

*Exhibit No.:*  
*Issue:* *Quality of Service*  
*Witness:* *Deborah Ann Bernsen*  
*Sponsoring Party:* *MoPSC Staff*  
*Type of Exhibit:* *Rebuttal Testimony*  
*Case No.:* *EM-2016-0213*  
*Date Testimony Prepared:* *July 20, 2016*

**MISSOURI PUBLIC SERVICE COMMISSION**

**REGULATORY REVIEW DIVISION**

**UTILITY SERVICES**

**REBUTTAL TESTIMONY**

**OF**

**DEBORAH ANN BERNSEN**

**THE EMPIRE DISTRICT ELECTRIC COMPANY,  
LIBERTY UTILITES (CENTRAL) CO., AND LIBERTY SUB CORP.**

**CASE NO. EM-2016-0213**

*Jefferson City, Missouri*  
*July 2016*

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1 the Engineering and Management Services Department in the year 2000 and the name was  
2 recently changed again to the Consumer and Management Analysis Unit. A detailed copy of my  
3 work and educational experience is attached as Schedule DB-r1

4 Q. Have you previously filed testimony before the Commission?

5 A. Yes, Schedule DB-r1 also presents the cases in which I filed testimony and  
6 provides the issues addressed in the testimony.

7 Q. What is the purpose of your testimony?

8 A. The purpose of my testimony is to ensure that the proposed merger does not result  
9 in a detriment to ratepayers through a reduced level of customer service for any Missouri  
10 customer served by the Empire District Electric Company (“Empire”) or Liberty Utilities  
11 (“Liberty”)-Missouri operations. The customers of either company should not suffer a decrease  
12 in the service they are presently receiving due to the proposed acquisition. The Missouri Public  
13 Service Commission Staff (“Staff”) has observed situations where service has deteriorated due to  
14 the implementation of cost cutting measures that can accompany a merger or acquisition. My  
15 testimony will also address the significance of customer service measurements and their  
16 usefulness in determining the possible deterioration of service in Missouri-regulated utilities,  
17 specifically in situations when such properties are purchased by or merged with another utility.

18 Under the provisions of 4 CSR 240-3.115(1)(D) and 4 CSR 240-3.610(1)(D),  
19 “applications for authority to merge or consolidate shall include: . . . The reasons the proposed  
20 merger is not detrimental to the public interest.” Maintaining quality customer service is a  
21 critical component the Commission should consider in determining the “not detrimental to the  
22 public interest” criteria.

1 **EXECUTIVE SUMMARY**

2 Q. Why are quality of service issues of particular concern in the consideration of a  
3 merger or acquisition request by regulated utility companies?

4 A. There are a number of factors that place service quality at risk during or after a  
5 merger or sale case. These factors include: financial pressures, attempts to attain synergies by  
6 merging functions, reductions and/or changes in company personnel and systems, the potential  
7 increased use of third party providers, and a reduced presence by the company in the  
8 communities it serves. There are other factors which may also affect service quality such as the  
9 insecurity of employees over their continuing employment under the new ownership. These  
10 factors will be expanded upon in the following testimony.

11 Service quality or customer service performance measurements can be useful to  
12 determine and monitor the level of customer service the utility is providing their customers in a  
13 variety of areas. Maintaining an acceptable level of or improving existing customer service is  
14 always important but particularly so during utility mergers and acquisitions. The importance of  
15 maintaining and reporting service quality will be discussed in more detail later in this testimony.

16 Q. What activities did Staff conduct to review the operations of Liberty and Empire  
17 for this case?

18 A. Staff issued data requests to each of the companies and reviewed the responses.  
19 Staff also reviewed the number and types of complaints received in the Commission's Electronic  
20 Filing and Information System ("EFIS") for both Empire and Liberty. Staff made on-site visits  
21 and interviewed management about current operating practices as well as what impact was  
22 anticipated at the Liberty facility in Jackson, Missouri, and at Empire's offices in Joplin,  
23 Missouri, as a result of the merger.

1 **SERVICE QUALITY**

2 Q. What are customer service performance measurements and why are they  
3 important?

4 A. Regulated utilities perform many critical functions that affect service quality,  
5 including billing, credit and collections, meter reading, payment remittance, call center  
6 operations, work order processes as well as service disconnection and reconnection. Service  
7 reliability and outage restoration are also critical components of service quality. Using indicators  
8 to measure and monitor performance over time can help provide benchmarks to determine any  
9 changes or trends in service received by the customer. Monitoring and reporting systems also  
10 allow such indicators to be an important tool for utility management to assure itself, utility  
11 customers and utility commissions that a certain level of service is being provided.

12 Q. Why are customer service measurements important in Missouri regulated utility  
13 sale or merger cases?

14 A. Customer service measurements are important specifically in such cases because  
15 they provide some assurance that proposed sales or mergers involving Missouri utilities do not  
16 result in a detriment to the established level of customer service. Sales and merger activities  
17 create additional opportunities for service declines through the potential redirection of resources,  
18 staffing reductions and changes in utility practices and processes. Such actions may be pursued  
19 in an attempt to create cost savings or synergies. The pressure to attain efficiencies or synergies  
20 and cost savings by combining two separate systems into one can disrupt stability, security of  
21 systems, and Staff's operations. In addition, efforts to attain the cost savings or synergies  
22 assumed but not realized may encourage the Company to consider the utilization of third party  
23 providers. The use of third party providers requires stringent control systems by utility

1 management and may not always provide the customer the same high level of service they have  
2 come to expect.

3 Service quality may also be impacted by changes in company personnel, systems and by  
4 the relationships that the company develops with affiliates. Relationships with unregulated  
5 affiliates can create situations in which the regulated entity is utilized to increase the earnings of  
6 the unregulated side of the business.

7 Electronic systems, such as customer information systems, may be changed at the  
8 acquired company level to allow for compatible methods of combining customer records and  
9 responding to inquiries. Operating functions are frequently consolidated and the acquiring  
10 company may significantly reduce the presence of the company in the communities they acquire.  
11 All of these factors can contribute to a reduction in the level of service experienced by the  
12 customer of either company involved in the merger.

13 Q. Has Staff expressed concern with quality of service issues in prior merger  
14 applications and recommended customer service reporting?

15 A. Yes. Customer service reporting has been agreed to by all of the large regulated  
16 electric, gas, and water companies within the state. This reporting was addressed in Stipulations  
17 and Agreements, Staff recommendations, and approved by Commission orders. At this time, all  
18 of the large utility companies regulated by the Commission have some level of reporting of  
19 customer service measurements to the Commission Staff.

20 Q. Can the monitoring of quality of service measurements provide complete  
21 assurance that customers are receiving an adequate level of service?

22 A. No. Some aspects of service quality do not lend themselves to indicators. Some  
23 examples of these include the consistent application of credit and collection processes, effective

1 and accurate handling of inquiries and the courteous treatment of customers. However, service  
2 quality measurements can be useful tools in determining some important aspects and trends of  
3 service quality.

4 Q. Does Empire currently have a service quality reporting requirement to Staff and  
5 the Office of the Public Counsel (“OPC”)?

6 A. Yes. Service quality reporting for Empire was first addressed in Case No.  
7 ER-2004-0570. Additional data was added to the reporting in Case No. GO-2006-0205, and the  
8 Company accepted a change in its reporting from a quarterly to a monthly basis in the  
9 Commission approved Stipulation and Agreement in Case No. ER-2014-0351.

10 Q. Does Liberty currently have a service quality reporting requirement to the Staff  
11 and OPC for the utilities it operates in Missouri?

12 A. Yes. Liberty presently owns and operates both gas and water properties within  
13 Missouri. The gas properties were originally owned and obtained from Atmos Energy  
14 Corporation (“Atmos”). Performance reporting was addressed in previous gas cases with Atmos.  
15 Specifically, these cases were Case No. GM-2000-312, the merger of Atmos Energy Corporation  
16 and Associated Natural Gas; Case No. GM-2002-295, the merger of Atmos Energy Corporation  
17 with Mississippi Valley Gas Company; Case No. GM-2004-0607, the application of Atmos  
18 Energy Corporation to acquire the TXU Gas Company; and Case No. GR-2006-0387, an Atmos  
19 Energy Corporation general rate increase. The Atmos gas properties were acquired by Liberty  
20 Energy (“Midstates”) Corp. in Case No. GM-2012-0037, and the resulting Stipulation and  
21 Agreement approved by the Commission included provisions that Midstates continues to provide  
22 the customer service performance reporting previously required of Atmos Energy.



1 Algonquin Water Resources of Missouri, LLC d/b/a Liberty Water (Liberty Water)  
2 acquired the assets of a regulated Missouri water utility, Silverleaf Resorts, in Case No.  
3 WO-2005-0206. In Case No. WO-2011-0328, Liberty Water acquired the assets of Noel Water  
4 Company located in Noel, Missouri, and agreed to maintain and report various call center  
5 information to the Commission Staff. Liberty Water acquired an additional Missouri water  
6 utility, KMB Utility Corporation, in Case No. WO-2011-0350. Liberty Water agreed to provide  
7 various performance statistics regarding the call centers on a monthly basis to the  
8 Commission Staff.

9 Q. Is it Staff's opinion that these reporting requirements should continue for each of  
10 these companies?

11 A. Yes, in Staff's opinion service quality reporting provides valuable information to  
12 the Staff and OPC in a timely manner regarding the companies' performance.

13 Q. Does Staff recommend any additional conditions should be required of Empire  
14 and Liberty in addition to the service quality reporting presently in place to ensure that the  
15 performance of the regulated utility operations in Missouri are not allowed to decline as a result  
16 of the merger?

17 A. Yes, Staff is recommending that additional conditions be applied to this  
18 acquisition.

19 Q. What are these Conditions?

20 A. Staff recommends the following additional conditions be required as a condition  
21 of the acquisition approval.

22 Customer Service Conditions

23 (1) Empire and Liberty will strive to meet or exceed the customer service and  
24 operational levels currently provided to their customers.

1 (2) Empire and Liberty will meet with Staff Consumer and Management Analysis  
2 personnel on a periodic basis (such as quarterly) and, as Staff deems  
3 necessary, after the close of the Transaction to review contact center and other  
4 service quality performance. Staff and/or OPC may request additional  
5 periodic meetings with Empire and Liberty personnel to address customer  
6 service operating procedures and the level of service being provided to  
7 Missouri customers.

8 (3) Empire and Liberty shall notify Staff of any material operational changes  
9 concerning customer contact centers, or other customer service functions,  
10 occurring within 24 months of the close of the Transaction. Material  
11 operational changes include, but are not limited to: Empire and/or Liberty  
12 employing call deferral technologies such as Virtual Hold or Call Back In  
13 Queue, outsourcing call center or other service quality processes, such as  
14 meter reading, substantial changes in billing processes, and the utilization of  
15 services or management agreements to perform any of the customer service  
16 functions currently performed by any of the previously noted three companies.  
17 Empire and Liberty agree to begin reporting the utilization of call deferral  
18 technologies if and when they are implemented. Such reports shall include 1)  
19 the number of calls offered call deferral technology, and 2) the number of  
20 calls accepting call deferral technology.

21 (4) Within thirty (30) days after closing the Transaction, Empire and Liberty shall  
22 provide Staff and OPC a current organizational chart, illustrating the positions  
23 and names of employees that have customer service responsibilities. In the  
24 event structural changes are made to Empire's organization, updated  
25 organizational charts shall be provided to Staff and OPC within 30 days of  
26 such changes.

27 (5) Empire and Liberty agree to not make available, sell or transfer customer  
28 information to affiliated or unaffiliated entities without prior informed consent  
29 of the Missouri customer, other than as necessary to provide services related  
30 to and in support of their regulated operations.

Rebuttal Testimony of  
Deborah Ann Bernsen

1 Q. Why is Staff recommending that these conditions apply to both companies?

2 A. Decisions can be made at higher levels of the corporate structure of an  
3 organization that may affect the service provided by both regulated companies under its  
4 umbrella. It is important that the service of both Empire and Liberty is sufficiently addressed in  
5 any conditions the Commission may impose if approving the merger to ensure that Missouri  
6 companies are not compromised by action taken at the parent company level.

7 Q. Does this conclude your rebuttal testimony?

8 A. Yes, it does.

**BEFORE THE PUBLIC SERVICE COMMISSION**  
**OF THE STATE OF MISSOURI**

In the Matter of The Empire District Electric )  
Company, Liberty Utilities (Central) Co. ) Case No. EM-2016-0213  
And Liberty Sub Corp. Concerning an )  
Agreement and Plan of Merger and Certain )  
Related Transactions )

**AFFIDAVIT OF DEBORAH ANN BERNSEN**

STATE OF MISSOURI )  
 ) ss.  
COUNTY OF COLE )

**COMES NOW** Deborah Ann Bernsen and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing Rebuttal Testimony; and that the same is true and correct according to her best knowledge and belief.

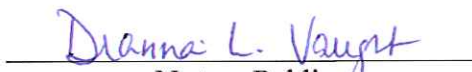
Further the Affiant sayeth not.

  
DEBORAH ANN BERNSEN

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 19th day of July, 2016.

DIANNA L. VAUGHT Notary Public - Notary Seal State of Missouri Commissioned for Cole County My Commission Expires: June 28, 2019 Commission Number: 15207377
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Notary Public

**Deborah Ann Bernsen**

**Education:**

Master's Degree in Public Administration

University of Missouri-Columbia, Columbia, MO-1990

Bachelor of Science Degree in Business Administration

University of Missouri-Columbia, Columbia, MO-1975

**Professional Certifications:**

Certified Internal Auditor – November 2004

**Professional Experience:**

Missouri Public Service Commission, Jefferson City, MO

Management Analyst-1978

Consumer Services Specialist-1976-1978

Graduate internship, Commissioner Assistant-1976

Performed and led reviews of electric, gas, telecommunications and water and sewer companies operating within the state of Missouri under the jurisdiction of the Commission.

Appointed to Missouri Public Service Commission Retail Electric Competition Task Force to study retail electric competition -1999

Member and Chair for 3 years of NARUC Staff Subcommittee under the Committee of Finance and Technology and Accounting.

Instructed at Michigan State University in the Regulatory Studies Program.

Assisted in the evaluation, selection and oversight in the use of outside consultants providing services for the Commission Staff.

## CASE PARTICIPATION

### DEBORAH ANN BERNSEN

DATE FILED	ISSUES	CASE NUMBER	FILING TYPE	COMPANY NAME
12/23/2015	Quality of Service	WR-2015-0301	Staff Report	Missouri-American Water Company
06/15/2015	Quality of Service	WO-2014-0362	Staff Report	Missouri-American Water Company
08/26/2013	Quality of Service	GM-2013-0254	Staff Recommendation	Laclede Gas
02/12/2012	Quality of Service	GM-2011-0412	Stipulation & Agreement	Missouri Gas Energy
10/31/2006	Management Audit	EO-2006-0356	Management Audit Report	Aquila
11/13/2006	Performance Measures	ER-2006-0314	Rebuttal	Kansas City Power and Light
04/15/2004 05/24/2004	Customer Service; Rate of Return Adjustment	GR-2004-0209	Direct & Rebuttal	Missouri Gas Energy
10/03/2003	Customer Service	WR-2003-0500 & WC-2004-0168	Direct	Missouri-American Water Company
03/17/2003	Quality of Service	GM-2003-0238	Rebuttal	Southern Union Company d/b/a Missouri Gas Energy
06/24/2002	Alternative Regulation Plan - Quality of Service	EC-2002-1	Surrebuttal	Union Electric Company d/b/a AmerenUE
12/06/2001	Call Center Reporting	ER-2001-672	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
12/06/2001	Customer Service Call Center Reporting	EC-2002-265	Direct	UtiliCorp United Inc. d/b/a Missouri Public Service
06/26/2001	Customer Service	WM-2001-0309	Rebuttal	Missouri-American Water Company, et al
05/02/2000	Customer Service	EM-2000-292	Rebuttal	Utilicorp United Inc./St. Joseph Light and Power
10/07/1992	Affiliated Transactions	WR92207 & SR92208	Surrebuttal	Missouri Cities Water Company
11/17/1989	Capital Deployment	TR89196	Rebuttal	Contel of Missouri, Inc.
07/03/1985	Management Efficiency; Rate of Return Adjustment	ER85128 & EO85185	Direct	Kansas City Power & Light
1983	Customer Service	GR83225	Direct	Gas Service Company
10/07/1983	Management Efficiency	TR83253	Rebuttal	Southwestern Bell Telephone Company

At the direction of the Commission in 2001, the Staff began reviewing the customer service practices of small water and sewer utilities when they file for a rate increase request or a Certificate of Convenience and Necessity (CCN). Staff also performs follow-up on the company's progress. There are a large number of these and they are not listed individually here.