OBJECTIVE

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

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

ACTION PLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONCLUSION

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

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

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

Exhibits

Call Center Profile

	Y-T-D CALLS		MAY CALLS	
Incoming Customer Calls				
Average monthly calls 1995	79,429		77,875	
Average monthly calls 1996	157,920		153,760	
Change / Percent	78,491	99%	75,885	97%
Customer Calls Answered				
Average monthly calls 1995	71,828	90%	71,017	91%
Average monthly calls 1996	100,575	64%	86,174	56%
Change / Percent	28,747	40%	15,157	21%
Customer Calls Abandoned				
Average monthly calls 1995	7,601	10%	6,858	9%
Average monthly calls 1996	57,345	36%	67,586	44%
Change / Percent	49,744	654%	60,728	886%
Average Speed Answered (1)				
Average monthly calls 1995	66		67	
Average monthly calls 1996	161		157	
Change / Percent	95	144%	90	134%
Average Talk Time (seconds)				
Average monthly calls 1995	212		208	
Average monthly calls 1996	210		215	
Change / Percent	(2)	-1%	7	3%
Average Work Time (seconds)				
Average monthly calls 1995	284		275	
Average monthly calls 1996	259		254	
Change / Percent	(25)	-9%	(21)	-8%
Projected FTE Required				
Average monthly calls 1995	45.7		44.8	
Average monthly calls 1996	90.8		88.4	
Change / Percent	45.1	99%	43.6	97%
Current Call Staffing				
Full-time phone center 6/96 (FTE)	43			
Part-time phone center 6/96 (FTE)	7			
Billing Svcs assist 6/96 (FTE)	3			
Account Svcs assist 6/96 (FTE)	3			
Total FTE answering in coming calls	56			

(1) Configuration of queue resulted in ASA statistics being reported incorrectly

Customer Service Collection Time Line

<u>DAY</u>	<u>DAYS FROM FINAL BILL</u>	<u>ACTIVITY</u>
1		Bill Mailed To Customer
21		Bill Due
22		Delay Charge Assessed
24		Disconnect Notice Mailed To Customer
30		96 - Hour Notice Mailed To Customer
36		Shut-Off Worked
43	(1)	Final Bill Mailed To Customer
50	(7)	Final Bill Reminder Mailed To Customer
57	(15)	First Revenue Recovery Letter Mailed To Customer
72	(29)	Second Revenue Recovery Letter Mailed To Customer
103	(60)	Charged Off And Assigned To Outside Agency -- Outside agency follows a collection letter routine and phone campaign.

NOTES - 1. This is the time line for none pay shut off (NPSO) accounts. Regular final bills are mailed to customer one day after completion of order in system.

2. The parenthesis indicates days of the final bill process.

Customer Service Action Plan

IMPROVEMENT	Aug 6-10	Aug 12-17	Aug 19-24	Aug 26-31	Sep 2-7	Sep 9-14	Sep 16-21	Sep 23-28	Sep 30-5	Oct 7-12	Oct 14-19	Oct 21-26	Oct 28-31
Implement training program	Phase I - Quality Customer Service			Phase II - Active Listening			Phase III - Telephone Etiquette			Phase IV - Recovering Inbound Calls/Churn			
Pre-route Incoming calls		Install Auto Attendant											
Performance standards	HR Review	Union Review	Employee Kick Off	Monitor Employee Results				Measure Productivity					
Roll-Over calls to Conllgo				Train Trainer				Roll Calls Exceeding 5 minutes To Conllgo					
Automate Incoming calls	Ship IVR	Install & Test Equipment		Develop Code Voice Phase 1 Application				Load Appl	Test App & Interface		Turn Up IVR	Post Audit	Phase 2
Reorganize Department				Team Concept									
Reduce reasons for calls	New Activity Codes				Analysis Results		Feedback To Effectd Units		New Codes	Continue Process			
Improve collection efforts	18 vs 10 collectors		Add Union	Evaluate Results									

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

FILED
NOV 8 - 1996
MISSOURI
PUBLIC SERVICE COMMISSION

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

Cold Weather Rule Practices and Procedures

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

Communications and Working Relationship with Commission Staff

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

LATE-FILED EXHIBIT 120

Credit and Collections

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

Billing

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

Remittance Processing

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

Other Issues and Concerns

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

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

**MISSOURI GAS ENERGY
LATE-FILED EXHIBIT CONCERNING CUSTOMER SERVICE ISSUES
CASE NO. GR-96-285**

BACKGROUND

Staff filed testimony in Missouri Gas Energy's (MGE or Company) rate case, CASE NO. GR-96-285, relating to MGE's continued problems in complying with Chapter 13-Utility Billing Practices and other customer service concerns.

During the hearings in Case No. GR-96-285, the Office of the Public Counsel (OPC) filed, as Exhibit 112, MGE's CUSTOMER SERVICE ACTION PLAN developed by Paul Blankenship, dated August 12, 1996. OPC had obtained this through a DATA REQUEST.

During the hearings, MGE Management (Tom Clowe and Dennis Gillmore) assured the Commission that it was committed to the CUSTOMER SERVICE ACTION PLAN. On October 29, 1996, MGE met with Staff to discuss areas of concern. Those present were Gary Duffy, Dennis Gillmore, Paul Blankenship, Charles Hernandez, Janet Rethman-Huber, all with MGE. Doug Micheel, Ryan Kind, and Russ Trippensee were present from OPC. Present from Staff were Tim Schwarz, Norma Tambke, Janet Hoerschgen, Evelyn Hawley, and Rita Rackers and several Staff members from the Commission's Management Services Department.

On November 8, 1996, MGE filed Late-Filed Exhibit No. 120 describing changes that would be implemented by MGE as a result of the discussions with the Commission Staff and OPC. These discussions primarily took place on October 29, 1996, as referenced above. MGE provided certain supporting documentation of its actions which were not part of Late-Filed Exhibit No. 120 and established weekly conference calls with Staff to provide an ongoing communication regarding the status of the changes to be implemented by MGE.

The following is a consolidation of status reports prepared by the Consumer Services Staff based on information provided by MGE regarding its implementation of the changes concerning the Customer Services Issues:

MGE Action Plan

Cold Weather Rule Practices and Procedures

1. MGE will extend cold weather agreements and service to customers without requiring proof of an application for financial assistance.

Action Reported: Implemented November 1, 1996

Completed in November 1996 based on a status report provided by Karen Czaplewski on February 24, 1998.

2. MGE will offer extended payment agreements for periods longer than twelve months in those circumstances where customers are unable to make the payments over twelve months. The procedure will provide for payment periods of up to thirty months. Agreements for longer than twelve months will require supervisor approval, and for longer than twenty-four months will require approval by the Director of Customer Service.

Action Reported: Implemented revised interim procedures on November 4, 1996. If a customer states he/she cannot pay in 12 months, is referred to a customer advisor. Extended payments from 24-30 months require Paul Blankenship's approval. Manual record keeping is currently required on agreements beyond 12 months. MGE will have an automated system for extended pay plans by January 31, 1997.

December 20, 1996, Janet Rethman-Huber reported that MGE will be limited over the next few months with any new programming in view of existing requests.

January 31, 1997, Janet Rethman-Huber reported that MGE plans to have extended pay plans on system next week.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported this completed in November 1996.

3. Customers who are extended cold weather payment agreements will not be required to put up a deposit.

Action Reported: Implemented revised procedures on November 4, 1996. Deposits will only be collected from new customers, if appropriate, and theft of service.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reports this completed in November 1996. Note: Within the past few days there was an issue within the Account Services Group; where a Consultant questioned if it made sense

MGE Action Plan

to charge a customer whose service was interrupted for non pay; a deposit. The Consultant indicated it had been done in the past. A Communication to remind all Consultants in that deposits are not required for those to whom the CWR is extended; is being prepared. Janet Rethman-Huber provided a copy of an E-mail message sent internally regarding the provisions contained in Chapter 13 relating to deposit requests.

4. MGE will modify payment arrangements for customers who experience difficulties or miss payments.

Action Reported: Implemented the following for Payment Agreements on November 4, 1996:

For a customer who has not defaulted on a previous CWR agreement . . . the initial shall be 1/12 of the total bill + their LPP amount. Energy Assistance payments (pledges) may be used in lieu of the first (any payment) payment, provided that it is great enough to cover the amount of 1/12 + LPP.

For a customer who has defaulted on a previous CWR agreement . . . the initial payment shall be the total of the previously missed installment and LPP payments. Consultants may accept an amount up to 1/2 of the total bill. Anything less requires a Supervisor's approval. Energy Assistance payments may be used in lieu of this payment, provided that it is great enough to cover the full amount.

MGE may permit a customer to enter into a payment agreement to cover the current bill plus arrearages in fewer than 12 months. However, the Company must first offer a 12-month plan (which is 1/12 of the total bill owed + either LPP or current bill). If the customer elects to pay in less than 12 months -- CCON must be noted. This is important.

If the customer indicates he cannot pay in 12 months, refer to a Customer Advisor. If a customer states he is getting EA, but there is no guarantee collect 1/12 + lvl for turnon.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported that this is the same as Item # 2 (Completed in November 1996).

5. MGE will make every reasonable effort to handle turn-on requests on the same day the request is made.

Action Reported: November 15, 1996, Paul Blankenship reported that MGE is attempting same day turn on if it receives notification by noon. This week MGE was very busy so most have been the next day. By January 1997, same day turnons will be standard.

MGE Action Plan

December 10, 1996, Paul Blankenship reported that MGE is religiously turning on service within 24 hours. This applies to all turn on requests, not just the nonpay customers.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported this completed in November 1996. Orders are always scheduled as soon as possible; which is typically within twenty-four hours. The later in the day the request is made; the more difficult it is to work during that particular business day.

6. MGE will become pro-active in offering cold weather payment plans to customers listed on the Division of Family Services Energy Assistance tapes.

Action Reported: November 15, 1996, Paul Blankenship reported that he is waiting on Linda Halteman. She is out sick.

December 4, 1996, Paul Blankenship reported that he is not comfortable with the two (2) proposals they have been considering.

December 10, 1996, Paul Blankenship reported that MGE is still working on the proactive initiatives. Paul would like to discuss this at our next meeting. MGE does not want to just automatically set customers up on the CWR. Company does not want to insult its customers.

December 20, 1996, Janet Rethman-Huber reported that MGE will be limited over the next few months with any new programming in view of existing requests. Is considering pulling names from tape when received from DFS and if no existing pay agreement, MGE would generate a letter confirming their eligibility for a cold weather rule payment agreement. MGE may include the telephone number of an Advisor with this notification.

January 17, 1997, Janet Rethman-Huber advised that she had forwarded request to IT Department and was planning to have available for the 1997-98 heating season. She reported she thought pilot of program would be ready by July 1997. This would be designed for customers who are eligible for assistance, as indicated by the tape received from DFS. MGE would send a letter to those on the tape who are active with no pay agreement, or are inactive.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported that *Relief Now* addressed a segment of this population during last year's heating season; as did the Mary Ward Letter. There had been considerable discussion amongst staff as how and what to do in regard to this item; without consensus as to what might work best, as an offering to all DFS-EA customers. We are currently working IT to determine the feasibility of offering the Average Bill Calculation to these Customers;

MGE Action Plan

(while maintaining the integrity of the Level Pay Program) as a proactive solution to this group of Customers.

7. MGE will obtain weather forecasts from the same service used by the MPSC Staff.

Action Taken: November 15, 1996, Paul Blankenship reported that Janet Rethman-Huber will be getting a modem so she can obtain the weather report from the Internet.

Note: During the Cold Weather Rule period, MGE is not cutting for less than \$100. Paul Blankenship stated that he contacted Laclede and was advised that its threshold is \$75.

December 4, 1996, Paul Blankenship reported that MGE is obtaining weather forecasts through on-line system (America Online). Currently, using attorneys' offices on the 7th floor. Janet Rethman-Huber has a terminal and modem in her office and she will make the disconnect decisions based on the weather forecasts.

January 17, 1997, Janet Rethman-Huber reported that MGE has turned on approximately 20 customers without requiring a payment due to the severe weather. We discussed the discontinuance of service, when the weather permits, and MGE would focus on accounts with returned checks, larger balances and customers that have not made a payment within the past 60 days.

January 31, 1997, Janet Rethman-Huber reported that MGE has reconnected up to 63 customers due to severe weather conditions without regard to payment.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported this completed in November 1996.

Communications and Working Relationship with Commission Staff

1. MGE will assign one more full time employee to the unit dedicated to responding to Staff inquiries and complaints, and will provide a list of at least five employees who are available to respond to Staff inquiries and complaints.

Action Taken: November 5, 1996, Paul Blankenship called and advised of two MGE representatives that would be assisting Clarence Miller. Beginning, November 6, 1996, Paul indicated that Lisa Contorno will assist Clarence in taking Commission complaints during the morning hours of 8:00 a.m. until noon, and Craig Layman will be assisting Clarence from 2:00 p.m. until 5:00 p.m.

November 15, 1996, Paul Blankenship advised that it was his goal to hire a second person full-time to respond to Commission complaints. Norma Tambke

MGE Action Plan

advised Paul that the interim measure relating to the assistance being provided Clarence Miller was not working. Commission Staff is still not receiving timely responses and all complaints are still going to Clarence first.

December 4, 1996, Paul Blankenship advised that MGE management approved the assignment of one more full-time person to be the complaint contact for Commission Staff. MGE posted the position last week internally and hopes to start interviewing later this week or next week. Human Resources told Paul there was a lot of interest in this position. Ms. Tambke again explained to Paul that the temporary assistance provided Clarence Miller is not working. Also, Clarence is not receiving the information being faxed to him from the Commission Staff. Paul suggested we use the fax machine that is located right outside his office. Ms. Tambke commented that it was important for MGE to put an experienced employee in this position and suggested Clarence and Gary Shull participate in the interviews. We discussed the need for the person in this position to have knowledge of the entire Company, access to other departments, and authority to resolve complaints. Paul commented that Clarence has the authority but has been reluctant to use it. Paul commented that he has the power to make most calls.

December 10, 1996, Paul Blankenship advised that the posting of the position has closed. He has received several applications and has started interviewing applicants. Paul hopes to have the process completed next week.

December 20, 1996, Paul Blankenship advised that Lisa Contorno was selected on December 13, 1996, to fill the full-time position as the Commission Staff's second contact person. She will assume these duties next week but will also be training her replacement as Mr. Blankenship's assistant.

January 3, 1997, Paul Blankenship, Janet Rethman-Huber and Cindy Williams visited office. Tom Clowe and Dennis Gillmore were present a short time and announced Paul Blankenship's departure and provided a brief explanation of the low income filing MGE will make next week. MGE is scheduled on the Agenda today to provide explanation to Commission.

January 17, 1997, Janet Rethman-Huber advised that MGE interviewed for Lisa Contorno's position last week and hope to have replacement by the end of the month.

February 7, 1997, Staff advised Janet Rethman-Huber of continued problems with timely and complete responses on complaints.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported that the position was added in December of 1996. It was eliminated in August of 1997. The position was reestablished at a higher level of Lead, in November of 1997. It

MGE Action Plan

was filled by an internal candidate whose position was backfilled and that employee trained; allowing the Lead to fill the position full time in January 1998.

2. MGE will provide Staff with after hours and weekend phone numbers for the Manager of Account Services and Billing, the Director of Customer Services, and the Vice President, Customer and Regulatory Relations.

Action Taken: December 10, 1996, Paul Blankenship advised that he will fax today the after-hours numbers, and pagers, for Janet Rethman-Huber, Cindy Williams, Paul Blankenship, and Dennis Gillmore. He was in the process of confirming telephone numbers.

December 18, 1996, Paul Blankenship provided via the facsimile the after-hours contact numbers.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported this completed in December 1996. Provided an updated listing on February 24, 1998 and will supply pager numbers.

3. Staff will be provided with a current organization chart for Customer Service, and has the authorization of MGE to appeal to the next level on the chart if they believe that their inquiry has not been properly responded to. This appeal can go as high as the President of MGE.

Action Taken: October 30, 1996, Paul Blankenship provided via the facsimile a proposed Customer Services Organizational Chart.

November 7, 1996, MGE provided via the facsimile an organizational chart for its Field Operations.

February 24, 1998, Karen Czaplewski and Janet Rethman-Huber reported this completed in October 1996 and provided an updated organization chart. An updated organization chart will be provided for MGE's Operations division.

4. MGE is committed to keeping Staff advised as changes occur in customer service.

Action Taken: Paul Blankenship is providing information to Staff via the facsimile and telephone (voice mail). Mr. Blankenship will call Staff each Friday to discuss status of actions being taken by MGE and any of the information being provided.

December 4, 1996, Paul Blankenship advised that effective November 30, 1996, Joplin calls came back to the Kansas City Phone Center. MGE had, on an interim basis for two months, routed Joplin calls back to Joplin. Mr. Blankenship will forward bill inserts as they are being provided to customers.