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STATE OF MISSOURI
PUBLIC SERVICE COMMISSION

ON-THE-RECORD PRESENTATION

Hearing

August 14, 1997
Jefferson City, Missouri
Volume 3

The Staff of the Missouri)
Public Service Commission,)
Complainant,)
v.) Case No. GC-97-33
Missouri Gas Energy, a division)
of Southern Union Company, a)
Delaware corporation,)
Respondent.)

and

Office of the Public Counsel,)
Complainant,)
v.) Case No. GC-97-497
Missouri Gas Energy, a division)
of Southern Union Company, a)
Delaware corporation,)
Respondent.)

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THOMAS H. LUCKENBILL, Presiding,
DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE.

M. DIANNE DRAINER,
HAROLD CRUMPTON,
CONNIE MURRAY,
SHEILA LUMPE,
COMMISSIONERS.

REPORTED BY:

DANA J. DICK, Shorthand Reporter
ASSOCIATED COURT REPORTERS, INC.

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16 THOMAS R. SCHWARZ, JR., Deputy Public Counsel
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20 FOR: Staff of the Missouri Public
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22
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FOR: Office of the Public Counsel
and the Public.

1 P R O C E E D I N G S
2 (EXHIBIT NOS. 1 AND 2 WERE MARKED FOR
3 IDENTIFICATION.)
4 ALJ LUCKENBILL: This is an on-the-record
5 presentation of a unanimous Stipulation and
6 Agreement filed in Case No. GC-97-33 styled Staff
7 of the Missouri Public Service Commission versus
8 Missouri Gas Energy, a division of Southern Union
9 Company, and a unanimous Stipulation and Agreement
10 filed in Case GC-97-497 styled Office of Public
11 Counsel versus Missouri Gas Energy, a division of
12 Southern Union Company.
13 We have -- we are hearing these on a
14 consolidated basis for the purposes of this
15 hearing. While we were off the record we
16 pre-marked Exhibit 1, which is the stipulation and
17 agreement in Case GC-97-33 and Exhibit 2, which is
18 the stipulation and agreement in GC-97-497.
19 At this time the Commission will hear
20 opening comments beginning with the Office of
21 Public Counsel, and please make your entry of
22 appearance along with your opening comments.
23 MR. MICHEEL: Douglas C. Micheel,
24 appearing on behalf of the Office of the Public
25 Counsel and the Public, P.O. Box 7800, Jefferson

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1 City, Missouri 65102-7800. May it please the
2 Commission, we're here today to present a unanimous
3 stipulation and agreement in the Office of Public
4 Counsel's complaint against Missouri Gas Energy
5 regarding certain billing problems that occurred at
6 the company. As I think that the Commission is
7 aware, the complaint deals with the time frame of
8 November '96 through February 1997.

9 To just give you a quick outline of what
10 our complaint alleged, our complaint was in four
11 counts. Count 1 dealt with alleged overbillings
12 that related to residential, the residential class
13 of the customers, and specifically the complaint
14 alleged that approximately 65,178 customers had
15 been overbilled. 31,188 residential customers had
16 been underbilled and 3,484 residential customers
17 had been both underbilled and overbilled.

18 Count 2 dealt with billing periods. It
19 was our contention that the company has a Revised
20 Tariff Rule 6 paragraph 1.2 and 4 CSR
21 240-13.015(1)B dealing with the proper billing
22 period. We allege that the company sent 77,928
23 bills beyond the 35-day billing period definition,
24 i.e., the 36 days or greater.

25 Count 3 of the complaint dealt with

1 residential bills that were less than 26 days, and
2 that's alluded to both the Commission rules and our
3 contentions with the tariff to find a billing
4 period of 26 days and not more than 35 days.

5 The fourth count of our complaint dealt
6 with the overbillings and underbillings of the
7 small general service class and the large general
8 service class, and we allege that 7,449 of those
9 customers were overbilled and that 3,764 of those
10 customers were underbilled.

11 The company and the Staff and Public
12 Counsel entered into extensive negotiations to try
13 to settle this complaint. And we were successful,
14 and that was the culmination of the unanimous
15 stipulation and agreement that we have before you
16 today for your approval.

17 I'll just talk quickly about some of the
18 salient features of the stipulation and agreement.
19 First of all, the stipulation and agreement
20 provides that for every customer that was
21 overbilled for the PGA charge, over bills alleged
22 in our complaint and also for customers that were
23 overbilled as a result of the incorrect
24 implementation of the residential energy charge
25 that resulted from the company's last rate case,

1 GR-96-285, that those customers if they were on the
2 system, they would get a \$15 bill credit; for
3 customers that were off the system, a \$15 bill
4 credit in the complaint.

5 The settlement also provides that MGE will
6 provide in a lump sum \$450,000 to a charitable
7 organization or social service agency. I would
8 tell the Commission that all of the parties are
9 working with due speed to get that portion of the
10 agreement settled and in place, but I would say I
11 probably would want to wait to approve the
12 stipulation and agreement until you know the
13 specifics about where the \$450,000 is going. And I
14 could tell you that we're working very hard to come
15 to an agreement on that, and I'm confident that we
16 will come to an agreement.

17 Those are the main features of the
18 stipulation and agreement. Let me just give you
19 Public Counsel's view of why we settled our
20 complaint the way we did. First of all, we wanted
21 monies to flow back to the customers and the people
22 that we believe were inconvenienced and harmed by
23 the company's actions.

24 Secondly, we wanted the company to be
25 aware that in Missouri we can't be doing these

1 things. We can't be overbilling customers. I
2 would point to a case, DePaul Hospital versus the
3 Southwestern Bell 539 SW2nd 542 Missouri Appellate
4 1976 where the court says, "It is the clear intent
5 of the Public Services law that utilities shall
6 without the supervision of their customers provide
7 adequate service at only the correct rate and no
8 more. This is the duty imposed by law."

9 And that is why the Public Counsel filed
10 the complaint. We felt that Missouri Gas Energy
11 was not following the law. I think it's been
12 fairly well documented some of the problems that
13 we've been having on a continual basis with the
14 company, and we felt that if the shareholders had
15 to ante up some money, that they would get the
16 message and that this was important.

17 Simply put, our complaint was to give our
18 customers something for their inconvenience and
19 problem, send a message to the company that this
20 cannot be happening, and the complaint was an
21 attempt to fix the blame. We believe that the
22 problem shouldn't have occurred. We think if
23 proper management had been in place, these items,
24 the overbillings and things, proper management
25 procedures had been in place that these would not

1 have occurred.

2 We're cautiously optimistic that the
3 company is taking these steps, and I think Mr. Hack
4 will tell you what the company has done and the
5 steps the company has done to prevent this from
6 happening. But we would request that the
7 Commission approve the stipulation and agreement.

8 ALJ LUCKENBILL: Staff?

9 MR. SCHWARZ: Thomas R. Schwarz, Jr.,
10 Deputy General Counsel of the Commission. I
11 represent the staff in these two complaints. The
12 Staff's complaint GC-97-33 was filed last July as
13 part of a continuing series of Staff actions with
14 regard to MGE which really began in November of
15 1994 with the opening of the GL-95-177 management
16 audit of MGE, which remains open and which the
17 Staff has indicated or requested the Commission for
18 permission to file a follow-up report next year to
19 engage the efficacy of the steps which have caused
20 or led Staff to settle its complaint in this
21 matter.

22 I will not go into any description of the
23 complaint. We held a hearing in May of this year
24 on the complaint which the commissioners may
25 remember. The stipulation and agreement itself

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1 from pages 2 to 6 sets out steps that MGE has taken
2 since the complaint was filed and steps that MGE
3 will take to correct matters.

4 There have been a number of events
5 intervening, rising between the filing of the
6 Staff's complaint and the settlement, including the
7 presentation and decision in MGE's rate case as
8 well as the events which led to Public Counsel's
9 filings. The Staff as part of its settlement has
10 reached agreement with the company for payment of
11 \$100,000. We will direct it jointly with the
12 Office of Public Counsel to charitable social
13 organizations for the benefit of MGE customers in
14 its service territories.

15 We have present today with us many members
16 of the Staff who have worked both on GC-97-33 and
17 on the Staff activities related to GC-97-497.
18 Janet Hoerschgen and Evelyn Hawley of the Consumer
19 Services Staff are here, as are Art Wimberley, Tom
20 Shaw, Jan Pyatte, Lisa Creamer, Debbie Bernsen and
21 Susan Meyer. I hope I haven't left anyone out.

22 In anticipating that the Commission has
23 questions of Staff, I will conclude my remarks.
24 Thank you.

25 ALJ LUCKENBILL: Missouri Gas Energy?

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1 MR. HACK: Robert J. Hack and Gary W.
2 Duffy appearing on behalf of Missouri Gas Energy.
3 My address is 3420 Broadway, Kansas City, Missouri
4 64111. Gary's address is P.O. Box 456, Jefferson
5 City, Missouri 65102.

6 With me today are a number of MGE and
7 Southern Union personnel who have experience and
8 expertise in a variety of subject matters. And if
9 I could take a minute or two, I would like to
10 introduce them to you.

11 Tom Clowe is the chief operating officer
12 and president of Southern -- Missouri Gas Energy.

13 COMMISSIONER LUMPE: Was that a
14 promotion?

15 MR. HACK: Linda George who is the vice
16 president of information technology with the
17 Southern Union Company, and Rick Gernereth who is
18 director of applications for Southern Union
19 Company. If you have questions about our computer
20 billing system, these are the people who can answer
21 them.

22 Dennis Gillmore who is vice president of
23 regulatory and customer relations with Missouri Gas
24 Energy. Carlon Nelson who is vice of president
25 operations with Missouri Gas Energy. Karen

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1 Czaplewski who is vice president of customer
2 service with Southern Union Company. Janet
3 Rethman-Huber who is manager of customer service
4 with Missouri Gas Energy.

5 Willie Johnson, director, internal audits
6 for Southern Union Company. Stewart Harbour who is
7 comptroller for Missouri Gas Energy and Southern
8 Union Gas. Derrick Porter who is director of
9 public affairs for Missouri Gas Energy, and with us
10 also is Ms. Ken Buckstaff who is with Theodore
11 Barry and Associates. Should you have questions
12 about their process and analysis, he is well suited
13 to answering those questions.

14 We are here today asking you to approve
15 two stipulations that were filed in these matters
16 in late July. We believe that these agreements,
17 the approval of these agreements, the
18 implementation of these agreements is but one step
19 in achieving the level of service that our
20 customers deserve and expect.

21 We candidly acknowledge mistakes were
22 made. We apologize to our customers for those
23 mistakes, and we apologize to you, for our mistakes
24 led to diminished confidence not only in the
25 company but also in the public questioning of the

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1 efficacy of regulation. For that we are sorry.

2 Many of these mistakes were made
3 apparently due to the wild fluctuations in gas
4 prices that we experienced last winter. Since the
5 discovery of these mistakes MGE has moved
6 aggressively and undertaken significant steps to
7 correct the mistakes and to make sure that they
8 don't happen again.

9 Although MGE has devoted substantial time
10 and resources to this task, we recognize that proof
11 is in the pudding, that our future performance will
12 bear out the worth of our efforts. The first big
13 test is the upcoming winter heating season. Our
14 goal is to provide safe, reliable, reasonably
15 priced gas service, to bill customers accurately
16 and to answer their questions when they call us.

17 We're committed to getting the job done,
18 and we're confident we will get the job done. Our
19 commitment is demonstrated in a number of ways
20 including the agreements that we are here talking
21 with you about today.

22 But before I get to the meat of the
23 agreements, I'd like to talk to you briefly about a
24 number of our initiatives that are either ongoing
25 or planned. As you are aware, we have recently

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1 presented to you, and we have approved the
2 resolution of Case No. GL-97-409. Proration really
3 helps us prevent the kinds of mistakes that
4 occurred last winter.

5 In addition, reduction in the number of
6 PGA rate changes reduces the number of
7 opportunities for error; although that was not the
8 primary purpose of GO-97-409, that is one
9 beneficial side effect of that document.

10 AMR, automated meter reading is a
11 substantial ongoing project. It's scheduled to be
12 complete by the summer of 1998. It promises
13 greater accuracy in meter readings, and it also
14 will significantly reduce the number of estimated
15 bills that our customers receive.

16 The BASIC team and Theodore Barry and
17 Associates -- BASIC stands for billing accuracy and
18 service improvement commitment. The BASIC team and
19 TBA have worked long and hard to develop corrective
20 steps and to implement long-term and short-term
21 fixes to the problems we experienced.

22 The effort that has been guided by
23 Theodore Barry and Associates is a more long-term
24 and systematic approach to the processes that we
25 use to render bills. That process is nearing

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1 completion, and we are rapidly approaching the
2 implementation phase. The final presentation to
3 company management is scheduled for, I believe the
4 27th of August. It had been scheduled for today,
5 but we thought there was a conflict.

6 Meter reading and customer service
7 resources have been added to ensure that meter
8 readers -- meters are read on schedule and that
9 customer service representatives are available when
10 customers call with questions.

11 "Relief Now," you may have heard about
12 "Relief Now." It was announced in February of
13 this year and implemented in April. The plan which
14 to our knowledge is unprecedented in the industry
15 offers extended payment plans of up to 40 months to
16 assist customers in paying off high gas bills that
17 accrued this past winter while maintaining
18 continuous gas service.

19 We think these measures and others along
20 with these agreements amply demonstrate MGE's
21 commitment to customer service. The settlements
22 though are an integral part of that commitment. As
23 reasonable recognition of past problems and
24 mistakes, approval of these settlements will help
25 the rebuilding process that is currently under

1 way.

2 If approved, these agreements will provide
3 benefits to our customers that will be unavailable
4 should these matters be fully litigated and decided
5 on that basis. That's important to MGE, and we
6 think it's important to the Staff of Public Counsel
7 as well.

8 Turning to some of the specifics of the
9 agreements, if approved, MGE -- and I'm addressing
10 its agreements in total -- MGE will contribute
11 \$550,000 to assist to a charitable or social
12 service agencies, to assist MGE customers who have
13 difficulties paying their gas bills.

14 We have had preliminary discussions with
15 the Staff of Public Counsel on the details of
16 administration of this item. We are confident that
17 we will be able to work it out quite quickly. We
18 have developed some general principals that we
19 believe are appropriate to guide us through that
20 process, and I'll just mention a few of those.

21 The assistance should be available
22 throughout MGE service territory, not just in any
23 one particular locale. The individuals' receipt of
24 this assistance ought to be based on need, adequate
25 records and accounting. The assistance provided

1 should be kept and maintained, and the
2 administrative costs associated with providing the
3 assistance ought to be kept to a minimum. We have
4 no problem in working very quickly with OPC and
5 Staff and Commission to working out the details of
6 this provision of the settlement.

7 Also under the agreements MGE is to
8 provide customers with certain bill credits. In
9 informal discussions with both Public Counsel and
10 the Staff, we have established a prioritization
11 because we can't do everything at the same time.

12 At first MGE will address the \$15 bill
13 credits to be provided to those customers who were
14 overbilled during the months of November through
15 February. MGE will be able to complete that
16 process within 60-day's rule of finality of the
17 order of approving these agreements.

18 Next MGE will address the remaining PGA
19 corrections that need to be done for the months of
20 July through October of '96 and since February of
21 '97. We will need another 30 days for that, the
22 same essence 90 days from date of finality of the
23 order.

24 Third, we will address the customer charge
25 corrections that need to be done, and we can

1 complete that task within another 30 days or within
2 120 days of the order's finality. Also as a part
3 of these agreements as Mr. Schwarz mentioned, MGE
4 has agreed to undertake specific procedures that
5 are designed to minimize the possibilities that
6 these kinds of mistakes will occur and to provide
7 prompt notice of such errors to both the company
8 management and our regulators should they crop up
9 again. We're confident that they won't.

10 Taken together all the provisions of these
11 settlements in conjunction with other ongoing
12 initiatives that are designed to produce the utmost
13 of customer service that our customers deserve and
14 that our regulators expect. As a consequence, MGE
15 believes that these settlements are reasonable, are
16 in the public interest and ought to be approved.

17 We realize that a substantial challenge
18 lies ahead of us. We're eager to meet that
19 challenge, and we're confident that we will be
20 successful. We ask for your help in approving
21 these agreements to continue our improvement
22 process. Thank you very much.

23 ALJ LUCKENBILL: Thank you, Mr. Hack.
24 Commissioner Drainer?

25 COMMISSIONER DRAINER: Well, first of all,

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1 I wish to compliment all of you on your hard work.
2 I'm sure this was not an easy process and one of
3 those two-hour meetings where it just all came
4 together. I also have a few questions that I would
5 like to get some clarification on.

6 Since, Mr. Hack, you kind of put the two
7 cases together, I'm going to probably do the same
8 and go back and forth, so please bear with me as I
9 ask these questions. With respect to page 2 of the
10 33 case, item No. 3 where you have stated that
11 you've hired and trained more than 20 additional
12 customer service representatives, it's nice to
13 train them. There's turnover. You could train
14 them, and they could all be gone tomorrow. So I
15 guess I would like to be clear. Is there a
16 commitment to keep trained and keep on staff an
17 additional 20 customer service representatives at
18 all times?

19 MR. HACK: If I could turn to Karen
20 Czaplewski, Commissioner?

21 ALJ LUCKENBILL: Pardon me. Excuse me.

22 COMMISSIONER DRAINER: What we're going to
23 be doing then is, as we go forward, what we do is
24 ask that we swear witnesses in on stipulations and
25 agreements now. So as somebody pops up, that's

1 what will have to happen.

2 MR. BLACK: Do you want to swear us all,
3 Commissioner, in case questions are directed to all
4 of us?

5 ALJ LUCKENBILL: To keep the record clear,
6 I know it takes a little more time, but I better
7 just do it one witness at a time.

8 Ms. Czaplewski, if you want to come
9 forward. Thank you, ma'am.

10 You can stand there if you are
11 comfortable.

12 (Witness sworn.)

13 KAREN CZAPLEWSKI testified as follows:

14 MS. CZAPLEWSKI: Would you prefer that I
15 stand here to answer the question, or would you
16 prefer that I go back?

17 ALJ LUCKENBILL: Would you please spell
18 your name for the court reporter?

19 MS. CZAPLEWSKI: C like Charles, Z like
20 zebra, a-p-l-e-w-s-k-i.

21 COMMISSIONER DRAINER: Thank you.

22 MS. CZAPLEWSKI: Commissioner Drainer,
23 presently as of today as I speak to you, we have a
24 total of 71 telephone consultants trained and in
25 the call center. We are starting a new class on

1 Monday of an additional -- depending on the
2 pre-screening that we must comply with -- we will
3 have another group starting that will total as many
4 as 11, as few as 7.

5 COMMISSIONER DRAINER: Do you have a
6 maximum limit that you want to keep at all times?

7 MS. CZAPLEWSKI: On staff?

8 COMMISSIONER DRAINER: Yes. What I'm
9 trying to get to here is if you have 50 before and
10 now 70 which are new, are you going to maintain
11 that goal? Did the parties discuss the number of
12 customer service representatives before and how
13 that's going to be maintained?

14 MS. CZAPLEWSKI: It is my intent to -- our
15 intent to maintain a level of customer consultants
16 that will allow us to attain our objective of a
17 5 percent abandon rate with an average speed of
18 answer in the area of 25 to 50 seconds.

19 COMMISSIONER DRAINER: Also let's back up
20 to actual numbers again because the stipulation and
21 agreement says that there were going to be 20
22 additional service representatives.

23 MS. CZAPLEWSKI: Yes.

24 COMMISSIONER DRAINER: Trained?

25 MS. CZAPLEWSKI: Yes.

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1 COMMISSIONER DRAINER: But it doesn't tell
2 me that there's going to be 20 representatives
3 added and maintained as additional representatives
4 of what you previously had.

5 MS. CZAPLEWSKI: Yes, it is --

6 COMMISSIONER DRAINER: So where were you,
7 and where are you in numbers?

8 MS. CZAPLEWSKI: We have made our
9 commitment and exceeded the commitment from where
10 we were at the time that Mr. Clowe made that
11 commitment to the Commission. We are beyond that
12 at this time.

13 COMMISSIONER DRAINER: Where were you at
14 that point?

15 MS. CZAPLEWSKI: I wish I could give you
16 the specific number. I am going to say we were
17 at -- and I don't know the exact date the
18 commitment was made -- but we were at in the high
19 forties is what we had.

20 COMMISSIONER DRAINER: Okay. Then I would
21 appreciate that for the record at a later point
22 that you go back, and, Mr. Hack, let us know,
23 clarify this point of what number the company was
24 at and what Mr. Clowe's commitment was and what the
25 commitment with this particular number is so that I

1 can be clear on whether we're talking about
2 additional people or just additional people
3 trained.

4 ALJ LUCKENBILL: Mr. Czaplewski and
5 Mr. Hack, do you understand the document that needs
6 to be provided?

7 MR. HACK: Yes.

8 ALJ LUCKENBILL: We'll reserve a
9 late-filed Exhibit No. 3 for that documentation,
10 Commissioner.

11 COMMISSIONER DRAINER: Mr. Schwarz?

12 MR. SCHWARZ: I'm looking at the customer
13 service action plan that was, you may remember,
14 from the GR-96-285 rate case, and it indicates that
15 they had 43 full-time phone center staff at that
16 time, seven part-time, three billing assistants
17 and -- billing services assistants and three
18 account service assistants for a total of 56.

19 COMMISSIONER DRAINER: All right. I
20 appreciate that information, but I still will keep
21 my question to the company so they can answer it as
22 they wish to answer. Yes, I do remember 285.

23 COMMISSIONER CRUMPTON: Commissioner
24 Drainer, could we add to that the count of the same
25 classification with employees when MGE took over

1 this company?

2 COMMISSIONER DRAINER: Yes. You may sit
3 down.

4 MS. CZAPLEWSKI: Thank you.

5 (Witness excused.)

6 COMMISSIONER DRAINER: Thank you for your
7 answer.

8 ALJ LUCKENBILL: Commissioner, did you
9 have some more questions?

10 COMMISSIONER CRUMPTON: That was the
11 question.

12 ALJ LUCKENBILL: Very well. Mr. Hack is
13 that clear as well Commissioner's Crumpton's
14 question?

15 MR. HACK: Yes.

16 ALJ LUCKENBILL: And that will be a
17 late-filed Exhibit No. 3 as well.

18 COMMISSIONER DRAINER: If we can now turn
19 to page 3. Point No. 4 states that there are
20 additional meter readers to help insure the reading
21 of the meters on schedule. Mr. Hack, could you
22 tell me, is there any quantification, or is there a
23 test or measurement of how many are needed or are
24 going to be coming on and off the system? What's
25 happening here?

1 MR. HACK: Let me try to address it, and
2 if I bungle it, I will ask Carla to step in.
3 COMMISSIONER DRAINER: Thank you.
4 MR. HACK: The answer to your question is
5 complicated by your implementation of MR which
6 reduced the number of routes that are going to be
7 actually walked by meter readers. So the ultimate
8 answer to your question is the number of meter
9 readers is over time going to go down because we
10 will be reading routes by van.
11 COMMISSIONER DRAINER: Which means that
12 it's not a quantification of individuals but then
13 there must be some other measurement that you are
14 using to ensure that they are on schedule?
15 MR. HACK: Yes.
16 COMMISSIONER DRAINER: How will that
17 work?
18 MR. HACK: For that, talk to Carlon.
19 ALJ LUCKENBILL: Would you state your name
20 for the record, please?
21 MS. NELSON: Carlon J. Nelson.
22 CARLON NELSON testified as follows:
23 COMMISSIONER DRAINER: Good morning.
24 MS. NELSON: Good morning.
25 COMMISSIONER DRAINER: Would you please go

1 into more detail than Mr. Hack?

2 MS. NELSON: I can tell you from January
3 to today we have increased our effective company
4 meter reading staff. And the reason I choose those
5 words is, as you know, with a staff as large as we
6 have, you have people every day that are sick or on
7 vacation or for whatever reason are not available
8 for that. So we have added eight effective staff
9 additions to our meter reading effort between
10 January and today.

11 COMMISSIONER DRAINER: What will be the
12 red flag that you have to be assured that you will
13 have enough people out there on any given day or
14 week to read the meters on schedule?

15 MS. NELSON: Well, what we do is, we track
16 behind our meter readers to ensure now that we are
17 reading all of our meters and that we are getting
18 read on timely basis. And those that we could not
19 read for whatever reason, whether it was indoors
20 and we couldn't gain access, we are making a second
21 attempt to go out and read these meters.

22 So what we do is we continue to use some
23 contractors, and we use contractors to supplement
24 our work force as our personal meter readers are
25 not available.

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1 COMMISSIONER DRAINER: And, Mr. Schwarz,
2 do you feel this is going to meet the need to have
3 meters read on schedule?

4 MR. SCHWARZ: Yes. I think that it will,
5 and it's certainly one of the things we will be
6 monitoring. The company has made a presentation in
7 detail of the changes that will be required as they
8 move to, you know, just having the automated meter
9 reading equipment do it, and it was an impressive
10 presentation.

11 They've given a lot of thought to it, and,
12 yes, we think that it will produce the results.
13 But ultimately the staff is going to be looking at
14 the results, and if everything goes as planned, it
15 should address the problem.

16 COMMISSIONER DRAINER: Mr. Micheel, were
17 you in on the demonstration -- if you don't mind me
18 using an acronym -- on the AMR, and if so, do you
19 have some of that same comfort level that our Staff
20 has?

21 MR. MICHEEL: I have sat in on at least
22 two proposals about automated meter reading, and
23 I'm not going to --

24 COMMISSIONER DRAINER: And also with
25 respect to point four because you signed on the

1 stipulation agreement.

2 MR. MICHEEL: Right. Right. And let me
3 speak with our view of point four.

4 COMMISSIONER DRAINER: Please.

5 MR. MICHEEL: The company has indicated to
6 us they have a commitment to read their meters on
7 time, and they are going to do that. I didn't feel
8 it was our place or my obligation to my clients to
9 dictate that the company, you need ten people, you
10 need to hire contractors. I'm relying on their
11 management skills, Ms. Nelson's management skills
12 to say how many meter readers they need to get the
13 job done.

14 But what we are going to be doing,
15 Commissioner, is looking over their shoulder and
16 making sure they are getting the job done, and if
17 they're not getting the job done, you will be
18 hearing from us. We're not going to micro-manage
19 the company. That's Ms. Nelson's job to figure out
20 how many meter readers they need.

21 I want to make sure they have the proper
22 level, but I didn't concern myself with whether it
23 was 8 more full-time meter readers or 10 or 20. I
24 relied on what the company told me they needed to
25 get the job done. If they are not getting the job

1 done, then you will hear from us.

2 COMMISSIONER DRAINER: Okay. Thank you.

3 MS. NELSON: Thank you, Commissioner.

4 (Witness excused.)

5 COMMISSIONER DRAINER: When, Mr. Hack, was

6 the public business office opened?

7 MR. HACK: April 1, 1997.

8 COMMISSIONER DRAINER: I want to

9 compliment your company on such an expedited basis

10 reopening an office. I think that was very

11 proactive on your part, and I do want to compliment

12 you on that.

13 MR. HACK: Thank you. There was a lot of

14 hard work that went in it, and the walk-in rate

15 increases every month.

16 COMMISSIONER DRAINER: Really?

17 MR. HACK: Yes.

18 COMMISSIONER DRAINER: So the location

19 works well?

20 MR. HACK: It was a bit slow at first, but

21 as people become aware of it, it's gathering steam.

22 COMMISSIONER DRAINER: How do they become

23 aware of it? Do you have any type of

24 advertisements or radio announcements off and on?

25 Mr. Porter is shaking his head yes.

1 MR. HACK: I will ask Derrick to address
2 that.

3 ALJ LUCKENBILL: Please state your name
4 for the record.

5 MR. PORTER: Derrick Porter.

6 (Witness sworn.)

7 DERRICK PORTER testified as follows:

8 COMMISSIONER DRAINER: Good morning,
9 Mr. Porter.

10 MR. PORTER: Good morning.

11 COMMISSIONER DRAINER: You were showing a
12 lot of enthusiasm.

13 MR. PORTER: Yes. We did a couple of
14 things to make sure that the level of people using
15 the call center was rising because we did get off
16 to a slow start. We did customer billing certs,
17 advertising, where it was at, what it was to be
18 used for. We also did a series of newspaper and
19 radio advertisements for two weeks on the "Relief
20 Now" program, and included in those was information
21 regarding the customer service call center.

22 There's been various -- maybe I should
23 call it customer service walk-in center. And since
24 that time, the attendance as Mr. Hack indicated has
25 gone upstep steadily. We've got a good base of

1 people coming in now.

2 COMMISSIONER DRAINER: As you go into the
3 winter months, will you do additional announcements
4 so they are aware of it?

5 MR. PORTER: We have tentative plans to
6 do -- and I don't want to get my feet in
7 concrete -- but do some type of communications,
8 whether it be through inserts, paid advertising,
9 phone calls. We're going to have a number of other
10 outreach programs going on with reference to town
11 hall meetings and group meetings and so on. We
12 will come up with some mix that we think is
13 appropriate at the time to get the word out.

14 COMMISSIONER DRAINER: Thank you.

15 MR. PORTER: You are welcome.

16 COMMISSIONER DRAINER: Now, an area that I
17 am speaking for myself that I am concerned about is
18 with respect to the cash contribution of the
19 \$550,000. Mr. Micheel, I heard you state this
20 morning that you and the company and Staff are
21 working on how this is going to happen. I also
22 heard you say that we ought to maybe not approve
23 the stipulation and agreement until we have seen
24 the final plan.

25 I appreciate that comment, however, I will

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1 also ask if that wasn't premature to file a plan
2 with us with this type of a vague commitment of how
3 it's going to operate, because I already understand
4 that you don't do micro-management. But what
5 you've done is you placed two stipulations and
6 agreements smack dab in my lap. Now we've done our
7 part more or less, but why don't you wait until we
8 finish it?

9 I really don't appreciate it. I would
10 really like to know when it's going to be finished
11 and how many days it's going to take to put
12 together. And I would like to know the specifics
13 of what the plan is going to be, the charitable
14 organizations, how are they going to implement it?
15 Is the \$550,000 to a certain class of customers?
16 Whether the criteria your customers need to
17 qualify, and how much is going to have to go into
18 administration or is that on top of this? I really
19 want to understand this and understand the time
20 line of it.

21 It's August. It's going to be winter, and
22 this is really a good thing to do maybe, but if
23 it's a good thing to do, it's going to have to
24 happen. Who wants me to wait until you do it, and
25 when are you going to, how are you going to do it

1 and how close are you; who is working on it?

2 MR. MICHEEL: I will answer for our
3 office. I wanted to point that out to the
4 Commission because I thought it was an important
5 item. We've got the stipulation agreement together
6 and filed it because we thought it was important to
7 close this chapter. Now, I recognize --

8 COMMISSIONER DRAINER: Mr. Micheel, it's
9 not closed. It's open until this is put together.
10 So why don't I ask Mr. Hack if he can give me some
11 details of how this is going to happen? Who's
12 working on it? Who are the technical people
13 working on it?

14 MR. HACK: The technical people working on
15 it are three of the customer advisors who deal with
16 these agencies. On a tentative basis, we have
17 proposed that Mid-America Assistance Coalition be
18 the clearing house agency for distribution of these
19 funds.

20 COMMISSIONER DRAINER: And you've spoken
21 to them?

22 MR. HACK: They have talked to us. I know
23 Office of Public Counsel has spoken with them. Let
24 me go out on a limb and say that we can have the
25 details to you within two weeks. We believe

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1 that -- we have put together a relatively detailed
2 proposal that I just provided to staff and Office
3 of Public Counsel yesterday, was it, and they have
4 really had barely any time to digest it, but we
5 believe that eligibility criteria are needed.

6 COMMISSIONER DRAINER: What type of
7 criteria are you looking at? Give me a preview.

8 MR. HACK: The one we're looking at is 150
9 percent of poverty. LIHEAP is 10 percent of
10 poverty. We're looking at distribution through
11 MAC, as we call it, 232 agencies, through our
12 service area. There is some question, and I don't
13 know the answer to this, but it's something we have
14 to resolve that early delivery of the money may
15 affect these agencies' receipt of other funds by
16 what are called ECIP funds or LIHEAP funds. We
17 don't want that to occur.

18 In other words, we don't want to
19 jeopardize any other dollars that might be
20 received. I'm trying to think. We have proposed,
21 and it has not been agreed to, that a customer or
22 client be limited to the total amount that that
23 client can receive from this fund to ensure that
24 the money gets spread to a --

25 COMMISSIONER DRAINER: What will that

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1 total be?

2 MR. HACK: We have suggested that \$200 be

3 an appropriate limit, but that's just our proposal.

4 COMMISSIONER DRAINER: Will these dollars

5 only go to gas bills, or will they go to such

6 things as weatherization of a home, doing things to

7 insulate it?

8 MR. HACK: They go to the payment of gas

9 bills.

10 COMMISSIONER DRAINER: Period?

11 MR. HACK: Period.

12 COMMISSIONER DRAINER: Is that your

13 understanding, Mr. Micheel?

14 MR. MICHEEL: Yes, that's my

15 understanding.

16 COMMISSIONER DRAINER: Thank you.

17 MR. HACK: We need to obviously put this

18 together so that you can see what it is.

19 COMMISSIONER DRAINER: Do you see filing

20 this as an attachment to the stipulation and

21 agreement if this is what goes behind the

22 commitment of funds?

23 MR. HACK: Certainly.

24 MR. SCHWARZ: An addendum, yes.

25 COMMISSIONER DRAINER: So that we will

1 understand that all parties that have stippled this
2 case and believe that this is the appropriate
3 levels to be given, the appropriate amount that I'm
4 handing it out, the appropriate criteria for the
5 individuals to get the dollars, et cetera?

6 MR. SCHWARZ: One other concern that I
7 have is that Staff simply hasn't had time to check
8 out is whether the receipt by individuals, not by
9 the agencies, but the timing of the receipt of aid
10 from individuals would jeopardize insurance.

11 For instance, LIHEAP and ECIP money. We
12 simply haven't had time to talk to Chuck Wright at
13 Family Services yet to check out that particular
14 detail which is something that I think needs to be
15 addressed before we finally commit.

16 COMMISSIONER DRAINER: When is your next
17 meeting to have the company and Staff of Public
18 Counsel sit down and meet with Chuck Wright and to
19 work out these final details?

20 MR. SCHWARZ: We haven't -- we received
21 Rob's suggestions yesterday, and frankly we haven't
22 set a time.

23 COMMISSIONER DRAINER: That would be next
24 week. Right?

25 MR. SCHWARZ: Pardon?

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1 COMMISSIONER DRAINER: It will be next
2 week. Right?
3 MR. HACK: If not tomorrow.
4 COMMISSIONER DRAINER: Wonderful. Will
5 you please have the Commission informed that those
6 meetings are going on and I would like to be kept
7 informed through the appropriate method, of course,
8 when we can expect to get this addendum after
9 you've met so that we know if it's coming in a week
10 or two weeks?
11 MR. SCHWARZ: That will be done.
12 COMMISSIONER DRAINER: Because it's really
13 great that you can put the stipulation and
14 agreement together, but what's not great is that it
15 looks as if I'm sitting on it. I don't want to sit
16 on it, but I do want to know if there are
17 mechanisms that really make it work. Is that
18 clear, Mr. Hack?
19 MR. HACK: Understood.
20 COMMISSIONER DRAINER: Mr. Micheel?
21 MR. MICHEEL: Yes.
22 COMMISSIONER DRAINER: Mr. Schwarz?
23 MR. SCHWARZ: Yes.
24 COMMISSIONER DRAINER: Thank you. Then I
25 had another question. With respect, Mr. Hack, to

1 No. 6, on the AMR equipment, and that's going to be
2 roughly a \$30 million project and that it will be
3 completed by next summer?

4 MR. HACK: Yes.

5 COMMISSIONER DRAINER: Please refresh my
6 memory if this has been given to us before? Is
7 there any commitment from any of the parties that
8 this is going to go into rate gain or that this is
9 going to be a rate case, or is this being kept out
10 of rates? Is this being absorbed somewhere else,
11 or are we going to do it and hear about it later?

12 MR. HACK: There has been no commitment
13 one way or the other as to any rate treatment by us
14 or Staff or OPC.

15 COMMISSIONER DRAINER: So this is just
16 something that you are doing that we all believe if
17 we agree to the stipulation and agreement, that
18 it's a good thing you are doing it? Are we somehow
19 blessing this \$30 million that it's going to come
20 back, and I'm going to have to feel like I have to
21 delegate the 30 and raise that little lady in
22 tennis shoes' rates that I'm always worried about?

23 MR. HACK: Commissioner, we are asking to
24 approve the overall agreement. We're not asking
25 you to order us to install automated meter

1 reading. That was our choice. We believe it's
2 cost justified, and it's justified on a quality of
3 service basis. You will retain your ability to fix
4 rates in the future. Is that clear enough?

5 COMMISSIONER DRAINER: Yeah. Now, help me
6 about retaining something else, my ability to do my
7 job. On both of these stipulations and agreements,
8 there is a statement made by the Office of the
9 Public Counsel, the Staff -- the Commission Staff
10 nor the Commission shall initiate, entertain or
11 support otherwise assist in complaints or petitions
12 seeking penalties, et cetera, et cetera.

13 This is a stipulation between MGE, the
14 Staff of the Public Service Commission and the
15 Office of the Public Counsel. You are the parties
16 that have this agreement, and yet I see that the
17 Commission, which I am a part of, is somehow being
18 bound by this agreement. And I guess, Mr. Hack,
19 would you agree, do you believe this is normal
20 language in all stipulations and agreements because
21 I don't recall that before?

22 MR. HACK: This is not normal language.
23 This is not a normal situation. We, MGE, believe
24 this is appropriate, and we put this language in so
25 that you would be aware of what we were asking for

1 and what approval would mean. We have come before
2 you and said we've made mistakes.

3 We are in the process of undertaking
4 significant measures, great time, expense and
5 resource commitment to fix those things on a
6 prospective basis. As well as providing somewhere
7 on the order of two, \$2.1 million in credits and
8 contributions. We are asking for a safe harbor
9 from the OPC, from the Commission Staff and from
10 the Commission itself for items in the past, not
11 items as they may arise today or tomorrow or the
12 day after that.

13 So I believe that it's reasonable, that it
14 does not limit your ability to do your job, and
15 that's why we've asked this. And it is unusual,
16 and that's why we've done it.

17 COMMISSIONER DRAINER: Mr. Schwarz?

18 MR. SCHWARZ: If I might?

19 COMMISSIONER DRAINER: Why are you trying
20 to tie my hands?

21 MR. SCHWARZ: The basis of this settlement
22 is that every customer who has been overcharged has
23 been or will very shortly be made whole to the
24 amount of that charge. In addition, a large number
25 of customers will be receiving \$15 apiece as part

1 of the settlement.

2 From a complaint perspective for the
3 incidents involved in these complaints, the
4 customers have been made whole in the dollar
5 sense. It is also my understanding that if at any
6 time we discover a customer who has not been made
7 whole, that we can bring that to the Company's
8 attention. And if the Company doesn't rectify it
9 to our satisfaction, neither the Staff nor Public
10 Counsel shall be precluded from bringing an action
11 to enforce the terms of this agreement.

12 So I think that we have, in fact, secured
13 the remedies to the customers that the customers
14 are entitled to, and we still retain authority
15 under this document to bring any actions that we
16 need to be taken to make sure that comes to pass.

17 COMMISSIONER DRAINER: Mr. Clowe, would
18 you mind coming up to talk a minute?

19 ALJ LUCKENBILL: Mr. Clowe, would you
20 state your name?

21 MR. CLOWE: My name is Carlton Thomas
22 Clowe, Jr., C-l-o-w-e is the spelling.

23 (Witness sworn.)

24 CARLTON THOMAS CLOWE, JR. testified as follows:

25 COMMISSIONER DRAINER: Good morning.

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1 MR. CLOWE: Good morning.

2 COMMISSIONER DRAINER: I want to first
3 thank you for the opening of walk-in center and for
4 adding the service folks you said you would in 285,
5 and I see that you have. I really want to
6 compliment you and thank you for doing that.

7 MR. CLOWE: Thank you, Commissioner.

8 COMMISSIONER DRAINER: Mr. Chloe, what has
9 happened with these two stipulations and agreements
10 has many really wonderful things in it, and if they
11 can work out the details on the \$550,000, I think
12 that's going to be very good.

13 But I am concerned about this policy shift
14 or the significance of having a stipulation
15 agreement, all of us binding, Commissioners
16 themselves, and it sounds as if the appropriate
17 safeguards are in place, that the agreement would
18 work, and they would go back to any customers that
19 were found that had a problem. Is it really that
20 significant to you that the Commission have to be
21 bound personally in doing their job?

22 MR. CLOWE: Commissioner, it is
23 significant to us, and we feel it's proper to ask
24 for this approval so that the issues are settled
25 and we can put these matters behind us. And I

1 think that the protection is in the stipulation so
2 that if any occurrences come to light now or in the
3 future, the Company will act in accordance with
4 this agreement and the public will be protected and
5 the Commission will fulfill its responsibilities.
6 So we would ask that you approve it.

7 COMMISSIONER DRAINER: If we do the
8 stipulation agreement but can't be comfortable with
9 being the Commission and all of the sudden it adds
10 us to this agreement, is that a problem?

11 MR. CLOWE: I feel like I'm on the spot in
12 regard to that.

13 COMMISSIONER DRAINER: I feel like I'm on
14 the spot too, and I really do need to ask this
15 because this is something we don't do. And if
16 everybody is doing their job in the stipulations
17 and agreements, they work, and if they void that,
18 we hear about it as Mr. Micheel said, they would be
19 in here and telling us. If it works putting the
20 Commission themselves as a party all of the sudden
21 is just beyond anything that I'm comfortable with,
22 and I'm just wondering if that was a deal breaker.

23 MR. CLOWE: I'd like to say at this point
24 in time, we would like it to go forward in its
25 present form.

1 MR. DUFFY: Commissioner, if I might add
2 just a footnote here?

3 COMMISSIONER DRAINER: Help me out.

4 MR. DUFFY: I can't cite you the exact
5 case, but I believe there is in one other instance
6 where we've had this language, and it has been
7 approved by the Commission. So in my recollection,
8 sometimes faulty, it's not unprecedented. The
9 basic reason --

10 COMMISSIONER DRAINER: If you do find that
11 case, please file it as an exhibit.

12 MR. DUFFY: I'll have to go back over a
13 bunch of complaint cases over 20 years, but I will
14 see if I can find it. Let me explain what I think
15 is the policy reason going on here.

16 The Commission has a complaint statute
17 where anybody that wants to can come in and file a
18 complaint. And so I think what one of the concerns
19 here is that this is a package deal that's going to
20 deal with everyone who is grieved by this
21 situation. And they've be some publicity about
22 this as there has already been.

23 I think there's some concern that somebody
24 else may come in to the Commission and say, all
25 right, I got my \$15, but I want more. I want to

1 file another complaint. So it's an attempt to --
2 as these gentlemen have said -- to put the matter
3 to bed.

4 It simply says that the Commission will
5 not entertain any more complaints on this specific
6 set of facts, that by accruing this stipulation you
7 are not going to involve the Commission and the
8 other parties in the additional expense of retrying
9 these things again. We've already tried GC-97-33
10 once, and nobody here wants to go through that
11 again.

12 So, because of the -- if it were just
13 simple civil litigation where party A was suing
14 party B, you wouldn't see the court saying, no, I'm
15 never going to listen to that again because those
16 two parties themselves can deal with that situation
17 and put it to bed.

18 Here you've got thousands of people who
19 might decide to come in and involve you all in
20 additional litigation, and that's what is trying to
21 be prevented here. I hope that helps you
22 understand and put it in perspective.

23 COMMISSIONER DRAINER: Mr. Micheel, did
24 have you something to add?

25 MR. MICHEEL: I just want to comment on

1 two things about this provision, Commissioner, I
2 think that are very important at least the way I
3 interpret them. First of all, we express concern
4 about binding the Commission also, as Mr. Hack
5 said, that's something the Company wants.

6 Secondly, the way I interpret the sentence
7 in paragraph F. It says neither the Office of the
8 Public Counsel, Commission Staff nor the Commission
9 shall initiate, entertain, support or otherwise
10 assist in complaints or petitions seeking penalties
11 against or damages from MGE.

12 I do not read that sentence, Commissioner,
13 to prevent my office or any other party to file a
14 complaint seeking you to order the Commission, for
15 example, to follow their tariffs. I see it
16 preventing us from seeking penalties as we had in
17 our complaint of GC97-497.

18 I see that remedy that my office can ask
19 for. My office certainly -- my interpretation is
20 my office certainly could file a complaint seeking
21 an order from this Commission saying follow your
22 tariffs. And so I think that, from my perspective,
23 is what our office agreed to, and I just want to
24 tell you my reading of that sentence.

25 COMMISSIONER DRAINER: I appreciate that.

1 MR. MICHEEL: And so I don't think it
2 would limit this Commission, this Commission Staff
3 or our office from filing a complaint seeking just
4 an order from you that, hey, this is required by
5 your tariff. Now, I agree we could not ask for you
6 to direct your general counsel to seek penalties in
7 the Circuit Court.

8 COMMISSIONER DRAINER: I have no other
9 questions.

10 ALJ LUCKENBILL: You may be seated,
11 Mr. Chloe.

12 (Witness excused.)

13 ALJ LUCKENBILL: We will stand adjourned
14 for 15 minutes. Off the record.

15 (OFF THE RECORD.)

16 ALJ LUCKENBILL: Commissioner -- pardon
17 me. Commissioner Vice Chair Drainer had a
18 question.

19 COMMISSIONER DRAINER: I have one
20 follow-up question. Recognizing that we had so
21 many members of MGE here today, when we were
22 talking about the public relations on the office
23 space, the walk-in office. Is Mr. Baker working on
24 that for MGE now? I thought Greg Baker was working
25 on the separate project, and I was just curious.

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1 MR. HACK: I don't know.

2 MR. CLOWE: May I answer that,

3 Commissioner?

4 COMMISSIONER DRAINER: Sure.

5 MR. CLOWE: Mr. Baker is not here with us

6 today because he is determining a separation from

7 the Company, and out of correctness that

8 negotiation for his separation from the Company is

9 open and not completed at this time. That's where

10 we are on that.

11 COMMISSIONER DRAINER: Oh, I'm sorry. I

12 didn't mean to get into your personnel issues. I

13 had just thought that he was someone that I had

14 talked to about the office opening before. Thank

15 you for that answer. I appreciate that.

16 ALJ LUCKENBILL: Commissioner Murray has a

17 need to be somewhere else this afternoon and so,

18 Commissioner Murray.

19 COMMISSIONER MURRAY: Thank you. Thank

20 you, Commissioner Crumpton, for allowing me to go

21 out of turn. I guess I have three real concerns

22 with the stipulation and agreement.

23 The most serious concern is the attempt to

24 bind the Commission because I do not believe that

25 that can be done. I don't think that is acceptable

1 from a policy standpoint or legally, and I have a
2 great problem with the Staff, OPC and the Company
3 attempting to bind the Commission in the
4 stipulation and agreement.

5 My second concern is the recipients of the
6 \$550,000 and there being no detail in this
7 agreement that has been presented to us as an
8 agreement for our approval. I don't think that we
9 could approve it or should approve it unless there
10 were a very detailed addendum attached to this
11 explaining exactly those things that Commissioner
12 Vice Chair Drainer asked earlier to be clarified.

13 And then my third concern is in terms of
14 rate making and future rate cases. I have some
15 questions about how this would impact future rate
16 cases. And I guess my questions can be addressed
17 by any of the counsel for any of the parties, and
18 perhaps I'd like to hear from counsel for each.

19 But I would like some clarification as to
20 how each party feels about which portions, if any,
21 of the costs that are going to be incurred as a
22 result of this agreement will be sought recovery --
23 which ones the company will be seeking recovery for
24 in future rate case, and how the parties feel about
25 whether these costs should be included.

1 Specifically I would like to first know
2 from MGE whether they anticipate seeking recovery
3 for those costs that are incurred to prevent future
4 occurrences of these types of errors?

5 MR. HACK: Can I back up a little bit?
6 The rate-making commitments in the document are
7 really two. One, we've agreed not to seek recovery
8 of the underbillings that we did not seek to
9 re-bill the PGA, and that's not even -- that's not
10 a rate case item. It's a gas cost item.

11 Two, we've agreed not to seek recovery of
12 expenses. We have incurred to provide refunds,
13 what I call the retrospeculative correction of
14 customer bills. Regarding what the Company may
15 seek to include in rates for the future, for a
16 future rate case, we really haven't made that
17 determination.

18 Those costs that aren't in those two
19 specific categories we can request rate treatment
20 of. Correspondingly, OPC and Staff and the
21 Commission itself can take whatever position on
22 those items they deem acceptable.

23 COMMISSIONER MURRAY: So as a part of
24 these stipulation and agreements, the company has
25 agreed not to seek recovery of expenses incurred to

1 provide the refunds?

2 MR. HACK: Right.

3 COMMISSIONER MURRAY: How about -- bear

4 with me a moment. Treatment of the charitable

5 contributions, is that addressed anywhere?

6 MR. HACK: No, it's not. But the rate-

7 making treatment of that item -- it is not

8 addressed, no, commitments any which way. I think

9 it's fair to say that the Company has no intention

10 of seeking rate recovery for those items.

11 COMMISSIONER MURRAY: Okay. The meter

12 reading, the \$30 million for improving the metering

13 was not addressed either. Correct?

14 MR. HACK: No. No.

15 COMMISSIONER MURRAY: And the public

16 business office that was opened in Kansas City, is

17 that anywhere -- has the cost of that office been

18 included in anything to date?

19 MR. HACK: It's not included in rates.

20 The office opened in April. Our rates were set and

21 implemented in February. There has been no

22 request, commitment or anything else of the sort

23 regarding the costs associated with that public

24 business office one way or the other.

25 COMMISSIONER MURRAY: In terms of the

1 interest-free extended payment plans, I assume
2 there's a cost to the Company of providing that?

3 MR. HACK: Certainly.

4 COMMISSIONER MURRAY: And there would be a
5 way of calculating that cost?

6 MR. HACK: I'm sure there are people smart
7 enough to do that.

8 COMMISSIONER MURRAY: And there is no
9 commitment as to whether those costs will be
10 included in any future case?

11 MR. HACK: No, Commissioner.

12 COMMISSIONER MURRAY: Let me ask a
13 question about that particular plan. On
14 paragraph 8 of the agreement number in the
15 case 97-33. The last sentence in that paragraph
16 says that, In conjunction with this program, MGE
17 continued until July 1, '97 the "moratorium" on
18 service disconnections that began last winter.

19 Do you know how many, if any, were
20 disconnected on July 1 or after July 1?

21 MR. HACK: We have been engaged in
22 collection efforts since July 1. I don't know that
23 we have those numbers. We may be able to provide
24 those numbers to you if you would like us to do
25 that.

1 COMMISSIONER MURRAY: I would like for you
2 to get that number, please.

3 ALJ LUCKENBILL: We'll reserve a
4 late-filed Exhibit No. 4 for that exhibit,
5 Mr. Hack.

6 COMMISSIONER MURRAY: And for Staff, I
7 would like to know if the Staff has an opinion in
8 terms of the amounts spent to prevent future
9 reoccurrences, if the Staff has an opinion as to
10 whether those expenses are appropriate to be
11 included in a future rate case?

12 MR. SCHWARZ: I certainly don't have an
13 opinion. I don't know if -- Art, have you given
14 that any thought?

15 MR. WIMBERLEY: It is my opinion that
16 those costs --

17 ALJ LUCKENBILL: Excuse me, Mr. Wimberley,
18 would you please rise and come before the bar?

19 MR. WIMBERLEY: My name is Arthur K.
20 Wimberley. I'm with the Missouri Public Service
21 Commission.

22 (Witness sworn.)

23 AUTHUR K. WIMBERLEY testified as follows:

24 MR. WIMBERLEY: It's my opinion whether
25 the billing errors that occurred recently had been

1 discovered earlier that the Company would have had
2 to make changes at some point in time to that
3 billing process. I believe that they have made a
4 wise judgment in bringing in an outside consultant
5 to assist them in that process, and consequently I
6 feel that those costs would appropriately -- should
7 be considered in a rate case.

8 COMMISSIONER MURRAY: And as to any costs
9 that are incurred to correct past errors, would
10 your opinion differ on those costs?

11 MR. WIMBERLEY: The billing errors?

12 COMMISSIONER MURRAY: Yes.

13 MR. WIMBERLEY: No. I feel that to the
14 extent the customers were overbilled, they should
15 have been refunded. That was reasonable action to
16 take.

17 COMMISSIONER MURRAY: Let me clarify my
18 question then. Would it be your opinion that in a
19 future rate cases, that would be an acceptable
20 amount to include in costs of, in determining a
21 future rate case, those amounts that were spent
22 either refunding past billing errors or
23 administratively to make those refunds, any amount
24 spent to correct the past?

25 MR. WIMBERLEY: To the extent of the

1 overbilling error, they were only taken action to
2 refund what should not have been taken from the
3 customer. In that sense I don't believe those
4 talks should be considered.

5 COMMISSIONER MURRAY: Thank you. I
6 believe that's all my questions. Thank you.

7 ALJ LUCKENBILL: Commissioner --

8 MR. MICHEEL: Commissioner Murray, I would
9 like to respond to your questions.

10 COMMISSIONER MURRAY: I'm sorry.

11 MR. MICHEEL: I would like you to know
12 what our position is on this. I think our position
13 is maybe somewhat different.

14 First of all, as it relates to GC-97-497,
15 the Company has agreed as Mr. Hack pointed out,
16 that \$15 bill credits, which roughly is
17 \$1.5 million, will not be recovered from the rate
18 payers. That's going to be dealt with by the
19 shareholders.

20 As it relates to your question on whether
21 or not it's proper to recover the refunds, the
22 agreement specifically says as it relates to the
23 monies refunded that the company is not going to
24 seek to collect those refunds for overbills or
25 underbills in any proceeding.

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1 As it relates to whether or not the
2 company should be entitled to recover in a rate
3 case scenario some of the cost of, for example,
4 Theodore Barry or increasing the employment levels
5 of the meter readers, the customer service
6 personnel, it's too early at this point,
7 Commissioner, to determine whether they are
8 appropriate or inappropriate.

9 There are a lot of things we don't know
10 about. For example, we don't know when the Company
11 is going to be filing their next rate proceeding so
12 we don't know the next measure. As Ms. Nelson
13 indicated and Mr. Hack indicated as it relates to
14 the eight full-time meter readers that they've
15 placed on board now, if they implement their
16 automated meter reading system, those people may be
17 gone. So these may be one time non-reoccurring
18 costs that parties may argue are not appropriate
19 for inclusion in rates.

20 Now, what the stipulation and agreement
21 does as Mr. Hack pointed out, it allows all
22 parties -- and I'm focusing on our stipulation
23 agreement of our complaint GC-97-497 -- the
24 foregoing shall not operate as limitation on any
25 party's ability to contest ability of said

1 expenses.

2 What my office will do if the company
3 indeed comes for and requests these, we'll see if
4 they are appropriate items that the rate payer
5 should be paid if they are non-reoccurring and if
6 they are known and measurable and things like
7 that. So to that extent, it's too early to tell.

8 But as relates to the \$15 credit, no,
9 we've agreed not to do that, and we've also agreed
10 specifically not to recover in paragraph D some
11 expenses to correct the past bills. I just wanted
12 to -- on the AMR and Commissioner Drainer asked
13 about the AMR, the automatic meter reading. We've
14 taken no position whether that's appropriate or
15 not.

16 We've had discussions with the Commission,
17 and I think Ms. Hogarty has indicated what our
18 position is on that, and when the company requests
19 recovery, that will be the appropriate time. But
20 none of these agreements -- I didn't sign any
21 agreement saying any of these items are appropriate
22 for rates, the rate payers unless it's explicitly
23 stated.

24 COMMISSION MURRAY: Thank you. I
25 appreciate your remarks, and I apologize for

1 forgetting to ask your remarks because it was very
2 helpful.

3 ALJ LUCKENBILL: Commissioner Crumpton?

4 COMMISSIONER CRUMPTON: Thank you. I have
5 a number of questions. I will try to group those
6 questions so that they will appear to be consistent
7 or part of a consistent chain of thought. If they
8 are not, I will go back over this record to make
9 sure that I obtain what I need in order to make a
10 final determination within this case.

11 I'd like to begin by saying that I share a
12 concern of the earlier commissioners concerning the
13 requirement that the Commission not perform its
14 duty, and I will be a little more specific because
15 I heard the earlier testimony that tended to say we
16 would not be doing that.

17 In one case, the complaint was filed in
18 1996, and I think, Mr. Hack, were you here then?

19 MR. HACK: Not when it was filed, no.

20 COMMISSIONER CRUMPTON: This agreement
21 requires that all events and circumstances
22 occurring prior to August the 1st, 1997 pertaining
23 to these issues of billing, et cetera, would be
24 eliminated from the Office of Public Counsel and
25 the Commission's Staff as well as the Commission's

1 ability to assist in complaints or petitions or
2 seek penalties.

3 And to me there is a tremendous amount of
4 activity that this company engaged in that has not
5 been investigated by our staffs at all even on the
6 second complaint by the Office of Public Counsel.
7 And I want to publicly thank both Staff and Office
8 of Public Counsel for bringing these complaints.

9 Even that complaint was filed in the early
10 part of this year and pertaining only to three
11 months, November, December, and January or maybe it
12 might have included February. I'm not sure. So
13 I'm disturbed that we're being requested to not
14 only give up our right to carry out our statutory
15 requirements or meet our statutory requirements,
16 but we're also being required to overlook activity
17 in a period that was not covered by the
18 complaints.

19 I think that the company's commitment to
20 not seek rate payer compensation for certain acts
21 is correct, and I think the principle I
22 understand. I don't understand the principle of
23 the company speaking rate payers to pay for acts of
24 management that brought us to where we are. And
25 that would be acts like to reduce the number of

1 meter readers, to close up the public office if
2 there was a public office prior to these acts.

3 And I guess I can ask the question now.
4 Was there a public office open when Western
5 Resources turned this company over to MGE?

6 MR. CLOWE: Commissioner, I believe there
7 was. It was located at, I think, 63rd and Troost,
8 and I cannot tell you for certain that it was open
9 at that time, but my best knowledge is it was.

10 COMMISSIONER CRUMPTON: Thank you for that
11 response. That means that a manager made that
12 decision, and why should the rate payers be
13 required to bring the company back to where it was
14 when it was a management act that did this? I
15 would like for the parties to provide me with
16 information concerning the number of meter readers
17 that were on the payroll at the time that this
18 company took over for Western Resources, and I'd
19 like that to be compared with the number of meter
20 readers that this company had when this problem of
21 the billing became an issue during the months of
22 November, December of 1996 and January, February of
23 1997.

24 Now, the cost of returning the company
25 back to that level is a responsibility of the

1 stockholder because their people are the ones who
2 made those decisions. I have a problem here if you
3 expect me to require the rate payers to correct
4 these kinds of issues.

5 The rate payers were complaining about
6 this activity the year this company took over, and
7 so I have a problem with that, and you need to in
8 your briefs reassure me that this is the correct
9 action. I would like for the attorneys of the
10 counsel in this case or these cases to explain to
11 me now if they can, why we should not require the
12 stockholders to return this organization to its
13 original condition as far as customer service is
14 concerned.

15 MR. HACK: Commissioner, I'll try to
16 answer the question. We have not requested that
17 you give any affirmative rate treatment to any of
18 the items that are mentioned in the agreement.
19 This is not a rate increase application. We have
20 not attempted to bind you in that way.

21 Second, regarding the question you just
22 asked, customer service is very important. We have
23 experienced in the past customer service
24 shortfalls. The steps that are being undertaken
25 right now from AMR through the BASIC team and

1 Theodore Barry and Associates including "Relief
2 Now" and some of the other communication efforts
3 are designed to attain a level of customer service
4 that our customers deserve and our regulators
5 expect.

6 And the key, I think, is in the
7 performance and the demonstrable levels of
8 achieving, and that is a part of why we're here
9 today asking you to approve these agreements to get
10 us on the road to those goals.

11 COMMISSIONER CRUMPTON: So are you saying
12 it's not the company's intent to recapture any
13 rates, the cost of rehiring or hiring these
14 employees of opening up the public office?

15 MR. HACK: Commissioner, ongoing expenses
16 should be reflected in rates.

17 COMMISSIONER CRUMPTON: So you are telling
18 me that if your company files a rate case in the
19 very near future, that would cover the period of
20 during which this activity occurred, in other
21 words, the test year would cover that period, that
22 your company would seek rate treatment for opening
23 up the business office, as an example hiring the
24 new meter readers, recruiting and training the
25 business office personnel, that would bring us at

1 least up to the level it was prior to us having
2 these problems?

3 MR. HACK: Commissioner, my expectation is
4 that we would ask for rate treatment of those
5 expenses necessary to provide service to our
6 customers including the public business office,
7 including appropriate levels of payroll related to
8 meter reading customer service representatives,
9 hiring and training those people. We think that's
10 normal rate making, day-to-day precedent, and we
11 don't see any reason to abandon that.

12 COMMISSIONER CRUMPTON: Is there a prudent
13 standard that should be applied here?

14 MR. HACK: I don't understand your
15 question.

16 COMMISSIONER CRUMPTON: Well, you think
17 about it. Let me ask some of the other counsel.
18 Do you share Mr. Hack's opinion on this treatment
19 of the issues related to the hiring and recruiting
20 of those personnel that are required to bring this
21 company's service level back to where it was prior
22 to the dismissals?

23 MR. MICHEEL: I'll go first if that's --
24 as I stated, Commissioner, to Commissioner Murray's
25 question, we haven't made any determination. The

1 item that you see in the stipulation in the
2 agreement in GC-97-497 specifically says that MGE
3 shall be permitted to seek recovery in rates.

4 Commissioner, that means they can come to
5 you and say, this is something that we think is in
6 the normal cost of service. Now, we say the
7 sentence says, the foregoing, the last sentence in
8 that paragraph, shall not operate as limitation on
9 any parties ability to contest said expenses.

10 And I can assure that you any expense
11 related to all of these items will be scrutinized
12 by my office, and we will look to see whether or
13 not it is appropriate. At this time I'm not
14 prepared to say it is appropriate or not
15 appropriate.

16 The company certainly has the right to
17 seek those expenses in rates, Commissioner. My
18 office certainly has the right to contest that, and
19 after looking and doing the audit, that may be very
20 well what Mr. Robertson or Mr. Tripency or one of
21 our experts will recommend to you.

22 But the ultimate decision, Commissioner,
23 on whether or not these costs are appropriate and
24 appropriately sought for recovery in rates is the
25 commissioners. And you are going to hear arguments

1 on both sides, and I can guarantee you that my
2 office will probably be making arguments that some
3 of the expenses not knowing what the measure is,
4 whether they are non-reoccurring, whether they are
5 still in rates, whether start-up costs are
6 appropriate or not or what type of expenses.

7 I can assure you, you will probably be
8 hearing arguments on both sides. All this
9 stipulation agreement does is recognizes the
10 company's right to seek those expenses. It also
11 recognizes Staff, Public Counsel and any other
12 interveners right to contest. What the ultimate
13 decision, Commissioner, on whether or not rate
14 payers should pay for these expenses is in your
15 hands.

16 COMMISSIONER CRUMPTON: Also it is your
17 obligation to create a record that is big enough
18 for us to make that consideration; is that right?

19 MR. MICHEEL: And I endeavor to do that in
20 every case that I try, and sometimes that fails,
21 but I try to do that.

22 COMMISSIONER CRUMPTON: Now, the company
23 did give up its right to some costs, some of it
24 recovery?

25 MR. MICHEEL: That's correct.

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1 COMMISSIONER CRUMP: And I'm just raising
2 an issue on items for which the company did not
3 give up the right because the company is asking us
4 to give up certain rights, and we're looking for
5 something of equal value.

6 MR. MICHEEL: Well --

7 COMMISSIONER CRUMP: Excuse me,
8 Mr. Schwarz?

9 MR. SCHWARZ: I think Mr. Micheel has
10 reflected substantially Staff's position. I point
11 out that in rate cases, Staff accountants and OPC
12 accountants regularly make adjustments to the
13 company's claimed expenses for non-reoccurring
14 items and will make normalization adjustments as
15 well so that if, for instance, the types of
16 expenses that have been incurred would not be
17 expected to occur again or if they were
18 unusually -- particularly activities that were
19 unusually high that there might be adjustments made
20 to normalize those activities.

21 And those are things that will be dealt
22 with in the rate case setting. And really before
23 the rate case is actually upon us, it's very
24 difficult to say exactly how that will be
25 approached, but it will certainly be examined.

1 COMMISSIONER CRUMPTON: And I appreciate
2 your difficulty of the question, and I appreciate
3 the willingness to respond somewhat in the abstract
4 because I understand we don't have a rate case
5 before us. But that doesn't mean that they don't
6 have one already in the envelope ready to deliver
7 to us, so I want to make sure that we are going to
8 have a record big enough to make this decision.

9 Mr. Micheel, excuse me for shutting you
10 off prior to him coming on.

11 MR. MICHEEL: Well, Commissioner, I just
12 wanted to respond. Both Commissioner Murray and
13 yourself and Commissioner Drainer have expressed
14 some concerns about binding the Commission. I
15 understand that. That's a huge issue. We're
16 willing to take that out today. I didn't want it
17 in there to begin with.

18 COMMISSIONER CRUMPTON: Well, thank you.

19 MR. MICHEEL: I would be willing to cross
20 that out today.

21 COMMISSIONER CRUMPTON: Thank you. Let me
22 ask Staff. Would you be willing to cross that out
23 today also?

24 MR. SCHWARZ: Yes.

25 COMMISSIONER CRUMPTON: Good. So we have

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1 two that are willing to cross it out. Mr. Hack --
2 I'm sorry.

3 MR. SCHWARZ: And I -- No, I don't.

4 COMMISSIONER CRUMPTON: Mr. Hack, is this
5 a drop-dead issue? Is your company willing to take
6 this out?

7 MR. HACK: Commissioner, it's important to
8 us.

9 COMMISSIONER CRUMPTON: We understand
10 that.

11 MR. HACK: We've agreed to pay roughly
12 \$2.1 million as a result of these agreements.

13 COMMISSIONER CRUMPTON: And I have some
14 comments concerning that too.

15 MR. HACK: And we cannot, I do not think,
16 agree to be exposed to further penalties for this
17 time period and agree to pay that much money over
18 the next few months.

19 COMMISSIONER CRUMPTON: Since you raised
20 the issue of money and payments, I'm assuming that
21 \$550,000, the 2.1 million will be going to these
22 charitable organizations; is that correct?

23 MR. HACK: Yes.

24 COMMISSIONER CRUMPTON: Now, here is my
25 concern, and I want the company to respond to

1 this. Will the \$550,000 donation be in addition to
2 the company's current levels of charitable gifts?

3 MR. HACK: Commissioner, we currently have
4 a neighbors program which is rate pay. It's a
5 dollar more program.

6 COMMISSIONER CRUMPTON: Mr. Hack, this is
7 a yes or no question.

8 MR. HACK: I don't have an answer on yes
9 or no basis.

10 COMMISSIONER CRUMPTON: Staff, is it your
11 understanding that this \$550,000 donation to these
12 charitable organizations will be above its current
13 levels of charitable donations?

14 MR. SCHWARZ: I think that the Staff's
15 position generally is that contributions that the
16 company chooses to make are the company's
17 business. We try to keep the rate payers out of
18 the charitable contributions angle so that from our
19 perspective the company is under no obligation to
20 do so.

21 I think that as a major corporate citizen
22 in the Kansas City metropolitan area, the Joplin
23 area and the St. Joseph area that the company, I
24 would certainly expect the company to continue its
25 current practices. The contributions are their

1 money.

2 COMMISSIONER CRUMPTON: Do you see the
3 issue here? In other words, they could be giving
4 you nothing. They could be giving a million
5 dollars already to charitable organizations and
6 then come back and say, we'll give you 550,000, and
7 at the end of the year, all they've given is a
8 million. So you haven't obtained anything in
9 exchange for your willingness to give up my right
10 to carry on my statutory obligations as well as
11 probably some of yours. I'm not sure.

12 MR. SCHWARZ: Well, if that were the case,
13 then by virtue of the stipulations and agreements,
14 we are in effect redirecting the corporate
15 charitable efforts which frankly I don't think that
16 we have any certainly any right to do. So from
17 that perspective, and as I say, from the Staff's
18 perspective, it's shareholder money, and, yes, it's
19 possible. Frankly, I hadn't given it just a whole
20 lot of thought, and I can't remember the numbers
21 from the rate case to remember what level the
22 contributions were.

23 COMMISSIONER CRUMPTON: Mr. Micheel, can
24 you respond to this?

25 MR. MICHEEL: Certainly. I'll do my best,

1 Commissioner. The company's charitable giving,
2 that's their business. Again, I cannot control
3 that. What we were seeking to do in getting the
4 \$450,000 is to assure that some of the citizens,
5 rate payers in the MGE service territory who are
6 struggling with high gas bills in part because of
7 some actions taken by the company receive some
8 help.

9 And quite frankly, Commissioner, I gave no
10 thought whatsoever when I signed this agreement as
11 to whether or not this Company was going to lower
12 their charitable giving to reflect that -- to
13 reflect our agreement. And I certainly would hope
14 that the Company doesn't do that, but, again,
15 that's a management decision that I can't control.

16 COMMISSIONER CRUMPTON: Staff, in your
17 case, your stipulation and agreement with the
18 company, the \$100,000 donation to a charitable
19 organization is probably the centerpiece of your
20 stipulation and agreement. And so were they to
21 just substitute or commit you to redirect a
22 \$100,000 really brings in to question the value of
23 your stipulation and agreement.

24 MR. SCHWARZ: Certainly the \$100,000 is an
25 important part of the stipulation and agreement,

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1 but as Mr. Micheel explained in his opening, his
2 complaint was brought to fix the blame. I think
3 Staff's primary intent in filing the complaint and
4 its efforts in the GL-95-177 docket is to fix the
5 problem.

6 And we have devoted a considerable portion
7 of the stipulation and agreement in our case to
8 indicate the steps that we feel are being taken to
9 correct the problem. And quite frankly, that I
10 think is the principle focus of the Staff's
11 activities.

12 COMMISSIONER CRUMPTON: Well, when I look
13 at your stipulation and agreement, there are some
14 things here that I think any business would take as
15 a normal course of activity. I'll give you an
16 example. Item B2 completed to verify the accuracy
17 of customer bills prospectively; identify billing
18 errors and make corrections as necessary and credit
19 customer accounts for overbillings, if any.

20 I mean, that's a given to operate in our
21 state. We would expect a public utility to do
22 that, implement as a standard practice. I want to
23 ensure customer bills are accurate in advance of
24 mailing bills to customers and shall advance the
25 Staff of Public Counsel in this process is in

1 operation. I mean, what is that? They would do
2 that anyway, would they not?

3 MR. SCHWARZ: Had it been done, it's less
4 likely certainly that we would have experienced the
5 problems that we did. So, yes, it makes sense.
6 It's certainly good business practice. But it's
7 also an important, and I think significant step to
8 get that specifically acknowledged and committed
9 to.

10 COMMISSIONER CRUMPTON: My final question
11 is to Mr. Hack. Mr. Hack, you were formerly
12 employed by the Commission?

13 MR. HACK: Yes, Commissioner.

14 COMMISSIONER CRUMPTON: Was any of this
15 complaint which was filed by Staff performed while
16 you were a member of the Public Service
17 Commission?

18 MR. HACK: Commissioner, it was filed
19 after I left.

20 COMMISSIONER CRUMPTON: Was any of it
21 prepared?

22 MR. HACK: I would expect that it was.

23 COMMISSIONER CRUMPTON: Did you
24 participate in it?

25 MR. HACK: Your Honor, I have not signed

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1 the document 97-33. I did not try the case in
2 97-33. I have not participated in Case No. 97-33
3 except to the extent of presentation of this
4 stipulation today.

5 COMMISSIONER CRUMPTON: Were you not our
6 general counsel of the Public Service Commission?

7 MR. HACK: Yes, I was.

8 COMMISSIONER CRUMPTON: Did the opposing
9 counsel for Staff report to you?

10 MR. HACK: Yes, he did.

11 COMMISSIONER CRUMPTON: That's all the
12 questions I have. Thank you.

13 ALJ LUCKENBILL: Mr. Hack, Commissioner
14 Crumpton requested the number of meter readers that
15 MGE employs as of today and also the number of
16 meter readers employed during the period November
17 '96 through February '97. Would the Company
18 please provide a late-filed Exhibit No. 5 which
19 would be a schedule, I think, that would show that
20 data?

21 MR. HACK: (Nodded head.)

22 ALJ LUCKENBILL: Thank you.

23 MR. DUFFY: I believe, Commissioner Crump
24 asked for the number of meter readers on the
25 payroll when MGE took over the operations which

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1 would have been February 1, '94. At least that's
2 what I wrote down.

3 COMMISSIONER CRUMPTON: That's it exactly.

4 ALJ LUCKENBILL: Thank you for that
5 clarification, Mr. Duffy.

6 COMMISSIONER CRUMPTON: I would like for
7 the Company to provide us with the attendance
8 records of the meter readers during the times when
9 we were having this problem where the meters were
10 not being read on time. So any normal business
11 would be able to provide a summary to management.

12 We had eight meter readers on this street
13 on Thursday. We had ten on Friday with the date.
14 I'd like to know how this problem developed and if
15 management was in a position to see it develop.

16 ALJ LUCKENBILL: Is that understood,
17 Mr. Hack?

18 MR. HACK: It's essentially reports on
19 meter reader activity during the four months in
20 question. We have those, and we can generate
21 those. That would be Exhibit --

22 ALJ LUCKENBILL: No. 5.

23 MR. HACK: -- 6.

24 ALJ LUCKENBILL: Well, if you care to make
25 that a separate exhibit, that would be fine. Let's

1 make that part of Exhibit No. 5 since it pertains
2 to meter reading.

3 Commissioner Lumpe?

4 COMMISSIONER LUMPE: Mr. Schwarz, to
5 follow up on some of your questions, the issue
6 seems to be difficultly in billing, in reading
7 meters and preparing accurate bills, and I think
8 your comment was, we want a solution. Do you feel
9 that all of these things, the bills are, the
10 additional staff, the consultants, the automatic
11 reading, all of these things will lead to a
12 solution, and is this normal practice in other
13 companies?

14 I mean, they have all these things, and is
15 that why they don't have this problem? Why does
16 this company in your opinion have all of these
17 problems?

18 MR. SCHWARZ: I would point out that this
19 is certainly not the only company that faced these
20 specific problems. Western Resources over on the
21 Kansas side from whom the Company purchased the
22 system also experienced similar problems this
23 winter with what I assume is still a very similar
24 operating system.

25 I think that probably neither company --

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1 and this is only my surmise from dealing with the
2 situation -- was aware of the extent of the
3 problem. I don't think that they probably really
4 recognized how financially things had to be tuned
5 in order to operate smoothly.

6 From that perspective, I think that the
7 Company needed to take substantial -- you know,
8 they had to compress -- I mean, if you were putting
9 to together a business and putting together a
10 business principle plan, you can do that at your
11 leisure. If this is something that they had to
12 address very quickly -- and I think that they
13 brought in the manpower and resources that they
14 needed to do so -- from that perspective, no, I
15 don't think this is something that ordinarily
16 utilities run into.

17 Yes. I think that the steps they are
18 taking certainly have the -- pull the prospect of
19 resolving the problems. But like the other parties
20 to the case, I'm going to withhold judgment until I
21 see the results.

22 COMMISSIONER LUMPE: Counsel, would you
23 comment on that too? We had a problem. We
24 couldn't calculate bills, so we are going to the
25 people about this, that, and the other thing. Is

1 that going to solve it?

2 MR. MICHEEL: We're cautiously optimistic
3 that it will solve it. But let me comment that the
4 reason we filed the complaint and we've entered
5 into the settlement and we're hoping that the
6 billings are and things like that will take care of
7 the problem.

8 But it's been our position all along,
9 Commissioner, that the problem shouldn't have
10 occurred in the first place. And in identifying
11 and thinking about filing the complaint, we
12 identified -- when I say we, I mean our individual
13 accounts, Mr. Roberts and some folks -- management
14 decisions for lack thereof on the part of MGE that
15 we believe caused the billing errors.

16 And let me just outline four of them, and
17 I don't think it just has to do with, well, the
18 computer system did it. I think in having tried
19 the case we would have pointed out that there was
20 most likely problems in the scheduling of the meter
21 reading routes because part and parcel of the
22 problem lie where we had the underbillings and
23 overbillings, were they weren't getting the meters
24 read on time.

25 The second was a lack of a supervisor over

1 the entire billing process or as referred to in
2 this staff GC-97-33 in that settlement document,
3 the billings czar. And we think that there should
4 have been a person in place to be looking over this
5 at all times. As I indicated in my opening, all
6 the customers want and deserve is adequate service
7 at the proper price.

8 The third thing is they probably had too
9 few meter readers because they weren't getting that
10 on time. That's a management decision,
11 Commissioner. And the final item was in placing
12 purchase gas adjustment rate in their computer
13 system prior to the effective date, prior to when
14 this Commission approved it, and there was no way
15 to prevent that rate from being charged prior to
16 its effective date.

17 And we certainly think that it would
18 behoove a company and the company's management to
19 make sure their computer system didn't do that.
20 Now, whether or not the computer system worked the
21 way it worked and they purchased it from Western
22 Resources to me is not an issue. The fact of the
23 matter is, the Company is responsible for
24 management decisions and making those decisions.

25 And what the rate payers want and deserve

1 is adequate service at the rate that this
2 Commission has approved, no more and no less. And
3 that's why we brought the complaint. And those are
4 the management decisions that had we tried the
5 complaint, we would have pointed out to this
6 Commission. So we have not seen these problems
7 with any other gas utility to my knowledge in this
8 state.

9 COMMISSIONER LUMPE: I think that sort of
10 answers what I was getting at. You can add all of
11 this stuff ad nauseam, but if the management which
12 is what you are saying doesn't change, it has just
13 added stuff and it may or may not solve the
14 problem. And I know there's nothing guaranteed in
15 life, but so if it doesn't solve the problem, and
16 then we can add some more stuff next year and some
17 more stuff.

18 And you don't have to respond to that, but
19 I think you did both in sort of suggesting that we
20 can add things, but it may or may not get to the
21 problem.

22 On the customer service area, is it
23 Ms. Czaplewski? I'm sorry if I mangled your name.
24 As I heard you testify, you were attempting to get
25 to -- the goal with a certain abandonment rate on

1 the callings. Instead of saying we will add 20
2 people, whether 20 is appropriate or 30 or ten, if
3 in the agreement you had addressed the abandonment
4 rate, which I think is the key to the how long do I
5 have to stand here on the phone and wait to get a
6 live voice, would that not have been a more
7 appropriate guide or goal than adding this number
8 of people or that number of people?

9 MS. CZAPLEWSKI: Commissioner, I don't
10 know that I can speak to that. I have been
11 involved here, highly involved for the last nearly
12 two months, and I know that there was a commitment
13 made to the Commission to add some number of
14 consultants, telephone consultants. We have met
15 that commitment, and our goal and objective is to
16 attain and maintain an abandon call rate of
17 5 percent.

18 COMMISSIONER LUMPE: And that's what I am
19 saying. It seems to me that would be a more
20 appropriate guide in here because God willing the
21 complaints go down and there you are sitting with
22 20 people you don't need, a cost to the business,
23 et cetera. If you need more to meet that goal or
24 less to meet that goal, that would be the
25 management decision I would think you would want to

1 make and not just some number of people that might
2 not be needed.

3 And so I'm asking the question, would that
4 not be a more appropriate way to agree to the
5 question than, yes, we'll hire -- I mean, at this
6 point I may need that many more people. If things
7 get better, you may not. And somebody's paying for
8 the people that you said you would supply that may
9 not be needed, and that's the tuft of my question.
10 I want your opinion or your thought.

11 And I heard you say that goal, and I
12 thought that makes more sense to me than
13 20 people. I don't know if 20 people is the answer
14 or not.

15 MS. CZAPLEWSKI: That was the reason for
16 that response to Commissioner Drainer that we are
17 adding more people next week. We've met the
18 commitment we've made, but we're adding additional
19 people. And your question was forever, and that
20 was my response.

21 COMMISSIONER LUMPE: That's what I'm
22 thinking. It would give the Company the ability to
23 adjust to whatever number is needed to meet an
24 abandonment rate of 5 percent. That might be more
25 appropriate. Thank you very much.

1 I have one other question, and it has to
2 do with the charitable giving. I think there was
3 something we dealt with yesterday that had a
4 250,000 weatherization commitment, and that is
5 coming from the rate payer.

6 And that's why I think you are getting
7 some of the questions as to, well, here's 550
8 more. Is that going to come from the rate payer
9 too? Is the rate payer going to pay all of this,
10 and I think that's part of the question. But on
11 this amount of money that's going to a charity, who
12 provides the LIHEAP services in your service area?

13 MR. HACK: Which particular agencies?

14 COMMISSIONER LUMPE: Yes. You mentioned
15 some Midwest something. Do they do LIHEAP also?

16 MR. HACK: I wish I could answer your
17 question. Mid-American Assistance Coalition is a
18 clearing house agency that distributes money on
19 behalf of MGE, Kansas City Power and Light,
20 Util-Corp, Empire, I think.

21 COMMISSIONER LUMPE: The Division of
22 Energy contracts in the various areas for someone
23 to do the -- or social services, I'm sorry,
24 contracts with entities to do LIHEAP. And I guess
25 my question is, I don't know the answer that you

1 mentioned. If they are the contractor for LIHEAP,
2 that makes sense. I don't know that it makes sense
3 to create something else.

4 But my question would be, if they're
5 already getting LIHEAP, is this to be on top of, in
6 addition to, in lieu of LIHEAP monies? And I
7 realize LIHEAP is 110 percent, and you were saying
8 150 might be one of the criteria. Is it to make
9 that 40 percent gap to people already getting
10 LIHEAP, or are these people that LIHEAP can't serve
11 that now you are going to serve? And those are the
12 kinds of questions that I have about how you are
13 going to deal with this charity. Mr. Porter?

14 MR. PORTER: I would like to take a stab
15 at it. Of course, I can't answer it in full, but
16 my understanding is that the LIHEAP funding from
17 the federal government goes primarily to the
18 Division of Family Services. From that point it is
19 distributed to various social services agencies by
20 some kind of formula. I don't know exactly what it
21 is.

22 COMMISSIONER LUMPE: By bids, yes,
23 entities bid for that money.

24 MR. PORTER: By bid. And the organization
25 that Mr. Hack referred to earlier as part of the

1 Mid-America Assistance Coalition, they are
2 identified by customer service advisors in their
3 view as the most appropriate agency to disburse the
4 funding throughout our service territory.

5 There are some questions remaining that we
6 need to -- and you are alluding to them -- that we
7 need to clarify. So that in the act of giving this
8 supplemental energy assistance by virtue of current
9 regulations with the Division of Family Services or
10 current LIHEAP federal reservations that that act
11 does not disturb the disbursement of the normal
12 disbursement of funds that would otherwise occur.

13 And that is what we have to make sure we
14 do very carefully so we are not inadvertently
15 reducing funding or prohibiting access or
16 inhibiting access to these funds.

17 COMMISSIONER LUMPE: They never have
18 enough to serve all the clients on the list, and
19 that would be my concern that this would go to
20 people already getting LIHEAP and not to the
21 waiting list perhaps or whether you were going to
22 fill a gap, that 40 percent gap because you were
23 going to go give it to people at a higher
24 percentage than LIHEAP was eligible for.

25 MR. PORTER: I believe that's one of the

1 reasons the assistants in the tentative proposal --
2 Rob, you can correct me if I'm wrong. But one of
3 the reasons suggested for limiting at \$200, the
4 amount to any one individual is to prevent the kind
5 of problem you are referring to.

6 COMMISSIONER LUMPE: It does appear there
7 are some that need to be worked out.

8 MR. PORTER: I think they can be worked
9 out, but it will take a little time.

10 COMMISSIONER LUMPE: Again, may I ask one
11 more question I guess of the Company?

12 Part of these agreements are adding
13 people, adding meter readers, adding customer
14 service people. Is there also -- is there a plan
15 to reduce employees in the Company's service area
16 in months? In other words, are we going to adhere
17 and take away here?

18 MR. HACK: No, not to my knowledge.

19 COMMISSIONER LUMPE: Do you have any
20 information on that?

21 MR. HACK: I will refer to Tom Chloe.

22 MR. CLOWE: Yes. I will respond to that
23 in that, yes, we are looking at a restructuring of
24 the personnel of the Company currently. And we
25 will involve movement of some people from positions

1 that are not involved in customer response to those
2 areas where people will be directly involved with
3 customer service.

4 We are looking at some redundancy and
5 unnecessary positions, and we're not ready to move
6 forward with that or publicize it at this time.
7 But it's my intention to come to the Commission and
8 make them aware of it when we get ready to make
9 that move.

10 COMMISSIONER LUMPE: So there is eventual
11 reduction of total personnel and the positions in
12 personnel. Correct?

13 MR. CLOWE: I believe in the overall there
14 is. The plan is to add personnel, and I believe we
15 will end up with additional people, and all of
16 those additional people for the most part will be
17 in customer service areas. There will be a
18 reduction of people who are in non-customer service
19 positions or in positions which are redundant.

20 COMMISSIONER LUMPE: Thank you.

21 MR. CLOWE: Yes, ma'am.

22 COMMISSIONER LUMPE: Thank you. I have no
23 further questions.

24 ALJ LUCKENBILL: Vice Chair Drainer?

25 COMMISSIONER DRAINER: I have a question,

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1 Mr. Hack. You have had certainly several years
2 experience now in regulation in Missouri?

3 MR. HACK: Correct.

4 COMMISSIONER DRAINER: And in all of your
5 years experience, do you have any case history
6 where the Public Counsel and the Commission Staff
7 have had a stipulation and agreement with a company
8 and that it was approved by the Commission and that
9 the Commission then turned around and on its own
10 initiative asked for penalties for that company in
11 the same time period of the stipulation?

12 MR. HACK: No, Commissioner, I am not
13 aware of that.

14 COMMISSIONER DRAINER: I'll go out 20
15 years. Mr. Duffy?

16 MR. DUFFY: My memory is the same as
17 Mr. Hack's. I know of no situation where the
18 Commission has come in and tried to seek penalties
19 after a settlement.

20 COMMISSIONER DRAINER: Then I guess the
21 only final comment I would make is, when we look at
22 the stipulation agreement and why it's being
23 brought before us and the complaint that was not
24 obviously generated by the Commissioners themselves
25 at any fault but the Company accepting fault and

1 correcting its problems and with Staff of Public
2 Counsel being hopeful, that this does resolve
3 that.

4 It does not seem that when Staff of Public
5 Counsel say that this to them is not an issue to
6 hold this Commission hostage from doing its duties
7 that the Company with numerous complaints were put
8 before, it would sit there and tell us that this is
9 such a significant issue.

10 And I would ask you to re-visit that,
11 because I really do think this is not the time for
12 the Company who's had numerous complaints and wants
13 to resolve this and move forward to want to make a
14 policy shift to this Commission to ask this to go
15 into waters that I cannot go into when both Counsel
16 would have between them double-digit experience
17 before this Commission knows that that is not the
18 norm, nor is there even a case that one can
19 recall.

20 I thank you for your answers today, and I
21 have no further questions.

22 ALJ LUCKENBILL: Thank you for coming in
23 today, and with that this proceeding is adjourned.

24 (WHEREUPON, the hearing of this case was
25 concluded.)