

**BEFORE THE  
ARKANSAS PUBLIC SERVICE COMMISSION**

IN THE MATTER OF THE APPLICATION OF )  
**OKLAHOMA GAS AND ELECTRIC COMPANY** )  
FOR APPROVAL OF A GENERAL CHANGE IN ) DOCKET NO. 10-067-U  
RATES AND TARIFFS )

Direct Testimony

of

Keith Erickson

On behalf of

Oklahoma Gas and Electric Company

September 28, 2010



1 a Quality and Dedicated Complaint department to improve overall customer satisfaction;  
2 implementation of new processes and product improvements to improve bad debt  
3 performance and enhance options available to customers.  
4

5 Q. **Have you previously testified before the Arkansas Public Service Commission**  
6 **(“APSC” or “Commission”)?**

7 A. No.  
8

9 Q. **What is the purpose of your testimony?**

10 A. The purpose of my testimony is to explain OG&E’s recent efforts to increase customer  
11 satisfaction, both for our Arkansas customers and Company-wide, and to decrease  
12 “uncollectible” revenue that is labeled “bad debt.” As discussed in my testimony below,  
13 OG&E has been able to realize and quantify improvements in customer satisfaction  
14 through various billing and payment collection initiatives, enhanced field activities, call  
15 center process reforms and improved processes for addressing customer concerns. The  
16 first part of my testimony addresses the various initiatives and reforms OG&E has  
17 recently implemented. The second part of my testimony addresses bad debt and the  
18 improvements in customer satisfaction realized by OG&E.  
19

#### 20 OG&E’S INITIATIVES AND REFORMS

21 Q. **What improvements has OG&E made to enhance the overall customer experience?**

22 A. OG&E has made several operational improvements in order to assist customers in  
23 managing their electric costs by providing additional services and tools. Specifically,  
24 OG&E has created new customer payment options, improved its customer service  
25 processes and field activities, and implemented new processes for reducing its bad debt  
26 rate.

#### 27 Customer Payment Option Improvements

28 Q. **What are the general ways OG&E customers can pay their bills?**

29 A. OG&E provides different methods to remit payment so customers can choose a bill  
30 payment option that is most convenient for their lifestyle or needs. In addition to paying

1 by traditional mail, other options include paying online, by phone, kiosk machines and  
2 walk-up stations in designated locations.

3  
4 **Q. What are the various methods customers can pay online?**

5 A. The various methods available to all OG&E customers include the ability to pay via one-  
6 time automatic bank draft, electronic check, or debit/credit card. OG&E also offers other  
7 online services designed to enable customers to manage their accounts efficiently and  
8 obtain helpful information regarding OG&E's services and initiatives. For example,  
9 customers may start or stop service, update their account information, or view their past  
10 electricity consumption.

11  
12 **Q. Has OG&E made any improvements to its online bill payment process?**

13 A. Yes. In July 2010, OG&E implemented a change to the online bill payment process that  
14 allows customers to make a payment immediately after registering their bank account  
15 information. Previously, customers were required to wait ten days after signing up to pay  
16 online before they were actually able to use the online bill payment process. This change  
17 provides greater convenience for customers and allows them to avoid certain third party  
18 transaction fees.

19  
20 **Q. What changes or improvements has OG&E made with its pay agencies?**

21 A. In May 2010, OG&E switched to a new third party payment agent to process payments  
22 via telephone, over the internet (for credit cards and debit card payments), and at kiosks  
23 throughout the entire OG&E service territory. Previously, these various customer  
24 payment options were handled by three outside vendors. OG&E determined that using  
25 multiple vendors contributed to customer frustration and increased the number of calls to  
26 its customer service representatives because transactional information was frequently  
27 slow to post to customer accounts. There are currently payment kiosks located in Ft.  
28 Smith, Van Buren and Alma and US Payments is considering adding additional kiosks in  
29 Charleston and Ozark.

1 Q. **How have these changes impacted customers?**

2 A. As I mentioned above, consolidating payment services to one payment agent has reduced  
3 the delay in posting transactions to customer accounts and reduced the number of calls to  
4 the Call Center. OG&E believes that its new payment agent arrangement will reduce  
5 costs for individual customers and provide improved service to customers. The  
6 consolidation will allow OG&E the ability to offer additional service options, including  
7 real-time balance notifications, text confirmations of payment, real-time payment alerts to  
8 the Company and additional kiosk locations to make payments.  
9

10 Q. **Does OG&E provide specific billing options to assist its customers during these  
11 difficult economic times?**

12 A. Yes. OG&E has a number of billing options that are designed to provide certain  
13 qualifying customers flexibility in paying their bills. First, OG&E allows certain  
14 qualifying residential customers to make delayed payment agreement. These types of  
15 agreements help customers during hardship situations, including loss of employment,  
16 medical situations or unexpected high bills. OG&E also allows fixed income customers  
17 to extend their payment due date. This allows customers to align their payment due dates  
18 with the receipt of their fixed income. Additionally, OG&E has a series of programs and  
19 policies to provide assistance to low income customers. OG&E customer service  
20 representatives can provide customers with a list of social service agencies to assist  
21 customers in need, and assist customers in seeking a sales tax exemption if their annual  
22 income is \$12,000 or less.  
23

24 Q. **What other billing options can assist customers in managing their electric bills?**

25 A. OG&E has time-of-use rates that allow customers to pay less for usage during off-peak  
26 hours. OG&E has a levelized billing program that provides the customer with a tool to  
27 better manage monthly electric bill expenses throughout the year. OG&E witness Greg  
28 Tillman's testimony will explain all the Company's tariff options available to OG&E's  
29 customers. Customers also have the option to arrange for third parties to be notified of  
30 billing information and to schedule extended absence payment options in order to manage  
31 their payment obligations during periods when they will be unavailable.

1 Q. **Has OG&E undertaken any other billing initiatives to make things easier and more**  
2 **convenient for customers?**

3 A. Yes. In August 2009, OG&E implemented paperless billing. Paperless billing allows  
4 customers to opt-out of receiving paper billing statements via mail each month and  
5 instead receive electronic statements via e-mail and also access on-line services to view  
6 statements. Based on a five year net present value, OG&E believes that this initiative  
7 could generate considerable Company-wide savings. OG&E has undertaken customer  
8 education efforts to promote its paperless billing initiative such as billing inserts, direct  
9 mailings and informing customers of this option when they call OG&E for assistance.

10  
11 Q. **Has OG&E modified its Integrated Voice Recognition system (“IVR”) to improve**  
12 **customer satisfaction?**

13 A. Yes. IVR was implemented in 2003 and based on customer feedback OG&E recognized  
14 that certain customers became frustrated when dealing entirely with IVR and simply  
15 wanted to speak with a customer service representative. While up to 45% of OG&E’s  
16 customers transact business directly through the IVR, in 2006, OG&E created a new  
17 option to allow customers to opt-out of the IVR at anytime during normal business hours  
18 by asking for a live representative or by pressing zero.

19

20 Improved Customer Service and Field Activities

21 Q. **Has OG&E implemented any changes to its customer service processes?**

22 A. Yes. OG&E has undertaken a series of new improvements to both customer services and  
23 field service activities. These improvements have been designed to be more responsive  
24 to customer needs and enhance customer satisfaction.

25

26 Q. **What customer service improvements has OG&E made?**

27 A. OG&E implemented a program that allows customer service representatives to respond to  
28 customer outage calls from home outside of normal business hours. This allows a quicker  
29 response time to address customer outages and also protects our employees from  
30 hazardous conditions during ice storms or other periods of inclement weather. In  
31 addition, OG&E has implemented a solution from a company called “21<sup>st</sup> Century”,

1 which allows the Company to answer up to 1,800 outage calls per minute through an  
2 automated system. The ability to handle an increased volume of outage-related calls  
3 allows OG&E to be more responsive to customer needs during difficult outage situations.  
4

5 **Q. Please describe any other services that OG&E has recently implemented to assist**  
6 **customers during outage situations.**

7 A. During outage situations, OG&E establishes centralized customer walk-up stations to  
8 provide customers with updated information on massive outages. These walk-up stations  
9 also provide customers another option for reporting an outage. In 2007, OG&E  
10 centralized coordination of these customer walk-up stations to allow the stations to be  
11 deployed and mobilized at a much quicker rate. This allows OG&E to respond to  
12 customer needs in quicker, clearer and more efficient way during outage situations and  
13 storm restoration efforts. In addition, OG&E offers SystemWatch allowing customers to  
14 go online and view a snapshot of outages affecting more than 50 customers.  
15

16 **Q. Has OG&E done anything else to improve customer satisfaction?**

17 A. Yes. First, in January 2008, OG&E added additional staffing Company-wide to focus  
18 exclusively on enhancing the quality of customer service representative calls. This is  
19 accomplished through call monitoring, offering feed-back and assisting with facilitating  
20 customer service representative developmental plans. In addition, the customer quality  
21 department sends out monthly promotions and energy savings tips.

22 Second, in January 2010, OG&E created a complaint resolution department with  
23 dedicated employees and a complaint database for better tracking and monitoring of  
24 individual complaints. The complaint database allows the complaint department and  
25 other members of customer service to follow-up quickly with customers, analyze the  
26 specific complaint circumstances and develop an action plan for resolving problems. The  
27 dedicated complaint resolutions department focuses solely on researching each  
28 complaint, helping to facilitate a resolution and ensures the customer receives the  
29 appropriate follow-up.

30 Finally, OG&E has created a special group of customer service representatives to focus  
31 specifically on new construction issues. OG&E believed it needed a specialized subset of

1 customer service representatives with knowledge of the process for adding new electric  
2 service infrastructure.

3  
4 Q. **Has OG&E implemented any other initiatives that specifically impact the quality of**  
5 **service for its Arkansas customers?**

6 A. Yes. The OG&E Call Center added a dedicated supervisor for Arkansas. This allows the  
7 Company to ensure a greater level of expertise around Arkansas rules and regulatory  
8 requirements. Previously, all Arkansas-trained representatives were spread throughout  
9 the different supervisor groups without supervision by a person specifically trained in  
10 Arkansas customer issues.

11  
12 Q. **What field service improvements has OG&E undertaken to enhance customer**  
13 **service?**

14 A. OG&E has undertaken a series of improvements in its field service activities Company-  
15 wide to improve overall customer service. OG&E installed new meter reading devices  
16 (Radio Frequency Meters or "RF Meters"), made improvements to its shut-off order  
17 process; and dedicated supervision over meter readers and fieldmen by district.

18  
19 Q. **Please describe the RF Meters.**

20 A. In February 2008, OG&E installed RF Meters throughout its entire service territory to  
21 obtain accurate meter reads in areas where it may be difficult or dangerous to access a  
22 particular meter, for example, inaccessible meters, dangerous dogs or unsafe terrain. The  
23 installation of RF Meters will assist in eliminating the need to estimate bills which can  
24 lead to customer dissatisfaction and confusion. To date, there are 26,435 RF Meters  
25 installed Company-wide, 3,580 of which are installed in Arkansas.

26  
27 Q. **What are the improvements to OG&E's shut-off non-pay process?**

28 A. All shut-off orders are monitored closely by the Credit and Collections department on a  
29 daily basis. After five business days, any uncompleted order is automatically cancelled  
30 (previously, orders were cancelled after one day). By leaving the order open for five  
31 business days the field department has time to get most of the orders shut-off. However,



1 if an account is scheduled for shut-off, but does not get worked within the five business  
2 days, the Credit and Collections department attempts to reschedule the account before  
3 another notice is given to the customer, or the account will go another full month before  
4 another shut-off order is created. Accounts are rescheduled in order of customers that  
5 present the greatest risk to default. Rescheduling the order before notice is given to the  
6 customer eliminates the possibility of the customer becoming another month in arrears.  
7 For example, under ASPC rules regarding weather moratorium days, if the temperature is  
8 above 95 degrees or below 32 degrees OG&E is regulated from shutting off service. The  
9 shut-off orders remain active and the following day, weather permitting, the Company  
10 will prioritize those orders and shut-off service. Prior to this change, a clerk checked  
11 every account daily and rescheduled numerous orders.

12  
13 **Q. Please explain the dedicated district supervision over meter readers and fieldmen.**

14 **A.** Prior to 2007, a multi-discipline supervisor had supervised the field accounting group. In  
15 early 2007, OG&E added additional field supervisors to supervise only the meter readers  
16 and fieldmen. As a result of this realignment, meter reading and fieldmen efficiency  
17 improved. This increased efficiency has contributed to less billing errors and fewer  
18 delayed or estimated bills. The overall meter reading skip and error rate decreased from  
19 0.431% in 2007 to 0.228% in 2009 and fieldmen shut-off percentages increased from  
20 83% in 2007 to 94% in 2009.

21  
22 Reducing Bad Debt

23 **Q. What is the significance of reducing “uncollectible” revenue from customers?**

24 **A.** “Uncollectible” revenue is the amount of outstanding customer balances that cannot be  
25 recovered and must therefore be written off (or “charged off”). Any amounts that are  
26 charged off are then considered “bad debt” and ultimately recovered from the Company’s  
27 other customers through base rates.

28  
29 **Q. What has OG&E done to reduce the amount of uncollectible revenue in Arkansas?**

30 **A.** In 2007, OG&E charged off \$667,971 or 0.41% of its revenue in Arkansas. In 2009, that  
31 percentage had dropped to 0.30%. This decrease can be attributed to several

1 improvements in both OG&E's field and technology processes. For example, as  
2 explained above, OG&E modified its processing of rescheduling expired shut-off orders.  
3 In addition, OG&E was able to adjust its deposit requirements, implement a program  
4 called Revenue Miner to locate former customers with outstanding balances, and modify  
5 the process to collect unpaid finaled accounts through collection agencies. OG&E's  
6 percentage of uncollectible revenue that must be charged off is 74.6%<sup>1</sup> below the national  
7 average.

8  
9 **Q. Please explain the adjustments to OG&E's deposit requirements.**

10 A. OG&E determines the appropriate deposit amount for a customer class by taking the  
11 average monthly bill for that customer class and multiplying that average monthly bill by  
12 two. By adjusting the class average for deposits based on current records on a more  
13 regular basis, it better insures that a deposit will be able to cover the final billing for that  
14 class of customer. In February 2010, OG&E initiated a review of the deposit amounts for  
15 each customer class in Arkansas and increased the required deposits for new customers  
16 (residential from \$130 to \$150, general service from \$215 to \$270, power and light from  
17 \$515 to \$11,765). OG&E will review customer deposits as a standard practice on an  
18 annual basis.

19  
20 **Q. How does OG&E mitigate against delinquent bills on active residential customer  
21 accounts?**

22 A. OG&E follows the rules established by the APSC and grants the customer a Delayed  
23 Payment Agreement ("DPA") where the customer is required to pay a quarter of the  
24 overdue bill by the close of business on the third day after making the agreement. The  
25 customer must then pay their current bill by their due date, and the remainder of the  
26 overdue bill is split into equal payments to be made over the next three months in  
27 addition to the customer's current bill. A letter is mailed to the customer with the  
28 specific amounts and due dates of the payment agreement.

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<sup>1</sup> As reported by NARUC, the national average in 2007 for charge-offs was 1.3% for residential customers.

- 1 Q. **Please explain what program OG&E uses to collect unpaid final bills.**
- 2 A. OG&E uses Revenue Miner, a program developed by a third party company called  
3 Bottom Line Impact, to locate customers who have an outstanding final bill. Revenue  
4 Miner matches the unpaid final bill to OG&E's current customer database by using  
5 proprietary, industry-leading algorithms. For example, a final bill customer could have  
6 started new service by altering their social security number or name. Once identified, the  
7 balances can be transferred from inactive accounts to active accounts. This allows the  
8 unpaid balances to be charged to the customer's new active account. If OG&E can collect  
9 unpaid balances by using Revenue Miner, it can ultimately decrease the amount of unpaid  
10 final bills that may otherwise become "bad debt."  
11
- 12 Q. **Has Revenue Miner been successful for OG&E?**
- 13 A. Yes. Since beginning to use Revenue Miner in 2009 through July 2010, OG&E has been  
14 able to transfer a total of \$858,198.24 Company-wide in unpaid final bills to active  
15 customer accounts. To date, OG&E has been able to collect \$478,645.55 Company-wide  
16 of that amount from the responsible customers.  
17
- 18 Q. **How did OG&E modify the process to collect unpaid final accounts through its  
19 collection agencies?**
- 20 A. OG&E implemented a new process in 2009 to allot the market share of our collection  
21 accounts based on collection agency performance. This resulted in OG&E moving from  
22 three vendors to two vendors and a strategy of evaluating and moving market share  
23 quarterly, based on each vendor's performance. Reducing the number of vendors  
24 increases the market share for each individual vendor which increases the profitability of  
25 OG&E's business to a collection agency. These changes, along with the implementation  
26 of Revenue Miner have resulted in a 51% increase or \$1,166,200 in recoveries since 2007  
27 Company-wide.

1 CUSTOMER SATISFACTION IMPROVEMENTS REALIZED BY OG&E

2 Q. **Has OG&E been able to confirm that its various initiatives and reforms have**  
3 **improved customer satisfaction?**

4 A. Yes. OG&E measures customer satisfaction using external customer surveys on call  
5 center and field service satisfaction and by studying the number of warranted complaints.  
6 The Company believes that using these indicators provides a true measure of customer  
7 satisfaction with OG&E. These indicators also provide OG&E with an opportunity to  
8 focus on continuous improvement to enhance customer satisfaction. In the past several  
9 years, the results of these surveys and the number of warranted complaints demonstrate  
10 the success of OG&E's initiatives and reforms.

11  
12 Q. **Please describe the customer satisfaction surveys.**

13 A. OG&E utilizes a third party to contact OG&E customers who have had recent interaction  
14 with the Company to complete a call center survey or a field service satisfaction survey.  
15 In 2008, we converted our survey to a ten point scale from a five point scale to match  
16 similar industry scales. Each month, the Company targets live phone interviews with 320  
17 customers that have had contact with OG&E's call center in the previous month and with  
18 160 customers that have had work performed by the Company's field service in the  
19 previous month. The satisfaction surveys are conducted where customers are asked to  
20 rate their experiences with the call center representatives and field performance.

21  
22 Q. **Please summarize OG&E's customer satisfaction surveys.**

23 A. As previously mentioned, the customer satisfaction surveys have been changed from a  
24 five point to a ten point scale with a 1-ranking being the lowest score and a 10-ranking  
25 being the highest score based on a customer satisfaction level. The call center survey  
26 contains seven questions and the field survey contains thirteen questions which have  
27 different weightings in determining the average ranking. The following are examples of  
28 questions asked in the survey:

- 29 • Did the representative demonstrate genuine concern?
- 30 • Was the representative courteous?
- 31 • Did you believe your question/problem was understood?

- 1 • Did the service crew understand your needs?
- 2 • Was the work performed on time?
- 3 • Was the work done right the first time?

4

5 **Q. What was OG&E's recent call center survey result?**

6 A. The survey average over the 12-month period ending August 30, 2010 was 9.20 as  
7 compared to 9.02 for the 12-month period ending November 30, 2007. This demonstrates  
8 that customers are recognizing and responding positively to the focus the Company has  
9 placed on providing excellent customer satisfaction. The Company's target is 9.25.

10

11 **Q. Please explain how OG&E uses warranted complaints to measure customer  
12 satisfaction.**

13 A. OG&E reviews customer complaints and identifies which complaints are warranted. The  
14 Company takes these warranted complaints very seriously and analyzes them closely. A  
15 complaint is determined warranted by OG&E when the Company has not followed a  
16 policy or procedure appropriately. By tracking these complaints we are able to analyze  
17 trends to determine opportunities for continuous improvements in procedures or  
18 employee behaviors to prevent customer complaints in the future.

19

20 **Q. How many customer complaints to the Arkansas Commission have been determined  
21 "warranted"?**

22 A. OG&E has had three warranted complaints in Arkansas since 2007. Historically, this  
23 equates to approximately 1% of total the complaints the Commission received.

24

25 **Q. Has OG&E been evaluated by any third parties with regard to customer  
26 satisfaction?**

27 A. Yes. In 2010, J. D. Power and Associates conducted its own customer satisfaction survey.  
28 The survey included 85,272 customers of 121 different electric utilities across the ten  
29 state southern region of the U.S. The survey asked residential electric customers about  
30 their satisfaction with power quality and reliability; price; billing and payment; corporate  
31 citizenship; communications; and customer service. After tabulating the results of the

1 survey, J. D. Power and Associates ranked the electric utilities and determined that  
2 OG&E ranks second-highest in overall residential customer satisfaction in the southern  
3 region of the U.S. Only Duke Energy, by a single point, topped OG&E in the ten state  
4 southern region. This is the fifth year in a row that OG&E has ranked among the top six  
5 of the region's largest electric utilities, including number 1 rankings in 2003 and 2007.

6  
7 **Q. Does this conclude your testimony?**

8 **A. Yes.**

ATTESTATION

I do hereby swear and affirm that the foregoing is my direct testimony in APSC Docket No. 10-067-U.

Keith Park

9-24-10  
Date