

Exhibit No.:
Issue: Customer Service
Witness: DEBORAH ANN BERNSEN
Sponsoring Party: MoPSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: WM-2001-309
Date Testimony Prepared: June 26, 2001

MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

FILED²
JUN 26 2001

REBUTTAL TESTIMONY

Missouri Public
Service Commission

OF

DEBORAH ANN BERNSEN

MISSOURI-AMERICAN WATER COMPANY, ET. AL

CASE NO. WM-2001-309

Jefferson City, Missouri
June 2001

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A. My name is Deborah Ann Bernsen.

A. My business address is P.O. Box 360, Jefferson City, Missouri 65102.

A. I am employed as a Management Analyst for the Missouri Public Service Commission (Commission or PSC).

A. I graduated from the University of Missouri-Columbia in 1975 with a Bachelor of Science degree in Business Administration. I received a Masters degree in Business Administration in 1990 from the same university. I have passed three of the four parts of the Certified Internal Auditor (CIA) examination.

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1 companies under the Commission's jurisdiction. The name of the Management Services
2 Department was changed to the Engineering and Management Services Department in
3 February 2000.

4 Q. What is the purpose of your testimony?

5 A. The purpose of my testimony is to recommend the reporting of
6 performance data from the Alton, Illinois Call Center to the Commission. I will also
7 specify the timing and duration of the reporting that I recommend as well as the
8 establishment and monitoring of performance goals for the Call Center.

9 Q. Why is Staff recommending the establishment of reporting on Call Center
10 performance ?

11 A. The Call Center represents one aspect of the quality of service that the
12 customer receives. Quality of service issues are of particular concern in the consideration
13 of a merger request by a utility.

14 Q. Why are quality of service issues of particular concern in the consideration
15 of a merger request by utility companies?

16 A. The quality of the service received by customers becomes particularly
17 vulnerable, given the events which normally occur during or after a merger. The
18 financial pressures associated with a merger may encourage a company to engage in
19 expense reduction efforts that can impact service quality. Computerized systems, such as
20 customer information systems, may be changed at the acquired company so that the two
21 companies' methods of dealing with customer records and inquiries are compatible.
22 Operating functions are consolidated, which normally leads to staffing reductions. Local
23 offices are often closed and the acquiring company may significantly reduce its presence

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1 or the presence of the acquired company in the communities. These situations and others
2 may occur in the name of taking advantage of synergies and efficiencies. All of these
3 factors can contribute to a reduction in the level of service experienced by the Missouri
4 customer of either company involved in the merger.

5 Q. Why should this be a concern in merger cases?

6 A. There is clear direction by the Commission in Missouri Code of State
7 Regulations Rule 4 CSR 240-2.060, that applications for authority to merge must include
8 reasons why the proposal is not detrimental to the public interest. Mergers, therefore, in
9 the Staff's view, should not result in a deterioration of customer service because such
10 deterioration is not in the public interest.

11 Q. Has the Staff expressed concern with quality of service issues in prior
12 merger applications?

13 A. Yes. The Staff has expressed this concern in several prior merger cases
14 where stipulations and agreements were subsequently reached by the parties and
15 approved by the Commission. The first instance was in the Stipulation and Agreement in
16 Case No. EM-97-515, the Western Resources, Inc. and Kansas City Power & Light
17 Company merger. A second instance was in the Stipulation and Agreement in Case No.
18 GM-2000-43, respecting Southern Union and Pennsylvania Enterprises, Inc. In both
19 cases, indicators to measure significant customer service components in a
20 post-merger environment were jointly developed and agreed to by the Staff, the
21 companies and the Office of the Public Counsel in a Stipulation and Agreement. These
22 indicators included customer call center measurements, as well as technical indicators for
23 distribution system reliability. The Staff has also expressed its interest in customer

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1 service indicators by filing testimony in Case No. GM-2000-312, concerning the merger
2 of Atmos Energy Company and Associated Natural Gas Company. In that case, the
3 Commission approved a Stipulation and Agreement containing proposed customer
4 service indicators on April 20, 2000. Most recently the Staff has expressed its concern
5 with the quality of service in merger cases in Case No. EM-2000-292, regarding the
6 authority to merge St. Joseph Light & Power Company with UtiliCorp United Inc. and in
7 Case No. EM-2000-369, regarding the authority to merge Empire District Electric
8 Company with UtiliCorp United Inc.

9 Q. What has the Staff supported in previous cases regarding methods to
10 ensure that the level of customer service is maintained in a post-merger environment?

11 A. In the past, the Staff has recommended the utilization of several indicators
12 designed to assist in assessing the level of service being provided to the customer. Once
13 developed, these indicators provide a benchmark over time to determine any changes to
14 service received by the customer. Monitoring and reporting systems also have been
15 included to track these indicators.

16 Q. In your opinion, can the use of such indicators provide complete assurance
17 that customers are receiving the same level of service as before a merger?

18 A. No. While the use of indicators can provide a useful management tool and
19 can be used to help direct further inquiry, it cannot provide assurance that deficiencies are
20 not present in other facets of customer service. However, indicators do provide a useful
21 tool to monitor changes and trends in specific areas and to alert the company and Staff to
22 deviations from the intended or required level of customer service and potential
23 problems.

1 Q. What quality of service indicators should the Company be required to
2 provide?

3 A. At a minimum, the Company should be required to provide data on
4 Abandoned Call Rate (ACR), Average Speed of Answer (ASA), 1st Call Effectiveness
5 (percent of calls resolved on first contact), and Average Customer Inquiry Response
6 Time. The Average Customer Inquiry Response Time is the number of days between
7 credit-or billing-related inquiry and completion of back office investigation, as defined
8 by correspondence sent to the customer with resolution, or field work issued and
9 resolution monitored. The Alton Call Center will be monitoring these indicators on a
10 regular basis to evaluate its own workload and effectiveness. These measures will assist
11 in an assessment of the level of customer service being provided by the Call Center to the
12 customer and will allow the Staff to monitor this after the transition to a centralized call
13 center operation.

14 Q. Has the Company established objectives for these indicators for the Alton
15 Call Center?

16 A. Yes. The Company has established the following performance goals:

- 17 • An annual ACR target of 5.5% plus a 100 basis point variance (a
18 maximum allowable level of 6.5%);
- 19 • An ASA target of answering 80% of its incoming calls within 30
20 seconds;
- 21 • 1st Call Effectiveness is to be at least 85% for a defined set of call
22 types;

- Average Customer Inquiry Response Time target average is to not exceed three business days.

Q. Does the Company presently maintain information on call center performance at its facilities?

A. No. The current Missouri call centers do not maintain operating performance data with which to track and evaluate the level of service the customer is receiving. However, the American Water Works system opened a state-of-the-art call center in Alton, Illinois in April 2001. This facility will eventually handle all inquiries for the entire company and has implemented a number of technological improvements that were not previously utilized in other centers. One of these improvements will be the technology to allow the Company to monitor and evaluate in detail key performance statistics for call center operations.

Q. What is the Company's proposed conversion schedule for its Missouri properties regarding Call Center operations?

A. The Company anticipates converting its Missouri customers to its nationwide American Water Works Call Center in two phases. The conversion for the 320,000 customers of the former St. Louis County Water Company (SLCWC) is scheduled for September 2001. The conversion for the 105,000 customers of the former Missouri American Water (Mo Am) and Jefferson City Water Works (JCWW) is scheduled for December 2002.

Q. What customer notification does Staff request that the Company provide regarding the conversion to the Alton Call Center?

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1 A. The Staff recommends that Staff be notified 30 days in advance of the
2 transition of each MAWC operating district to the Alton Call Center. The Staff also
3 believes that the Company should be required to notify affected customers with billing
4 inserts and local newspaper ads in each district prior to the conversion.

5 Q. Describe the proposed timetable that the Staff recommends the Company
6 meet in reporting Call Center data.

7 A. The Staff recommends that the Company begin reporting monthly
8 information on a quarterly basis in the first full quarter after conversion of the first
9 Missouri operations. For example, if the Company is able to maintain the current
10 conversion schedule of September 2001 for SLCWC, then data collection should begin in
11 October 2001. The first formal reporting of the data should begin within 45 days after
12 the close of the first quarter of 2001 or approximately February 14, 2002. The Staff
13 believes that the data should be maintained separately, if possible, for just the Missouri
14 operations. Within 90 days after the end of the calendar year, the Company should
15 submit a report to the Staff which should include actual performance as compared to the
16 goals, explanation of any deviation from the goals, actions to be undertaken to improve
17 performance, where necessary, and modifications to the goals.

18 Q. How long does the Staff recommend that this information be reported to
19 the Commission?

20 A. The Staff recommends that the reporting requirements be in effect for
21 eight quarters after the last Missouri property has been converted to the Alton
22 Call Center. If the present conversion schedule is maintained, this means that the
23 reporting requirement for all Missouri properties should continue through the fourth

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1 quarter of 2004. This should provide a reasonable assurance that the conversion to a
2 consolidated call center has not adversely affected the level of service being provided to
3 the customer.

4 Q. Does this conclude your rebuttal testimony?

5 A. Yes, it does.

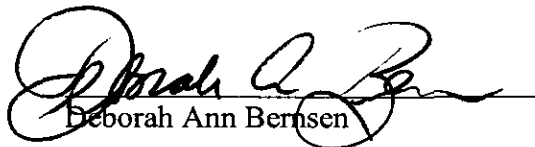
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of the Joint Application of)
Missouri-American Water Company, St. Louis)
County Water Company d/b/a Missouri-American)
Water Company and Jefferson City Water Works)
Company d/b/a Missouri-American Water Company)
for authority to merge St. Louis County Water) Case No. WM-2001-309
Company d/b/a Missouri-American Water Company)
and Jefferson City Water Works Company d/b/a)
Missouri-American Water Company with and into)
Missouri-American Water Company and, in)
connection therewith other related transactions.)

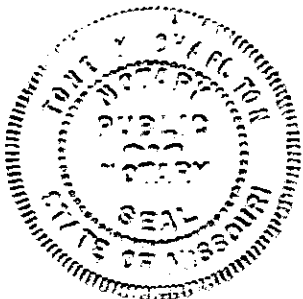
AFFIDAVIT OF DEBORAH ANN BERNSEN

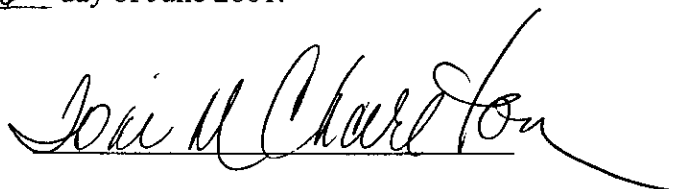
STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Deborah Ann Bernsen, of lawful age, on her oath states: that she has participated in the preparation of the foregoing Rebuttal Testimony in question and answer form, consisting of 8 pages to be presented in the above case; that the answers in the foregoing Rebuttal Testimony were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.


Deborah Ann Bernsen

Subscribed and sworn to before me this 26th day of June 2001.





TONI M. CHARLTON
NOTARY PUBLIC STATE OF MISSOURI
COUNTY OF COLE
My Commission Expires December 28, 2004