

**SURREBUTTAL TESTIMONY**

**OF**

**KIMBERLY K. BOLIN**

**MISSOURI GAS ENERGY**

**CASE NO. GR-2004-0209**

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

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

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

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

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

A. Yes.

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

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

**LOBBYING COSTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13 **MANUFACTURED GAS PLANT REMEDIATION/ENVIRONMENTAL RESPONSE FUND**

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

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

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

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

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

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

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

11   A.    No.

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

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

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

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

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

7 **INCENTIVE COMPENSATION**

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

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

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

21 **A.** Yes.

22 **Q. PLEASE EXPLAIN.**

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

7 CUSTOMER SERVICE

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

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

23 Q. WHEN WAS THE AMR SYSTEM INSTALLED?

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

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

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

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

11 A. Yes.

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

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

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

19 A. Yes, they are.

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



1 A. Yes, it is.

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

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

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

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

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

18 A. No.

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

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

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

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

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

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

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

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

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

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

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

4 A. No.

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

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

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

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

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

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

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

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

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

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

16   **Q.    DOES THIS CONCLUDE YOUR SURREBUTTAL TESTIMONY?**

17   A.    Yes.