IMPLEMENTATION REVIEW OF

MISSOURI GAS ENERGY

BILLING AND CUSTOMER SERVICE REVIEW

CASE NO. GO-95-177

PREPARED BY THE

MISSOURI PUBLIC SERVICE COMMISSION

ENGINEERING AND MANAGEMENT SERVICES DEPARTMENT

JANUARY 2004

TABLE OF CONTENTS

MISSOURI GAS ENERGY

IMPLEMENTATION REPORT

CASE NO. GO-95-177

CHAPTER I: INTRODUCTION

Procedural History

A joint motion requesting the Missouri Public Service Commission (Commission) to establish a docket to investigate Missouri Gas Energy's (MGE or Company) billing and customer service practices was filed on December 2, 1994, by the Staff of the Missouri Public Service Commission, the Office of the Public Counsel, and Missouri Gas Energy. The assigned case number is GO-95-177.

The Commission's Engineering and Management Services Department (EMSD) had primary responsibility for the review, with assistance provided by the Commission's Consumer Services Department and the Energy Rates Department. The resulting Billing and Customer Services Investigation report was filed on April 28, 1995. MGE filed its implementation plan on May 15, 1995. The Company filed status reports on July 19, 1995, and August 1, 1995. The EMSD staff filed its first implementation review report on August 1, 1996. The Company was ordered on September 6, 1996 to provide the EMSD staff with pertinent, regular customer service management activity reports. The EMSD Staff filed a second implementation review report on March 31, 2000. A third implementation review report was filed on May 31, 2001.

The results of the May 2001 Implementation Review report showed that 2 of the 37 original recommendations remained "in progress." The current implementation review report discusses actions taken by the Company on the two recommendations that received an "in progress" classification, which appeared in Chapter II: Customer Inquiries and Complaints of the original report.

Purpose

This report presents the EMSD staff's evaluation of the Company's actions to implement the two "in progress" recommendations that remain of the original 37 recommendations contained in the April 1995 Billing and Customer Services Investigation report. The implementation review was structured to achieve the following purposes:

- Determine the implementation status of the recommendations.
- Assess the Company's efforts at implementing these recommendations.
- Evaluate the effects these changes have had upon Company operations.
- Provide a continuing source of information relative to the Company's operations and procedures to the Commission and to the public.

Scope

The scope of this report includes: 1) an explanation of the origin of the two "in progress" recommendations, 2) an evaluation of the actions the Company has taken to address the recommendations, 3) a determination of the current status of each recommendation, and 4) a review of the improvements in operations as a result of implementation actions.

Approach

The EMSD staff contacted the Company in early January 2004, and on-site work was performed at the Company's main office in Kansas City on January 22, 2004. Prior to the on-site visit, the EMSD staff reviewed and analyzed the Company's customer service management activity reports and various other documents. The on-site review consisted of meetings with Company personnel and monitoring Telephone Center consultants as they responded to customer calls.

Summary of Results

As previously discussed, this fourth implementation review focused on Recommendations 1 and 9 that were categorized as "in progress" following the May 2001 Implementation Review. The results of this fourth implementation review indicate that, although the results of implementation actions are not consistently positive, the Company has satisfactorily completed the intent of the two remaining recommendations. A discussion covering the previously described scope is provided for each recommendation in Chapter II of this report.

The EMSD staff will continue to monitor results of implementation actions associated with Recommendations 1 and 9 based on management reports that Company management has agreed to provide. The EMSD staff will work with Company management, as required, to ensure the achievement of consistent, positive results.

CHAPTER II: EVALUATION OF RECOMMENDATION ACTIONS

RECOMMENDATION 1:

<u>Conduct a comprehensive study to examine the fluctuations in the abandoned call rate and establish an optimum staffing level and work hours that correlate with incoming call volumes. The primary objective of these actions should be to achieve the Company's abandoned call rate goal.</u>

STATUS: Complete

MAJOR ACTIONS TAKEN BY THE COMPANY:

1. Initiated discussion with AT&T to do a study of the Telephone Center – Second Quarter 1995.
2. Modified work group locations, work schedules and telephone handling priorities – Second Quarter 1995.
3. Installed Tele Center System to use as a scheduling tool – Fourth Quarter 1998.
4. Established a quality assurance position – Second Quarter 1999.
5. Implemented a revision to the training program – January 2001.
6. Initiated a comprehensive review of Telephone Center operations and goals – Second Quarter 2001.
7. Initiated a new employee assignment procedure that is implemented during occurrences of high call volumes – May 2001.
8. Installed a "witness system" for use in monitoring consultant activity – September 2002.
9. Anticipated implementation of new automated customer options – February 2004.

DISCUSSION:

The 1995 Billing and Customer Services Investigation found that the Telephone Center had experienced wide fluctuations in the abandoned call rate. The abandoned call rate frequently exceeded the 5% Company objective, especially on Monday and Tuesday mornings. Company management had also not conducted a study to determine an optimum staffing level and work hours that correlate with incoming call volumes.

Company management initiated some action prior to the 1996 Implementation Review. Original plans included having AT&T perform a thorough analysis of the Telephone Center operations. However, the August 1996 status report stated that the AT&T analysis had been canceled due to improvements initiated in the Second Quarter 1995. These improvements included consolidating work group locations and prioritizing work assignments to ensure that customer calls would get increased attention. All personnel who respond to customer calls are located on the same floor. These staff include Telephone Center consultants, who routinely respond to calls, and Account Services and Billing Services personnel who handle customer calls, as necessary.

The March 2000 Implementation Review report identified several additional actions Company management had taken to improve Telephone Center performance. The report stated that calls were automatically forwarded to Account Services when there were 12 calls waiting and to Billing Services when there were 18 calls waiting. Account Services personnel currently log in to receive calls when 15 customers are waiting and Billing Services employees still respond to calls when 18 customers are waiting. A Tele Center System (TCS) software package was purchased that enables the Company to forecast call volumes for the hour, day, week, and month. The system also provides ideal schedules for staffing and provides real time schedule adherence data. In addition, Company management uses TCS to establish full- and part-time staffing levels for the Telephone Center. The March 2000 Implementation Review report also indicated that a quality assurance position was created to monitor how effectively customers' telephone calls are handled, with an objective to improve overall Telephone Center quality of service performance.

The quality assurance position responsibilities have expanded to encompass a coaching and counseling role in addition to identifying consultants that need to improve certain skills. The quality assurance individual is required to monitor the performance of each consultant at least once a month. In addition, supervisors are expected to monitor consultants at least twice monthly. These monitoring sessions are used to identify areas of employee performance needing improvement. The Company installed a "witness system" in September 2002, to facilitate more effective monitoring of consultant activity. This system enables someone to observe the same screens that the consultant is using as they respond to a customer's call. Company management stated that this tool facilitates their ability to identify problems and provide assistance to enhance consultant performance.

During a May 2001 discussion with Company management, several other actions were identified pertaining to Telephone Center operations. In January 2001, the Company implemented a revision to its training program. The new employees that began training in December 2000 and had completed their initial training, were stationed in the "new employee section" of the Telephone Center. New telephone consultants remain in this area for about 90 days. As the employees continue their training in the "new employee section," the amount of required assistance from the trainers and the senior employees declines. In addition to continuing to receive assistance from the trainers and the senior employees, the new employees are able to hear the other telephone consultants' responses to inquiries. Company management believes this revision to its training program has improved consultant performance and helps to minimize the total number of incoming calls.

Company management also stated during the May 2001 meeting that it was in the process of reviewing Telephone Center operations and Abandoned Call Rate (ACR) and Average Speed of Answer (ASA) goals. Company management decided to base its goals on the terms agreed to as a part of the Stipulation and Agreement approved by the Commission in its merger docket (Case No. GM-2000-43). These goals consist of an ACR goal of no more than 8.5% and an ASA goal of no more than 75 seconds.

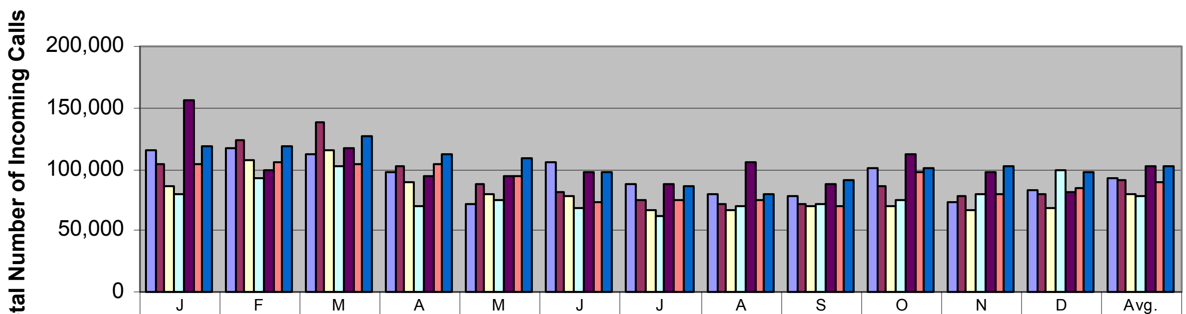
Company management also indicated that, beginning April 30, 2001, the Account Services and Billing Services employees were instructed to automatically log into the Telephone Center system on Monday mornings to assist the customer consultants with the high volume of incoming calls. The Account Services and Billing Services employees do not wait for the amount of incoming calls on hold to reach a predetermined level prior to assisting the Telephone Center consultants.

As a result of the 1996 Implementation Review, the EMSD staff recommended that the Company should take immediate and ongoing action to improve its quality of service performance. Specifically, the EMSD staff recommended that Company management establish a goal to reduce the number of customer complaints received by the Commission's Consumer Services Department to a level not to exceed one complaint per 1000 customers. Company management stated that this goal is still in effect.

Company management stated that it is in the process of adding additional automated features to its interactive voice response system. These enhancements will enable customers to complete a variety of transactions without talking to an individual consultant. Beginning in February 2004, customers will be able to make payments by credit card, debit card, and by check. It will also be possible to make payment arrangements for up to 60 days. In addition, customers will be able to initiate a levelized payment plan. Company management anticipates that these changes could reduce the number of calls that must be routed to a consultant and increase overall customer satisfaction.

The following charts present monthly data, since 1997, on the number of incoming calls, the ACR, the ASA, and the number of complaints and inquiries to the Commission:

Missouri Gas Energy Telephone Center
Total Number of Incoming Calls 1997 - 2003



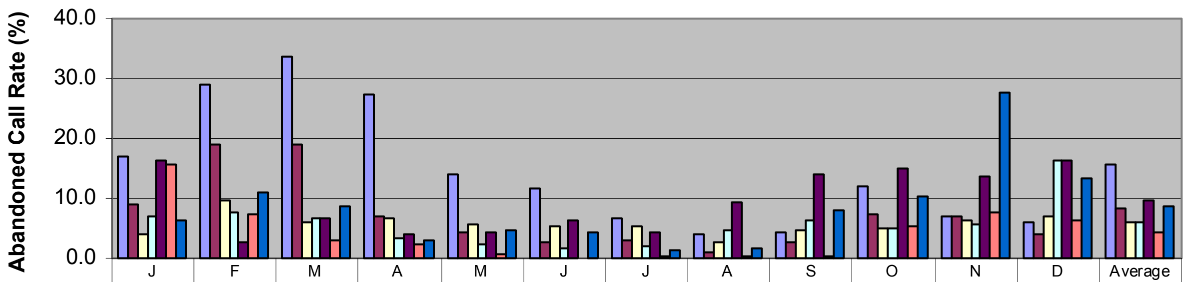
	J	F	M	A	M	J	J	A	S	O	N	D	Avg.
1997	116,154	116,530	112,502	98,336	70,969	106,007	88,099	79,233	78,158	100,202	72,723	82,711	93,469
1998	103,378	123,413	137,515	101,634	87,260	81,938	75,562	72,229	71,588	85,560	77,383	79,838	91,442
1999	86,940	106,525	114,939	89,145	80,047	78,650	67,322	66,726	69,266	69,863	66,870	68,068	80,363
2000	80,462	92,140	101,906	70,255	75,399	68,476	62,274	70,165	70,803	75,127	79,200	98,601	78,734
2001	155,934	99,648	117,672	94,906	93,511	97,765	87,323	105,682	88,451	111,721	97,217	81,122	102,579
2002	103,668	104,953	103,452	104,120	94,389	73,775	74,918	74,315	70,217	98,371	78,863	84,494	88,795
2003	117,891	118,411	126,269	111,789	108,794	97,775	85,564	79,374	90,565	101,431	102,085	97,990	103,162

Source: MGE Monthly Activity Reports for 1997 - 2003

As shown, the average monthly number of customer calls from 1997 to 2003 ranged from a low of 78,734 in 2000 to a high of 103,162 in 2003. Company management attributes much of the increased call volume in 2003 to a spike in the gas cost, a significant increase in the number of customers signing up for levelized billing, and colder than normal temperatures.

The Company's ACR performance from 1997 to 2003, measured on a monthly basis, is illustrated in the following chart:

Missouri Gas Energy Telephone Center
Abandoned Call Rate 1997 - 2003

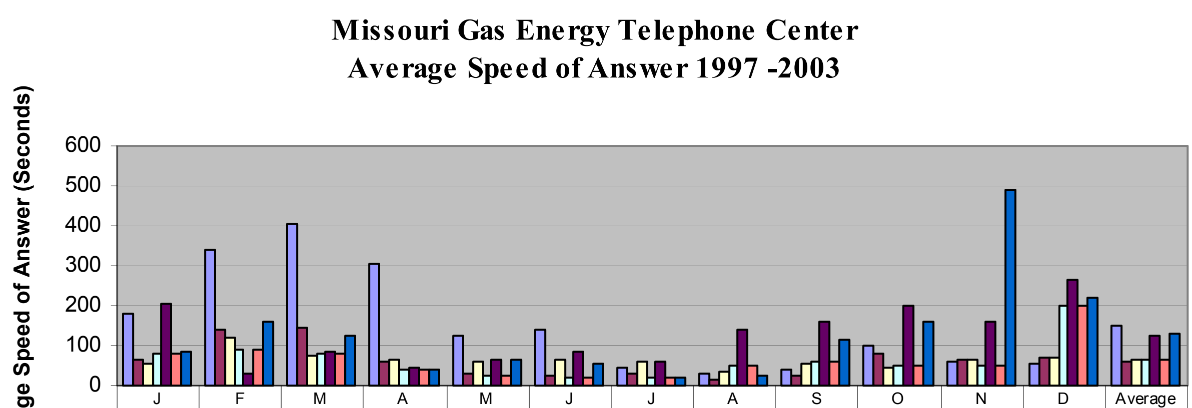


	J	F	M	A	M	J	J	A	S	O	N	D	Average
1997	17.2	28.9	33.5	27.2	14.0	11.5	6.7	3.9	4.3	12.2	6.9	6.2	15.6
1998	9.0	19.0	19.2	6.9	4.3	2.6	3.1	0.9	2.7	7.2	7.1	4.0	8.4
1999	4.0	9.7	6.0	6.6	5.8	5.3	5.4	2.8	4.6	5.0	6.4	7.1	5.9
2000	6.8	7.5	6.7	3.5	2.2	1.6	2.0	4.6	6.4	4.8	5.6	16.3	6.1
2001	16.2	2.7	6.6	3.9	4.5	6.3	4.2	9.4	13.9	15.0	13.8	16.4	9.7
2002	15.7	7.2	3.1	2.2	0.7	0.1	0.2	0.3	0.5	5.4	7.8	6.3	4.5
2003	6.3	11.1	8.6	2.9	4.7	4.3	1.3	1.8	7.8	10.3	27.7	13.4	8.5

Source: MGE Monthly Activity Reports for 1997 - 2003

As shown, the average monthly ACR ranges from 4.5% in 2002 to 15.6% in 1997. The Company's goal of an 8.5% ACR was achieved in 2003, although 8.5% was exceeded in 5 out of 12 months. As previously discussed, the Company indicated that the significantly increased call volume in 2003 was one factor in the higher ACR rate. Company management also explained that unanticipated turnover significantly affected the Company's ability to handle the additional calls.

The following chart illustrates the monthly ASA performance, for 1997 through 2003:



	J	F	M	A	M	J	J	A	S	O	N	D	Average
1997	180	342	406	304	124	141	45	31	38	102	60	53	152
1998	66	140	143	60	30	25	31	16	27	79	63	68	62
1999	54	119	74	67	58	63	60	36	53	44	65	72	64
2000	81	90	78	42	25	20	21	49	58	49	49	200	64
2001	207	31	84	43	67	84	59	140	161	200	161	264	125
2002	81	90	78	42	25	20	21	49	58	49	49	200	64
2003	85	159	123	38	66	57	20	26	117	162	489	220	130

Source: MGE Monthly Activity Reports for 1997 - 2003

The information presented in the chart indicates that ASA performance has fluctuated significantly since 1997. Since 2001, the Company has only achieved its ASA goal of 75 seconds in one out of three years. Company management commented that the calls handled through the interactive voice response system have not been included in the ASA calculation. Beginning in January 2004, the calls handled through automation will be included. Since these calls are typically of shorter duration than the calls handled by consultants, Company management anticipates that there will be some improvement in the ASA average due to the change in the method of calculation. Company management also anticipates a greater volume of calls will be handled by automation when new features are added in February 2004, which should also have a positive impact on ASA performance.

As previously discussed, Company management has established a goal to reduce the number of customer complaints received by the Commission to a level not to exceed one complaint per 1,000 customers. The following table shows the number of complaints and inquires received by the Commission on an annual basis since 1997 and illustrates the progress made in achieving the Company's goal:

Commission Complaints and Inquiries From MGE Customers on a Complaints Per 1000 Basis for 1997 - 2003							
	1997	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
Avg. # of Customers	480,077	485,926	492,069	498,648	499,782	502,639	500,137
Total # of Complaints & Inquiries	2,709	985	516	448	841	390	469
Complaints Per 1,000 Customers	5.6	2.0	1.0	.9	1.7	.8	.9

Source: Missouri Public Service Commission Consumer Services Department

As shown, the Company has accomplished its goal of not exceeding one complaint per 1,000 customers in 4 out of the past 5 years.

The information presented in the previous charts indicates that the Company has made progress toward achieving its ACR, ASA, and Commission complaint goals, although results have not been consistently positive. The Company generally accomplishes its goals for ACR and complaints per 1,000 customers, but ASA performance is less than optimal. Company management stated that it is committed to maintaining the appropriate staffing levels necessary to handle anticipated call volumes and achieve its performance goals. Based on the Company's actions and plans, it appears that the Company has completed the intent of the recommendation. The EMSD staff will continue to monitor the Company's performance and work with Company management to help ensure that appropriate goals are established and achieved.

RECOMMENDATION 9:

<u>Complete a revision to the activity code system used for incoming customer calls, require an activity code to be entered for every call, and initiate a reporting system which ensures that appropriate personnel receive a summary report.</u>

STATUS: Complete

MAJOR ACTIONS TAKEN BY THE COMPANY:

1. Modified activity code reporting system — June 1995.
2. Discontinued monthly activity code summary report — November 1995.
3. Modified activity code reporting system and reinstated the production of monthly activity code summary reports — April 1996.
4. Reported increased distribution of the Monthly Activity Report — June 1999.
5. Revised training process to emphasize importance of activity code reporting — December 2000.
6. Reduced the number of activity codes from 25 to 12 — February 2002.
7. Installed new equipment capable of enhanced reporting of individual consultant activity — October 2003.

DISCUSSION:

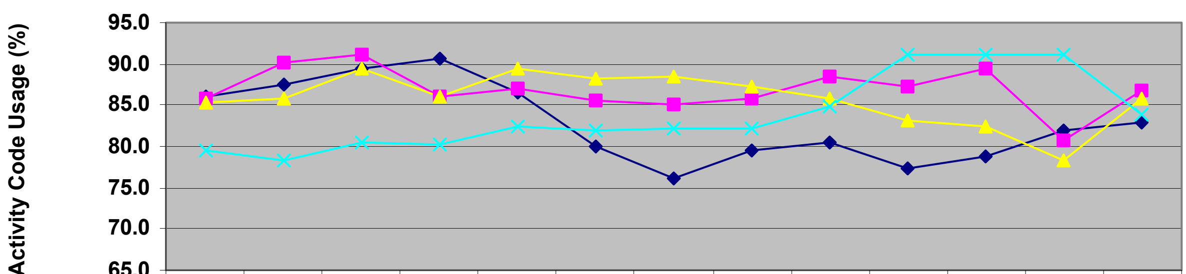
The Billing and Customer Services Investigation report indicated that Telephone Center consultants did not consistently assign an activity code to all incoming customer calls. There was also extensive use of the "miscellaneous" classification and inadequate distribution and use of the monthly activity code summary report.

The number of activity codes used to classify incoming customer telephone calls has changed since 1995. Beginning in September 1997, 25 activity codes were used, including a "miscellaneous" category; however, the "miscellaneous" category was eliminated in February 2002, and the number of activity codes was reduced to 12. Prior to reducing the number of activity codes, Company management established a team to study activity code usage. This team concluded that some of the codes were seldom used and decided that a “miscellaneous” category was of little value for monitoring customer calling trends.

Distribution of the Monthly Activity Report, which identifies the nature of customer calls by activity code, has also increased since the Billing and Customer Services Investigation. The report is provided to Company management and the Telephone Center supervisors. The Telephone Center supervisors use the report as a tool to identify issues that need to be addressed at weekly meetings with Telephone Center consultants.

The March 2000 Implementation Review report stated that for most of 1998 and through April 1999, at least 90% to 95% of the incoming calls were assigned an activity code. However, from May 1999 to December 1999, an average of only 80% to 85% of the incoming calls were assigned an activity code. The following chart illustrates the percentage of calls that were assigned an activity code, on monthly basis, from January 2000 to December 2003:

Missouri Gas Energy Telephone Center
Monthly Activity Code Usage 2000 - 2003



	J	F	M	A	M	J	J	A	S	O	N	D	Avg.
2000	86.0	87.5	89.4	90.6	86.6	80.1	76.2	79.5	80.5	77.3	78.8	82.0	82.9
2001	85.8	90.1	91.1	86.1	87.1	85.5	85.1	85.7	88.5	87.3	89.5	80.7	86.9
2002	85.4	85.8	89.4	86.1	89.4	88.2	88.4	87.2	85.9	83.1	82.3	78.4	85.8
2003	79.6	78.3	80.5	80.2	82.3	82.0	82.2	82.1	84.8	91.1	91.2	91.2	83.8

Source: MGE Monthly Activity Code Summary Report

The previous illustration shows that the Telephone Center consultants have not met the Company's goal of assigning an activity code to at least 95% of all incoming calls. However, since October 2003, over 90% of the incoming calls have been classified into one of the 12 activity categories. In Company management's opinion, a sufficient number of calls are being classified to enable adequate monitoring of trends.

Company management stated that the importance of coding incoming customer calls is addressed during the training process. New employees are told to assign an activity code to every call they receive. Company management said that it recognizes that knowledge of why customers call the Company is an important tool for improving customer service. This information can be used to take corrective actions that could reduce the number of incoming calls to the Telephone Center. Company management also stated that the installation of new equipment in October 2003 enables them to produce reports that greatly enhance the ability to monitor individual consultant activity. Company personnel stated this information will be shared with individual consultants, as needed, in order to improve performance in the application of activity codes.

In the opinion of the EMSD staff, the Company's actions have addressed the intent of the recommendation. The Company is encouraged to use the improved reporting that is available as a tool to help achieve its goal of applying an activity code to 95% of incoming calls. The EMSD staff will continue to monitor the actions taken by the Company.