

FILE COPY

**MISSOURI GAS ENERGY**  
A division of Southern Union Company

**Office of Public Counsel - Missouri**  
**DATA INFORMATION REQUEST RESPONSE**

**Case Number: GR-2004-0209**

Data Request No 1063

**Requested From:** Bolin

**Date Requested:** 5/27/2004

**Information Requested:**

RE: Page 4 of Alan Fish's Rebuttal testimony

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

**Requested By:** Mike Noack

**Information Provided:**

Mr. Fish provides the following response:


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

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

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

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

Date Response Received: \_\_\_\_\_

Signed By:   
Director, Pricing and Regulatory Affairs

Date: 6/2/04 JUN 08 2004

Schedule KKB-1

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

**FILE COPY**

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY

CASE NO. GR-2001-292

DIRECT TESTIMONY OF

KAREN M. CZAPLEWSKI

Jefferson City, Missouri

November 7, 2000

Schedule KKB-2  
Page 1 of 25

NOV 07 2000

DIRECT TESTIMONY  
OF KAREN M. CZAPLEWSKI  
CASE NO. GR-2001-292  
NOVEMBER 7, 2000

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

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

Q. PLEASE SUMMARIZE YOUR EDUCATION AND EXPERIENCE.

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

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

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

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

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



1 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

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

8

9 1. RECENT MGE CUSTOMER SERVICE EFFORTS AND RESULTS

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

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

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

	<u>ACR (%)</u>	<u>ASA (seconds)</u>
4 FY98	9.38	76
5 FY99	5.41	60
6 FY00	5.09	56

7  
8 Q. ARE THESE THE ONLY AREAS WHERE MGE HAS ACHIEVED  
9 QUALITY CUSTOMER SERVICE?

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

14  
15 In early 1998, we began a pilot program of scheduling two-hour appointment  
16 windows for certain kinds of service calls. Before that, we had only scheduled  
17 a.m. or p.m. appointments. Customer response has been positive and the program  
18 has been expanded. In FY00 a total of approximately 25,000 appointments with  
19 two-hour windows were scheduled with customers. Although MGE's  
20 implementation of these two-hour appointment windows has not been perfect—in  
21 FY00 we missed approximately 2% of appointments due primarily to emergency  
22 leak response calls, customers have actually missed these appointments far more  
23 often—approximately 9% of all appointments in FY00.

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

9  
10 Customer surveys conducted on behalf of MGE also indicate that customer  
11 satisfaction is on the upswing. Our most recent customer survey was conducted  
12 in July of 2000. The results show significant improvement in customer  
13 satisfaction among Missouri Gas Energy customers. 87% were satisfied with the  
14 service provided versus 83% in 1999. Additionally, the "very satisfied" portion  
15 of this total group increase from 46% in 1999 to 54% in 2000.

16  
17 **Q. MS. CZAPLEWSKI, IS MGE COMMITTED TO ACHIEVING**  
18 **CUSTOMER SERVICE PERFORMANCE LEVELS IN THE FUTURE**  
19 **SIMILAR TO THOSE WHICH HAVE BEEN ACHIEVED IN THE PAST**  
20 **YEAR?**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

16  
17 Q. AS AN EXPERT IN THE AREA OF UTILITY CUSTOMER SERVICE,  
18 WOULD YOU CONSIDER IT REASONABLE TO RELY ON THE  
19 INFORMATION CONTAINED IN THE FOREGOING CHART FOR THE  
20 PURPOSE OF COMPARING MGE'S CUSTOMER SERVICE  
21 PERFORMANCE LEVELS TO OTHER MISSOURI COMPANIES?

22 A. Yes.

23

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

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

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

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

16 **3. SUMMARY OF TESTIMONY**

17 Q. PLEASE SUMMARIZE YOUR TESTIMONY.

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



1 MGE to be able to maintain or further such achievements, the Commission needs  
2 to demonstrate that it too values them.  
3

4 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

5 A. Yes, at this time.



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

FILED  
NOV 8 - 1996  
MISSOURI  
PUBLIC SERVICE COMMISSION

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

Cold Weather Rule Practices and Procedures

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

Communications and Working Relationship with Commission Staff

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

LATE-FILED EXHIBIT 120

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### Credit and Collections

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

### Billing

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

### Remittance Processing

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

### Other Issues and Concerns

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



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

# CUSTOMER SERVICE ACTION PLAN

PAUL D. BLANKENSHIP  
AUGUST 12, 1996

EXHIBIT 112  
GR-96-285

Schedule KKB-2  
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SCHEDULE 2

## Customer Service Action Plan

### EXPECTATION

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

### SUMMARY OF FINDING

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

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

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

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

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

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



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

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

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

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

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

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



## OBJECTIVE

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

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

## ACTION PLAN

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

## CONCLUSION

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



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

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



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

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

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

Exhibit No.:  
Issues: Customer Service,  
Billing Process  
Improvements  
Witness: Kendall O. Buckstaff  
Type of Exhibit: Rebuttal Testimony  
Sponsoring Party: Missouri Gas Energy  
Case No.: GR-98-140

MISSOURI PUBLIC SERVICE COMMISSION

MISSOURI GAS ENERGY  
CASE NO. GR-98-140, ET AL.

REBUTTAL TESTIMONY OF  
KENDALL O. BUCKSTAFF

Jefferson City, Missouri

April 23, 1998

APR 23 1998

REBUTTAL TESTIMONY OF KENDALL O BUCKSTAFF

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

April 23, 1998

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

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

3

4 Q. BY WHOM ARE YOU EMPLOYED?

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

7

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

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

12

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



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

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

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

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

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

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

1 processes. Following that evaluation, the team was expected to create solutions for  
2 addressing the gaps and disconnects, so that the gaps could be bridged, and the  
3 disconnects could be closed. The expected results were a series of recommended  
4 actions for improving the billing process, with a prioritized listing of the appropriate  
5 order for addressing those actions.  
6

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

9 A. No, the work of the BASIC team, by the time TB&A was hired, was focused clearly  
10 on the efforts of improving the billing process for the future. Prior to our  
11 engagement, some of the team members were in fact involved in the correction of  
12 past bills which had errors. At no time has TB&A been asked to help in correcting  
13 past bills. As part of the process improvement activities, the BASIC Team and  
14 TB&A have been involved in improving the *process* associated with correcting bills,  
15 but only on a prospective basis, in order to make it easier and faster to make those  
16 corrections in the future, should they be required.  
17

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

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

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

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

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

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

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

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



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

10

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

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

19

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

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

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

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

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

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

1 Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY ?

2 A. Yes.