

1 A Rob Hack, Pam Levetzow, Carl Ricketts, Deborah  
2 Hayes.

3 MR. FRANSON: You better slow it down  
4 and get some spellings for the court reporter.

5 A Steve Holcomb. I think I got everybody.

6 Q (By Mr. Micheel) Could you tell me Mr. Hack's  
7 function on the senior staff?

8 A He's just a member of the senior staff.

9 Q And what's Mr. Hack's position?

10 A He's the vice president of regulatory issues and  
11 manages the gas procurement area.

12 Q Ms. Levetzow, could you spell her name?

13 A No. L-e -- no, but I can get it for you.

14 Q All right. And Ms. Levetzow, what is her  
15 position?

16 A Community relations.

17 Q Is she the director of community relations?

18 A She's the director -- yes, director of community  
19 relations.

20 Q And Mr. Carlton Ricketts?

21 A He's a vice president of customer service.

22 Q And that is R-i-c-k-e-t-t-s?

23 A Yes.

24 Q And Mr. Holcomb, what --

25 A He's vice president of field operations.

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1 Q And what have those individuals told you regarding  
2 customers' response to the proposed rate increase  
3 in your meetings?

4 A Haven't heard anything. They've indicated that at  
5 this point there's not been any communication.

6 Q So as far as you know, in your meetings with your  
7 senior staff, MGE has not received any  
8 communications from customers regarding the  
9 proposed rate increase?

10 A That's correct.

11 Q You indicated in response to a question from  
12 Mr. Franson that you meet, I believe, via  
13 telephone conference every Monday at 9:00 a.m.  
14 Central Standard Time with the executive vice  
15 presidents and the COO's of other Southern Union  
16 company operating divisions?

17 A That's correct.

18 Q Are there agendas for those meetings that are  
19 written out?

20 A No, there is not.

21 Q Are there e-mail agendas for those meetings?

22 A No, the only e-mail is indicating the time and the  
23 call-in number.

24 Q And so is it just a free-flow discussion or how do  
25 these discussions transpire?

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1 A It is -- basically, everyone goes around and  
2 everyone gives a real quick indication of are  
3 there any concerns, any problems, any information  
4 that they feel like would be helpful to the rest  
5 of the group.

6 Q And when you are providing the rest of the group  
7 with your concerns on behalf of MGE, do you do  
8 that from notes or do you receive memorandum from  
9 any of your staff?

10 A No. I usually just do it from -- you know, from  
11 the week that -- it's just basically a report of  
12 the past week, so it's not real difficult and it's  
13 usually -- there are not very many items.

14 Q So these aren't very long conversations?

15 A Usually less than an hour.

16 Q Okay. We've talked and you responded to some of  
17 Mr. Franson's questions respecting bad debts. And  
18 you have indicated that every year the bad debts  
19 that MGE has incurred have been above the bad  
20 debts built into rates, was that my understanding?

21 A Except for one -- except for one year, according  
22 to that.

23 Q Okay. Why don't we turn to Page 14 of your  
24 testimony and I am just trying to understand this  
25 table here and maybe I'm misunderstanding it? If

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1           you could look, sir, at fiscal year 1999.

2       A     Um-hum.

3       Q     It indicates there that the actual bad debts were  
4           \$2,584,998. Is that your understanding, sir?

5       A     Um-hum, yes.

6       Q     And is it also your understanding that the bad  
7           debts that you were able to recover, MGE was  
8           allowed to recover in rates were \$4,325,000?

9       A     Yes.

10      Q     And so in fiscal year 1999, your actual -- MGE's  
11           actual bad debts were significantly lower than the  
12           bad debt allowance in rates?

13      A     Yes.

14      Q     If you would, sir, look at fiscal year 2000 there,  
15           it indicates that MGE had bad debts of \$1,696,606,  
16           is that correct?

17      A     Yes.

18      Q     And does that indicate in that year that MGE was  
19           allowed to recover in rates or an opportunity to  
20           recover in rates \$4,325,000?

21      A     Yes, it does.

22      Q     And is that a significantly greater amount, sir?

23      A     Yes, it is.

24      Q     And also, if we could look at fiscal year '02  
25           there, does that indicate that you had \$3,211,390

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1           worth of bad debts --

2       A     Yes.

3       Q     -- actual bad debts?

4       A     Yes.

5       Q     And you were allowed to incur in rates \$4,323,292?

6       A     Yes.

7       Q     Does that indicate that that year your amount  
8           built into rates was greater than your bad debts?

9       A     Yes.

10      Q     And so three of the years shown on that table on  
11           Page 14, you had bad debts built into rates that  
12           were higher than the actual bad debts incurred by  
13           the company, is that correct?

14      A     That's correct.

15      Q     So if earlier in your deposition you indicated  
16           that for all of those years MGE had never  
17           recovered or had less bad debt built into rate,  
18           you were mistaken, were you not?

19      A     If I said that, yes, I was mistaken.

20      Q     Let's talk about the year, fiscal year 1997 there.  
21           You had actual bad debts of \$9,442,692. Do you  
22           know if that year was warmer or colder than  
23           normal?

24      A     I don't recall.

25      Q     You were with the company at that time?

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1 A Yes, I was.

2 Q And you don't know whether that was a warmer or  
3 colder year?

4 A I don't recall, no.

5 Q Let's talk about fiscal year 2001. You had bad  
6 debts of \$12,653,781. Do you know if that year  
7 was colder or warmer than normal?

8 A I believe '01 was colder.

9 Q And when we say colder than normal, what does that  
10 mean?

11 A Based on a 30-year average, that it was colder  
12 than what would be an average over 30 years.

13 Q And why is that important in the rate-setting  
14 area, sir?

15 A That is how -- that's how weather is -- that's how  
16 it's measured, the weather is measured --

17 Q Well, are rates set --

18 A -- for rates.

19 Q -- based on what we determine to be normal  
20 weather?

21 A Yes.

22 Q And is a large rate component of your rate set as  
23 a volumetric rate?

24 A Yes, it is.

25 Q And would you agree based on your experience in

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1 the gas industry that when weather is colder than  
2 normal, customers use greater volumes of gas?

3 A Yes.

4 Q And as customers use greater volumes of gas, they  
5 pay higher bills in total, isn't that your  
6 understanding?

7 A Yes.

8 Q And so when it's colder than normal, wouldn't you  
9 agree with me that, all things remaining the same,  
10 the company achieves more revenue than it would if  
11 it were normal weather?

12 A Yes.

13 Q And you would agree with me, just to be fair, all  
14 things being equal, if it's warmer than normal,  
15 the company achieves less revenue?

16 A That is true.

17 Q So would you agree with me on the years, for  
18 example, in 2001 where it was a colder than normal  
19 year although MGE had higher bad debts, they also  
20 had higher revenues due to the fact that it was  
21 colder than normal?

22 A I would believe that is probably true.

23 Q And you were with the company then, were you not?

24 A Um-hum. Yes.

25 Q Did you have an incentive plan with company in

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1 2001?

2 A Yes.

3 Q And was part of that incentive plan tied to some  
4 of the revenues that MGE earned?

5 A I don't believe it was tied to MGE.

6 Q It was tied to Southern Union Company?

7 A Southern Union.

8 Q And when we talk in this deposition and we've  
9 talked about it, between MGE and Southern Union,  
10 there is no real legal distinction between MGE and  
11 Southern Union, isn't that your understanding?

12 A Yes.

13 Q Because Southern Union Gas Company just does  
14 business in this state under the fictitious name  
15 Missouri Gas Energy, isn't that your  
16 understanding?

17 A Yes.

18 Q And so Southern Union Company and MGE are one and  
19 the same, are they not?

20 A Well, MGE is a part of Southern Union, so...

21 Q Now, you took over as COO and president of  
22 Missouri Gas Energy in September, 2001, is that  
23 correct?

24 A That's correct.

25 Q And is it your understanding that the customer

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1 satisfaction efforts were well under way when you  
2 took over in 2001?

3 A There were customer satisfaction processes in  
4 place, yes, when I took over.

5 Q And what efforts were in place when you took over  
6 for customer satisfaction?

7 A Well, at that time, ITRON had already been  
8 implemented. We were working on, at that time,  
9 computers in the service trucks. There was -- I  
10 believe, there was a few small changes in  
11 technology as it relates to the phone center. I  
12 am sure there were others I can't recall right off  
13 the top of my head.

14 Q Do you know if in September of 2001 when you took  
15 over whether or not Missouri Gas Energy had in  
16 place any goals for, let's say, average speed of  
17 answer?

18 A Yes.

19 Q What were those goals?

20 A I believe they were the same as they are today, I  
21 think. 75 seconds, I think, for average speed of  
22 answer.

23 Q What is that based on, that the goal was 75  
24 seconds?

25 A It was, I think, based on a prior case, a

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1 regulatory case.

2 Q And what case would that be?

3 A I don't remember.

4 Q Were you aware of whether or not, setting aside  
5 regulatory cases, whether or not Missouri Gas  
6 Energy had customer service satisfaction goals for  
7 the average speed of answer in place prior to that  
8 regulatory case?

9 A Say that again. I'm not sure what you mean.

10 Q Were you aware -- you said that your understanding  
11 of, for example, the average speed of answer came  
12 from a regulatory case?

13 A Um-hum.

14 Q And I am asking you, did the company, MGE, have  
15 any of its own goals in place prior to that case,  
16 if you know?

17 A I would assume so, but I don't know for sure.

18 Q What about for the abandoned call rate?

19 A I would -- same thing, yeah.

20 Q So you're unaware at the time you took the helm at  
21 September, 2001, whether or not the company  
22 already had some goals with respect to average  
23 speed of answer and abandoned call rate?

24 A They had goals. I am unaware how those goals were  
25 determined.

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1 Q And you're unaware of what those goals were?

2 A I am aware what the goals were when I took over in  
3 September, yes.

4 Q And what were those goals?

5 A 75 seconds, and I think it was 8 1/2 percent on  
6 the abandoned call rate.

7 Q And how were you made aware that those were the  
8 goals of the company?

9 A I don't recall. I mean, documents, a report. I  
10 don't recall.

11 Q And you don't know who may have told you that?

12 A No.

13 Q Okay. And then you say in your testimony at  
14 Page 5 that, "Efforts are continuing." What  
15 customer services efforts are continuing, sir?

16 A Well, customer service, it's we -- we continually  
17 strive to continue to maintain and improve the ACR  
18 and ASA. And like I indicated earlier, we spent  
19 about a half a million dollars in the past year on  
20 some technological improvements to try to improve  
21 an issue down there based on the number of phone  
22 calls that are coming in that is just phenomenal  
23 based on past history.

24 Q You indicate in your testimony that MGE has  
25 achieved and generally maintained high quality

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1 customer service performance levels. Is that your  
2 understanding?

3 A Yes.

4 Q And I asked you a data request earlier in this  
5 process about that quote on Page 5 of your direct  
6 testimony and it was public counsel Data Request  
7 5,025. I want to hand that to you and ask you to  
8 read that to yourself and let me know when you are  
9 finished.

10 MR. FRANSON: Mr. Micheel, are you going  
11 to make that an exhibit?

12 MR. MICHEEL: I am not going to make  
13 that an exhibit. That's why I said I'm just going  
14 to hand it to him, not make it an exhibit.

15 A Okay.

16 Q (By Mr. Micheel) And that is your response to my  
17 data request, is it not, sir?

18 A I believe it is.

19 Q And you indicate in that data request that the  
20 basis for your customer service goals essentially  
21 is the testimony of Carlton Ricketts, is that your  
22 understanding?

23 A Yes.

24 Q And also your 25 years in the business, is that  
25 your understanding?

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1 A Yes.

2 Q And my question is, other than the items contained  
3 in that answer to the data request, did you base  
4 your response to that data request on any studies,  
5 either done by MGE or by independent contractors  
6 or any other industry standards that you may have  
7 reviewed?

8 A I have reviewed some documents that was put out by  
9 the AGA is it relates to different companies. And  
10 that was done about a year ago looking at these  
11 kind of standards. And then the belief that in  
12 the past -- the perception that in the past that  
13 the ACR and the ACA was not as well maintained  
14 maybe as it should have been.

15 Q What documents from the AGA, and when you say AGA,  
16 I'm assuming you're talking about the American Gas  
17 Association --

18 A Yes.

19 Q -- did you review, sir?

20 A I couldn't tell you today what they were.

21 Q If I asked you a data request, could you provide  
22 complete copies of those documents?

23 A I doubt it. I could look for them, but I couldn't  
24 tell you.

25 Q Did you seek out to determine whether or not MGE

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1 had asked that any studies be done with respect to  
2 customer service by outside agencies in the past?

3 A As it relates to ASA and the ACR?

4 Q That, and all customer service?

5 A Yeah, I believe I did, but, you know, I could not  
6 tell you today what the results of those were.

7 Q Now, you indicate in response to that data  
8 request, when I say that data request, I mean  
9 5,025, that you relied on the testimony of  
10 Mr. Ricketts on Pages 2 and 3 of his direct  
11 testimony, is that your understanding?

12 A Yes.

13 Q And do you have a copy of Mr. Ricketts' testimony  
14 with you?

15 A No, I do not.

16 Q Let me hand you a copy of Mr. Carlton Ricketts'  
17 testimony. And let me confirm with you that the  
18 portion of Mr. Ricketts' testimony that you are  
19 talking about is the portion starting on Line 6,  
20 Page 2, through the end there and going over to  
21 Page 3.

22 A Okay. On Page 3, too?

23 Q Well, what I am trying to understand, sir, is you  
24 gave me a response to this Data Request 5,025, and  
25 you cited Pages 2 and 3 of Mr. Ricketts' direct

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1 testimony. And I am trying to make sure through  
2 discovery here that I understand what particular  
3 portions of Pages 2 and 3 of Mr. Ricketts'  
4 testimony you are talking about, so we have no  
5 misunderstanding.

6 A Okay.

7 Q And are those the portions of Pages 2 and 3 of  
8 Mr. Ricketts' direct testimony that you are  
9 referring to in your response to Data Request  
10 5,025?

11 A Yes, it is.

12 Q Okay. Now, in Mr. Ricketts' testimony there, at  
13 Page 2, specifically at Lines 20 through 22, it  
14 states, "MGE has consistently been able to  
15 maintain relatively stable ACR and ASA levels that  
16 are better than the merger commitment for these  
17 measures, 8.5 percent and 75 seconds,  
18 respectively." Is that correct?

19 A Right.

20 Q And is that, sir, where you come up with the 8.5  
21 and the 75 seconds, the 8.5 for the abandoned call  
22 rate and the 75 seconds for the average speed of  
23 answer rate, that you refer to?

24 A Yes.

25 Q Okay. Let me hand you a copy of a data request

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1 from the Office of the Public Counsel, Data  
2 Request Number 5,028. And that data request, if  
3 you'd read it to yourself, was asking the genesis  
4 of those numbers.

5 A Okay.

6 Q And does that indicate, sir, that the genesis of  
7 those numbers were stipulations and agreements  
8 specifically in GM-2000-43 and numerous other  
9 cases?

10 A Yes, it does.

11 Q Have you at any time reviewed the unanimous  
12 stipulation in GM-2000-43?

13 A No.

14 Q Let me hand that to you and indicate to you that  
15 that is the unanimous stipulation and agreement  
16 approving Southern Union Company's ability to  
17 merge with Pennsylvania Enterprises, Inc. Okay?  
18 And I am going to focus you on Pages 2 and 3 under  
19 A, customer service performance measures, sir, and  
20 ask you to read that to yourself.

21 A Okay.

22 Q And does that document there indicate that there  
23 is an 8.5 percent abandoned call rate and a 75  
24 second ASA, average speed of answer rate?

25 A Yes.

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1 Q And after looking at the data request that I gave  
2 you from the response, does that appear to be the  
3 case that Mr. Ricketts is basing his views on in  
4 his direct testimony?

5 A Yes.

6 Q Okay. And my question to you, sir, is how were  
7 the 8.5 percent abandoned call rate, how was that  
8 level arrived at, if you know?

9 A I don't know.

10 Q How was the 75 second average speed of answer rate  
11 arrived at?

12 A I don't know that either.

13 Q Do you know if the 8.5 percent abandoned call rate  
14 and the 75 second average speed of answer rate  
15 utilized in that stipulation and agreement, how  
16 that compares with the industry average --  
17 industry averages for those measures?

18 A I have seen comparisons, but I can't recall, so my  
19 answer would be no.

20 Q Do you know if those measures with respect to  
21 industry average represent above average abandoned  
22 call rate or average speed of answer?

23 A As I said, I have seen comparisons, but it has  
24 been a while and I don't recall.

25 Q So you don't know if those averages indicate above

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1 average customer service in those --

2 A As they relate to other industries.

3 Q As they relate to the natural gas industry?

4 A No, I do not.

5 Q So as far as you know, the 8.5 percent and the 75  
6 second -- the 8.5 percent abandoned call rate and  
7 the 75 second average speed of answer could  
8 represent industry average?

9 A I don't know.

10 Q Okay. Well, then, explain to me, sir, how meeting  
11 the merger commitment of 8.5 percent for abandoned  
12 call rate and 75 seconds for average speed of  
13 answer results in high quality customer service  
14 performance.

15 MR. HACK: I am going to object because  
16 I think it misstates his testimony. But you can  
17 answer anyway.

18 A It's my understanding that this was the commitment  
19 that we had made, so it was my belief that  
20 anything that met this commitment was good  
21 customer service.

22 Q (By Mr. Micheel) And how did you get to that  
23 understanding?

24 A How did I get to the understanding that this was a  
25 merger commitment?

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1 Q No. That the company meeting an 8.5 percent  
2 abandoned call rate and a 75 second average speed  
3 of answer resulted in good customer service.

4 A It was in discussions with some -- with the phone  
5 center people at that time. It was an indication  
6 that these were really good goals to be in place,  
7 that they were difficult to achieve, and that they  
8 were -- that the people that run the phone center  
9 indicated to me that they felt like it was a good  
10 operation if you could meet these two goals.

11 Q And who you discuss these goals with in the phone  
12 center, sir?

13 A I think that conversation was with Ron Crow.

14 Q Anybody else in the phone center other than Ron  
15 Crow?

16 A Not that I recall at this time.

17 Q Is it your belief that the Office of the Public  
18 Counsel thought that those standards represented  
19 high quality customer service?

20 A I don't know. I have no knowledge of that.

21 Q Other than Mr. Ricketts' testimony and your  
22 experience, as you indicate in your response to  
23 Data Request 5,025, did you rely on any other  
24 factors in coming to your conclusion that you did  
25 in your direct testimony that MGE is providing

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1 high quality customer service?

2 A Well, I felt like from an operational standpoint  
3 if the people in the phone center felt like this  
4 was a good goal, they are the ones that run the  
5 operation. I felt, also, that based on the -- if  
6 the Missouri Public Service Commission felt like  
7 this was -- these were good goals to have, that it  
8 as an industry standard was probably very good.

9 Q Is it your understanding that the Missouri Public  
10 Service Commission felt that these were good goals  
11 to have?

12 A I would assume that they did or they would not  
13 have allowed us to put them in place.

14 Q Well, you understand that that was a settlement  
15 decision, do you not, sir?

16 A Yes.

17 Q And you recognize with every settlement there's  
18 compromise?

19 A Yes.

20 Q And you are not suggesting in any way, shape, or  
21 form that because the Office of the Public  
22 Counsel, the staff, MGE settled that case with --  
23 and that case was the company's ability to  
24 purchase some properties in Pennsylvania, that  
25 they set some customer service standard for the

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1 company to meet, are you?

2 A Well, based on the fact that the people that run  
3 the phone center indicated that these were very  
4 good goals, that they were going to be tough to  
5 meet, and the fact that if it was a settlement and  
6 we came together with the different entities and  
7 agreed as these as a good measurement, then I  
8 would have to perceive that it was a good  
9 measurement, and it was a good -- these were good  
10 goals to have in place.

11 Q For average customer service perhaps?

12 A Well, I feel like that if the people that run the  
13 phone center feels like that they are better than  
14 average customer service, that these goals are,  
15 that they were difficult to achieve, especially at  
16 that time, then it was -- it was better than  
17 average customer service.

18 Q And that is based on your conversations with  
19 Mr. Ron Crow?

20 A Yes.

21 Q Okay. And you spoke with Mr. Crow before this  
22 matter was settled?

23 A Oh, no. No.

24 Q Okay. Well, let me go back here. Let me ask you  
25 to turn to the back of this document, if you will,

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1           it's a certificate of service there. Could you  
2           indicate and read into the record the date there  
3           on that certificate of service?

4       A    6th day of October, 1999.

5       Q    And if you would flip back one page from that?  
6           There's some signatures there. Do you recognize  
7           the signature of Paul Boudreau, who signed on  
8           behalf of Southern Union Company?

9       A    No, I do not.

10      Q    Does that document indicate that Paul A. Boudreau  
11           signed on behalf as the attorney for Southern  
12           Union Company?

13      A    Yes.

14      Q    And you were not the COO or president of Missouri  
15           Gas Energy at the time that that deal was struck,  
16           were you?

17      A    No, I was not.

18      Q    So this discussion that you have been saying that  
19           you had with Mr. Crow happened sometime after  
20           2001?

21      A    Yes.

22      Q    And when did that happen, sir?

23      A    I couldn't tell you the date.

24      Q    Okay. And why did you have an occasion to be  
25           discussing with Mr. Crow the customer service

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1 commitments contained in a stipulation and  
2 agreement that was signed in October of 1999?

3 A It wasn't a discussion around that, it was  
4 discussion around continuing to improve our  
5 processes as they relate to customer service. And  
6 as one of those processes, the ACR and the ASA was  
7 one of those issues. So as part of the discussion  
8 around that issue, of which there were other  
9 issues, that I started considering looking into  
10 when I assumed this role, this just happened to be  
11 one of them.

12 I was very concerned, as I have  
13 indicated in the past, about making sure that any  
14 customer service processes that we had already  
15 implemented continued and that I implement new  
16 processes that continue to try to improve customer  
17 service in a very, very difficult environment, as  
18 you know. The business that we are in is very  
19 difficult. We have 500,000 customers. We have  
20 six -- between six and 700 employees. So we want  
21 to continue to provide good customer service.

22 Q Is it your belief that the 8.5 percent abandoned  
23 call rate that you've implemented under your watch  
24 is a much more stringent abandoned call rate than  
25 that of your predecessors?

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1 A I didn't implement it under my watch.

2 Q Whose watch --

3 A It was initiated apparently in 1999.

4 Q And so that would be Mr. Cattron's watch,  
5 C-a-t-t-r-o-n-e (sic)?

6 A I would assume that, I don't know what the time  
7 frame was, but I would assume that, yeah.

8 Q Well, but I am trying to understand, Mr. Oglesby,  
9 what abandoned call rate standards and what  
10 average speed of answer standards your companies  
11 had in place and what those goals have been. And  
12 you have -- and I am trying to understand, is the  
13 8.5 percent abandoned call rate, is that a  
14 standard that you've set or is that a standard  
15 that one of your predecessors had set?

16 A That was a standard that one of my predecessors  
17 set.

18 Q Okay. And you are not aware whether or not your  
19 predecessor had a different standard than the 8.5  
20 percent?

21 A No, I am not aware of that.

22 Q Is the 75 second average speed of answer, is that  
23 a standard that you set or a standard that you  
24 believe one of your predecessors had set?

25 A That was set by my predecessor.

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1 Q Would you agree with me that one of your  
2 predecessors as the job of president and chief  
3 operating officer was Mr. Steve Cattron?

4 A Yes.

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

9 A Yes.

10 Q And you worked with both Mr. Clowe and  
11 Mr. Cattron, did you not?

12 A I worked for both of them, yes.

13 Q You worked for and with them --

14 A Um-hum.

15 Q -- or is there some top-down difference between  
16 working for and with?

17 A I worked for Mr. Cattron and I worked for Tom  
18 Clowe in different positions.

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

21 A I am not aware of them.

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

25 A No, I am not.

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1 Q Are you aware of whether or not Mr. Catttron  
2 indicated that the company had a standard for the  
3 abandoned call rate?

4 A No, I am not.

5 Q Are you aware of whether or not Mr. Catttron had a  
6 standard for the average speed of answer?

7 A No, I am not.

8 Q Did you do anything to endeavor to find out  
9 whether or not your predecessors had items in  
10 place with respect to the abandoned call rate and  
11 the average speed of answer?

12 A The abandoned call rate -- the goals for the  
13 abandoned call and average speed of answer was in  
14 place, as I indicated. And no, I did not go back  
15 to research to see if there was any other standard  
16 that had been in place in the past.

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

18 A No, I did not.

19 Q And why didn't you think it was important to do  
20 that?

21 A As I indicated earlier, I felt like in visiting  
22 with the staff on the floor in the phone center,  
23 they felt these were very, very, very good goals  
24 as industry standards go and that it was going to  
25 be difficult to meet them and that -- appropriate

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1 goals --

2 Q And you don't know --

3 A -- for good customer service.

4 Q And you don't know the basis for Mr. Clowe's  
5 belief that these meet industry standards, do you?

6 A No, I do not.

7 Q In your testimony, you indicate that MGE is a low  
8 cost provider of natural gas with respect to  
9 comparable natural gas local distribution  
10 companies in Missouri, do you not?

11 A Yes.

12 Q How are they comparable?

13 A How is -- the companies comparable?

14 Q Yes, sir.

15 A Basically, they are just some of the largest  
16 utilities in the state.

17 Q And that is your idea of how companies should be  
18 comparable, they are large utilities in the state?

19 A There's only so many utilities in the state. I  
20 mean, there's not a tremendous amount of utilities  
21 in the state, so some of these -- these are some  
22 of the major ones.

23 Q I am trying to understand, other than that, is  
24 there any other way that they are comparable to  
25 Missouri Gas Energy than being large?

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1 A There is differences in all of them. I mean,  
2 different numbers of customers, different numbers  
3 of employees, different ways they operate, so  
4 there's differences. But, basically, they are the  
5 companies, the utility companies that operate in  
6 the State of Missouri.

7 Q And so they have different number of employees?

8 A I would assume that nobody has exactly the same  
9 number of employees.

10 Q Do you think they probably have different union  
11 contracts?

12 A I would imagine so, yes.

13 Q Do you think, for example, there are different  
14 costs of living between folks living in the  
15 St. Louis metropolitan area vis-a-vis folks living  
16 in the Kansas City area?

17 A I don't have -- I don't know.

18 Q You don't know that?

19 A I don't know that.

20 Q You don't know whether the cost between living in,  
21 like, for example, you're from the Northeastern  
22 Oklahoma area, are you not?

23 A Actually, I'm from Joplin, but I have lived in  
24 Northeast Oklahoma for a long time.

25 Q And it was a little cheaper to live in

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1 Northeastern Oklahoma than it is to live here in  
2 lovely Kansas City, isn't it?

3 A Actually, no, that is not true. It was higher.

4 Q It was higher down there?

5 A Taxes were higher, yes.

6 Q So there is a difference in the cost of living?

7 A Yes.

8 Q And that is my only point, there's differences in  
9 cost of living between living in different places,  
10 correct?

11 A Yes.

12 Q And certain companies have different union  
13 contract structures, do they not?

14 A Yes, they do.

15 Q And companies have different costs to operate  
16 their operations, do they not?

17 A Yes, they do.

18 Q And different companies have different maintenance  
19 expense than other companies, do they not?

20 A I would assume so.

21 Q And some companies have been in existence longer  
22 than other companies, for example, Laclede  
23 Gaslight, they started when they -- Laclede Gas  
24 Company as Laclede Gaslight in the 1800's. Do you  
25 understand that?

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1 A Yeah.

2 Q And so they would have older things which, you  
3 know, when something gets older, generally, you  
4 have more maintenance, don't you?

5 A Um-hum.

6 Q You have to answer yes or no so she can take it  
7 down.

8 A Yes. I understand your question.

9 Q Why is the operation and maintenance costs, why is  
10 that the appropriate way to judge the cost  
11 comparability and cost effectiveness?

12 A I think that it's a good indicator of how well a  
13 company is run. The operation and maintenance  
14 cost is a good indicator of how efficient the  
15 operation is.

16 Q So if I can interpret that, the better run company  
17 will have the lower operation and maintenance  
18 cost?

19 A The more efficient company will have -- should  
20 have the lower operation and maintenance cost.

21 Q Other than that, why are operation and maintenance  
22 costs the appropriate way to determine  
23 comparability?

24 A I believe it's just a good measure. It's just a  
25 way to measure our operations to someone else's.

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1 Q Are there other ways to measure?

2 A I am sure there probably is. Number of employees  
3 to number of customers, miles of main to number of  
4 employees, number of customers. There's hundreds  
5 of different ways to measure, you know.

6 Q Would any of those ways be better than operation  
7 and maintenance costs?

8 A I don't believe so.

9 Q Why aren't we measuring overall rates, including  
10 gas costs, of these companies, why isn't that an  
11 appropriate way to do it?

12 A Overall rates, I think -- in my testimony, I think  
13 we measured against the average cost per year for  
14 customers. Is that the same question?

15 Q No. Well, let me ask you this, on Page 7 of your  
16 testimony, you have the lowest cost provider. And  
17 if you know, does that includes gas costs in it?

18 A I don't know. I would have to refer to Mike Noack  
19 for that.

20 Q Do you think it's appropriate -- an appropriate  
21 comparison if gas costs are not provided for in  
22 that comparison chart?

23 A I don't know. I think you're looking -- just,  
24 again, you're looking at a comparison, a way to  
25 measure the differences to see where we are at

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1 compared to other companies and what -- what kind  
2 of operation we have.

3 Q Do you think that customers are concerned with  
4 just one portion of your rates or their overall  
5 rate that they receive, their overall bill?

6 A I think they are concerned with total amount of  
7 the bill that they receive on a monthly basis,  
8 yes.

9 Q And that would be true for every local  
10 distribution company in the state, wouldn't you  
11 agree?

12 A Oh, absolutely.

13 Q Are you saying, sir, that Laclede Gas Company is  
14 doing a poor job in its operations because it has  
15 a higher operation and maintenance cost than  
16 Missouri Gas Energy?

17 A I would never say that. I have no knowledge of  
18 their basic operation, so I would never say that.  
19 I am just saying that this is a way to compare us  
20 to a couple of other companies in the state to get  
21 a feel for how we operate our business.

22 Q Are you saying that MoPub is doing a poor job of  
23 operating its business?

24 A Same answer. I would never say that anybody was  
25 operating their business poorly. I have no

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1 knowledge of that.

2 Q Are you saying that AmerenUE is doing a poor job  
3 of operating its business?

4 A Same answer. I have no knowledge.

5 Q If you have no knowledge of how these companies  
6 are operating, how can you -- how do you believe  
7 it's appropriate, then, to compare MGE with these  
8 companies?

9 A I believe because they are companies that -- they  
10 are utilities that operate in the state. And as I  
11 indicated earlier, this is one way to look at our  
12 operation compared to those operations to  
13 determine how we are running our business.

14 Q But if you have no knowledge of how those operate,  
15 how is that fair?

16 A I can't --

17 Q How is that comparison fair?

18 A I think it's, again, strictly a comparison and a  
19 way to look at the different companies to see the  
20 differences in the companies.

21 Q And you're looking at those differences, are you  
22 not, to demonstrate that MGE is operating in a  
23 more cost effective manner than those particular  
24 companies?

25 A Or operating within -- within the same guidelines

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1           that they are, but yes, and we are showing here  
2           that the way we are operating, our O&M costs are  
3           less, so yes.

4       Q   And you may have some costs that are more than  
5           those companies?

6       A   It's possible.

7       Q   And do you know -- did you do -- did you do or did  
8           you direct Mr. Noack to do any studies to  
9           determine if there are any other cost differences  
10          between those companies?

11      A   I would have to direct that question to Mr. Noack.

12      Q   You didn't direct him to do that?

13      A   I did not, no.

14      Q   You didn't direct Mr. Noack to do any sort of  
15          study, did you?

16      A   Asked him to look at comparisons of the different  
17          operations within the state so we could see where  
18          we stood.

19      Q   And you left it to Mr. Noack's own devices to  
20          determine how to do that comparison?

21      A   Yes, I did.

22      Q   And why is it reasonable to rely on Mr. Noack's  
23          analysis for purposes of comparison?

24      A   I believe it's good information.

25      Q   Why do you have that belief?

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1 A I think it -- again, it's a good indication, it's  
2 a measurement of how the different companies are  
3 doing as it relates to O&M expenses.

4 Q And are you aware of where Mr. Noack got that  
5 information?

6 A I don't know.

7 Q Do you know if Mr. Noack audited the books and  
8 records of these companies to come up with his  
9 information?

10 A No, I do not.

11 Q Do you know if Mr. Noack requested information  
12 from these companies to come up with this  
13 information?

14 A No, I do not.

15 Q Other than Mr. Noack's analysis contained in his  
16 direct testimony, has MGE or Southern Union  
17 Company, because those are interchangeable, or any  
18 of its contractors or agents conducted any other  
19 studies regarding MGE's cost of providing services  
20 vis-a-vis other local distribution companies?

21 A Not that I am aware of.

22 Q Okay. So in your mind, that's the only, and I put  
23 this in quotes, "study" that's been conducted?

24 A That I'm aware of.

25 Q Would you expect Mr. Noack to tell you if he's

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1 conducted any sort of other studies?

2 A Yes.

3 Q Because you would want to get your direct  
4 testimony right, would you not, Mr. Oglesby?

5 A Yes.

6 Q And have you asked him, has he told that he's  
7 conducted any other studies?

8 A I have not asked.

9 Q Has he told you that he's conducted any other  
10 studies?

11 A No, he has not.

12 Q What's your understanding, sir, of the rate-making  
13 process?

14 A My understanding of the rate-making process is  
15 that it's a process by which rates are determined  
16 that should provide with -- shareholders with a  
17 fair and equitable return and customers with a  
18 reasonable rate.

19 Q Does it guarantee that the shareholders are going  
20 to receive that return or does it give the  
21 shareholders an opportunity?

22 A Gives the shareholders an opportunity.

23 Q And how did you come to your understanding about  
24 the rate-making process?

25 A Well, my basic understanding came from just -- in

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1 talking with -- with Rob Hack, and also, you know,  
2 the heading on the web site for the Missouri  
3 Public Service Commission pretty well spells out,  
4 it seems to me, the definition of what the  
5 regulatory process is.

6 Q So you reviewed the Commission's web site?

7 A I review it frequently just to be aware of what is  
8 going on in the regulatory environment.

9 Q Did Mr. Hack tell you the understanding of the  
10 regulatory process as the vice president of rates  
11 or as your attorney?

12 A I don't know that Rob Hack actually gave me the --  
13 what my understanding is. Like I said, I looked  
14 at -- I read articles, I have been through the  
15 Public Utilities Review process. So I already had  
16 somewhat of an understanding of the process. I am  
17 not -- I would not say that I am an expert in the  
18 process by any means.

19 Q What articles did you read, sir?

20 A Like I indicated, Public Utilities Review. Are  
21 you familiar with that?

22 Q I surely am not. Public Utilities Review?

23 A Yes.

24 Q Is that -- what kind of periodical is that?

25 A It is actually a course that you -- that I took

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1 many years ago. It relates to utilities, how  
2 utilities operate, how they should operate, how  
3 the regulatory process works.

4 Q And you indicated that you had read some articles.  
5 And what articles did you read?

6 A On the Commission -- on the Public Service  
7 Commission web site.

8 Q Okay. Has the Missouri Public Service Commission  
9 given Missouri Gas Energy a reasonable opportunity  
10 to achieve its authorized returned?

11 A I don't believe so.

12 Q And why not?

13 A Well, I think that there's several areas. One is  
14 the volumetric rate design, especially when you  
15 look at the weather as it has been over the past  
16 few years, weather normals don't seem to be the  
17 same as -- mean the same as they used to mean.

18 Again, we've already talked about the  
19 uncollectible issue. And so I think that those  
20 are a couple of areas, the weather mitigation, the  
21 fact that our rates are set based on a certain  
22 amount of usage per customer, and yet we never  
23 ever can achieve that usage per customer. And  
24 that should be something very easy, to me, to be  
25 able to review, I would think, to review and see

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1        what customer usage is as compared to what the  
2        usage is that is determined in a previous rate  
3        case.

4        Q    So it's your view that in GR-96-28 -- well, let me  
5        ask you this. You have been with the company for  
6        35 years, is that correct?

7        A    That's correct.

8        Q    And you're well aware that this is the fourth rate  
9        case that this company has had since Southern  
10       Union took over operation, are you not?

11       A    Yes.

12       Q    And, indeed, I mean, you attended local public  
13       hearings in Case Number GR-96-285, did you not?  
14       That was the first rate case.

15       A    I believe that I did, yes.

16       Q    And your wife, Charlotte, as I recall, used to be  
17       a customer service employee of Missouri Gas  
18       Energy.

19       A    Yes, she was. That was a long time ago. I can't  
20       remember back that far.

21       Q    Unfortunately, I can.

22       A    You have a better memory than I do.

23       Q    Is it your testimony or belief that MGE was not  
24       given a reasonable opportunity to achieve its  
25       authorized return in GR-96-285?

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1 A I don't know.

2 Q What about the next rate case, GR-98-140, is it  
3 your belief or understanding that MGE was not  
4 given a reasonable opportunity to achieve its  
5 authorized return?

6 A I can't -- I can't -- no, I don't know.

7 Q What about in GR-2001-292, a case that MGE  
8 settled, was it given a reasonable opportunity to  
9 achieve its return?

10 A I don't believe so.

11 Q And what does it mean to you when a company is  
12 given a reasonable opportunity to earn its return,  
13 what does that mean?

14 A I believe that it goes back to the areas that we  
15 talked about. Some of the disallowances, the rate  
16 design as it relates to weather, the amount of gas  
17 used per customer. Those are some issues that we  
18 need to resolve.

19 Q So you think out of the gate MGE had no  
20 opportunity to achieve its authorized return?

21 A If you look at the fact of what we have, I think,  
22 accomplished here and tried to do as far as  
23 provide an efficient operation, and then look at  
24 our actual rate of return compared to -- even to  
25 our authorized rate of return and it would be my

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1 perception that that is the case.

2 MR. HACK: Doug, are you -- how close  
3 are you to done?

4 MR. MICHEEL: I'm halfway. If you want  
5 to take a break, that's fine.

6 MR. HACK: We need -- how are you doing?  
7 Take a break.

8 MR. MICHEEL: If you guys need a break,  
9 that's great.

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

12 Q (By Mr. Micheel) What unanticipated expenditures  
13 have cropped up during your tenure with MGE that  
14 have impaired returns?

15 A That have impaired returns?

16 Q Um-hum.

17 A Well, I can't think right off the top of my head.

18 Q Okay. Well, if you could, maybe look at Page 11  
19 of your direct testimony there, and I am looking  
20 at Line 10. It says, "Although unanticipated  
21 expenditures do crop up from time to time," I'm  
22 trying to understand, what are those unanticipated  
23 expenditures.

24 A We always, you know, could have an issue down in  
25 the phone center where equipment fails, where you

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1 have to spend money. The field operations folks  
2 from time to time have to spend money, capital  
3 money and O&M money, you know, on maybe a gas  
4 incident or equipment failure or, you know, those  
5 type of items that are unanticipated, you never --  
6 in operating this type of business, you can't  
7 anticipate.

8 Q And have any of those cropped up during your  
9 tenure?

10 A Oh, I am sure there have. I couldn't tell you --  
11 I couldn't give them to you right off the top of  
12 my head.

13 Q And how have they impacted -- how have they  
14 impaired MGE's achieved returns?

15 A Well, some of it could be capital expenditures  
16 based on, you know, having to replace a lot of  
17 main or some of it could be just O&M as it relates  
18 to even overtime, you know, on the O&M side.

19 Q So you don't have any specific numbers?

20 A I can't think of them off the top of my head, no.

21 Q You indicate in your testimony that the company  
22 has not achieved its return primarily because of  
23 the way rates were set in the past, is that --

24 A Yes.

25 Q And you recognize that ultimately the

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1 determination of how rates are set in the past are  
2 determined by the commissioners of the Public  
3 Service Commission?

4 A Yes.

5 Q And you realize that your company has an  
6 opportunity to present evidence and argument with  
7 respect to that just as the Office of the Public  
8 Counsel, the staff, and any other intervenor is  
9 able to do?

10 A Yes.

11 Q And so you understand that those rates have been  
12 set with appropriate process, due process,  
13 generally, if it's a litigated case, within the  
14 confines of a hearing?

15 A Yes.

16 Q And you understand, do you not, that if Missouri  
17 Gas Energy doesn't agree with that outcome, that  
18 they can seek to appeal that decision?

19 A Yes.

20 Q And are you aware of whether or not MGE, with  
21 respect to the two rate cases that were litigated,  
22 GR-96-285 and GR-98-140, had any successful  
23 appeals?

24 A Not that I'm aware of. I think the only comment  
25 that I would have there is that we've never been

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1       able to achieve our authorized rate of return in  
2       whatever rate case. Now, what --

3       Q   And your conclusion is the reason that you haven't  
4       been able to achieve the authorized rate of return  
5       is because of the way rates are set?

6       A   Because of some of the issues that we have already  
7       talked about, yes, as it relates to the  
8       rate-making process.

9       Q   The way that the Commission has decided those  
10      issues in specifics?

11      A   Well, not terribly -- not totally the Commission  
12      because we have responsibility, too, to operate  
13      our business as efficiently and economically as  
14      possible. But as part of that, the rate-making  
15      process should give us a reasonable expectation,  
16      is my perception, that it should give us a  
17      reasonable expectation to get to our authorized  
18      rate of return, which is a return that is -- my  
19      understanding, that is determined by staff of the  
20      Commission as they come in and look at our  
21      expenses and our revenues and determine what they  
22      feel like is a good authorized rate of return.

23      Q   Well, you understand that ultimately the decision  
24      on what return the company is authorized the  
25      opportunity to receive -- given the opportunity to

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1 receive is ultimately decided by the Public  
2 Service Commission, not the staff?

3 A Yes.

4 Q And that is the five commissioners?

5 A Yes, sir.

6 Q You also understand that some people may see that  
7 it is management's failure to do things that  
8 allowed it to achieve those returns, do you not?

9 A I believe that could be the case, yes.

10 Q And management has some responsibility, and you,  
11 indeed, take some responsibility for that, do you  
12 not?

13 A Oh, absolutely.

14 Q So I mean, in reading your testimony, and I'm just  
15 trying to understand here, it seems like on  
16 Page 11 you're suggesting that the only reason  
17 Missouri Gas Energy has not been able to achieve  
18 its authorized return is because of regulatory  
19 policies. Is that your testimony?

20 A I think the ability for us to return our  
21 authorized rate of return, is my perception, that  
22 is the way the rates have been set in the past  
23 based on the fact that I believe that we have  
24 tried to do everything possible to run a very  
25 efficient operation, whether it includes reduction

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1 of employees or technology or different processes  
2 that we use within the organization.

3 So based on that premise that we try to  
4 do everything we can to run an efficient  
5 operation, then -- and we still continually cannot  
6 get to our authorized rate of return, the  
7 rate-making process has to be a part of the issue.  
8 I'm not saying that we don't make mistakes, we do.

9 Q You have been with the company for 35 years, this  
10 company or its predecessors?

11 A Um-hum.

12 Q Do you know if any time during your tenure with  
13 the company the company has earned its authorized  
14 return?

15 A Not to my knowledge.

16 Q Not to your knowledge?

17 A Not to my knowledge.

18 Q Okay. So 35 years, you don't know?

19 A I don't know.

20 Q Okay. You talk about some specific points as to  
21 why you don't believe the company has earned its  
22 return. And the first item you talk about is rate  
23 design, is that correct?

24 MR. HACK: Can you give him a reference  
25 to a page, Doug?

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1 MR. MICHEEL: Sure, Page 12, Rob.

2 Q (By Mr. Micheel) The question is please  
3 elaborate.

4 A Okay.

5 Q And explain to me why you feel the rate design has  
6 been unfair to MGE.

7 A Well, based on, you know, prior -- what we talked  
8 about prior. You know, the fact that -- and one  
9 issue is all of our rates are based on the  
10 volumetric rate design, which is hugely impacted  
11 by the weather. And as we all know, the weather  
12 is something that we can't control and has been  
13 subject to some extreme variations in the past few  
14 years. So I feel like that we need to look at  
15 rate design around that issue and come up with a  
16 better way to set that part of the rate component.

17 The other areas, like we talked about  
18 earlier, is that the amount of gas used per  
19 customer has changed a lot over the past years. A  
20 lot of that has to do with new improved equipment,  
21 with new building construction, a lot of reasons,  
22 which is just, I think, part of the process in the  
23 rate-making design that we ought to take a look at  
24 and say is the process really up to date as it  
25 relates to how much gas an individual customer

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1 uses.

2 And again -- and the bad debt expense,  
3 again, is something that I think we need to be  
4 concerned about as it relates to recovery in rates  
5 of bad debt. So there is three examples.

6 Q I am a little confused about your answer with  
7 respect to the rate design because you indicate  
8 that all of your rates are based on a volumetric  
9 rate design. And it's my understanding that for  
10 at least the residential customer class and the  
11 small general service customer class, that a  
12 portion of those rates are set on a nonvolumetric  
13 basis, and I'm discussing the customer charge.

14 A Um-hum.

15 MR. HACK: Just object to the question  
16 as it mischaracterizes the testimony of the  
17 witness. It never says all. Says majority of the  
18 revenue increases.

19 MR. MICHEEL: Well, I think if we will  
20 look back in the record, the record will indicate  
21 that his discussion and his answer said all rates  
22 are based on volumetric rate design. And I am  
23 attempting to understand if that is the case or  
24 not.

25 Q (By Mr. Micheel) Go ahead and answer.

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1 A Ask the question again, please.

2 Q Isn't it your understanding that all of your rates  
3 are not set on a volumetric rate design?

4 A Yes.

5 Q And why is that true?

6 A For some recovery purposes, because there are some  
7 ongoing expenses that are continual and are  
8 constant.

9 Q Well, don't you have a fixed customer charge?

10 A Yes.

11 Q And that is fixed if -- for example, if I'm a  
12 residential customer of Missouri Gas Energy, I  
13 have to pay \$10.05 every month to the company  
14 whether or not I use any gas at all?

15 A Yes.

16 Q And now we have the new infrastructure replacement  
17 surcharge, and that guarantees the company a  
18 certain amount of money based on a bill add or  
19 surcharge, does it not?

20 A Yes.

21 Q And that is not based on the volumetrics, is it?

22 A That is true.

23 Q So that's another component of your rates that is  
24 not volumetric, isn't that correct?

25 A That's correct.

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1 Q And you are aware that your company has a tax  
2 adjustment clause, are you not?

3 A Yes.

4 Q And that's not volumetric, is it?

5 A That is true.

6 Q What about the PGA clause, is that a volumetric  
7 rate?

8 A I don't -- PGA clause?

9 Q Yes. If you know, if you don't --

10 A I don't know.

11 Q That's fair enough. I want to talk to you about  
12 the traditional disallowances that you talk about,  
13 sir, on Page 14. First of all, you talk about  
14 some examples that include costs associated with  
15 legislative activity, dues and donations,  
16 advertising costs, community relations and public  
17 affair staffing. And those are your examples.

18 I would like you to give me your  
19 complete list of traditional disallowances that  
20 you object to other than those examples that you  
21 have in there.

22 A I can't do that off the top of my head. I don't  
23 know.

24 Q Are you aware of any other than those four that  
25 you have listed?

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1 A I am -- I don't know. I don't know the answer to  
2 your question.

3 Q Other than those four listed, are you aware of any  
4 other traditional disallowances?

5 A No.

6 Q Let's -- for example, on advertising costs. Are  
7 you aware of how much advertising costs were  
8 disallowed in, for example, GR-96-285?

9 A No, I am not. The amount? No.

10 Q What about GR-98-140?

11 A No, I am not.

12 Q Would your answer be the same if I took you  
13 through all four of these items, just to speed  
14 things up?

15 A Yes, it would.

16 Q Okay. Are you aware, sir, why legislative  
17 activities have traditionally been disallowed by  
18 the Commission?

19 A The reason why?

20 Q Um-hum.

21 A No, I am not.

22 Q So you don't know traditionally why they have been  
23 disallowed?

24 A No, I do not.

25 Q Now, you've indicated in some of your responses to

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1 Mr. Franson that in today's business environment  
2 it doesn't make sense to disallow, for example,  
3 legislative costs.

4 And my question is, how is today's  
5 business environment with respect to legislative  
6 costs different than the business environment of  
7 this business when you started with the company 35  
8 years ago?

9 A I think the legislative environment is extremely  
10 more involved in issues as they relate especially  
11 to the utility industry than they were 35 years  
12 ago. And that the business environment that we  
13 operate in today, both as it relates to the issues  
14 of natural gas pricing, natural gas availability,  
15 all of the issues that have an impact on our  
16 company creates agendas and creates legislation  
17 and creates issues in the legislative agenda at  
18 Jeff City that we need to be aware of.

19 It's important for our customers that we  
20 are -- and it's important for us if the regulatory  
21 people need information or need some help from us  
22 on these issues as they relate to our company,  
23 what kind of impact are they going to have on the  
24 company, we need to have all the information  
25 available to us.

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1 Q Explain to me how customers benefit from MGE's  
2 lobbying.

3 A From their lobbying?

4 Q Yes, sir.

5 A I am thinking more along the lines that our  
6 customers benefit from the fact that if we are  
7 aware and have the knowledge of issues that could  
8 impact our business, which could be detrimental  
9 to the customers. As I know you are aware,  
10 sometimes the legislature can pass legislation  
11 that end up, you know, not being in the best  
12 interest of a company or utility or whatever. And  
13 we need to be aware of that. We need to make  
14 ourselves educated on that.

15 Q And sometimes the legislature can pass some  
16 legislation that's not in the best interest of  
17 customers?

18 A That's true. That's true.

19 Q And do you think it's appropriate if the  
20 legislature passes legislation that's not in the  
21 best interest of customers and MGE, for example,  
22 supports that legislation, that customers should  
23 be required to pay for that?

24 A I think that -- I think that the ability to be  
25 aware of those issues and to work with those

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1 issues is a part of doing business in today's  
2 market. And so yes.

3 Q Why shouldn't the shareholders be responsible for  
4 that as opposed to the customers? That's what I  
5 am trying to understand.

6 A I think it is a basic part of doing business in  
7 today's environment that -- and as a part of  
8 managing the business and doing the business, I  
9 think it's a part of one of the expenses that we  
10 have to do the business.

11 Q Wasn't it a basic part of doing business 35 years  
12 ago when you started?

13 A Oh, I don't know.

14 Q You don't think it was a part of doing business 20  
15 years ago?

16 A I don't believe it was as much a part of doing  
17 business 20 years ago as it is today.

18 Q What about ten years ago?

19 A You know, I can't answer for ten years ago. I can  
20 only tell you that I believe today in today's  
21 business environment and today's -- in today's  
22 world, that it's an important part of doing  
23 business.

24 Q And it's so important that ratepayers should bear  
25 the entire cost?

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1 A I believe so.

2 Q Why were dues and donations, certain dues and  
3 donations, disallowed by the Commission in the  
4 past?

5 A I don't know.

6 Q And you didn't think it important to find that out  
7 before you wrote your testimony?

8 A No, I did not.

9 Q So you are not interested in the theoretical basis  
10 for why those are disallowed?

11 A I am interested, but I did not -- I did not look  
12 into it, no.

13 Q Do you think that customers should be required  
14 through rates to provide moneys to organizations  
15 with goals that they don't agree with?

16 A No.

17 Q Do you think that customers through rates should  
18 be required to pay money for lobbying positions or  
19 viewpoints that they don't agree with?

20 A Again, I believe that is part of -- if your  
21 indication is towards lobbying as being  
22 educational in the processes at Jeff City, then I  
23 think, yes, that's important.

24 Q I am talking about -- let's talk about specific  
25 issue lobbying. Let's say that, for example,

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1       there is a bill that says every gas customer just  
2       to be customer has to pay \$100 a month and MGE has  
3       got ten lobbyists down there in Jefferson City  
4       going gung-ho supporting that bill and you spend a  
5       million dollars supporting that bill and every  
6       single customer from MGE calls this office and  
7       says we think that is a bad idea.

8               Do you think that customers should be  
9       charged that million -- that hypothetical million  
10       dollars through rates for MGE to lobby for that  
11       hypothetical bill.

12   A   But, again, that is a hypothetical question. And,  
13       first of all, we would never have ten lobbyists  
14       down there doing that. So...

15   Q   How many lobbyists have you got on the payroll  
16       right now?

17   A   I think there's two, I believe.

18   Q   Two?

19   A   Um-hum.

20   Q   You don't have any other ones intermittently?

21   A   There could be. There could be somebody hired  
22       intermittently.

23   Q   How many registered lobbyists does MGE have?

24   A   Oh, I don't know.

25   Q   You don't know. Do you know if Mr. Snider is a

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1 registered lobbyist for MGE?

2 A I think he may be, yes.

3 Q Do you know if Mr. Hack is a registered lobbyist  
4 for MGE?

5 A No, I do not.

6 Q Do you know if Ms. Levetzow is a registered  
7 lobbyist for MGE?

8 A She is not.

9 Q You don't think she is?

10 A I don't think she is.

11 Q Have you checked with the -- and what's the basis  
12 of your belief that she's not a registered  
13 lobbyist?

14 A Don't believe she is.

15 Q Okay. And why do you believe that ratepayers  
16 should pay for all the company's dues and  
17 donations?

18 MR. HACK: I am going to object to the  
19 question because it mischaracterizes the  
20 testimony. It never says all dues and donations  
21 should be paid for.

22 A I believe there's -- I believe there's some dues  
23 and donations out there that are important.

24 Again, it goes back to the reality of operating  
25 the business and being a good corporate citizen

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1 and being a good business within the community  
2 that requires us to do certain things and be parts  
3 of certain organizations that are in the best  
4 interest of the customers.

5 Q (By Mr. Micheel) Are there some dues and  
6 donations that the customer should not be required  
7 to pay for?

8 A I am sure there probably are.

9 Q And what are those?

10 A I can't tell you off the top of my head.

11 Q In your testimony where you're talking about  
12 traditional disallowances that you don't agree  
13 with, it's my understanding from reading your  
14 testimony that you are saying all dues and  
15 donations for the company should be placed in  
16 rates, is that an incorrect understanding?

17 A I believe that there are dues and donations that  
18 have traditionally been disallowed that should be  
19 included in rates.

20 Q And what dues and donations are those, sir?

21 A I can't tell you off the top of my head.

22 Q You don't know?

23 A I can't tell you off the top of my head, no.

24 Q What dues and donations did you have in mind when  
25 you wrote this testimony?

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1 A I can't -- you know, I can't tell you off the top  
2 of my head. I don't have that answer.

3 Q What are the types of dues and donations that the  
4 company does right now?

5 A We belong to certain organizations. Again, you  
6 know, I can't tell you all of the different dues  
7 and donations that -- and groups that we belong  
8 to. We do belong to Chambers of Commerce and --

9 Q And how should the Office of the Public Counsel --  
10 how would you recommend that the Office of the  
11 Public Counsel go about determining what dues and  
12 donations customers should or should not pay?

13 A Well, I think that -- I think there are -- again,  
14 there are -- based on the ones -- the areas that  
15 are required to be a good corporate citizen, to be  
16 in business, to be able to have contact with our  
17 customers, help our customers, and do the right  
18 thing for our employees.

19 Q Let's take your example of the March of Dimes. Is  
20 the company's participation in the March of Dimes  
21 something required to provide safe and adequate  
22 service to customers at just and reasonable rates?

23 A I think it is something that is important that as  
24 a member in the community that we be involved in.  
25 I think that is one area that is very important.

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1 It's like Chambers of Commerce and those type --

2 Q And why can't the shareholders contribute their  
3 money to be members of the March of Dimes? Why  
4 isn't that appropriate?

5 A I just feel that it's a legitimate business  
6 expense.

7 Q That is the bottom line, you just feel it's a  
8 legitimate business expense?

9 A Yes.

10 Q Why have certain advertisements been disallowed in  
11 the past?

12 A I don't know.

13 Q And you didn't do any research to find out why?

14 A No.

15 Q Is it your direct testimony that all of the  
16 company's advertising should be included in rates?

17 A Yes.

18 Q Okay. Irrespective of what that advertising  
19 regards?

20 A Yes.

21 Q Why do you think it's appropriate for ratepayers  
22 to pay for all the advertising?

23 A Again, I think it's a legitimate business expense.  
24 It's part of doing business and I believe that it  
25 is, you know, important in public service issues

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1 and providing customers with knowledge about  
2 natural gas. I think it is an important part of  
3 doing business.

4 Q Do you know why portions of the community  
5 relations and public affairs staffing has been  
6 disallowed in the past?

7 A No, I do not.

8 Q Did you undertake any way to find out why?

9 A No, I did not.

10 Q Give me the talk about why all -- is it your  
11 belief that all the community relations and public  
12 affairs staffing costs should be paid for by  
13 ratepayers?

14 A Yes.

15 Q And why is that, sir?

16 A I believe that it is a legitimate business  
17 expense.

18 Q While you were sitting there, did you come up with  
19 any other traditional allowances -- traditional  
20 disallowances that you are aware of that should be  
21 changed?

22 A No, I haven't.

23 Q I want to talk to you -- this is my last section,  
24 too, by the way. I'm sorry, it's going a little  
25 longer than I thought.

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1                   You talk about the Commission's  
2 willingness -- or I guess the Office of the Public  
3 Counsel and the staff's willingness to punish the  
4 company in the past. Am I understanding right  
5 about what you are saying at the bottom of  
6 Page 15, top of Page 16?

7     A     Yes.

8     Q     You were with the company, were you not, when the  
9 company put out hundreds of thousands of bills  
10 that were incorrect?

11    A     Yes, I was.

12    Q     Do you think it's appropriate that some punishment  
13 be meted out for that?

14    A     Yes.

15    Q     And did, indeed, MGE agree to settle that matter,  
16 if you know?

17    A     I don't know.

18    Q     Should Missouri Gas Energy be given a reward if  
19 their operations are merely average?

20    A     I believe that -- I believe that as in the  
21 disallowance of the billing issue, like you said,  
22 and the penalization for that, you know, I agree  
23 that -- and I agree that there should be penalties  
24 out there.

25               On the other side, I also believe there

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1           should be rewards when a company does well.

2       Q     And my question --

3       A     Is it --

4       Q     My question was, should the company be rewarded if  
5           its operation is merely average?

6       A     I am not sure that average would be appropriate  
7           for that reward.

8       Q     So if the company, let's say, was merely providing  
9           service that related -- that resulted in average  
10          customer service, for example, average speed of  
11          answer, abandoned call rate, that wouldn't be  
12          something that you believe is appropriate, to  
13          receive a reward, would it?

14      A     I believe it's a degree. I believe you have to  
15          look at the degree and you have to look at the  
16          issue. And I believe there are some issues where  
17          maybe average might be a real stretch. And there  
18          should maybe be a possibility to be rewarded to  
19          get there.

20      Q     What issues do you believe that average should be  
21          rewarded?

22      A     Well, I don't have any specific examples off the  
23          top of my head.

24      Q     Other than the operation and maintenance expense  
25          study that Mr. Noack conducted and the abandoned

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1 call rate of 8.5 percent and the average speed of  
2 answer of 75 seconds, is there any other  
3 information in MGE's direct filed case that  
4 indicates that MGE is operating at -- management  
5 at some above average level that you are aware of?

6 A I'm not aware of it.

7 Q Okay. We talked about the disallowance of the  
8 billing improvement cost in Case Number GR-98-140.  
9 You recognize that was a litigated case, do you  
10 not?

11 A Yes, I do recognize that.

12 Q And that that issue was presented before the  
13 commission and it was the Public Service  
14 Commission that ultimately decided that?

15 A Yes.

16 Q Where you talk about disallowance of allegedly  
17 imprudent gas supply expenditures, what case are  
18 you referring to that Missouri Gas Energy received  
19 a disallowance for imprudent gas supply  
20 expenditures?

21 A I can't give you a quote of a case number. I  
22 mean...

23 Q Are you aware of any time in the last five years  
24 where MGE has received a disallowance for  
25 imprudent gas expenditures?

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1 A Yes.

2 Q And when was that?

3 A When was the disallowance? I believe there was a  
4 couple, I think. And I can't quote you the years,  
5 2000, 2001.

6 Q And what were those disallowances regarding?

7 A I can't tell you.

8 Q You don't know?

9 A No.

10 Q And you don't know what imprudent gas  
11 disallowances you were talking about there?

12 A There was some imprudent gas supply expenditures  
13 that were disallowed in one of the ACA cases.

14 Q When you say ACA, is that an actual cost  
15 adjustment case?

16 A Cost adjustment, yes.

17 Q Just give me a minute while I check my notes.

18 Thank you for your time, Mr. Oglesby.  
19 Appreciate it. That is all I have.

20 MR. FRANSON: I don't have anything  
21 extra except for the question of how do you want  
22 to do it, will you waive presentment, not  
23 signature --

24 MR. HACK: I have a few questions myself  
25 before we conclude. Should be quick.

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## CROSS-EXAMINATION

By MR. HACK:

Q I am just going to ask you a few questions,  
Mr. Oglesby.

A Okay.

Q I would refer you to the direct testimony of  
Carlton Ricketts, Page Number 3. Are there a  
couple other statistics on that page aside from  
ASA, ACR, which is mentioned on the previous page,  
and the efficiency measures that are discussed in  
your testimony?

A Yes, there are a number of estimated meter reads  
that went down from 1996 from 674,834 to 556. And  
the number of complaints and inquiries to the  
Commission went down from -- 2000, from 448 to  
136.

Q Are you aware, and if you're not, that's fine, of  
whether MGE has proposed in its revenue  
requirement to not seek to recover from customers  
the cost associated with its outside contract  
lobbyists?

A I believe that is true.

Q You were discussing with Mr. Micheel unanticipated  
expenditures. Do you recall a tornado in  
Southwest Missouri --

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1 A Yes, I do.

2 Q -- I think it was in 2003?

3 A Yes.

4 Q Can you explain, one, whether that was an  
5 anticipated or unanticipated event, two, what kind  
6 of an impact it had on the company?

7 A It was very unanticipated, of course. Natural  
8 disaster completely wiped out the town of Pierce  
9 City, which is in our operating area; Stockton,  
10 Missouri, was devastated; and parts of the Kansas  
11 City area were also devastated. Not only did we  
12 spend a lot of energy and manpower coping with the  
13 situations the evening of the disaster, but we  
14 also lost a lot of our customer base because there  
15 was a great number of businesses and homes that  
16 were lost in that particular incident. So we lost  
17 customers, also.

18 Q And discussing the bad debt question, with  
19 Mr. Micheel, you focused at least a little bit of  
20 your discussion on fiscal years '99, 2000, and  
21 2001. I would refer you to Page 13 of your direct  
22 testimony and would ask you to look at these per  
23 customer usage figures shown on the page and focus  
24 on fiscal years '99, 2000, and 2001 and compare  
25 the actual customer usage to rate case customer

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1 usage and explain whether you believe that weather  
2 was warmer than normal, normal, or colder than  
3 normal during those fiscal years.

4 A I think in '01, it was colder than normal and the  
5 rest of the years, I believe has been warmer than  
6 normal.

7 Q Let me ask you to look at actual usage per  
8 customer on FY '01. What is it?

9 A 1,021 ccf.

10 Q And look at the rate case usage per customer.

11 A 1,047 ccf.

12 Q Is the actual lower or higher than the rate case?

13 A Lower.

14 Q And is the rate case, to your knowledge, based on  
15 a normal amount?

16 A Yes.

17 Q And therefore, would it be your belief that actual  
18 weather was warmer or colder because usage was  
19 lower than rate case?

20 A Warmer.

21 Q Okay. Thank you. Do you know how many employees,  
22 roughly, MGE has?

23 A Between six and 700.

24 Q As president, are you intimately familiar with  
25 everything that each and every one of those

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1 employees does on a day-to-day basis?

2 A No, I am not.

3 Q Could it be conceivable that personnel responsible  
4 for handling customer communications about the  
5 rate case may have received customer  
6 communications that they didn't tell you about?

7 A It's possible.

8 Q Between 600 and 700 people a day don't report to  
9 you every day, do they --

10 A No, they do not.

11 Q -- their activities?

12 A They do not.

13 Q Are you aware that the Missouri Public Service  
14 Commission did not have a formally adopted policy  
15 on gas price protection in place until  
16 December 31, 2003?

17 A No.

18 Q Are you familiar with the details of day-to-day,  
19 week-to-week call center staffing or is that the  
20 responsibility of Mr. Ricketts?

21 A It's the responsibility of Mr. Ricketts.

22 Q In terms of the abandoned call rate and average  
23 speed of answer targets shown on Exhibits 1 and 2,  
24 in particular, the navy blue line, do you know  
25 whether the target is measured on a monthly basis

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1 or on an annual basis?

2 A I believe it's measured on an annual basis.

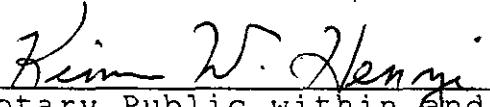
3 MR. HACK: That is all I have.


4 (Witness excused.)

5  
6  
7   
James Oglesby

8 Subscribed and sworn to before me this  
9 11<sup>th</sup> day of May.

10 My Commission expires Feb. 3, 2007.

11   
12 Notary Public within and for  
13 Kim W. Henzi

14  
15   
16 Kim W. Henzi  
Notary Public - Notary Seal  
State of Missouri  
Jackson County  
My Commission Expires Feb. 3, 2007  
17  
18  
19

20 In the Matter of Missouri Gas Energy's Tariff Sheets  
21 Designed to Increase Rates for Gas Service in the  
22 Company's Missouri Service Area  
23  
24  
25

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## C E R T I F I C A T E

STATE OF MISSOURI )  
 ) ss:  
 COUNTY OF JACKSON )

I, SHEILA A. KOETTING, a Notary Public, do  
 certify that pursuant to Notice, at Missouri Gas  
 Energy, 3420 Broadway, in the City of Kansas City, in  
 the County of Jackson and State of Missouri,

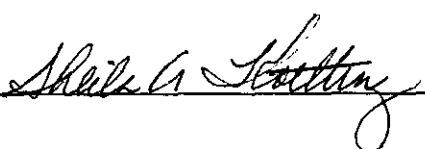
JAMES OGLESBY

came before me, was duly sworn to testify the whole  
 truth of his knowledge of the matters in controversy  
 aforesaid, was examined and his examination then  
 written in stenotype by me and afterward typed, and  
 subscribed by the witness as hereinbefore set out, on  
 the day in that behalf aforesaid; and said deposition  
 is herewith returned.

I further certify that I am not counsel,  
 attorney or relative of either party, or clerk or  
 stenographer of either party or of the attorney of  
 either party, or otherwise interested in the event of  
 this suit.

IN WITNESS WHEREOF, I have hereunto set my  
 seal at my office in said County and State, this  
29th day of April, 2004.

My Commission expires February 7, 2007.

  
 SHEILA A. KOETTING  
 NOTARY SEAL  
 NOTARY PUBLIC  
 STATE OF MISSOURI

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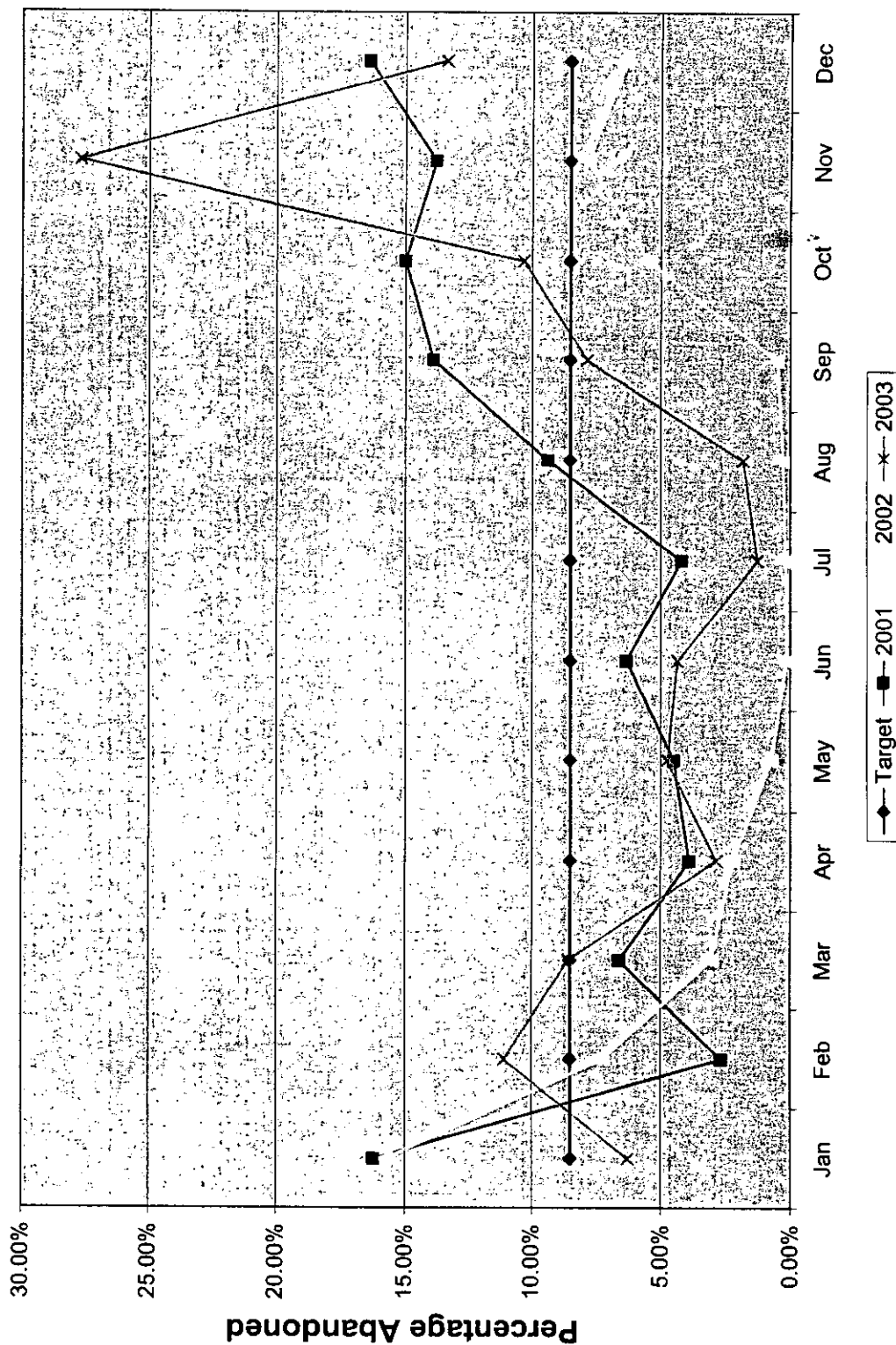
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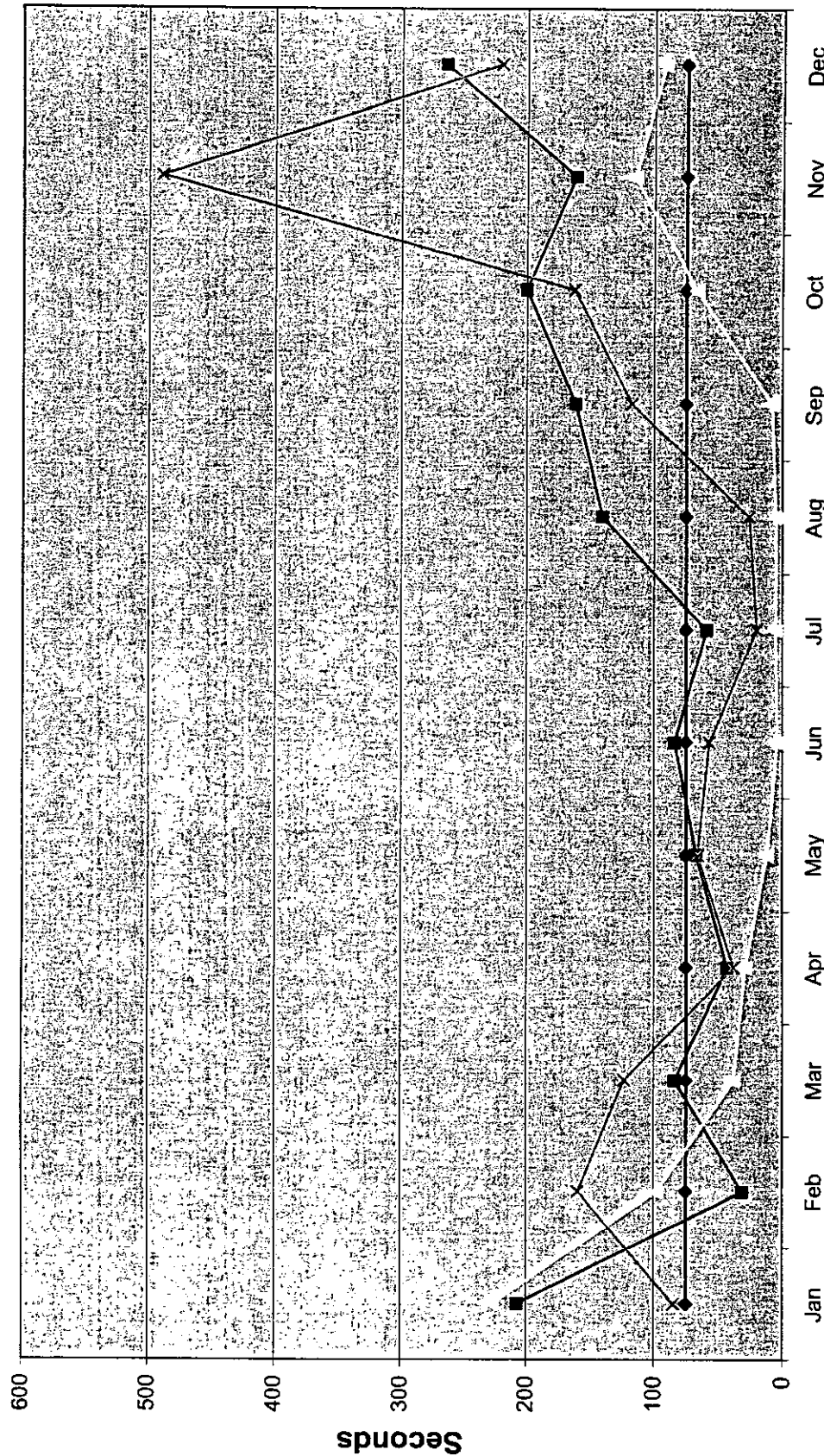


# Missouri Gas Energy Abandoned Call Rates



Deposition Exhibit  
 No. 1  
 Date: 4-23-04 sk  
 John M. Bowen & Associates

# Missouri Gas Energy Average Speed of Answer



--♦-- Max Allowed    --■-- 2001    --x-- 2002

*Regulatory*  
 Deposition Exhibit  
 No. 2  
 Date: 4-23-04 sk  
 John M. Bowen & Associates