

Before the

TENNESSEE REGULATORY AUTHORITY

**IN RE: PETITION TO OPEN AN INVESTIGATION TO DETERMINE WHETHER
ATMOS ENERGY CORP. SHOULD BE REQUIRED BY THE TRA TO APPEAR AND
SHOW CAUSE THAT ATMOS ENERGY CORP. IS NOT OVER-EARNING IN
VIOLATION OF TENNESSEE LAW AND THAT IT IS CHARGING RATES THAT
ARE JUST AND REASONABLE.**

DOCKET NO. 05-00258

**DIRECT TESTIMONY
OF
MICHAEL D. CHRYSLER**

July 14, 2006

1 **Q-1 Please state your name for the record.**

2 A-1 My name is Michael D. Chrysler.

3 **Q-2 By whom are you employed and what is your position?**

4 A-2 I am employed by the Consumer Advocate and Protection Division (“CAPD”) in
5 the Office of the Attorney General for the State of Tennessee as a Regulatory
6 Analyst.

7 **Q-3 What is your educational and work related background?**

8 A-3 Please reference attached Appendix A for education and work experience.

9 **Q-4 What is the purpose for your direct testimony?**

10 A-4 My testimony will deal with certain operating characteristics of ATMOS in
11 Tennessee.

12 **Q-5 What are your recommendations?**

13 A-5 I have four main recommendations: First, my testimony will indicate that the
14 Company is progressing very slowly in the replacement of their Unprotected Bare
15 Steel mains and services in Tennessee. Further, based on Company provided
16 statistics, the only major replacement rates for the ATMOS served contiguous
17 states with Tennessee are in keeping with Commission ordered replacement. I
18 urge the TRA to mandate that ATMOS replace 45,000 feet of gas main per year
19 until all bare steel is replaced.

20 Second, I request the implementation of Service Quality Metrics and Reporting on
21 a monthly basis for the Company’s Call Center, whether the Call Center is in
22 Texas, North Carolina, Georgia or India, the TRA, consumers, and consumer

1 advocates should have regular reporting on service metrics to insure quality
2 service, Meter Reading, Field Service and Construction. Reporting of service
3 quality will provide consumers, the TRA, and consumer advocates with a
4 summary of company operating metrics over time and with the adoption of
5 benchmarks, insure a continuity of service quality over time. This reporting is
6 very similar to reporting being adopted by regulators in more states including
7 Georgia and North Carolina - Tennessee consumers should get no less quality of
8 service compared with its neighbors.

9 Third, I request the Company to investigate why it shut-off 14% more Tennessee
10 consumers last Winter (following TRA disconnection mitigation efforts in docket
11 05-00281 and compared with shut-offs the previous year). Additionally,
12 Chattanooga Gas and Nashville Gas reduced disconnections 31% and 47%
13 respectively. The Company investigation and report to the TRA should reflect a
14 change in operating characteristics which will better serve Tennessee consumers.
15 Fourth and finally, I request that the TRA order this, or any other “Energy or
16 Water”, company to request TRA permission prior to adding “third-party billing”
17 for services other than “utility service” on its utility invoices.

18 **I. Bare Steel Replacement**

19 **Q- 6 What is ATMOS’ proposal regarding bare steel replacement?**

20 A- 6 In response to CAPD Data Request 1, Part II, Question 4 (CAPD MDC Exhibit
21 BS1) “Please provide the expected miles of Bare Steel/Cast Iron gas mains and
22 services per year until all such mains and services are replaced in Tennessee.”

1 ATMOS states, "In TN [sic] jurisdiction Company projects to replace
2 approximately 45,000 ft [sic] of bare steel over the next 10 year period.

3 Numerous discussions and/or meetings have taken place with the Safety Division
4 of the Tennessee Regulatory Authority. ATMOS will be happy to meet with the
5 Consumer Advocate to discuss in more detail."

6 Since ATMOS has agreed with the TRA Safety Division for replacing 45,000 feet
7 of Mains in 2006 (MDC Exhibit BS2), the Consumer Advocate Division believes
8 that the Company response (quoted above) indicates that the replacement of
9 45,000 feet of main per year is an acceptable pace for replacement and "do-able"
10 from an operational perspective. CAPD Exhibit MDC AA provides a guide for
11 replacement of 45,000 feet of bare steel main until fully completed. Please note
12 that the 45,000 feet of bare steel mains also assumes that the unknown linear feet
13 of services feeding from the mains would also have to be replaced; i.e.,
14 approximately 14,160 feet per year of replaced services.

15 CAPD Exhibit MDC A1 references replacement capability for all states served by
16 ATMOS contiguous to Tennessee. Please note that the only states making
17 significant headway since 1999 in the replacement of bare steel/cast iron mains
18 and services are those states (Georgia 70 miles and Mississippi 156 miles) where
19 the Commissions have ordered main replacement on a consistent basis. Note the
20 (Tennessee -5 miles, Kentucky 15 miles, and Virginia 0 miles) stagnation in main
21 replacement in other states. I urge the TRA to order the Company to continue its
22 45,000 feet per year replacement (as expressed in CAPD Exhibit MDC AA) until

1 all bare steel mains and services are replaced in Tennessee.

2 **II. Request Implementation of Service Quality Metrics and Reporting**

3 **Q-7 Why are you proposing Service Metrics and Reporting?**

4 A-7 Service metrics and regular reporting of those metrics is an acceptable method
5 that regulators and consumer advocates can use to assure consumers that utilities
6 are providing service on a consistent basis or required level of service. Please
7 note CAPD MDC Exhibit SQ detailing a NASUCA resolution directed to
8 NARUC members asking them to utilize service quality metrics and reporting.

9 **Q-8 Are any contiguous states to Tennessee utilizing service quality metrics and** 10 **reporting?**

11 A-8 Yes. See attached CAPD Exhibit MDC NC1, North Carolina Public Service
12 Commission ordering Piedmont Gas to improve its Call Center performance
13 (beginning on page 2)¹ and reduce estimated bills (page 4).

14 **Q-9 Doesn't "Productivity" imply improved service quality performance?**

15 A-9 No. "Productivity" or "doing the same or better job with fewer people" is often at
16 odds with service quality. Often times a company can be more "productive" but
17 the quality of the work being performed is poorer². Just exactly how well the
18 work is being completed requires the service metrics and reporting before and

¹North Carolina Docket G-9, dated April 18, 2006.

²As an example, the North Carolina Commission Order states (CAPD Exhibit MDC NC 1 page 2) "Piedmont will increase the number of Piedmont-employed and fully trained full-time customer service representatives to a level of no less than 137" and "Increase the number of trained third-party customer service representatives to 95 by May 1, 2006".

1 after the “productivity” changes. As companies in the past few years have
2 become leaner and leaner, productivity improved but service quality of the work
3 performed may have waned³. Only by the consistent monitoring of proper metrics
4 can the regulator (See comments⁴ by TRA Director Roberson in exchange with
5 Ms. Beth Reese in a transcript of proceeding; “Presentation by Chattanooga Gas
6 Concerning the Shifting of Certain Routine Functions to WIPRO”, Monday, June
7 26, 2006, p.22, 23) or the consumer advocate assure the consumer of consistent
8 quality.

9 **Q-10 How are “Benchmarks” utilized with Service Metrics and Reporting?**

10 A-10 Benchmarks are specific measurement standards imposed by regulators as a
11 consistent target for utilities to design their work force.

12 **Q-11 Can you provide any benchmarks that have been ordered by any contiguous**
13 **states with respect to service quality and reporting?**

³Without metrics measurement and reporting on a regular basis, actual performance quality is difficult to quantify.

⁴Director Roberson: On the service measurements, the quality measurements, it appears that the company has a matrix of measurements that you’re going to be looking at on it.

Ms. Reese: Yes.

Director Roberson: And those are going to be on a monthly basis? The company will get those on a monthly basis?

Ms. Reese: We will get those on a monthly basis, and we’ll monitor them daily. Average speed of answer, we can monitor daily. Quality, we can monitor, so if we see a trend going a negative way, we can react to that fairly quickly.

Director Roberson: So are these service standards that you would voluntarily share with the Authority on a monthly basis so that we could, as well, monitor the service? So the company would agree to provide those to our Consumer Services Division?

Ms. Reese: Yes.

Director Roberson: Okay. That’s all for now.

1 A-11 Yes, the North Carolina Commission, in the same order previously referenced,
2 ordered an “80% of all calls answered in 20 seconds” standard for call center
3 operations. Further, it provided a “\$100,000 monetary penalty for each month
4 during which it fails to meet the 80/20 customer service performance standard”
5 (page 3). I urge the TRA to implement the same “80% of all calls answered
6 within 20 seconds” standard as that imposed by the North Carolina Commission.

7 **Q-12 Are there any other metrics for service quality you are recommending?**

8 A-12 Yes, my exhibits CS, SD, CD, and MS provide metrics for reporting by ATMOS
9 similar to the standards reported on a monthly basis by Nashville Gas⁵ to the
10 Consumer Advocate Division as reflected in CAPD MDC Exhibit NC2⁶. These
11 metrics are for Customer Service (Call Center), Service Department,
12 Construction, and Meter Services Departments reported on a monthly basis.

13 **Q-13 Are these the same reporting metrics that you recommended in the**
14 **Chattanooga Gas rate case in Docket 04-00034?**

15 A-13 Yes, they are the same.

16 **Q-14 Could you comment on the actual data responses submitted in this case in**
17 **light of the service metrics you are proposing indicating areas of interest to**
18 **the Authority?**

19 A-14 Yes. The following summary covers areas indicating needed operational changes:

⁵Nashville Gas voluntarily agreed to report monthly with the Consumer Advocate Division following its rate review in TRA Docket 03-00113.

⁶Piedmont provided the data in response from a data request from the North Carolina Department of Justice in North Carolina Docket G-9.

1 1. The “Average Answer time for ATMOS is 138 seconds⁷, which may be about
2 2 minutes longer than the new North Carolina benchmark of 80% in 20 seconds⁸.
3 2. Call Center Employees⁹ from 2004 to 2005 have remained about the same (265
4 to 266) although it has almost doubled its residential customer base (1,506,777 to
5 2,862,822) with the TXU merger. Note: 1998 Call Center employees were about
6 127 with 889,074 residential customers. Comparing 1998 versus 2005 indicates
7 an increase of 139 center employees (double 1998) with an increase of 1,973,748
8 residential customers or an increase of a little over three (3) times. The Call
9 Center would appear undersized.
10 3. ATMOS does not “allocate” Call Center employees to any State¹⁰, i.e.,
11 Tennessee consumers receive no better or less service than the “pool” of other
12 states in ATMOS operational responsibility.
13 4. ATMOS has no “Walk-In Traffic”¹¹, i.e., a Tennessee ratepayer can go to no
14 location and speak with an ATMOS representative. Although ATMOS has no
15 commercial offices or company payment centers in Tennessee, it has surrogates or
16 stores that accept customer payments on a personal basis. These payment

⁷CAPD Exhibit CS, Average Answer Time.

⁸CAPD Exhibit NC1 page 2 of 9, bullet 7.

⁹CAPD Exhibits MDC CC1-9.

¹⁰ATMOS response to CAPD Data Request #1, Part II, Question 6.A.10.

¹¹CAPD Exhibit MDC CS “Number of Walk-Ins”.

1 surrogates indicate “Cash Transactions Processed by Affiliates”¹² and process
2 about 8,000 Tennessee rate payers per month. The “Town Meeting” clearly
3 demonstrated a perceived consumer need for face-to-face customer contact in
4 Tennessee. ATMOS needs to work with the TRA, customers, and the Consumer
5 Advocate Division to develop a response to the perceived customer service need.

6 5. Service Department “Appointments Missed” are 14% of all appointments
7 made.

8 6. Service Department Emergency Response Time is 296 minutes (almost 5
9 hours!).

10 7. Although ATMOS staff worked very diligently to comply with our requests,
11 one measure that I haave not received (at date of filing) is the number of
12 Tennessee employees. Without reporting the number of employees and the
13 function they perform for the ratepayers of Tennessee, the TRA and consumers
14 have one less way of measuring (and retaining) a specific level of service quality.
15 I would recommend the Company report employee levels as part of service quality
16 measurement reporting.

17 **III. Investigation of ATMOS Shut-Off Procedures**

18 **Q-15 Why are you asking for an investigation of ATMOS shut-off procedures by**
19 **the TRA?**

20 **A-15** I am concerned that after the time and additional consideration taken by the

¹²ATMOS response to CAPD Data Request #1, Question 6.A.8 reflected on Exhibit MDC CS.

1 Tennessee Regulatory Authority last Fall in Docket 05-00281 in an attempt to
2 mitigate additional terminations of service by the utility companies due to an
3 aberration in high natural gas prices resulting in new service termination rules and
4 procedures, Nashville and Chattanooga Gas actually implemented certain changes
5 in procedures which reduced the number of customer shut-offs compared with the
6 previous year. Statistics on CAPD Exhibit MDC SO1 indicate that Chattanooga
7 Gas reduced shut-offs by 31% and Nashville Gas reduced shut-offs by 47%. At
8 the same time ATMOS increased shut-offs by 14.1%.

9 **Q-16 What are the concerns with the forthcoming heating season?**

10 A-16 I am asking the Company to review their shut-off operating procedures and
11 develop a plan to help low-income consumers continue their heating services and
12 report to the TRA the results of their investigation in keeping with the “mitigation
13 spirit” resulting from high heating costs that may continue this heating season.

14 **IV. ATMOS Billing for Third-Party Vendors**

15 **Q-17 Why are you bringing this ‘Third-Party Billing’ before the Authority?**

16 A-17 Although ATMOS contends the issue of billing for other companies as reflected
17 on Tennessee consumers’ gas bills is no longer applicable because they
18 voluntarily stopped the practice in 2004, approximately 500 Tennessee consumers
19 are still being billed miscellaneous charges (amounting to almost \$46,000) on
20 their gas bill. We believe the Tennessee Regulatory Authority needs to address
21 the issue and request that before a gas company includes a charge on its invoice
22 for any service, the billing company (utility) at least request approval and allow

1 the Authority the opportunity to consider the request and make a judgment.

2 **Q-18 Please explain the Third-Party Billing issue.**

3 A-18 Since ATMOS did not request formal approval of offering third-party billing
4 services on behalf of General Electric ("G.E."), the Authority may not even know
5 of the practice. According to the ATMOS response to CAPD data requests,
6 ATMOS began placing charges from G.E. for Auto Club \$7.99/month, Home
7 Protection \$9.99/month, and Shop at Home \$5.99/month in 2001 and stopped
8 adding new charges for G.E. in March, 2004.

9 CAPD Exhibit MDC MI details the summary of the billing for G.E. in Georgia,
10 Tennessee, and Virginia that continues today. According to the data request
11 response, about 518 Tennessee consumers are continuing to be billed for about
12 \$46,000 per year. The CAPD is concerned that the amount of the charges are:

- 13 1. Not identified clearly enough on the bill to alert the consumer;
- 14 2. No "independent verification" of the charge by ATMOS; i.e. ATMOS states
15 that the consumer has requested the charge on the bill but does no verification
16 with the consumer before placing the charge on the bill. ATMOS simply places
17 the charge on the bill as provided by G.E.
- 18 3. If and when a consumer requests information about the charge from ATMOS,
19 ATMOS directs the consumer to an "800" number. ATMOS takes no
20 responsibility for the charge, what the charge is for, or the ability to cancel the
21 charge - it directs the consumer elsewhere.
- 22 4. ATMOS has never requested TRA permission to add charges on its gas invoice

1 for charges other than the services covered in its tariff.

2 5. Although not adding new accounts to the “unauthorized billing practice”, 500
3 Tennessee consumers are still being billed for services they may have not
4 requested (formal “authorization” has never been defined or approved by the
5 Authority).

6 6. Tennessee consumers need to be formally notified that they are being charged
7 an amount and have the option of canceling the charges by contacting ATMOS’
8 customer service.

9 **Q-19 What policy are you asking the Tennessee Regulatory Authority to consider**
10 **going forward?**

11 A-19 The Tennessee Regulatory Authority should request that gas companies request
12 permission on proposals for charges printed on a Tennessee gas bill and without a
13 proposal and a formal approval, charges would not be allowed.

14 **Q-20 Does this conclude your testimony?**

15 A-20 Yes, it does.

APPENDIX A

Q-1 How long have you been employed in the utility industry?

A-1 Approximately 36 years. Before my employment with the Attorney General in 1998, I was employed with Terre Haute Gas Corporation for approximately 2 ½ years and Northern Indiana Public Service Company (NISOURCE) for 24 years.

Q-2 What is your educational background?

A-2 I have a Bachelors degree in Business Administration from Fort Lauderdale University (1970) with a major in accounting. Additionally, I have attended numerous “outside” training classes including Arthur Andersen Rate Case School, American Gas Association Rate Case School, NARUC Eastern Utility Rate School, and a mini MBA school offered to NIPSCO Senior Management (and invited staff) provided by Purdue University Northwest.

Q-3 Describe your work experience.

A-3 Before joining the Consumer Advocate and Protection Division, I was employed by Terre Haute Gas Corporation as an Assistant Office Manager, with NIPSCO in various positions in Consumer Accounting, Rates and Contracts, Strategic Planning, Consulting Services, and finally as Principal of Electric Business Planning Departments. As a Regulatory Analyst, I am responsible for analysis and development of utility issues as assigned.

Q-4 Please describe your involvement with work-related organizations/ memberships since you joined the Consumer Advocate and Protection Division.

1 A-4 Since joining the Consumer Advocate and Protection Division in 1998, I have
2 been an active participant of the NASUCA (National Association of State Utility
3 Consumer Advocates) Gas and Consumer Protection Committees where I serve as
4 Chair.

5 **Q-5 Please detail the responsibilities of Chair of the NASUCA Consumer**
6 **Protection Committee.**

7 A-5 The Chair is responsible for communicating relevant Consumer Protection issues,
8 development and modification of resolutions¹³ in response to relevant current
9 utility issues through the approval process, updating the committee representatives
10 of the 44 NASUCA states through email, telephone contact, monthly
11 teleconferences and reporting status to the NASUCA Executive Committee. The
12 Chair is also responsible for determining monthly conference agendas, and
13 development of panel discussion topics, panelists, and Consumer Protection panel
14 moderators for the Mid-Year and Annual NASUCA meetings.

¹³I have sponsored the following NASUCA resolutions: Minimum Service Quality Standards, Infrastructure Surcharge and High Winter Energy Costs. Additionally, I have assisted with the NASUCA Gas Committee with the “Uncollectibles” resolution. Finally, I worked for NASUCA endorsement of the NARUC “Data Collection” resolution passed last winter.

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AFFIDAVIT

I, Michael D. Chrysler, Regulatory Analyst, for the Consumer Advocate Division of the Attorney General's Office, hereby certify that the attached Direct Testimony represents my opinion in the above-referenced case and the opinion of the Consumer Advocate Division.

MICHAEL D. CHRYSLER

Sworn to and subscribed before me
this ____ day of _____, 2006.

NOTARY PUBLIC

My commission expires: _____

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CAPD Witness Chrysler - Direct: Docket 05-00258