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MISSOURI PUBLIC SERVICE COMMISSION

UTILITY SERVICES DIVISION

DIRECT TESTIMONY

OF

LISA K. KREMER

FILED⁴

MAY 03 2004

Missouri Public
Service Commission

AQUILA, INC. d/b/a AQUILA NETWORKS-MPS (Electric)

CASE NO. ER-2004-0034

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Case No(s) ER-2004-0034
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Jefferson City, Missouri
December 2003

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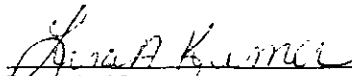
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Aquila, Inc. d/b/a Aquila Networks)
L&P and Aquila Networks MPS to implement a) Case No. ER-2004-0034
general rate increase in electricity.)
)

AFFIDAVIT OF LISA A. KREMER

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

Lisa A. Kremer, of lawful age, on her oath states: that she has participated in the preparation of the following direct testimony as modified on February 27, 2004, in question and answer form, consisting of 32 pages to be presented in the above case; that the answers in the following direct testimony as modified on February 27, 2004, were given by her; that she has knowledge of the matters set forth in such answers; and that such matters are true and correct to the best of her knowledge and belief.



Lisa A. Kremer

Subscribed and sworn to before me this 27th day of February 2004.





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

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1 position at the time the departments were combined. Prior to working for the Commission, I
2 was employed by Lincoln University for approximately two and one-half years as an
3 Institutional Researcher.

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

5 A. Yes. Please see Schedule 1 for a listing of specific cases.

6 Q. What is the purpose of your testimony?

7 A. The purpose of my testimony is to provide information to the Commission
8 regarding the quality of service being provided by Aquila, Inc. (Aquila or Company) and to
9 request that the Commission order Aquila to report to the Staff its performance with respect to
10 quality of service measurements. The reporting is necessary for the Staff to monitor the
11 Company's quality of service during this period of financial difficulty being experienced by
12 Aquila, and specifically to observe the Company's service quality with respect to its Call
13 Center performance.

14 Q. Why is Staff requesting the Commission to order service quality reporting for
15 Aquila?

16 A. Staff is requesting the institution of a formal reporting requirement for two
17 primary purposes:

- 18 1) The Company's present diminished financial condition creates
19 *an environment that could result in cost cutting measures that could negatively*
20 *impact customer service.* The Company's declining financial position has been
21 well publicized throughout much of 2002 to the present. Aquila's financial
22 difficulties were a focus in the April 30, 2003 application filed by the
23 Company regarding the pledging of regulated assets, in Case

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1 No. EF-2003-0465, *In the Matter of the Application by Aquila, Inc. for*
2 *Authority to Assign, Transfer, Mortgage or Encumber Its Franchise, Works or*
3 *System.* These financial problems could result in increased pressure upon its
4 operating divisions to reduce costs, including those found in the area of
5 customer service.

6 2) The service provided by the Company has experienced a decline
7 as will be demonstrated in my testimony through the quality of service data
8 collected by the Company.

9 Further, the Company has commented in interviews to the Staff its need to “stabilize”
10 its Call Center performance and has addressed planned increases in staffing and
11 organizational changes toward that end. The Company’s Call Centers experienced
12 considerable staffing fluctuations during 2002. The Company has discussed plans with the
13 Staff to significantly increase the number of Customer Service Associates (CSAs) at its Call
14 Centers and to add some managerial positions to the organizational structure. It is Staff’s
15 understanding that the Company has been in the process of hiring and training a number of
16 CSAs for its Call Center operations.

17 Q. What specific areas of quality of service will your testimony address?

18 A. My testimony will address Aquila’s Call Center operations and the associated
19 performance measures. My testimony will also address the Company’s meter reading
20 activities.

21 Q. Are other Staff witnesses filing testimony regarding quality of service?

22 A. Yes. Staff witness James L. Ketter is concurrently filing direct testimony
23 concerning electric reliability indicators.

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1 Q. What is the purpose of service quality or customer service performance
2 measurements?

3 A. Such performance measurements are established and used by utilities to
4 determine and monitor the level of customer service the utility is providing their customers in
5 a variety of areas.

6 Q. Why are service quality or customer service performance measurements
7 important?

8 A. Utility managements can use customer service measures to help ensure that
9 their customers are receiving an acceptable level of service in the areas being measured.
10 Customer service measurements can also provide some assurance to utility customers and to
11 utility commissions that a certain level of customer service is being provided by the utility.
12 Some aspects of service quality, however, do not lend themselves to indicators. Examples
13 include the consistent application of credit and collection practices, detection and correction
14 of billing errors, the effective training of Customer Service Associates (CSAs) and others.

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

17 A. No. As described above, some aspects of service quality do not lend
18 themselves to measurements; however, service quality measurements can be useful tools in
19 determining some important aspects of service quality.

20 **CALL CENTER DESCRIPTION**

21 Q. Describe the purpose of a utility Call Center.

22 A. Call Centers perform a critical function in that they often serve as the primary
23 means for customers to contact their utilities. Customers require contact with their utilities

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1 regarding a wide range of issues including: reporting emergencies and service outages;
2 beginning, discontinuing, transferring or restoring service; asking questions about bills and
3 delinquent accounts; and to make payment arrangements.

4 During the winter months, when the Commission's Cold Weather Rule¹ is in effect,
5 Call Centers may actually be a "life line" for some customers who are nearing service
6 disconnection and need to make payment arrangements. It is always imperative, but
7 particularly so during emergencies and in times of unusually cold and hot weather, that Call
8 Centers function in an effective manner. As utilities close or consolidate business offices that
9 once accommodated walk-in traffic and provided customers with a utility presence in their
10 community, the role of the Call Center becomes increasingly important as the primary point
11 of contact for utility customers.

12 Call Centers may function in a variety of ways with varying degrees of performance.
13 The sophistication of a company's customer information system (CIS); the Call Centers'
14 recruitment, selection and hiring processes; the thoroughness of the training of the Call
15 Center's CSAs; the number of experienced staff and sufficient staffing levels; and the
16 continual monitoring and review of call handling are all factors that contribute to a Call
17 Center's success. CSA training is particularly important in that these individuals should be
18 prepared to answer a variety of customer questions regarding company policies and
19 procedures including questions regarding the company's tariffs and Commission rules. The
20 recruitment, training and retention of a quality workforce that must address a multitude of
21 customer calls and correctly document customer information is a critical element within the
22 utility customer service function.

¹ This rule, 4 CSR 240-13.055, protects the health and safety of residential customers receiving heat-related utility service by placing restrictions on discontinuing and refusing to provide heat-related utility service from November 1 through March 31 due to delinquent accounts of those customers.

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1 Many factors should continually be monitored in an efficient and effective Call Center
2 operation and be addressed should a decline in service be determined. Abandoned Call
3 Rate (ACR) and Average Speed of Answer (ASA) are two indicators that provide quantifiable
4 and measurable criteria with which to determine how well a utility Call Center is serving the
5 utility's customers. Both ACR and ASA are defined and discussed later in this testimony.

6 Q. Describe Aquila's Call Centers.

7 A. As reported in the December 2002 *Missouri Public Service Commission's Staff*
8 *Report on Aquila, Inc.* Aquila, utilized three Call Centers during years 1998 through 2001. In
9 2001, the Company reduced the number of its Call Centers to two after closing the Monroe,
10 Michigan Call Center. The two remaining Call Centers are located in Lincoln, Nebraska and
11 in Raytown, Missouri. Both Call Centers answer customer calls in all of the seven states
12 Aquila operates in, including Missouri. The other states are Kansas, Colorado, Nebraska,
13 Iowa, Michigan and Minnesota. The Company's 2002 annual report indicated that the
14 Company served approximately 438,000 electric customers in three states (Missouri, Kansas
15 and Colorado) and 891,000 gas customers in the seven states within its service territories.

16 Q. How many Call Center employees does Aquila employ?

17 A. The following are the number of Full Time Equivalent positions (FTE) for
18 each year for Aquila from 1998 through October 31, 2003 for all of its Call Centers
19 combined:

20	1998	(3 Centers)	175.50 FTEs
21	1999	(3 Centers)	193.20 FTEs
22	2000	(3 Centers)	187.90 FTEs
23	2001	(3 Centers)	222.41 FTEs

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1 2002 (2 Centers) 143.00 FTEs
2 2003² (2 Centers) 136.00 FTEs³ (As of September 1, 2003)
3 2003⁴ (2 Centers) 178.00 FTEs (As of October 31, 2003)

4 Q. What specific analysis did you perform to analyze the Company's Call Center
5 operations?

6 A. Staff reviewed a variety of data requested from the Company including
7 historical performance of its Call Centers and made two on-site visits to discuss customer
8 service, the Company's Call Centers and Meter Reading activities. Staff also performed some
9 call monitoring during the course of this case. Call monitoring involves sitting with a
10 Company CSA and listening to incoming calls as well as Company responses to inquiries.
11 Call monitoring also includes the review of customer histories and documentation on the
12 Company's computer information system as calls are being responded to.

13 As part of Staff's review in Case No. EF-2003-465, Staff submitted numerous data
14 requests and participated in transcribed interviews that included customer service concerns.
15 I, along with a member of my department, conducted these interviews relating to customer
16 service. In instances in this testimony when I have relied upon data request responses from
17 the Company that were provided in Case No. EF-2003-465, I have attempted to indicate such.
18 Data request responses cited but not referenced to a particular case may be assumed to have
19 been provided in the Company's present rate proceedings.

20 I was directly involved in the previously mentioned informal Staff investigation
21 relating to Aquila's financial situation and the implications that situation had on Aquila's

² As of September 1, 2003; source: Staff Data Request No. 0348.
³ Number does not include 33 CSAs in training at that time and scheduled to commence taking calls in mid-October 2003.
⁴ The Company indicated that an additional 27 CSAs would begin employment with the Company on November 3, 2003.

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1 regulated operations in Missouri. The resulting December 2002 report was entitled: *Missouri*
2 *Public Service Commission's Staff Report on Aquila, Inc.*

3 I filed testimony in the merger pursued by Aquila with Empire District Electric
4 Company in Case No. EM-2000-369 concerning customer service issues. In addition, my
5 department has been responsible for reviews of customer service matters of a number of large
6 and small utilities for several years, of which I have been either directly involved in or have
7 had oversight responsibilities.

8 Specifically, I have participated in the analysis of or had oversight responsibilities for
9 reviews of the customer service processes at Associated Natural Gas Company, AmerenUE,
10 Missouri Gas Energy, Atmos Energy Corporation and most recently Laclede Gas Company.
11 *The Review of Laclede Gas Company - Customer Service and Gas Supply Operations* report
12 is presently being finalized. At the direction of the Commission approximately two and one-
13 half years ago, the Engineering and Management Services Department began reviewing the
14 customer service practices of small water and sewer utilities when they request rate increases.
15 The Department has performed approximately 20 reviews of this type since that time.

16 Q. With respect to customer service analysis performed by the Engineering and
17 Management Services Department, what interaction does that Department have with the
18 Consumer Services Department?

19 A. The Consumer Services Department serves as the location at the Commission
20 where Staff process the day-to-day consumer complaints and inquiries received by the
21 Commission. Consumer Services Staff perform investigations and analysis of individual
22 customer complaints and work with utilities and consumers toward complaint resolution. The
23 Consumer Services Department also monitors and tracks complaint issue trends by utility

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1 company and communicates with the Engineering and Management Services Department
2 areas of concern as they relate to consumer quality of service. The customer service
3 investigations and analysis performed by the Engineering and Management Services
4 Department is intended to review and assist in the development of management practices,
5 processes, programs and projects designed to provide quality services to customers. The
6 review and analysis performed by the Department are focused upon the effective and efficient
7 provision of service to utility customers. The Engineering and Management Services
8 Department and the Consumer Services Department work together and share utility and
9 customer information in order to ensure that an acceptable level of service is received by
10 Missouri's regulated utility customers.

11 Q. Two Call Center indicators were specifically mentioned previously in your
12 direct testimony, Abandoned Call Rate (ACR) and Average Speed of Answer (ASA). Define
13 Abandoned Call Rate and explain how the Company calculates this indicator.

14 A. Abandoned Call Rate refers to the percentage of customers' calls terminated
15 after being placed into the network queue, but prior to the call being answered by a CSA.

16 All calls that come into the Company's Call Centers are routed through the IVR
17 (Interactive Voice Response) system that allows the customer to make choices of inquiry
18 dependent upon the nature of his/her call. If the customer has need or prefers to speak to a
19 CSA, he/she may select that option and will be placed into the network queue. The network
20 queue is the holding point at which calls are waiting to be answered by a CSA.

21 In response to Staff Data Request No. 3940 in Case No. EF-2003-0465, the Company
22 indicated that its ACR is:

23 The percentage of calls that are pathed to agents but end with the caller
24 hanging up. This information is tracked by the call management

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1 system and is calculated as total calls abandoned divided by the total
2 calls received. This metric does not include IVR (Interactive Voice
3 Response) and HVCA (High Volume Call Answering) calls since they
4 are answered automatically and it is assumed customers hang up only
5 after they've gotten the information they need.

6 Q. Define Average Speed of Answer and how the Company calculates this
7 indicator.

8 A. Average Speed of Answer, (also referred to by the Company as ASA –
9 Overall, ASA – All Other Calls) is the number of seconds a caller waits before his/her call is
10 answered. As described by the Company in response to Staff Data Request No. 3940 in Case
11 No. EF-2003-0465:

12 This metric reports the actual "answer" time for calls. This overall
13 measure includes the speed of answer for all calls (automated IVR and
14 HVCA – High Volume Call Answering systems, as well as live agent).
15 Actual answer times for agent calls are tracked by the call management
16 system. (The tracking of the answer time for live agent calls begins
17 when the call goes to queue). Calculated as the total combined answer
18 time for all calls divided by the total number of calls. For IVR and
19 HVCA calls, a 10 - second answer time is assumed.

20 The Company measures this performance two ways: 1) for its emergency calls; and
21 2) for all other calls.

22 Q. Are there other Call Center measurements besides ACR and ASA utilized by
23 Aquila?

24 A. Yes. These are Average Speed of Answer – Emergency Calls, Service Level –
25 All Other Calls, and Service Level – Emergency Calls.

26 **STRUCTURE OF AQUILA'S CALL CENTERS**

27 Q. Please describe the Company's management structure of its Call Centers.

28 A. The Company's present management structure of its Call Centers includes a
29 Senior Manager, located in Raytown who is responsible for both the Raytown and Lincoln

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1 Call Centers with various supervisory personnel and those with lead responsibilities reporting
2 to the Senior Manager. The Company presently has no Director position in either Center.

3 **

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5

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**

7 Schedule 2, absent the names of the individuals which the Staff does not believe necessary to
8 be shown, provides Company data regarding turnover of Manager and Director positions
9 within its Call Centers since January 2001.

10 The Company indicated to the Staff on October 15, 2003 that it does have plans to
11 increase the number of its Call Center management personnel in 2004. Such plans include the
12 filling of a Director position that would have responsibilities for both Call Centers, and
13 individual Manager positions for each Call Center. The Company further indicated that it
14 planned to increase the number of supervisors at its Lincoln Call Center from three to four
15 and increase its number of supervisors at its Raytown Call Center from five to seven. The
16 Company has also indicated that its budget for 2004 supports the additional expenditures that
17 are required for these positions and other positions involving increased staffing for the Call
18 Centers.

19 Q. Does the Staff have any concerns about the proposed staffing increases?

20 A. Yes. While the Staff believes that additional management staff may be
21 necessary, it has concerns that the Company may not follow through with the planned
22 increases due to a desire to save costs. It is also possible that the Company might initially

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1 follow-through with the creation of positions and hiring, and then subsequently eliminate
2 some or all those positions.

3 Further, as will be addressed subsequently in my testimony in the section regarding
4 Call Center Turnover, Staff is generally concerned about the Company's past management
5 decisions to use outside temporary employment services for its Call Centers beginning in
6 2000 through the third quarter of 2003 at a cost of ** _____ **. ⁵ While the Company
7 has identified the use of such outside services as being responsible for high Call Center
8 turnover and a resulting decline in service performance, the decision to use such services was
9 initially driven, in part, by a desire to control costs. ⁶ Staff is concerned about financial
10 pressures upon the Company that may cause it to divert financial resources away from
11 planned service improvements, including the future hiring and retention of a qualified
12 workforce.

13 In its response to Staff Data Request No. 534, the Company indicated its rationale to
14 close the Monroe, Michigan Call Center was:

15 ... to more cost effectively provide customer service ... as the call
16 center function was centralized in our Raytown, MO and Lincoln, NE
17 offices. ... The Monroe facility had a staff of 30 the majority of which
18 took severance (see Staff Data Request No. 533).

19 Q. If the Company has planned for an increased number of positions in its budget,
20 does that guarantee that it will hire and retain the positions?

21 A. No. While a budget is a formal financial projection and plan for future events,
22 it does not guarantee that, in an effort to save costs, Aquila management will not fill positions.
23 Budgets are valuable management tools but do not provide assurance that a Company will
24 follow-through with plans presented and previously agreed to.

⁵ Company Response to Staff Data Request Nos. 538 and 519.

⁶ Company Response to Staff Data Request No. 522.

1 **CALL CENTER PERFORMANCE**

2 Q. What has been the Company's historical performance for its ASA and ACR?

3 A. Presented in the following charts is the Company's Call Center performance
4 for all centers for years 2000, 2001, 2002 through September 2003 for the indicators
5 described previously, Average Speed of Answer and Abandoned Call Rate.⁷ Also presented
6 are the Company's targets for each of these indicators: ** _____ ** for ASA and
7 ** __ ** for ACR.

8 **Average Speed of Answer – All Other Calls (ASA) 2000-2003 (Number of Seconds)**

9
10 **Company Target: ** _____ ****

11 **

12 **

13

14 **Average Abandoned Call Rate (ACR) 2000-2003 (As a Percentage)**

15 **Company Target: ** __ ****

16 **

17 **

18 Q. What does this data demonstrate?

⁷ Sources: Missouri Public Service Commission's Staff Report on Aquila, Inc., December 2002 and Aquila Customer Service quarterly reports to Staff.

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1 A. The data presented demonstrates longer call answer wait times and higher
2 abandoned call rates for much of 2002 and 2003. Further, the data demonstrates general
3 performance deterioration and a significant gap or disconnection between the Company's
4 actual performance and its established targets.

5 Q. Has the data above been normalized or adjusted for occurrences such as ice
6 storms, high gas prices, tornadoes or other abnormal events?

7 A. Not to my knowledge. The data was provided by the Company and it is Staff's
8 understanding that the data represents actual monthly performance with no adjustments.

9 Q. Has the Company raised any concerns or questions regarding Staff not
10 adjusting Call Center data in performing its analysis of Aquila's customer service indices?

11 A. Yes. In the evidentiary hearings of Case No. EF-2003-0465, Aquila's
12 Company attorney questioned whether yearly Call Center data presented in Staff witness
13 J. Kay Niemeier's testimony should have been normalized to account for spring tornadoes
14 that swept through Missouri in May 2003 and a major January 2002 ice storm. The Call
15 Center data is for the seven (7) states combined in which Aquila provides utility service. The
16 tornadoes, which the Company attorney was referring to, occurred in early May in Missouri,
17 and while they may have had great impact on Missouri customer calls to Aquila Call Centers,
18 the Staff is not advised by Aquila, unless the Staff inquires, as to what abnormal events may
19 have occurred in the other states in which Aquila provides utility service. Customer calls
20 from all seven states Aquila operates in are represented in the monthly Call Center table
21 above. Aquila has advised the Staff that it intends to begin disaggregating or aggregating its
22 Call Center data by state in the near future.

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1 As can be seen from the table above, the Company's Call Center performance for
2 May 2003, the month of the Missouri tornadoes, was still considerably better than it was in
3 April 2003. Further, January 2002, the month of the severe ice storm in Missouri, found
4 Aquila's Call Center performance within the bounds of reason with an abandoned call rate of
5 approximately ** ___ ** and an average speed of answer of ** _____ **.

6 Other events, such as high gas prices or public statements by a utility regarding an
7 intention to raise rates, may increase call volumes in a specific period, but Aquila's
8 performance clearly demonstrates higher abandoned call rates and longer wait times for most
9 of the months of 2002 and 2003. The winter of 2000 – 2001 that was documented as setting
10 record high gas prices, found Aquila's Call Center performing far superior than it did in
11 subsequent years and much closer to its established targets.

12 Q. What are the Company's established targets for these two indicators?

13 A. The Company indicated in response to Staff Data Request No. 3904, in Case
14 No. EF-2003-0465, that it had established targeted performance at ** _____ ** for its
15 Average Speed of Answer (All Other Calls) indicator and a target of ** ___ ** for its
16 Abandoned Call Rate. Two graphs, attached as Schedules 3 and 4, present the Company's
17 actual performance with respect to these indicators.

18 Q. Has the Company described how all service quality targets were developed
19 including its ASA and ACR?

20 A. Yes. In Staff Data Request No. 181, Staff asked the Company to describe how
21 all Company service quality targets were developed including ACR and ASA and requested
22 that the Company provide its targets for 2000 through year to date 2003. The Company

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1 indicated in its response that its targets had remained the same since 2000 for ACR and ASA
2 and that the targets were based upon industry norms.

3 Q. Does the Staff have any concerns with respect to the Company's service
4 quality performance as compared to its targets?

5 A. Yes. The Staff is concerned about the extent to which and the length of time
6 for which the Company has not achieved its targeted performance as well as the overall level
7 of service decline the Company has experienced. For example, from January through
8 September 2003, the Company did not reach its targeted performance for ACR, and
9 experienced a significant gap between its performance target and its actual performance, with
10 an ACR high of ** ____ ** in April 2003.

11 Q. Does the Staff advocate the Company revising its targets to levels that would
12 be more attainable or representative of its recent performance?

13 A. No. The Company has indicated⁸ that it based its targets on industry norms
14 and its performance data demonstrates that in the years 2000 and 2001 it had significantly
15 greater success achieving them.

16 Q. Has the Company established performance targets for the other Call Center
17 indicators?

18 A. Yes. The Company indicated in its response to Staff Data Request No. 3904 in
19 Case No. EF-2003-0465 that it had established the following targets for performance for its
20 Call Center indicators, including those for the Company's Average Speed of Answer –
21 Emergency Calls, Service Level – All Other Calls, Service Level – Emergency Calls, as well
22 as Average Speed of Answer (also referred to as Average Speed of Answer – All Other Calls
23 and Average Speed of Answer – Other) and Abandoned Call Rate:

⁸ Company Response to Staff Data Request No. 176.

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1 ** _____ **¹² for January through September 2003. Average Speed of Answer –
2 Emergency Calls data was not available prior to 2001. Staff has requested updated
3 information from the Company regarding its performance of this indicator.

4 With respect to Service Level - Emergency Calls, the Company's performance was
5 ** ____ ** for 2002 and ** ____ **¹³ for January through May 2003. Service Level –
6 Emergency Calls data was not available prior to 2002. Staff has requested updated
7 information from the Company regarding its performance of this indicator.

8 The Company's performance with respect to its Service Level – All Other Calls, was
9 ** ____ ** for 2000, ** ____ ** for 2001, ** ____ ** for 2002 and ** ____ **¹⁴ for January
10 through May 2003. Staff has requested updated information from the Company regarding its
11 performance of this indicator.

12 As can be seen from the data above, the Company has had difficulty in reaching
13 targeted performance for these indicators.

14 Q. Does the Company track all of these indicators on a monthly basis?

15 A. Yes. It is Staff's understanding that these indicators are presently tracked by
16 Aquila on a monthly basis.

17 **CALL CENTER TURNOVER**

18 Q. What is Staff's evaluation of the Call Centers?

19 A. The staffing of Company's Call Centers including the staffing of management
20 personnel, requires stabilization by Aquila as does the performance of the Call Centers. The

¹² Information from Aquila's third quarter Customer Service Quarterly Report..

¹³ Company response to Staff Data Request No 3903 in Case No. EF-2003-0465.

¹⁴ Company response to Staff Data Request No 3903 in Case No. EF-2003-0465.

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1 Company has indicated to Staff that employee turnover in its Call Centers has been high and
2 has contributed to a decline in the performance of the Call Centers.

3 Information provided by Aquila in both the context of its recent financing case, Case
4 No. EF-2003-0465, and the present proceeding, indicates substantial fluctuations and turnover
5 in its Call Center staffing, including the loss of experienced Call Center personnel and
6 reductions of Call Center management positions. The Company has indicated to the Staff that
7 it plans to create or reinstate some management positions in 2004 and has determined that an
8 appropriate level of Call Center staffing is 175 FTE. The existing Call Center staffing is
9 178 FTE as of October 31, 2003, substantially increased from a low of 136 FTE on
10 September 1, 2003.

11 The Company provided Call Center staff turnover information to the Staff in response
12 to Staff Data Request No 3950, Case No. EF-2003-0465. During the period of 2002, the
13 Company had approximately ** _____
14 _____ **. In 2002, the
15 Call Center had a total of 143 FTE so the approximate ** ___ ** turnover events were
16 extremely significant. In most cases, these were temporary employees, supplied to the
17 Company by employment agencies. These individuals may have provided the Company as
18 little as one day of service. In some cases, these were employees with years of employment
19 history with the Company. During 2002, Aquila had ** ___ ** Call Center Employees with
20 greater than two years of service, leave the Company and not transfer to another position
21 within the organization. These ** ___ ** employees represented approximately ** ___ **
22 years worth of Company experience. During the first ten months of 2003, the Company had
23 ** ___ ** Call Center employees leave the Company and not transfer to another position.

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1 These ** __ **employees represented approximately ** __ ** years of service.¹⁵ These
2 figures do include CSAs from the Michigan Call Center that stopped taking in-bound calls in
3 August 2001 but still performed outbound calling.¹⁶

4 Q. With respect to Call Center turnover, has the Company indicated to the Staff
5 why turnover has been high?

6 A. Yes. The Company has indicated that its use of temporary employment
7 services, used to perform recruitment for Aquila's Call Centers, brought many individuals to
8 the Call Centers that did not continue employment with the Company beyond a short time
9 period. The Company stated that in some cases, it was Aquila's preference to terminate the
10 employment of certain of these individuals provided by the temporary employment services.
11 In other cases, certain of these individuals found they were not suited to Call Center work and
12 voluntarily left the Company. According to the Company, the temporary employment
13 services it utilized often did not provide good employment candidates to its Call Centers.

14 The Company indicated in discussions with the Staff on October 15, 2003, that it had
15 recently discontinued the use of temporary employment services and had begun recruiting,
16 selecting and hiring Call Center staff itself just as the Company did prior to the Company's
17 use of temporary employment agencies. The Company provided the following explanation
18 for this decision in Staff Data Request No. 534:

19 In September of 2003, we moved from temp to direct hiring for the call
20 center to direct hiring only. This was to address the costs of high
21 turnover both in dollars and in service level.

22 Q. Why should anyone be concerned about the level of turnover?

¹⁵ Company Response to Staff Data Request No. 3950 in Case EF-2003-0465.

¹⁶ Company information verified to Staff by telephone December 5, 2003.

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1 A. A high level of turnover is damaging to the effective and efficient operations of
2 any organization. The costs including time in recruitment, selection, hiring and training are
3 considerable as well as the fact that even after a formal training period has expired, it may
4 take months or even years before an employee has reached his/her maximum state of
5 productivity. Mr. Brett Carter, Vice President of Central Service, states on page 7 of his
6 surrebuttal testimony in Case No. EF-2003-0465:

7 ...Establishing a class of candidates takes several weeks and the
8 training following the hiring takes months. Once a Call Center CSA is
9 hired and trained, their level of productivity increases to what we
10 define as maximum capability over two years...

11 Q. How many temporary agencies has the Company utilized?

12 A. Since 2000, the Company has utilized the services of the following five
13 temporary agencies, ** _____ **

14 Q. Has the Company provided information as to why it chose to use the temporary
15 services of these companies?

16 A. Yes. The Company indicated in response to Staff Data Request No. 522 that:

17 The decision to utilize employment, recruitment or placement services
18 for call center personnel was made by call center management in place
19 at that time. The decision was made based upon presentations from
20 vendors and a belief that service quality could be retained while
21 controlling cost increases.

22 Q. Has the Company provided the fees it paid for the temporary services?

23 A. Yes. In response to Staff Data Request No. 519, the company provided the
24 fees it paid to the temporary agencies that it utilized. (See Schedule 5). The following are
25 total fees paid by year to temporary employment services for the Company's Call Centers:
26

1 ** _____ **

2 ** _____ ** ** _____ **

3 ** _____ ** ** _____ **

4 ** _____ ** ** _____ **

5 ** _____ ** ** _____ **

6 ** _____ ** ** _____ **

7 **METER READING**

8 Q. How does the Company perform its meter reading responsibilities?

9 A. According to Mr. Glenn Keefe, Operating Vice President of Missouri Electric,
10 the Company has a meter reading contract that provides reads for almost 50% of the
11 Company's approximate 300,000 meters. (Transcript of Informal Interviews, Volume 1,
12 p. 43, ll. 5-7, Case No. EF-2003-0465). These contracted meter reads are utilized mostly in
13 the Company's suburban areas. (Transcript of Informal Interviews, Volume 3, p. 703,
14 ll. 21-23, Case No. EF-2003-0465). The other 50% of the Company's meters are read by
15 Company employees, which are primarily located in rural areas.

16 Q. Has the Company experienced any difficulties with its meter reading
17 contractor?

18 A. Yes. The Staff is aware of a curbing problem (the meter reader indicates that
19 the meter has been read but the meter reader does not actually read the meter; the reading is
20 estimated but is represented as being an actual reading) the Company experienced with its
21 meter reading contractor.

22 Q. How was Staff made aware of the curbing problem?

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1 A. When the Company became aware of the curbing problem, it informed Staff of
2 the problem and how the Company intended to handle the problem.

3 Q. What has the Company done to correct this meter reading problem?

4 A. Initially, the Company made certain that all meters on the routes that curbing
5 occurred were read by a meter reader. For any customer accounts for which actual meter
6 readings were inconsistent, the Company then performed a recalculation of the bills.

7 During the informal interview on July 18, 2003 in Case No. EF-2003-0465,
8 Mr. Jim Alberts stated that the Company was providing the vendor with control reports to
9 assist in the identification of curbings more quickly. (Transcript of Informal Interviews,
10 Volume 3, p. 705, ll. 4-7). Staff met with the Company on October 7, 2003, to discuss the
11 Company's meter reading operations. The Company indicated at that time that the occurrence
12 of curbing has resulted in the termination of the meter reader that had engaged in the curbing.

13 Q. What meter reading performance levels does the Company measure?

14 A. The Company currently measures, on a monthly basis, its percentage of
15 electric and gas meters read each month. The Company also tracks the number of consecutive
16 meter reads that are estimated.

17 Q. What is the importance of tracking consecutive estimated meter readings?

18 A. The estimated bill is likely over or under the actual amount due. If the meter is
19 estimated for several consecutive months, a substantial balance due from the customer or
20 credit due to the customer may be created.

21 Commission Rule 4 CSR 240-13.020 states that the utility shall clearly and
22 conspicuously note on the customer's bill that it is based on estimated usage. Further, this
23 rule states "A utility shall not render a bill based on estimated usage for more than three (3)

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1 consecutive billing periods or one (1) year, whichever is less, except under conditions
2 described in subsection (2)(A) of this rule.”

3 Whenever a customer’s meter is estimated for more than three consecutive months,
4 there is greater potential for a billing problem to occur and go undetected.

5 **COMPANY STATEMENTS REGARDING ITS SERVICE QUALITY**

6 Q. What statements has the Company made with respect to the level of service it
7 has been providing its customers?

8 A. The Company has acknowledged needed improvements in its Call Center
9 performance. Page 6, beginning on line 23 of Mr. Brett Carter’s surrebuttal testimony in Case
10 No. EF-2003-0465 provides the following:

11 ...Admittedly the call center service level statistics have not been
12 where we wanted them to be in the past. Currently, we are using
13 industry benchmark data to ensure appropriate service level targets and
14 staffing levels...We are committed to improving on our call center
15 metrics and we would be willing to share information as we continue
16 rolling our improvement plans... Improving on processes through
17 standardized business rules while maintaining and/or improving
18 customer service will continue to be a balancing act for the next couple
19 of years.

20 Further, the Company indicated in response to Staff’s June 3, 2003 Data Request
21 No. 3904 in Case No. EF-2003-0465, attached as Schedule 6, that:

22 ** _____
23 _____
24 _____
25 _____ **

26 During discussions held with Company personnel on October 15, 2003 regarding its
27 Call Center, the Company addressed the need to “stabilize” the Call Center.

1 **IMPORTANCE OF MONTHLY REPORTING FOR AQUILA**

2 Q. Has the Staff previously requested that Aquila submit to the Staff quality of
3 service data?

4 A. Yes. The Company was ordered to report specific quality of service
5 measurements as a result of Case No. EM-2000-292, the merger application case of UtiliCorp
6 United Inc. and St. Joseph Light & Power Company for a period of one year. The Company
7 also agreed to quality of service reporting of ACR and ASA in a settlement agreement in Case
8 Nos. ER-2001-672 and EC-2002-265, UtiliCorp's request for a rate increase and Staff's
9 earnings complaint case against UtiliCorp:

10 **10. Reliability and Call Center Reporting.**

11 A. UtiliCorp agrees to maintain the Raytown Call Center indicators
12 of Abandoned Call Rate and Average Speed of Answer on a monthly
13 basis, and report these to the Staff on a quarterly basis for the calendar
14 years 2002 and 2003.

15 B. UtiliCorp agrees to maintain the SAIFI, SAIDI, and CAIDI for
16 its MPS and SJLP divisions on a monthly basis, and to report these
17 indices to the Staff on a quarterly basis, for the calendar years 2002 and
18 2003. UtiliCorp agrees to maintain MAIFI for its MPS and SJLP
19 divisions, and to report these indices to the Staff on a quarterly basis,
20 for the calendar years 2002 and 2003. UtiliCorp will submit the
21 quarterly reports in an electronic format within 45 days of the end of
22 each quarter.

23 C. After the above reliability and call center reports have been
24 submitted for the calendar years 2002 and 2003 as specified in this
25 Stipulation and Agreement, the Staff or UtiliCorp or Public Counsel or
26 any other interested party may petition the Commission to continue or
27 modify any of the reporting requirements.

28 In addition, the Staff has an informal quarterly reporting understanding with the
29 Company that was established subsequent to the December 2002 Staff report entitled:
30 *Missouri Public Service Commission's Staff Report on Aquila, Inc.* This understanding covers
31 the reporting of other information on a quarterly basis to the Staff including estimated meter

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1 reads, consecutive estimated meter reads, total calls offered or received by the Company and
2 non-pay disconnects.

3 Q. Did Staff always receive the information in a timely manner?

4 A. Not always. On occasion, Staff made contact with the Company to inquire
5 about the information when it had not been received. The Company has indicated in the past
6 that personnel changes within its Call Center organization resulted in the delay of
7 information.

8 Q. Why is the Staff requesting that the reporting of service quality measurements
9 be ordered?

10 A. Staff believes that formally ordered reporting by the Commission will provide
11 greater assurance that the Company will submit the requested data, even in the event of
12 personnel changes or force reductions that could result from a diminished financial position or
13 cost cutting measures.

14 Q. Has the Staff had a similar reporting relationship with other Missouri utilities?

15 A. Yes. The Staff presently has a similar reporting relationship with Missouri Gas
16 Energy that originated in Case No. GM-2000-43, a merger case between Southern Union and
17 Pennsylvania Enterprises, Inc. Quality of service reporting was also implemented in Case
18 No. GM-2000-312 in the merger of Atmos Energy Company and Associated Natural Gas
19 Company. Quality of service reporting was implemented in Case No. WM-2001-369, a
20 request by Missouri-American Water Company to merge St. Louis County Water and
21 Jefferson City Water Works into Missouri-American Water Company.

22 In addition, the Staff has filed testimony in other proceedings to request that
23 companies be ordered to report their service quality measurements. These cases include Case

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1 No. EM-97-515, the merger of Western Resources, Inc. and Kansas City Power & Light
2 Company, and Case No. EM-2000-369, the proposed merger of UtiliCorp United Inc. and
3 Empire District Electric Company; both of these mergers were not consummated.

4 Q. Why is the Staff requesting monthly reporting of data as opposed to quarterly
5 for Aquila?

6 A. Various factors support the Staff's request for monthly reporting which would
7 provide it the opportunity for more timely: (a) analysis of the Company's provision of
8 customer service; and (b) action by the Staff, and ultimately, the Commission if the
9 Company's provision of customer service is inadequate or inappropriate. The Company's
10 financial position compels the Staff to request that greater scrutiny be placed upon the level of
11 customer service Aquila is presently providing its customers and will provide in the future.
12 A distressed financial condition results in additional pressure upon Company management to
13 seek cost reductions that could negatively affect the Company's ability to provide adequate
14 and appropriate customer service.

15 Information reported by the Company indicates that Call Center employment
16 instability has contributed to a decline in the service Aquila has been providing. Given the
17 information Staff has received regarding the service the Company has been providing to its
18 customers, Staff believes that monthly reporting is in the best interest of Aquila's customers.

19 Q. What will Staff do with the Company's monthly reporting if that is what the
20 Commission orders?

21 A. Staff will review the information as it is received to monitor the Company's
22 service quality in a timelier manner than what is presently being done on a quarterly basis.
23 The Staff could more timely initiate follow-up and inquiry with the Company and request

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1 formal action by the Commission. Monthly reporting is necessary to keep up with the issues
2 surrounding Aquila's unstable Call Center operations and other matters that appear to have
3 resulted in a decline in customer service.

4 Monthly reporting will enable Staff, and ultimately, the Commission to more quickly
5 act to resolve customer service problems. Any negative trend that might continue to occur
6 could be addressed on a timelier basis. Reporting on a quarterly basis results in months in
7 delay before problems can be identified and appropriately addressed by the Staff and the
8 Commission. As an example, if a problem in the Call Center occurs in early January, the
9 reporting wouldn't take place until sometime in April or May. Once it was determined that
10 Staff needed to take action, a problem that commenced or occurred in January would be
11 months old, due to untimely reporting requirements.

12 Q. Has the Staff received monthly reporting from another utility for which the
13 Staff had service quality concerns?

14 A. Yes. When the Staff believed monthly reporting from Missouri Gas
15 Energy (MGE) was necessary to provide closer monitoring of the customer service MGE was
16 providing, Staff requested it. Staff requested and the Commission ordered MGE in Case No.
17 GO-95-177 to provide monthly reporting regarding a variety of customer service indicators.
18 Staff pursued monthly reporting with MGE because of service concerns for which Staff
19 believed quarterly reporting was not sufficient.

20 Q. Has the Staff ordinarily requested monthly quality of service reporting from
21 utilities?

22 A. No. Staff most often has requested quarterly quality of service reporting but
23 the nature of Aquila's circumstances are not ordinary and, as a consequence, Staff believes

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1 quarterly reporting will not identify the Company's performance for Staff and the
2 Commission in as timely a manner as Staff believes is necessary.

3 **STAFF'S RECOMMENDATION**

4 Q. What is the Staff's recommendation in this case?

5 A. The Staff is requesting that Aquila, Inc. be ordered by the Commission to
6 provide the following information to the Staff on a monthly basis, twenty-one (21) days after
7 the last day of the month for which the information covers:

8 Total Calls Offered to the Call Center

9 Call Center Staffing including Call Center Management Personnel

10 Average Speed of Answer – All Other Calls

11 Average Speed of Answer - Emergency Calls

12 Abandoned Call Rate

13 Service Level - All Other Calls

14 Service Level - Emergency Calls

15 Percentage of Total Electric and Gas Meters Read

16 Number of Consecutive Estimated Meter Reads

17 Q. Is Staff requesting information that the Company presently does not track or
18 maintain on a monthly basis?

19 A. No. All of the information Staff is requesting is maintained by the Company
20 on a monthly basis. The Company has indicated to Staff that the Call Center information is
21 generated by the Company within ten days following the end of the month. It is further
22 Staff's understanding that the meter reading information that it is requesting be provided on a
23 monthly basis is also compiled and maintained on a monthly basis.

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1 Q. Has the Company made any statements that Staff's request would place
2 additional burden on the Company?

3 A. Yes. One of the Company's witnesses in Case No. EF-2003-0465, Mr. Brett
4 Carter, made such a statement beginning on page 2, line 19 of his surrebuttal testimony:

5 Tracking and reporting the numbers, especially related to service
6 quality are important to our overall improvement process and plans.
7 Monitoring trends on a quarterly basis, however, is a more effective
8 way to communicate about our service levels especially given the plans
9 we have to improve or maintain the current levels. A change to
10 monthly reporting would create additional and unnecessary work under
11 these circumstances.

12 Q. Did the Staff previously receive any indication from the Company that
13 monthly reporting would not be a burden?

14 A. Yes. When Staff requested additional information quarterly from the Company
15 after it had developed the December 2002 *Missouri Public Service Commission's Staff Report*
16 *on Aquila, Inc.*, Staff received an e-mail communication on February 25, 2003 from Denny
17 Williams, Director – Missouri Electric Regulatory, which states the following:

18 Since our reports come out monthly, it is just as easy to prepare this
19 monthly. If you want me to hold the information until the end of the
20 quarter, I will do so – but it is available now on a monthly basis. Your
21 choice.

22 The above e-mail correspondence is presented in Schedule 7. Staff's response in the e-mail
23 indicates that quarterly reporting was acceptable at that time. For reasons that have been
24 previously addressed in my testimony, including a continued decline in service quality and a
25 distressed financial condition, the Staff believes that monthly data should be provided within
26 21 days after the end of each month.

27 Q. Is Staff's request for monthly reporting essentially the same as it requested in
28 the context of Case No. EF-2003-0465?

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1 A. Yes, with a few differences. Staff is requesting the monthly reporting of the
2 identical Call Center indicators it requested in Case No. EF-2003-0465 but has added the
3 addition of Call Center staffing and calls offered (or received by the Company). Staff believes
4 this information is important to monitor the number of Call Center staff the company is
5 employing, particularly given the staffing fluctuations the Company has experienced during
6 the past two years. The number of Calls offered will also convey to the Staff increases or
7 decreases in call volumes which may account for rises in Call Center performance such the
8 ACR and ASA.

9 Also, subsequent to the filing of Ms. Niemeier's rebuttal testimony, the Staff held
10 discussions with Company personnel, including Mr. Glenn Keefe, Operating Vice President,
11 regarding its meter reading function including a previous curbing issue. The Company
12 discussed the increased monitoring it had placed over its contract meter readers. The Staff is
13 encouraged by the actions that Aquila is taking in this area, but given remaining concerns and
14 other factors, it is premature for the Staff to determine that monthly reporting is no longer
15 necessary regarding any of the areas Staff has addressed.

16 Q. Is the Staff proposing that should the Commission require monthly reporting
17 that the Company will have to provide monthly reporting even if the Company successfully
18 addresses its present problems?

19 A. No. Staff's request for monthly reporting is based upon Aquila's recent history
20 and present circumstances including diminished service quality, Call Center instability, high
21 Call Center turnover, the elimination of ** ___** Customer Service Associate positions, the
22 closing of its Michigan Call Center, the decision to engage five "temporaries" businesses over
23 an approximate two year period at a cost of ** _____** to fill vacate Call Center

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1 positions and its subsequent decision to discontinue using these services of these
2 “temporaries” businesses. Staff recommends that the monthly reporting requirements
3 continue until Aquila’s financial condition reaches investment grade and Staff determines
4 Aquila’s customer service performance no longer requires monthly reporting of monthly data.
5 However, Staff would want no less than quarterly reporting from Aquila at that time.

6 Q. Does this conclude your direct testimony?

7 A. Yes.

CASE PROCEEDING PARTICIPATION

LISA A. KREMER

PARTICIPATION		TESTIMONY
COMPANY	CASE NO.	ISSUES
Laclede Gas Company	GR-2002-356	Rebuttal – Expense Decommissioning
Missouri Gas Energy	GR-2001-292	Rebuttal – Customer Service
UtiliCorp United Inc. / Empire District Electric Company	EM-2000-369	Rebuttal – Customer Service
Atmos Energy Company / Associated Natural Gas Company	GM-2000-312	Rebuttal – Customer Service
Raytown Water Company	WR-94-211	Rebuttal - Management Audit

SCHEDULES 2 through 6

HAVE BEEN DEEMED

HIGHLY CONFIDENTIAL

IN ITS ENTIRETY

Kremer, Lisa

From: Kremer, Lisa
Sent: Wednesday, February 26, 2003 8:10 AM
To: 'Denny.Williams@aquila.com'
Subject: RE: Book2.xls

Denny,

Providing the data on a monthly basis would be fine - thank you.

-----Original Message-----

From: Williams, Denny [mailto:Denny.Williams@aquila.com]
Sent: Tuesday, February 25, 2003 1:35 PM
To: Kremer, Lisa
Subject: RE: Book2.xls

Since our reports come out monthly, it is just as easy to prepare this monthly. If I want me to hold the information until the end of the quarter, I will do so - but it is available now on a monthly basis. Your choice.

If you would like the information monthly, I will formalize what I sent to you electronically and include our organization charts. Thanks for your response.

-----Original Message-----

From: Kremer, Lisa [mailto:liskremer@ps.state.ma.us]
Sent: Tuesday, February 25, 2003 3:00 PM
To: Williams, Denny
Cc: Spaltonberg, Bob
Subject: RE: Book2.xls

Dear Denny,

I have also provided you an attachment to your e-mail so you can see the information I have provided. Thank you for providing - it is incredible, we would like you to provide the monthly data on a quarterly basis which would include February and March data reported at the end of April, 2003. Our company does not have monthly January data again unless it is easier to do that way. The reports I sent you will end with October, November and December 2002 data, which is at the end of January 2003.

Thank you with my best regards, Lisa Kremer

Thank you again, Lisa Kremer

-----Original Message-----

From: Williams, Denny [mailto:Denny.Williams@aquila.com]
Sent: Friday, February 21, 2003 11:37 AM
To: 'Lisa Kremer@ps.state.ma.us'
Subject: RE: Book2.xls

Hi,

With the information that you provided, I can see that you are providing the information on a quarterly basis. I would like to see the information on a monthly basis. Note that the information that you provided will have to be provided on a monthly basis.

Also, I have attached to you the information that I sent you on January 2003. I would like to see the information that you provided on a monthly basis. Thank you for your response.