THE
LIBERTY
CONSULTING GROUP

65 Main Street P.O. Box 1237 Quentin, PA17083-1237
(717) 270-4500 (717) 270-0555 fax

November 8, 2011

Mr. John Rogness, III
Management Audit Branch
Kentucky Public Service Commission
P.O. Box 615
211 Sower Blvd.
Frankfort, Kentucky 40602

Dear Mr. Rogness:

Enclosed please find our completed action plans for the Focused Management and Operations Audit of Kentucky Utilities Company and Louisville Gas and Electric Company. It has been a pleasure working with you and the company on this agreement

Sincerely,

John Antonuk
President

Enclosure

Management Audit Action Plan

Recommendation No. 1

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 1

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Fully staff Residential and Business Customer Service Centers to meet and sustain service level goals

III. Background (Filled Out By Consultant)

The Residential Service Center (RSC) currently consists of three call centers located in Louisville, Lexington, and Pineville, Kentucky. The centers collectively have the capacity to seat 127 agents and to train 36 agents at one time. The customer experience falls well below targeted performance standards at the current capacity.

Neither LGE-KU's RSC nor BSC have met call center service level goals for a long time. Service-level performance has fallen well below goals. The gap is 3 to 75 percent below goals from 2008 through 2011 year-to-date.

The Business Service Center has also not met its service level goal in a long time. BSC service-level performance has been well below goal; *i.e.*, 25 to 75 percent below goal from 2008 through 2011 year-to-date.

Business Center Specialists responsibilities include proactive business account management and reactive account activity as needed due to Company or customer requests. Specialists also assist in the office with technical skills, take overflow inbound calls, assist reps with escalated supervisor calls, address matters for unassigned major accounts, and process email inquiries. Increased call volumes, however, now cause specialists to spend 80 to 90 percent of their time in the office assisting with inbound customer calls and taking escalated supervisor calls. Historical levels of such activity were much lower; *i.e.*, 30 to 40 percent.

LGE-KU also has not met service-level targets for email response. LGE-KU was well below (30 percent to 75 percent below) its service level goal of handling 80 percent of emails within 24 hours in 2009. The goal changed in January 2010 to lengthen the response period from 24 hours to 48 hours. LGE-KU met target in January and March 2010, but performance thereafter deteriorated through the remainder of the year. LGE-KU achieved only 21 percent emails answered within 48 hours by year-end.

LGE-KU has also not met its goals for minimizing abandoned calls. Abandonment levels within the RSC have ranged as high as 43 percent over the past two years; *i.e.*, well above the 4 percent goal. LGE-KU also has not met goals for minimizing BSC abandoned calls. Abandonment levels have ranged as high as 60 percent over the past two years, which falls well above the 2 percent goal.

Examining LGE-KU's call center benchmarking performance reveals that LGE-KU was ranked in the bottom-quartile in the 2010 study (2009 data):

- "Customer Experience Time" – wait time + talk time
- Average speed of answer
- Abandoned calls
- Service level performance.

LGE-KU ranked in the bottom quartile in service level performance and average speed of answer in the 2008 and 2009 benchmarking studies (2007 and 2008 data) as well.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Long-term, poor service level performance becomes a vicious cycle. As service levels slip, more and more callers complain to agents about how long they waited before their call was answered. Agents then spend time apologizing to callers, further lengthening the call and decreasing agent productivity, which further degrades performance. High agent occupancy (percent of time on the phone) usually accompanies poor service levels, and can extend handle times even more as agents try to work in a little breathing room in between calls. Continued over a long period of time, morale drops, quality suffers, and agents eventually "burn-out."

During the course of this audit, LGE-KU took a number of steps that should increase RSC call staffing and service level performance:

- Constructed a temporary call center within the Morganfield Business Office to accommodate 20 RSC customer service representatives
- Hired 20 Customer Service Representatives and 4 management personnel to staff the temporary Morganfield RSC Call Center
- Began the construction of the permanent 50-seat call center in Morganfield, Kentucky.
- Currently hiring ten (10) Customer Service Representatives to fill vacant seats within the other three RSC Call Center locations.

The Companies have committed to aggressively staff the Morganfield Call Center (both temporary and permanent facility), while filling available seats in existing Call Center locations to meet and sustain service levels goals for Residential and Business Service Centers. Management has promised to hire the appropriate level of staffing, such that LGE-KU meets and sustains RSC service level goals of answering 80 percent of calls within 30 seconds.

Service-level management provides the necessary technique to link service expectations to required staffing. Management, however, has to provide the required level of resources necessary to meet service level goals to be successful over time. Employing the proper number of skilled representatives and customer-facing technology ensures that companies are positioned to manage "all" customer contacts, while ensuring positive customer experiences, high levels of customer satisfaction and long term, respectful relationships.

In addition to the commitment to fully staff the RSC locations, LGE-KU should also commit to staffing the BSC to permit it also to meet and sustain its service level goals. In addition, LGE-KU should manage its call center operations going forward using service levels and report service level performance against goal, for Residential and Business Service Centers, on a monthly basis to the Kentucky Public Service Commission.

LGE-KU should also focus the use of Twenty-First Century Communications (third-party provider) overflow services for its intended purpose of outage management and discontinue delivering "polite disconnects" to customer service callers.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation will be significant. LGE-KU has secured temporary call center space in the existing Morganfield Business Office and has begun the construction of the Morganfield Call Center. LGE-KU has hired the first 20 CSRs and associated support staff. LGE-KU has also hired 10 additional CSRs to fully staff its other call centers. Additional ongoing costs will be incurred in 2011 as LGE-KU hires more CSRs as necessary to meet its service level goals.

B. Benefit Analysis

Staffing to meet service level goal will optimize call center resources and reduce the daily overflow of calls to Twenty-First Century communications. This will result in a reduction of customer complaints, a reduction in Twenty-First Century Communications vendor costs, and reduced call volume over time in the call centers.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Morganfield Call Center Construction Costs (underway) • Recruitment, Hiring, and Training Costs to staff Center (underway for first 20 CSRs and support staff/management; TBD for required staffing to meet service level goals)	• Morganfield Call Center Operational Costs (TBD)
Benefit:	• Reduction in Twenty-First Century Communications usage charges/fees (estimated savings $60,000 to $100,000 annually)	

	• Reduced call volume (repeat calls/abandons), reduced operating costs (TBD) • Reduced customer complaints / increased customer satisfaction

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **Cheryl Bruner**

B. Title **Director, Customer Service & Marketing**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Service Level describes the percent of calls to live agents answered within a certain period of time. During the audit, the Companies and the Auditor discussed the stated Service Level goal of answering 80% of the calls to live agents within 30 seconds within both the Residential Service Center and the Business Service Center. The Company continues to increase staffing to meet these internal Service Level goals. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

Hiring more employees in the Companies' call centers is one step being taken to improve Service Level to customers seeking to speak with a live agent. By answering more calls quicker than we have in the past, this will increase customer satisfaction with the call experience and decrease customer complaints about wait time to speak with an agent.

C. Discussion of Cost/Benefit Analysis

Cost: Increasing the number of employees in the Companies' call centers will increase labor and associated costs. Approximately $3.5M annually has been added to the budget for additional employees. However, increasing the number of employees (given static call volume) is expected to decrease expenses associated with long distance charges while customers are waiting in the call queue and decrease costs associated with overflow calls to the Companies' third party vendor. This decrease in expenses is estimated to be approximately $300,000 annually. The capital cost to construct the Morganfield Call Center is budgeted at $5,200,000. Annual operating cost for the facility is forecasted at $150,000.

Benefit: Reduction in Twenty-First Century Communications usage charges/fees, reduced call volume (repeat calls/abandons), reduced customer complaints / increased customer satisfaction.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Complete construction of new call center in Morganfield, Kentucky.	01/2011	11/2011
2.	Recruit and hire Residential Service Center employees for Morganfield, Ky facility.	01/2011	06/2012
3.	Add employee agents in Residential Service Center and Business Service Center locations.	01/2011	03/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 2

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 2

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Equip the Resource Planning and Management group to be able to manage RSC and BSC call centers by service level in real-time.

III. Background (Filled Out By Consultant)

Neither LGE-KU's RSC nor BSC have met call center service level goals for a long time. Service-level performance has fallen well below goals. The gap is 3 to 75 percent below goals from 2008 through 2011 year-to-date.

The Business Service Center has also not met its service level goal in a long time. BSC service-level performance has been well below goal; *i.e.*, 25 to 75 percent below goal from 2008 through 2011 year-to-date. Business Center Specialists responsibilities include proactive business account management and reactive account activity as needed due to Company or customer requests. Specialists also assist in the office with technical skills, take overflow inbound calls, assist reps with escalated supervisor calls, address matters for unassigned major accounts, and process email inquiries. Increased call volumes, however, now cause specialists to spend 80 to 90 percent of their time in the office assisting with inbound customer calls and taking escalated supervisor calls. Historical levels of such activity were much lower; *i.e.*, 30 to 40 percent.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Providing innovative customer service to a base of over one million customers necessitates a call-center organization with a high utilization of technology and on-going calculations of needed staffing levels. The process to forecast incoming call volumes and to determine the required staffing to handle those calls comprises one of the most important functions in the call center operation. The majority of operating costs are related to personnel; therefore, getting the right number in place is critical in terms of service and cost.

A workforce management system, which LGE-KU has in place, automates the process of forecasting workload, calculating staffing requirements, creating schedules, and tracking daily staffing and service. Real-time management uses a workforce management system to monitor developments and trends and match changes in call volume with intra-day staffing adjustments.

During the audit investigation period, LGE-KU committed to a number of additional steps that should position LGE-KU to manage to service level in real-time:

1. Hire permanent replacement for the Call Center Analyst role
2. Provide additional training for the Resource Planning and Management (RPM) group for active service level monitoring and management
3. Further define roles, processes, and communications to support forecasting, scheduling and intra-day adjustments to maintain service levels
4. Continue the use of forecasts and schedules to align staffing with service level goals for Residential and Business Service Center, inclusive of fax and email customer contacts
5. Incorporate service level accountability in Energy Delivery Management Performance Management Process
6. Evaluate / upgrade call center software to allow for balancing between virtual call centers and to support queue-level forecasting / schedule / service level management.

Real-time management is a continuous process that only works optimally when everyone understands service level objectives, forecasts are relatively accurate, the required level of resources are scheduled at the right times, and the processes and communication are in place to allow intra-day adjustment.

However, a perfect forecast of aggregate call load has only limited value to a center that routes calls to specialized agent groups. Since LGE-KU has defined several specialized agent groups (*e.g.*, reconnects, credit, billing, moves) it is critical that forecasts and schedules be defined at the agent group level to realistically manage and achieve service level goals. Therefore, LGE-KU's RPM group should have the resources and training it needs to support queue-level forecasting, scheduling, and real-time service level management.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

LGE-KU will incur additional one-time and ongoing costs to implement this recommendation: ongoing staffing costs to replace the full time analyst in the RPM group and one-time training costs to prepare the RPM group to fully utilize the Avaya eWorkforce and associated software. Additional costs will be incurred to implement the software upgrade (Contact Center Elite) to enable service level management by queue (call type).

B. Benefit Analysis

The process to forecast incoming call volumes and to determine the required staffing to handle those calls comprises one of the most important functions in the call center operation. The majority of operating costs are related to personnel; therefore, getting the right number in place is critical in terms of service and cost. Implementation of this recommendation will allow more efficient staffing and scheduling of call center resources and ultimately lower LGE-KU's call center operational costs.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Avaya Call Center Elite software Upgrade (TBD) • Avaya eWorkforce and associated software training costs (TBD)	• Full time analyst salary and benefits (TBD)
Benefit:	• More efficient staffing/scheduling of call center representatives • Lower call center operational costs • Fully utilize Avaya workforce management and scheduling package • Manage by Service Level	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Cheryl Bruner**

B. Title **Director, Customer Service & Marketing**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

The Companies have agreed to fill the open Call Center Analyst position. The Companies will provide additional training for the RPM staff to enhance their skills and knowledge of the technology tools for scheduling and managing the RSC and BSC workforce on a daily and intra-daily basis to achieve the Company's service level goals. The Companies will evaluate call center software to allow for balancing between virtual call centers and to support queue-level forecasting, scheduling, and service level management.

B. Improvement Proposed by Company

As recognized by the Auditor, the Companies' call centers have robust technology for the scheduling and management of the workforce. These tools seek to optimize the call center agents' time. Labor is the primary operating cost of a call center, therefore, it is extremely important to use data and technology to forecast call flow and call volumes in the process of scheduling those resources as effectively and efficiently as possible. Filling the Call Center Analyst role and providing additional training to the RPM staff, will provide the call center management team with the staff needed to best utilize and schedule the agents, which will provide better customer service.

C. Discussion of Cost/Benefit Analysis

Cost: Filling the Analyst position has annual recurring cost of approximately $120,000, inclusive of salary and benefits. Providing training to the Analyst and other RPM staff is estimated at $20,000 annually.

Benefit: Increased optimization through efficient scheduling of agents will result in increased customer satisfaction with the contact experience.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Fill Call Center Analyst position	Underway	01/2012
2.	Provide training to Analyst and RPM staff	11/2011	06/2012
3.	Further define roles, processes, and communications to support forecasting, scheduling and intra-day adjustments to maintain service levels	06/2011	06/2012
4.	Incorporate service level accountability in Energy Delivery Management Performance Management Process	06/2011	Completed 06/2011
5.	Evaluate / upgrade call center software to allow for balancing between virtual call centers and to support queue-level forecasting / schedule / service level management	6/2011	12/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 3

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 3

D. Priority: Medium

II. Recommendation Statement (Filled Out By Consultant)

Institute a process with associated accountability to track telecom network activity and review busy studies on a regular basis to monitor telecom capacity.

III. Background (Filled Out By Consultant)

The LG&E Outage line (502-589-3500) was deflected during the latter part of 2009 and through the fall of 2010 to TFCC (the call overflow vendor) on a full time basis. The goal was to ensure outage reports and status update processing in a timely fashion. This allocation of trunk space allowed for additional availability to incoming customer service calls during that time.

Following the inception of overflow-call routing to TFCC on a fulltime basis, “busy signals” are no longer delivered to customers in all-trunks-full conditions. Customers calling for a Customer Service matter under these conditions receive the previously described “courteous disconnect” message.

There are several points at which callers could be experiencing all-trunks-full conditions, and at which LGE-KU should be watching its call traffic; *e.g.*, calls coming into the ACDs, calls routed to TFCC, and calls routed from TFCC back to LGE-KU’s ACDs.

LGE-KU has not, however, requested, and does not receive any trunk usage/traffic reports from its telecom vendors (AT&T Southeast, AT&T, and Windstream). LGE-KU instead relies on its Avaya CMS Supervisor and on reporting from its overflow vendor, Twenty First Century Communications (TFCC), to evaluate trunk usage. This approach fails to guarantee that LGE-KU customers are not receiving busy signals. In fact, callers on the local POTS (Plain Old Telephone Service) network in Louisville could indeed be receiving busy signals if the capacity is exceeded at any central office facilities (AT&T). LGE-KU’s failure to request any traffic reports from its vendors, leave it uncertain whether blockage is occurring.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

During this audit, LGE-KU had already reported progress on several initiatives that address RSC and BSC telecommunications network activity and capacity. The 2010 implementation of a new interactive voice response (IVR) system doubled port capacity, thereby increasing the number of inbound calls that can be handled by LGE-KU. LGE-KU and PPL have also kicked-off “best practice” workshops to establish common understanding and strategies for telecom network management.

As a result of the three-party roundtable discussions at the end of fieldwork on this audit, LGE-KU committed to a number of additional steps to better manage its telecom network:

1. LGE-KU’s IT Telecom team in conjunction with the Retail Resource Planning and Management (RPM) group will review monthly trunk utilization to implement necessary changes to support changing business needs and ensure that adequate “trunking” capacity is available to customers.
2. LGE-KU will request routine reporting from telecom vendors to track traffic on local and long distance services.
3. Develop post-storm reporting to better understand impact of storms on internal and external telecom networks.
4. Ensure there is spare capacity as well as use carrier tools to route calls to 3rd party providers during major unplanned events.
5. Develop annual process to assess and report on telecom network capacity and performance. Incorporate findings / needs into annual corporate planning.
6. Evaluate high-volume “stress” testing telephony to ensure adequate sizing and performance in high volume conditions.
7. Evaluate / implement “Virtual hold” once call metrics are sustainable and only then will it be used as a method to provide levels of support during call volume peaks.

In addition to the above commitments, LGE-KU should also report call handling statistics, including the level of abandons and call overflow (to TFCC), for Residential and Business Service Centers, on a monthly basis to the Kentucky Public Service Commission.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation should be minimal. LGE-KU will incur telecom support costs to develop and track telecom network activity. However, development of telecom network capacity, post-storm reporting, and call center performance reporting can be done with existing staff.

B. Benefit Analysis

Better management of telecom resources, avoid excessive overflow of calls to third-party vendor and eliminate “polite disconnect” during day-to-day operations.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Develop post-storm reporting to determine impact on telecom networks (TBD) • Develop reporting to assess telecom network capacity and performance (TBD) • Develop call performance reporting for KYPSC (TBD)	• Routine traffic reports from telecom vendors (TBD)
Benefit:	• Reduction in busy signals for customers • Proactive management of telecom resources	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Cheryl Bruner**

B. Title **Director, Customer Service & Marketing**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Additional tracking and review of telecom network activity to monitor telecom capacity is a positive enhancement to the IT Network Infrastructure (Telecom) group's support of the call centers. The Companies agree to institute the processes needed to obtain the necessary data and accepts accountability for tracking and review of the information on an ongoing basis. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

Completion of the tasks outlined below will help the Companies better predict, report, and meet capacity needs of the call centers to better serve our customers.

C. Discussion of Cost/Benefit Analysis

Cost: Telecom partners fees for providing routine reports on traffic information for local and long distance services estimated at $10,000 annually. Carrier tools/services to route calls to third party providers during major unplanned events estimated at $10,000 annually. Tools, services, or models to more accurately predict high volume conditions and their impact on the telecom network estimated at $100,000 on a one-time basis and $10,000 annually.

Benefit: Having more information about telecom activity and engaging in more proactive management of telecom resources used by company contact centers will enable the Company to enhance the customer experience.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Produce monthly reports for all trunks.	10/2011	04/2012
2.	Request routine reports from Telecom vendors on traffic information for local and long distance services. IT Network Infrastructure to review and track reports monthly.	10/2011	07/2012
3.	Develop process to review trunk utilization reports and information from telecom carriers after storm situations to better understand impact of storms on internal and external telecom networks and take corrective action as needed.	01/2012	07/2012
4.	Develop processes with telecom partners to leverage their available carrier tools/services to route calls to third party providers during major unplanned events.	01/2012	07/2012
5.	Review accumulated monthly trunk and traffic reports annually. Evaluate costs associated with any needed capacity improvements and incorporate into the next budget cycle.	01/2012	01/2013
6.	Investigate methods (tools, services, models) to more accurately predict high volume conditions and their impact on the telecom network.	01/2012	07/2012
7.	Evaluate "Virtual Hold" capability in next generation contact center architecture solution.	01/2012	01/2013

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 4

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 4

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Improve customer service hiring practices and working environment to facilitate higher Residential Service Center agent retention.

III. Background (Filled Out By Consultant)

In 2004, the RSC began the practice of utilizing third party temporary agencies to handle the staffing responsibilities for the RSC CSR positions. The temporary-to-hire concept envisioned that temporary workers would work through the agency for a period of up to six months, and then be hired by the Company, as needed and if satisfactory performance was demonstrated. The majority of CSR turnover occurs within the first six months; therefore, successful application of this approach would reduce labor costs during their first six months.

Turnover unfortunately has remained very high over the past few years. The company has used nine different temporary agencies over the past seven years in an attempt to improve the quality of hires coming into the RSC. The RSC averaged 76 percent turnover in 2010 (190 percent among the temporary pool and 32 percent among employees). LGE-KU turnover rates are four to five times industry norms.

LGE-KU moved to agent specialization when it shifted to the temp-to-hire staffing model in 2004. Previously, LG&E and KU had hired full-time employees and provided full-service training such that any employee could handle any type of call (no specialization). Since 2004, LG&E and KU have provided modular training to new RSC call center representatives, focusing on one call skill type at a time, typically reconnects. Additional training modules (credit, moves, and billing) are offered to representatives based on call center staffing needs.

However, LGE-KU's high turnover has challenged the RSC's training group, requiring nearly continuous new-hire training classes, so much so that it has been difficult to offer additional training modules to develop skills in other call types (credit, moves, and billing). This limits the knowledge and capabilities of representatives and causes frustration for customers (and repeat calls) when they are transferred to other work groups because the agent is not trained or authorized to handle their request.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Assembling the right mix of resources to ensure high-quality, cost-effective customer care offers a constantly evolving challenge. Labor represents 80 to 90 percent of a customer service budget; therefore, retention proves critical. The key to higher retention is not only finding individuals that can do the job, but also finding individuals that want to do the job and will fit into a company.

The turn in the world economy and rising unemployment has left many companies facing new challenges; *e.g.*, finding the right candidates in an expanding talent pool. Identifying candidates that will perform well and stay as long as you need them can be a challenge, but finding the right individual among thousands of other applicants can be a daunting task.

Pre-hire testing can save substantial time and money, significantly cutting the time to hire by narrowing the applicant pool to those who demonstrate specific skills. Simulation and role-play can further qualify job applicants prior to interview, thus giving candidates a chance to experience the job prior to hiring. Behavioral testing takes it one step further, identifying applicants who are more likely to like the job and want to do well.

Customer Service Representatives serve as a direct point of contact for customers about their utility service. Because issues related to utility service can be complex topics to customers, it is imperative to have skilled agents. Recognizing it takes considerable time to learn the extensive subject matter required of an agent, the recruitment and retention of qualified agents for this important front-line position is a high priority.

During the course of this audit, LGE-KU made a number of changes to its new-hire practices that should have a very positive impact on agent retention and ultimately customer satisfaction:

- Enhanced the recruiting, hiring and on-boarding process of new Call Center employees:
  - Drafted new job advertisements
  - Implemented behavior-based assessment tools and interviewing techniques
  - Instituted the use of job shadowing, peer interviews and call simulations to better convey job expectations to candidates
- Shifted primary hiring method to direct hire, rather than temp-to-hire
- Launched and funded on-going reward and recognition activities for Call Center staff
- Designed and implemented "real-time coaching" training for call center support and management staff.

LGE-KU has thus embarked on a number of measures to improve agent retention; however, further efforts are required that will help LGE-KU identify the right candidates for hire as well as create a working environment in which agents will strive to excel and develop. Specifically, LGE-KU should pursue the following recommendations:

1. Continue enhancement of recruiting, hiring and on-boarding of new employees by surveying new hires to better understand how to continually refine the process and minimize new-hire surprise.

2. Recruit for the position and the schedule. Effective call center organizations use a combination of part-time, temporary, and full-time labor. Be sure to recruit for each type of labor separately as the schedule might dictate a different pool of interested candidates.
3. Promote employee referrals as a source of eligible candidates. By tapping into them as a source for open positions, organizations achieve greater loyalty, lower turnover, improved productivity and profits.
4. Enhance retention of employees by further defining career progression paths (paths leading to supervision, Quality Assurance, training, and RPM) and providing additional training opportunities.
5. Measure the impact of frontline recruitment efforts—specifically, quality of hire. Identify the factors that increase the quality of hire, determining the difference between average and quality hires, and identifying sources that produce high quality hires.
6. Enhance working environment by reducing consistent mandatory overtime requirements, lowering occupancy targets, and providing off-call activities for agents.

These additional initiatives, combined with LGE-KU's accomplishments to-date should improve agent retention. LGE-KU should also report Residential and Business Service Centers actual staffing levels (employee and temporary) and turnover statistics on a monthly basis so the Kentucky Public Service Commission can monitor the Company's commitment to improve employee retention.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation should be minimal. LGE-KU will incur additional ongoing costs to provide coach training and CSR development, and to administer the reward and recognition programs. However, enhancement of the recruiting, hiring, and on-boarding processes and CSR career progression can be done with existing staff.

B. Benefit Analysis

Pre-hire testing can save substantial time and money, significantly cutting the time to hire by narrowing the applicant pool to those who demonstrate specific skills. Simulation and role-play can further qualify job applicants prior to interview, thus giving candidates a chance to experience the job prior to hiring. Behavioral testing takes it one step further, identifying applicants who are more likely to like the job and want to do well.

Customer Service Representatives serve as a direct point of contact for customers about their utility service. Because issues related to utility service can be complex topics to customers, it is imperative to have skilled agents. Recognizing it takes considerable time to learn the extensive subject matter required of an agent, the recruitment and retention of qualified agents for this important front-line position is a high priority.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Enhance CSR recruiting, hiring, and on-boarding practices (underway) • Define career progression paths for CSRs (TBD) • Develop recruitment performance reporting (TBD) • Develop staffing levels and turnover reporting for KYPSC (TBD)	• Reward / recognition programs (underway) • Ongoing coach training and CSR development (TBD)
Benefit:	• Improved agent retention / reduction in turnover • Reduced new-hire training costs • Improved employee satisfaction • Improved customer satisfaction	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Cheryl Bruner**

B. Title **Director, Customer Service & Marketing**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

The Companies commits to improve customer service hiring practices and the working environment to facilitate higher Residential Service Center agent retention. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

By enhancing recruiting, screening and hiring processes, the RSC is expected to improve agent retention. Improved retention will allow trainers more time to focus on higher skill training (as opposed to new hire training) thereby providing a more experienced and knowledgeable agent on the phone with customers. This will improve customer satisfaction with the contact experience.

C. Discussion of Cost/Benefit Analysis

Cost: Moving away from the temp-to-hire model to a direct hire model increases labor cost of the agents and requires more assistance from the Human Resources Department. Approximate annual cost of $3,500,000 to move to direct hire of RSC and BSC agents. Employee referral program expected to cost $15,000 annually. A reward and recognition program for RSC staff is expected to cost $200,000 annually. Additional training for coaches and CSR development is expected to cost $100,000 annually. The pre-employment screening tool is expected to cost $40,000 annually. The cost of the Retail Staffing Specialist is the salary and benefits for a full-time employee at approximately $120,000 annually. Total expected annual cost of this recommendation is approximately $3,975,000.

Benefit: Improved hiring practices will lead to lower turnover, which will decrease cost of frequent new hire training and all trainers to focus on refresher and enhanced skill training of more experienced employees.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Recruit and hire a Retail Staffing Specialist to support direct hire staffing	07/2011	Completed 09/2011
2.	Implement survey of new hires	10/2011	11/2011
3.	Develop and implement pilot to promote employee referrals	10/2011	01/2012
4.	Further define career progression paths for CSRs	10/2011	02/2012
5.	Develop and implement additional pre-employment screening tools to assess suitability of agents and Coaches	09/2010	Completed 07/2011
6.	Reduce overtime and occupancy targets	01/2012	06/2012
7.	Identify additional off-call activities for agents	01/2012	06/2012
8.	Develop reward and recognition programs	12/2010	Completed 04/2011
9.	Develop additional training for Coach and CSR development	05/2011	07/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:

LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 5

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 5

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Enhance Customer Information System Usability.

III. Background (Filled Out By Consultant)

The transition and implementation to any major, new system can challenge the best organizations. The customer-information system serves as one of the most critical for a utility, and touches on many organizations and functions across the company. The primary users of the system, however, reside in the Customer Service organization. Customer service representatives (CSRs) comprise the bulk of those users. They converse with many customers daily to assist with reporting power outages and gas emergencies, start and stop electric and gas service, handle questions about bills, and negotiate payment arrangements.

The transition to CCS at LGE-KU has proven challenging for both employees and management equally. The Companies went to great lengths to test the new system and prepare employees for the change-over. Efforts included 36,000 hours of training, 5 mock conversions, 2 dress rehearsals, cutover-plan practices, and several "read-only" practices sessions. The change nevertheless was traumatic for the Customer Service organization. We would expect such a reaction at any company undergoing a customer system replacement. Very tenured customer service employees and prior billing-system gurus suddenly became novices at "go-live" on April 1, 2009.

The CCS project included development and testing of the integration of LGE-KU's existing Computer Telephony Integration (CTI) application to CRM. Management decided at that time not to implement the "screen pop" feature. It chose to implement a separate color-coded informational box with information from which the CSR could copy and paste information into CCS. This "workaround" approach seemed to present the essence of a screen pop for CSRs to cut/paste; however, it did not eliminate the need to search CCS to find the appropriate customer record.

CTI technology can serve to collect customer information with an IVR and it can automatically populate CSR screens (screen pop) with the pertinent information when the call is delivered. For example, a customer enters the account number or phone number in the IVR to identify him or herself; then the CSR's screen is automatically populated with that account information. This capability totally eliminates the need for a CSR to search for a customer record. CTI "screen pops" have become an industry norm; they improve data accuracy, while shortening agent talk time. Reps typically save 15 to 30 seconds on a call, thus reducing cost and increasing efficiency. LGE-KU's CCS "workaround" does not, however, automatically populate CCS screens with incoming call data. CSRs must therefore manually search and pull up the customer's record.

It is very difficult to search CCS to find an account using the address. The reasons include lack of standardization in creating addresses and multiple accounts residing on the same street, especially in dense metropolitan locations. It can take several minutes to scroll through all the addresses to identify the correct account. Liberty observed some CSRs searching through another system, the Trouble Order Entry system (TOE), to find account numbers by street address, and then to enter them manually into CCS to pull up the appropriate record. It is much easier to search by street address in the TOE system than in CCS. This approach, however, takes additional time; CSRs ends up cutting-and-pasting or re-entering the account number in CCS to ultimately pull up the appropriate account.

Management has therefore encouraged CSRs to expedite this process by asking customers to provide their full social security numbers in order to pull up their account information. CSRs are trained and coached to ask customers for their social security numbers.

CCS is challenging to use in other ways, which contributes to longer talk time and longer after-call work for CSRs, increases opportunity for errors, and lengthens training. LGE-KU has modified its training program accordingly, and has worked to bring average handle times (AHT) down, including establishing an AHT study team to identify CCS enhancements. RSC Handle times have come down slightly since go-live, but are still well above pre-CCS levels. Longer talk and after-call work times reduce agent productivity. RSC agent productivity, as defined by calls handled per CSR per month, took a steep drop (about 40 percent) in April 2009 at CCS go-live. Productivity has yet to return to pre-CCS levels.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

The Companies need to complete an assessment of the customer information system "ease-of-use" for customer service representatives, inclusive of :improved customer search functionality, prevention of errors, reduction of time needed for training, and reduction in transaction time.

During the audit, LGE-KU undertook several initiatives that address CCS usability, including:

- Internal review of CSR Average Handle Time (AHT) improvement initiatives in 2010.Approximately 30 enhancements were completed from June through November 2010.This resulted in recognized time savings per call. The company also continues to explore additional technologies to improve the display of summarized customer account exceptions in the Customer Information System.
- Discussions have been held with SAP and Genesys, LG&E-KU's Computer Telephony Integration (CTI) vendor, to review the known technical and processes challenges to

implement CTI with its' SAP Customer Relationship Management. SAP provided LG&E-KU us the latest copies of their Integrated Communication Interface documentation. Possible resolutions to the Companies' issues were provided.

- The Companies continue to engage SAP in conversations related to usability, participate in America's SAP Users Group groups designed to provide feedback to SAP regarding enhancements and improvements to their applications, and attend conferences to provide networking opportunities with other utilities on sharing best practices.

As a result of the three-party roundtable discussions, LGE-KU committed to a number of additional steps to improve CCS usability:

1. Re-engineer the CSR interfaces. The Company is currently working with Gartner and SAP to review existing user interface to determine if any changes can be made to enhance the user experience. The goal is to obtain better flow, fewer screens/clicks, make system interaction more conversational and scripted.
2. Integrate CTI technology to enable "screen pops" in CCS. The Company is currently working with Genesys to use its SAP connector product to produce real time screen pops for both CCS and TOE (Trouble Order Entry)
3. Evaluate and improve the customer search functionality
4. Network with other utilities to maximize CCS / SAP usability.

These efforts are expected to improve handle time, reduce errors, and to lower new hire training time and complexity. Additionally, LGE-KU should discontinue the practice of asking customers to provide social security numbers in order to pull up accounts in CCS.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation may be significant. While LGE-KU has already upgraded its Genesys CTI technology, additional costs will be incurred to properly integrate the CTI technology with SAP. LGE-KU will also incur additional one-time costs to re-engineer the CSR interfaces to improve usability (TBD).

B. Benefit Analysis

CTI technology can serve to collect customer information with an IVR and it can automatically populate CSR screens (screen pop) with the pertinent information when the call is delivered. This capability totally eliminates the need for a CSR to search for a customer record. CTI "screen pops" have become an industry norm; they improve data accuracy, while shortening agent talk time. Reps typically save 15 to 30 seconds on a call, thus reducing operating costs and increasing efficiency.

Improving CSR usability will also help reduce entry errors, improve call handling time, and lesson new-hire training requirements.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Re-engineer CSR interfaces to SAP CCS (TBD) • Deploy Genesys SAP Connector CTI screen pop technology (upgrade already funded, development costs TBD)	•
Benefits:	• Reduced call handle time / improved CSR productivity • Reduced CSR entry errors • Reduced new-hire training time/costs	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Cheryl Bruner**

B. Title **Director, Customer Service and Marketing**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

To build upon efforts completed to date, the Companies continue to research and initiate improvement projects for the front-office processes, utilizing external vendor service to complement internal IT and business knowledge.

B. Improvement Proposed by Company

The Companies are actively pursuing the following: fully automated screen pop (CTI), soft phone enablement, CSR business process review and identification of improvements, and review the technical solutions for performance improvement of front-office processes.

C. Discussion of Cost/Benefit Analysis

Cost: The re-engineering of the CSR interface continues to be evaluated. This screen pop (CTI) and soft phone enablement project is expected to cost $1,900,000.

Benefit: Improvements to CSR usability of the CCS system would be focused on reducing the complexity of the system and improving call handling times. Implementing screen pop within the CCS system, in place of the current "pop" to a text box screen, should result in some time savings on the call; however, this savings cannot be quantified at this time.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Discontinued request for social security numbers as a means of customer identification.	09/2011	Completed 09/2011
2.	Evaluate CSR usability and identify opportunities for system enhancements.	06/2011	06/2012
3.	Develop CTI screen-pop investment proposal and enter into contract.	06/2011	Completed 10/2011
4.	Implement new screen-pop and soft phone capabilities.	10/2011	06/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 6

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 6

D. Priority: Medium

II. Recommendation Statement (Filled Out By Consultant)

Implement actions to ensure that meter reading accuracy meets or exceeds targets.

III. Background (Filled Out By Consultant)

Contract meter reading providers (Accuread for LGE and Tru Check for KU) perform most reads. LGE-KU has been using contract meter readers since 2001. The contracts contain performance clauses that provide incentives for safety, accuracy, and customer satisfaction. The reduction of the meter reading window (from 5 to 3) created the need for additional resources for LGE and KU meter reading contractors, which was address by contract modifications.

LGE-KU's Meter Reading read rate (percent of meters read) has generally proven good, with the exception of some challenges in getting readings in the winter months due to weather. Tru Check, operating for KU, however, has only met its Meter Reading accuracy targets in 2 months across the last 4 years. KU also benchmarked poorly in meter reading accuracy (bottom quartile in two studies).

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

LG&E meter reading currently meets or exceeds the Company's established goals; however KU meter reading business partners have historically lagged expectations. Contract meter reading can be a very effective meter reading approach, especially as utilities transition to automated meter reading and smart meters. However, utilities need to manage contractors just as they manage employees, to ensure that they receive the quality and quantity of work that they expect. This entails ensuring that company supervisors of contractors have well-defined responsibilities and processes, and supporting tools, to make monitoring more effective in securing the value the company deserves. It is important that LGE-KU develop and implement processes and procedures to ensure the accuracy of meter reads.

To date, LGE-KU has completed several initiatives aimed at improving meter reading accuracy and performance:

- Implemented a new meter reading system, fully integrated with CCS
- Fostered solid working relationships with meter reading contract partners
- Established Performance Scorecard with "at risk" incentives tied to meter reading accuracy, meter read completion, and customer satisfaction
- Conduct quarterly performance reviews with contract partners.

As a result of the three-party roundtable discussions, LGE-KU committed to a number of additional steps to further address meter reading accuracy issues:

1. Conduct "all hands" meeting with all employees involved in the meter reading function along with the executives from contract partners to communicate LGE-KU's new vision and commitment to improve meter reading performance.
2. Work directly with the KU meter reading contractor to develop and implement improvements to ensure accuracy targets are met or exceeded on a sustained basis.
3. Utilize benchmarking data to identify utilities that excel in meter reading accuracy and compare their processes and procedures to seek improvement opportunities.
4. Partner with internal customers to conduct comprehensive review of current processes and procedures to identify gaps and develop and implement corrective actions.
5. Institute field quality audit to spot check for meter read accuracy, condition of facilities, etc. and establish targets for appropriate company personnel and include in Performance Management Plans.
6. Tighten the meter reading parameters contained in the meter reading system to reduce the tolerances for increase/decrease in monthly meter reads.
7. Re-evaluate the Performance Scorecard to determine if any business partner contractual changes are warranted.
8. Enhance communications with meter reading employees regarding performance
   a. Review performance results monthly
   b. Create a "How are We Doing" bulletin board to post monthly and YTD performance.

These efforts should improve the meter reading contractor's focus on meter reading accuracy and result in improved accuracy. LGE-KU should also report meter reading performance, including route completion and accuracy statistics, on a monthly basis to the Kentucky Public Service Commission.

V. Cost/Benefit Analysis and Support(Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation are minimal. The development of the quality assurance process and quality performance reporting can be done with existing staff.

B. Benefit Analysis

Quality assurance monitoring refers to the process of observing an employee's meter reads or spot-checking completed meter reads. Not only can it improve the customer experience, it can also improve overall performance, reduce customer callbacks, focus training efforts, identify process improvement opportunities, and facilitate employee development. Quality assurance monitoring is one of the most effective methods for improving the level of service provided to customers. An enhanced focus on quality will benefit LGE-KU by reducing read errors and rereads, which will in turn reduce customer calls, and improve customer satisfaction.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Establish meter reading quality audit / spot check process and performance targets (TBD) • Develop meter reading performance reporting for KYPSC (TBD)	
Benefit:	• Reduced meter reading errors, improved billing accuracy • Reduced field trips / operating costs • Improved read performance	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Butch Cockerill**

B. Title **Director, Revenue Collections**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

An important element required to enhance the customer's experience is providing accurate meter reads at every opportunity. Not only do meter reads form the foundation for invoicing our customers for their energy consumption, meter reads also serve as a gauge for our customers' confidence and trust in our billing process. It is important that we develop and implement processes and procedures to ensure the accuracy of meter reads. While our current meter reading accuracy is within the range of many other utilities, we desire to improve on our performance. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

The initiatives listed below will be implemented to improve meter reading accuracy. These measures will help reduce reading errors and improve customer satisfaction.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies therefore minimal additional costs are envisioned.

Benefit: Benefits obtained from improved meter reads will transcend beyond Meter Reading into almost every area across the Retail Business.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Conduct "all hands" meeting with all employees involved with the meter reading function along with the executives for our contract partners to communicate our new vision and commitment to improve our meter reading performance.	08/2011	Completed 08/2011
2.	Utilize benchmarking data to identify utilities that excel in meter reading accuracy and compare their processes and procedures to ours to seek improvement opportunities.		
	a. Analyze and evaluate the benchmarking data to identify the comparable companies (i.e. Electric only, combo only with predominantly manual reading)	09/2011	Completed 10/2011
	b. Schedule discussions with comparable companies that have better performance and learn what they are doing differently and how the practice was implemented	11/2011	01/2012
3.	Partner with internal customers to conduct comprehensive review of current processes and procedures to identify gaps. Develop and implement corrective actions.	11/2011	01/2012
4.	Utilize Companies' personnel to		

	institute field quality audits to spot check for meter read accuracy, condition of our facilities, etc. a. Develop process to monitor and report field audits b. Include an initiative for performing Quality Assurance Audits as part of company personnel's Performance Excellence Process.	 12/2011 02/2012	 01/2012 03/2012
5.	Change our meter reading parameters contained in our meter reading system to tighten the tolerances for increase/decrease consumption in monthly meter reads. a. Work with IT and Billing Integrity to determine tolerance parameters b. Change tolerance parameter in meter reading system.	 10/2011 11/2011	 Completed 10/2011 12/2011
6.	Re-evaluate our current Performance Scorecard to determine if any changes are warranted. If so, implement when current business partner contract expires in May 2012. a. Discuss with comparable companies that utilize contract meter reader to learn what they are doing in relations to performance measures. b. Determine what changes, if any, should be incorporated into upcoming contracts.	 02/2012 03/2012	 03/2012 04/2012
7.	Enhance communications with all meter reading employees to inform them on meter reading performance. Create a "How are we Doing" bulletin board to post our monthly and YTD	11/2011	12/2012

	performance.		

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 7

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 7

D. Priority: Medium

II. Recommendation Statement (Filled Out By Consultant)

Develop and implement Service Order business processes consistent with effective workforce management planning, service order prioritization, and a high level of schedule adherence.

III. Background (Filled Out By Consultant)

Field Services has also been challenged to stabilize its operation since implementation of CCS. It has been challenged to complete service orders timely, thus causing negative impacts on customer billing. Significant progress has occurred in reducing the size of the service order backlog, but important work still remains.

LGE and KU have now fully deployed a mobile data system. This technology has eliminated manual entry and tracking of service orders, eliminated lost paper orders, and minimized errors from multiple handling of order completion data.

However, LGE and KU have been unable to achieve target service order completion performance in 2009 and 2010.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

The Companies need to conduct analysis of current service order processes to identify opportunities that enable achievement of Company's goal to improve the customer experience, maximize resource utilization and minimize backlogs. The analysis will include review of existing benchmark information, discussions with Mobile Software Vendor, and process improvement techniques.

To date, LGE-KU has completed several initiatives aimed at improving field service order performance:

- Implemented mobile workforce system that is fully integrated with company's Customer Information System.

- Established key performance metrics for service order completion and tied to key employee's performance management plan.
- Implemented a performance tracking software that allows more granular analysis of employee and departmental performance along with ability to create a real time performance dashboard.
- Developed solid working relationships with company contract partners who provide field services.
- Established Performance Scorecard with "at risk" incentives tied to field service order completion, schedule adherence, and customer satisfaction.
- Conduct quarterly performance reviews with contract partners.

As a result of the three-party roundtable discussions, LGE-KU committed to a number of additional steps to further address field service order effectiveness:

1. Conduct "all hands" meeting with all employees involved with the service order function along with the companies' contract partners to communicate the new vision and commitment to improve service order performance.
2. Enhance communications with all service order employees to inform them on performance.
    a. Review performance results monthly
    b. Create a "How are We Doing" bulletin board to post monthly and YTD performance.
3. Utilize benchmarking data to identify utilities that provide superior customer service in field services and evaluate their processes and procedures to seek improvement opportunities.
4. Partner with internal customers to conduct comprehensive review of current processes and procedures to identify gaps and develop and implement corrective actions.
5. Institute field quality audit to spot check the customer experience and service order completion accuracy. Establish targets for appropriate company personnel and include in their Performance Management Plan.
6. The companies will create specific service level goals for customer-requested orders, enhanced tracking and metrics of service level goals, establish processes to complete priority work orders within reduced timeframes, and identify opportunities to reduce the number of field visits.

These efforts should improve field service performance and enable LGE-KU to meet service order completion targets. LGE-KU should also report field service performance, including service order completion rates, on a monthly basis to the Kentucky Public Service Commission.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation are minimal. The development of the quality assurance process and quality performance reporting can be done with existing staff.

B. Benefit Analysis

Quality assurance monitoring refers to the process of observing an employee’s service work or spot-checking completed service work. Not only can it improve the customer experience, it can also improve overall performance, reduce customer callbacks, focus training efforts, identify process improvement opportunities, and facilitate employee development. Quality assurance monitoring is one of the most effective methods for improving the level of service provided to customers. An enhanced focus on quality will benefit LGE-KU by reducing errors and rework, which will in turn reduce field trips and incoming customer calls, and improve customer satisfaction.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Establish field quality audit / spot check process and performance targets (TBD) • Develop field service and service order performance reporting for KYPSC (TBD)	
Benefit:	• Improved field service order performance, improved backlog management • Reduction in errors, re-work and field visits • Improved customer satisfaction	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Butch Cockerill**

B. Title **Director, Revenue Collection**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Timely processing of service orders is an important component in meeting customer needs and enhancing the customer’s experience. Additionally, timely and accurately completing service orders enhances all aspects of the billing process. Although order volumes fluctuate on a monthly basis, it is important to effectively prioritize and manage this process to meet customer expectations and achieve service level goals. Projected 2011 service orders volumes for LG&E and KU will exceed 700,000. Automated systems and mobile computing have boosted productivity and we have gained improvements over the past year. We have and will continue to implement additional measures and initiatives to enhance the service order process. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

Proposed are six additional initiatives designed to enhance the service order process and achieve higher levels of customer satisfaction. These items are listed in Section VIII – Implementation Steps.

C. Discussion of Cost/Benefit Analysis

Cost: Adding six (6) additional full time employees at an annual recurring cost of approximately $700,000.

Benefit: The additional resources will be utilized to work service orders affecting customer satisfaction, billing and revenue collection activities, and to develop and analyze operational data that will aid management in enhancing operational efficiency. The expected benefits include increased response to customer service requests and inquiries, expedited resolution of billing issues, and reduced volumes of carryover service orders.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Conduct “all hands” meeting with all employees involved with the service order function along with the companies’ contract partners to communicate the new vision and commitment to improve service order performance.	10/2011	11/2011
2.	Enhance communications with all service order employees to inform them on their performance. Create a “How are We Doing” bulletin boards at all Field Services locations to display monthly and YTD performance metrics.	11/2011	12/2011
3.	Utilize benchmarking data to identify utilities that provide superior customer service in field services and evaluate their processes and procedures to seek		

	improvement opportunities. a. Analyze and evaluate benchmark data to identify comparable companies to align internal KPIs and other operational and performance results. b. Contact those companies to discuss their service metrics and operational processes to identify potential improvement opportunities.	 10/2011 11/2011	 12/2011 01/2012
4.	Partner with internal customers to conduct comprehensive review of current processes and procedures to identify gaps. Will develop and implement corrective actions.	12/2011	01/2012
5.	Institute field quality audit to spot check the customer experience and service order completion accuracy. Establish targets for appropriate company personnel and include in their Performance Management Plan. a. Develop process to monitor and report field audits. b. Include an initiative for performing Quality Assurance Audits as part of company personnel's Performance Excellence Process	 12/2011 02/2012	 01/2012 03/2012
6.	Create specific service level goals for customer-requested orders, enhanced tracking of service level goals, establish processes to complete priority work orders within reduced timeframes, and identify opportunities to reduce the number of field visits. a. Reevaluate current process for classifying and prioritizing customer requested orders to ensure	 12/2011	 03/2012

	accuracy. b. Develop reporting process to analyze customer requested service orders not completed by date requested. c. Develop reporting process to analyze assigned service orders that are re-dated for another day. d. Develop corrective actions to address causes identified in 6b and 6c above.	02/2012 02/2012 04/2012	06/2012 06/2012 08/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 8

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 8

D. Priority: Medium

II. Recommendation Statement (Filled Out By Consultant)

Standardize Billing Integrity business processes; review and address staffing levels, while establishing an environment of continuous improvement.

III. Background (Filled Out By Consultant)

Billing Integrity experienced the elimination of three vacant billing analyst positions in February 2009, as part of the budgetary re-forecasting process. These eliminated positions formed part of the additional CCS headcount allocated to Retail in the 2008 Mid-Term Plan to address the increased workload forecasted as part of CCS implementation. This re-forecasting caused the Billing Integrity organization to enter CCS implementation short-staffed.

Billing Integrity has struggled since CCS implementation to determine its steady state of operation. Billing Integrity has faced a very large backlog of billing exceptions since “go-live.” Billing-exceptions backlogs were not new to Billing Integrity; however, the initial numbers observed under CCS proved significantly higher than seen previously. Three factors impaired Billing Integrity’s ability to work these larger than expected numbers of exceptions: Billing Integrity’s inexperience with CCS, more complex methods to resolve exceptions in CCS (as compared to the prior CIS system), and under staffing.

LGE-KU’s legacy CIS systems produced paper reports each morning listing the accounts to be reviewed (the exceptions). Billing Integrity representatives would then scan the list of accounts to determine those that required correction, follow-up and investigation. CCS instead creates an electronic backlog of BPEMs for each account with a billing exception. The Billing Integrity Department is responsible for reviewing all billing related BPEMs on a daily basis. A determination is made to release the bill to the customer, make the necessary corrections, or to forward the account to another department for further action (such as the field for a meter reading).

Billing Integrity addressed the large number of billing cases by implementing mandatory overtime for most of its staff over the past year. Overtime increased by 713 percent in 2009, as compared to 2008 levels. Billing Integrity has also worked closely with Information Technology

CSS support to detect system errors (incidents), request system improvements (enhancements), and identify more effective workflow processes. The Billing Integrity staff cannot continue to work large amounts of overtime to sustain the current backlog numbers.

The CCS billing system provides the ability to define the conditions that determine if an account is billed correctly. These conditions represent a series of ranges, or tolerances, that are acceptable. For example, there are tolerances defined for an acceptable range of usage, based on previous usage history. Any such deviation from the expected result (tolerance levels) will produce a BPEM.

LGE-KU's efforts to reduce the number of billing exceptions (since "go live") included changes to the tolerance levels in CCS. While relaxing the tolerance ranges reduced the number of exceptions it also increased the number of bills issued with problems. Instead of LGE-KU detecting the errors before the bills were mailed to customers, they instead sent the bills out.
The intention of a billing exception is to catch obvious errors and also to force a manual review of the "gray areas"— those situations that look erroneous but are correct.

These tolerances require review; they will likely require a return to pre-CCS service levels. The resetting of tolerances will both permit identification of defective meters sooner, and produce an increase in the number of billing exceptions that Billing Integrity must address.

Working high volumes of overtime, correcting incidents, implementing enhancements, and instituting better-defined work processes have caused Billing Integrity performance metrics for pending work backlog to begin a return to pre-CCS levels.

Billing Integrity's long-term strategy seeks to capitalize on the increase volumes and quantity of data available from CCS. Management expects that more areas needing Billing Integrity assistance will be identified. The return mail project offers an example of an area that may require additional assistance from Billing Integrity soon. Billing Integrity also requires information analysis to manage and track trends, provide root cause analysis for identified problems, and address areas of concern and opportunities for improvement. Billing Integrity has only started to understand the data it has; the group does not have the personnel necessary to devote to effective analysis of that data.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Customers expect accurate and timely bills. For the majority of customers, their bill is the only contact they have with the companies. Billing Integrity must continue to enhance employee knowledge and understanding of CCS to reduce the period of time between the creation of an exception and issuance of the associated bill or billing corrections. Billing Integrity must also continue to identify opportunities for and implementations of continuous improvement initiatives.

To date, LGE-KU has completed several initiatives aimed at improving customer billing performance:

- Implemented new, integrated customer information and billing system to replace two company-specific legacy systems.
- Reduced the backlog of billing exceptions from a high of 24,000 in 2009 to the current level of 5000.
- Conducting monthly meetings with Billing Integrity leadership team to identify processes improvement needs and encourage standardization between companies.
- Identified new Key Performance Indicators to better track departmental performance.
- Included performance and quality metrics in the employees’ 2011 PEPs.
- Developed an organizational restructuring to address BI deficiencies in tariff and rate expertise and in metrics management.
- Established a Strategic and Operational Performance Group to assist with process documentation, metric tracking, and root cause analysis.
- Moved Billing Integrity employees to the Shared Services Company to allow for better utilization of all resources across all companies.

As a result of the three-party roundtable discussions, LGE-KU committed to a number of additional steps to further address billing effectiveness:

1. Continue to pursue process standardization and continuous improvement between companies, including the adequate documentation of all routine processes in an effort to drive and improve employee accountability and quality of work.
2. Training and Quality Assurance:
    a. Develop a training and change management program overseen by dedicated full time staff to ensure all Billing Integrity employees have the knowledge necessary to resolve assigned billing exception cases.
    b. Monitor the performance quality of the employees, addressing identified deficiencies and departmental adherence to internal controls.
3. Measures and Targets:
    a. Establish a permanent group responsible for identifying and implementing effective measures and targets to track departmental performance and effectiveness, to quickly identify variances, and to determine root cause for identified variances.
    b. Develop a method to track and differentiate pre-invoicing errors from post-invoicing errors.
    c. Monitor system and departmental processes to identify improvement opportunities and coordination of cross-functional process enhancements.
4. Staff the newly created Billing Integrity specialists group that will be responsible for
    a. Coordinating the meter to bill process to ensure billing adherence to approved tariffs
    b. Providing expertise in identifying customer impact of proposed tariff changes
    c. Testing of all billing system changes to ensure correct billing.
5. Add enhanced billing knowledge to research and resolve customer complaints and perform root cause analysis to identify necessary training, system, and process improvement opportunities.
6. Enhance hiring process to include aptitude based component, tariff training to increase understanding of tariffs and rate application, and increased educational requirements for certain positions.
7. Reduce Billing Exception resolution period:

   a. Re-examine current system tolerances in an effort to identify tighter tolerance levels that result in quicker identification of customer data anomalies.
   b. Identity a method to track the period of time from billing exception creation to billing exception resolution and set goals with the intent of reducing the time necessary to resolve.
8. Address current requests to add more complex meters capable of capturing consumption over multiple time periods, support internal need for more detailed load utilization across entire service territory for enhanced forecasting capability, and prepare for future rate structure changes which will likely include more complex metering and billing structures.

These efforts should improve billing performance and help address billing backlog issues. LGE-KU should also report billing performance, including billing completion and accuracy statistics, on a monthly basis to the Kentucky Public Service Commission.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

LGE-KU will incur additional recurring costs to implement this recommendation, specifically ongoing labor costs to staff the Billing Integrity Specialists group (TBD). Additional costs will be incurred to develop and implement ongoing training and development of billing employees to handle more complex billing activities. Enhancement of the recruiting, hiring, on-boarding processes and quality assurance processes and development of the associated performance reporting can be done with existing staff.

B. Benefit Analysis

Quality assurance monitoring refers to the process of observing an employee’s work or spot-checking completed work. Quality assurance efforts can improve overall performance, reduce customer callbacks, focus training efforts, identify process improvement opportunities, and facilitate employee development. Quality assurance monitoring is one of the most effective methods for improving the level of service provided to customers. An enhanced focus on quality will benefit LGE-KU by reducing billing errors and rework, which will in turn reduce the incoming customer call volume and improve customer satisfaction.

The establishment of a Billing Integrity Specialists group will enhance billing knowledge to research and resolve customer complaints and perform root cause analysis to identify necessary training, system, and process improvement opportunities, which will ultimately improve billing performance and address billing backlog issues.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Enhance recruiting, hiring, and on-boarding practices (TBD) • Establish quality assurance monitoring/audits (TBD) • Develop billing performance reporting for KYPSC (TBD)	• Additional billing personnel to staff Billing Integrity Specialists group (TBD) • Ongoing training and development of employees to handle more complex billing activities (TBD)
Benefit:	• Less errors / rework • Reduced backlog • Improved billing accuracy	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Butch Cockerill**

B. Title **Director, Revenue Collections**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

The ability to issue timely and accurate customer bills is a critical component necessary to improve customer satisfaction and obtain customers trust. In addition, an effective and efficient billing operation is important for the financial stability of the Companies. The proposed improvement initiatives are necessary steps to enable Billing Integrity (BI) to improve their operational effectiveness and efficiency. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

The Action Plan proposed will add additional staffing which will enable BI to meet their current work load demands, to monitor and analyze performance data, and to utilize this data to make any necessary performance improvements. Implementing these initiatives will enhance BI's ability to issue timely and accurate customer bills.

C. Discussion of Cost/Benefit Analysis

Cost: To successfully implement the proposed initiatives, BI will be adding an additional twelve (12) full time employees. The projected cost for this recommendation is $ 1,400,000 annually.

Benefit: Implementing these initiatives will enhance BI's ability to issue timely and accurate customer bills.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Establish Business Continuity and Data Integrity functional group within Billing Integrity that is responsible for identifying and documenting key processes; developing training programs for key processes, monitoring employee adherence to key processes; implementing effective measures and targets to monitor departmental performance and effectiveness.	10/2011	02/2012
2.	Establish Key Processes:		
	Continue to pursue process standardization and continuous improvement between companies by documenting key processes to improve employee accountability and quality of work.	03/2012	08/2012
	Develop Training and Change Management Program		
	Develop a training and change management program to train Billing Integrity employees on key processes to ensure they have the knowledge necessary to resolve assigned billing exception cases.	04/2012	09/2012
	Monitor Employees		

	Develop a program to monitor employee adherence to key processes to improve employee accountability and quality of work. Implement Measures Identify the key measures that determine departmental performance and establish targets for those measures.	04/2012 04/2012	09/2012 08/2012
3.	Staff Billing Integrity Rate and Tariff Analysts that are responsible for: ensuring billing adherence to approved tariffs; providing expertise in identifying customer impacts of proposed tariff changes; resolve customer billing complaints; and system testing for proposed billing changes.	10/2011	12/2011
4.	Enhance hiring process to include pre-employment aptitude based testing and increased educational requirements for certain positions.	06/2011	Completed 09/2011
5.	Reduce Billing Exception resolution period: a. Re-examine current system tolerances in an effort to identify appropriate tolerance levels that result in quicker identification of valid customer data anomalies. b. Implement the new system tolerances levels based upon finding of above analysis and monitor impact of new tolerances and adjust if necessary. c. Develop a method to track the time required to successfully complete key billing exceptions from creation to resolution.	 10/2011 02/2012 04/2012	 01/2012 06/2012 08/2012
6.	Conduct evaluation of existing MV90 processes and system capabilities and recommend the most effective solution	10/2011	01/2012

	to address current requests to add more complex meters capable of capturing consumption over multiple time periods, support internal need for more detailed load utilization across entire service territory for enhanced forecasting capability, and prepare for future rate structure changes which will likely include more complex metering and billing structures.		

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 9

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 9

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Carefully plan and deploy full-balance dunning changes in a manner that is sympathetic to customer need.

III. Background (Filled Out By Consultant)

LGE-KU's write-offs have nearly tripled from 2007 to 2010.Prior to CCS, LG&E and KU, like other utility companies, initiated collection actions (dunning) based on account aging and the total outstanding balance. However, since CCS go-live LGE-KU has, in almost all cases, only been able to initiate dunning (demand for payment) based on the delinquency of the *current* month's bill, defaulted payment arrangements, and unauthorized reconnection of services.

At 15 days past the due date, LGE-KU evaluates accounts that are past due on the current invoice for eligibility of issuance of a disconnect notice (also referred to as a "brown bill"). This notice advises customers that the account will be "subject to termination" in 10 days if a payment is not received. However, customers owing less than a certain dollar amount do not receive a brown bill. Since CCS bases dunning actions exclusively on the current balance, monthly past due balances accrue if payment is not received and the current bill due continues to fall below the set dollar threshold. Additionally, customers cannot set up an installment plan with LG&E or KU to pay off delinquencies without first receiving a brown bill.

The current-bill dunning (disconnect) process has sent mixed signals to customers, and resulted in large active delinquent balances. Before CCS, customers received a brown bill whenever there was a past due balance. Many customers wait for the brown bill to make their payment or ask for an installment plan—the disconnect notices trigger action. However, without a disconnect notice, many customers, especially those struggling to make ends meet, do not make payments (and a payment arrangement was not an option). This has been confusing for customers—the rules have changed and it is not clear what conditions trigger a brown bill.

As a result of the current dunning process more than 18,000 accounts have been affected, resulting in more than $3.7 million in past-due receivables.

LGE-KU is now ready to deploy the system changes necessary to enable full account balance dunning. Customers who have not received a "brown bill" in the past (because their monthly bill is less than the set dollar threshold) will now receive a brown bill in a much more timely fashion, and for the entire past due balance (not just the current bill). However, many of the 18,000 plus customers in this situation may need some assistance to pay balances that have been allowed to accrue for many months, in some cases, for more than two years. The deployment of full-balance dunning will increase call volumes into the RSC as well as the number of disconnect orders issued to the field. It's critical that LGE-KU closely manage the cutover to control the impact on its operations; but it will prove equally important to manage the impacts on customers.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This change will allow the full account balance to be considered for dunning. Once implemented, the full account balance dunning will conduct a review of a customer's past due account balance and recommend the appropriate dunning action to align with the Customer Experience Strategy Respectful Relationships.

Since the audit began, LGE-KU has accomplished the following actions:

- Coding for full account balance dunning has been underway since late Q3, 2010.
- 95 percent of testing has been completed.
- Implementation Team formed in April 2011.
- Initial identification of accounts subject to full account balance dunning completed in April 2011.Detail provided by customer name, account number, billing portion, total account balance, age of arrears.

As a result of the three-party roundtable discussions, LGE-KU committed to the following steps to deploy full-balance dunning:

1. Complete testing of proposed system changes by end of second quarter 2011.
2. Prepare Call Centers, Business Offices and Field Services for implementation by the end of second quarter 2011:
    a. Develop talking points for use by front office employees in discussions with customers.
    b. Determine phase-in levels in order to minimize volume impacts to front office and Field Service.
    c. Establish processes for addressing customers who need payment assistance and to ensure customers are not harmed due to this process change.
3. Develop customer communication plan.
4. Senior management review and approval of implementation plans**.**
5. Request informal conference with KYPSC to review communication and implementation plans.
6. Begin implementation during third quarter**.**
7. Ongoing monitoring of dunning change effectiveness and customer impact, and modification of plan as deemed necessary to minimize customer impact.

It is critical that LGE-KU work closely with the KYPSC as full-balance dunning is rolled out to customers. LGE-KU should also report collections performance, including dunning statistics, the

% 30, 60, and 90-day arrears (and number of accounts), and net write-off levels, on a monthly basis to the Kentucky Public Service Commission so that it can monitor the Company's progress. Additionally, LGE-KU should report the number and percentage of accounts disconnected in error on a monthly basis.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation could be significant. LGE-KU has already incurred one-time system development costs to accommodate full-balance dunning. Additional costs will be incurred to develop and implement customer communications to the affected accounts.

While the development of the full-balance dunning roll-out plan and performance reporting can be done with existing staff, the call centers should expect increased call volumes and the field services organization should expect increased field enforcement activity (shut-off and reconnect orders) until the affected accounts are brought current.

B. Benefit Analysis

Full-balance dunning will enable LGE-KU to focus collection attention on these past due accounts much sooner, helping customers stay current and avoid large delinquencies. Ultimately this should result in improved collections performance and reduced write-offs.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• System development costs to accommodate full-balance dunning (underway) • Full-balance dunning roll-out plan (underway) • Customer communications (TBD) • Increased call volumes (TBD) • Increased field enforcement activity (TBD) • Develop collections performance reporting for KYPSC (TBD)	
Benefit:	• Improved collections performance and reduced write-offs	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Name **Butch Cockerill**

B. Title **Director, Revenue Collection**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

The Companies agree to implement a carefully planned modification to dunning which considers the customer's full-balance in the dunning process, rather than just the current month's charges.

B. Improvement Proposed by Company

By modifying the dunning process to include consideration of the customer's entire outstanding balance, rather than just the current month's charges, this will send a more consistent signal to customers who are behind in their payments and will result in customers receiving a disconnect notice more often than the prior method. This is important because customers in financial need often are required to have a disconnect notice in order to receive certain assistance benefits. This change will also allow the Companies to focus collection attention on these past due accounts much sooner, helping customers stay current and avoid large delinquencies. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

C. Discussion of Cost/Benefit Analysis

Cost: The cost for the system development required to implement this change was approximately $165,000.

Benefit: The Companies expect this change to improve collections performance and reduce write-offs.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Meet with KPSC in informal conference to discuss planned changes to dunning process	07/2011	Completed 07/2011
2.	Implement full account balance dunning over the course of four months to control operational impact	08/2011	11/2011

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 10

I. Report Reference (Filled Out By Consultant)

A. Chapter II

B. Section J

C. Recommendation No. 10

D. Priority: Medium

II. Recommendation Statement (Filled Out By Consultant)

Improve the focus on Quality.

III. Background (Filled Out By Consultant)

RSC has also not met its call quality standards for some time (in fact not once during the last 2 years).Companies that adopt and effectively use call-quality programs typically realize significant improvement in call quality, customer satisfaction, employee performance, and overall call center performance. Call quality monitoring often proves one of the most effective methods for improving the quality of service provided to customers. Measuring the customer experience serves as the primary purpose of a call quality monitoring process.

However, many quality programs fail to truly improve the customer experience, primarily because measuring call quality is a challenging process. Call quality measurement must be credible and consistent in order to improve the quality of service provided. Calibration is essential to ensure consistency and build confidence in call monitoring results. The best way to gain consensus on a call is to design the proper review criteria and then test it repeatedly. Group discussions comparing and discussing results help to focus and clarify the difficult task of judging performance, and they also build confidence and consistency. The goal is to calibrate until all members conform to standard to make sure everyone is on the same page and providing consistent evaluation and guidance to representatives. Routine calibration and calibration sessions that include frontline supervision are the top two drivers of Quality Assurance (QA) credibility.

The RSC conducted only two call quality monitoring calibration sessions in 2010—not nearly enough to achieve the consistency needed to gain buy-in from the frontline. The BSC did not conduct any calibration sessions at all. Overall, quality-monitoring efforts for the BSC have been ad-hoc, primarily due to resource limitations. The RSC recently increased the frequency of calibration sessions to once a month for 2011. Calibration-session invitees include the Quality Monitoring Group, RSC Coaches, RSC Training Staff, RSC Operations Managers, and Manager, Residential Services.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

Corporate customer service decision-making and execution must include a focus on quality and therefore the company must consider the customer needs before, during and after each contact to ensure a high level of quality service.

During the audit investigation period, LGE-KU implemented the Customer Impact Assessment to support business planning and decision framework. While this is an important step in helping employees and management recognize the importance of the "customer experience," more should be done to emphasize the importance of service quality.

As a result of the three-party roundtable discussions, LGE-KU committed to a number of additional steps to the Companies' commitment to quality service:

1. Evaluate efficiency (Average Handle Time) in relation to effectiveness (quality and first contact resolution) in completing customer calls. Develop metrics that reflect this balance.
2. Re-evaluate policies and practices in call centers to minimize the transfer of customers.
3. Implement "Soft Skills" training for management team and then deploy across the customer service organization inclusive of all front office and field personnel.
4. Expand "Quality Monitoring" by implementing additional transactional surveys.

In addition to the above commitments, LGE-KU should include quality assurance activities in every function of Customer Service. This would include setting up:

- Random transactional monitoring/review of billing transactions
- Route audits / field spot checks of meter readings and field orders
- Side-by-side quality monitoring of Business Office transactions
- Random transactional monitoring of collections activities
- Monitoring calls that have been surveyed for customer satisfaction

The emphasis of these efforts should be to focus employees and management on the effectiveness of the customer interaction as viewed by the customer. In addition to the above commitments, LGE-KU should also report quality performance (for Billing Integrity, Meter Reading, Field Service, Business Offices, Collections, and Call Centers) on a monthly basis to the Kentucky Public Service Commission.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

Costs to implement this recommendation are minimal. The development of the quality assurance process and quality performance reporting can be done with existing staff. LGE-KU will incur additional costs to offer soft-skills training to employees (TBD).

B. Benefit Analysis

Quality assurance monitoring refers to the process of listening to or observing an employee's phone or face-to-face conversations with customers or spot-checking completed work. Not only can it improve the customer experience, it can also improve overall performance, reduce callbacks, focus training efforts, identify process improvement opportunities, and facilitate employee development. Quality assurance monitoring is one of the most effective methods for improving the level of service provided to customers. An enhanced focus on quality will benefit LGE-KU by reducing errors and rework, which will in turn reduce the incoming customer call volume and improve customer satisfaction.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	• Establish quality assurance monitoring/audits in all Customer Service areas (TBD) • Develop service quality performance reporting for KPSC (TBD)	• Soft-skills training for customer service employees (TBD)
Benefit:	• Reduced errors and rework, reduced call volume • Improved customer satisfaction	

D. Other Costs or Benefit

Other costs or benefits that cannot be quantified should be described in this Section

VI. Utility Responsibility (Filled Out By Company)

A. Names **Cheryl Bruner**

B. Titles **Director, Customer Service & Marketing**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Improve the focus on quality by advancing quality monitoring/assurance business processes. Results of this recommendation will be supplied to the KPSC in semi-annual reports.

B. Improvement Proposed by Company

Enhanced quality monitoring will result in the reduction of errors, provide more information to assist with determining training needs, and improve employee performance. Reduction in errors and improved employee performance will result increased customer satisfaction.

C. Discussion of Cost/Benefit Analysis

Cost: The cost associated with implementing a transactional study in Field Services area is estimated at $75,000 annually. The cost to develop and conduct soft skill training for the customer service area, including field personnel, in estimated to be approximately $50,000 and may be conducted with either internal or external resources.

Benefit: Quality monitoring will improve accuracy in billing and meter reads and is expected to provide the benefit of fewer calls on these subjects and increased customer satisfaction. Monitoring calls from customers who have been surveyed in our transactional studies provides the benefit of information on how the customer viewed the experience and the opportunity to discuss that with the agent. Information received from additional transactional studies will provide the management team with meaningful information on the customer's view of the experience, which will be used to enhance processes and staff performance.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Evaluate efficiency (Average Handle Time) in relation to effectiveness (quality and first contact resolution) in completing customer calls. Develop metrics that reflect this balance.	10/2011	12/2011
2.	Re-evaluate policies and practices in call centers to minimize the transfer of customers.	10/2011	01/2012
3.	Develop "Soft Skills" training for management team and all front office and field personnel.	01//2012	04/2012
4.	Expand "Quality Monitoring" by developing and implementing transactional surveys in the Field Services group.	10/2011	04/2012
5.	Increase calibration sessions for management team and training group for RSC and BSC QA	08/2011	01/2012
6.	Conduct random transactional monitoring/review of billing transactions.	03/2012	07/2012
7.	Perform route audits / field spot checks of meter readings and field orders.	12/2011	03/2012
8.	Develop and implement a process to perform side-by-side quality monitoring of Business Office	10/2011	01/2012

	transactions.		
9.	Perform random transactional monitoring of collections activities.	03/2012	07/2012
10.	Add to monitoring process, some calls that have been surveyed for customer satisfaction.	08/2011	01/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name
Christine Kozlosky

B. Discussion:
LGE-KU's response and proposed implementation steps meet the intentions of Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 1

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 1

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Take a holistic view and address the cultural and management aspects of customer service, recognizing that mechanical fixes are no longer likely to be sufficient.

III. Background (Filled Out By Consultant)

Discussions with management suggested a belief that a healthier culture will emerge simply from the many improvements to which the Company has already committed. Liberty believes there is some merit to this argument, but we reiterate that the promised mechanical fixes are not likely to be successful without other, supporting actions at high levels.

The Company should realize that, from an outsider's perspective, it has been functioning for many years in an environment in which meeting the customer service challenge has been difficult. Priorities have been effectively re-set, with customer service lower than before. Spending limits have been tightened, with funding as difficult as ever to attain. Performance standards have been relaxed, with important targets missed by extremes for extended periods. Commitments to customer service improvement have lost their credibility within the Company. It would appear to Liberty that a cultural shift, and not for the better, has taken place and that it is likely to restrain progress unless directly addressed.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

There are many actions that can be taken here in parallel with the other recommendations, but culture change is not a short term or temporary pursuit. It is reasonable to expect real actions and changes in management approach right away – it is not reasonable to expect those to produce immediate results. In fact it is the sustained practice of these leadership traits that changes culture and maintains it.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The costs associated with this recommendation are likely to be significant but indirect; *i.e.*, the establishment and demonstration of a healthy culture will facilitate the many other improvements contemplated by this report and the company. While "throwing money" at a problem is rarely the right solution, failure to supply the necessary resources is a sure sign of lack of commitment and a non-supporting culture.

We have stressed that this is a leadership issue, and it is hard to estimate what demonstration of leadership costs, if anything. In this case, the "demonstration of leadership" can take many forms, including (1) commitment of funds to the various recommendations presented here; (2) paying attention to performance metrics and incorporating them in day-to-day decision-making; (3) holding subordinates accountable for meeting performance expectations; and (4) making clear one's priorities and living those priorities in the planning and budgeting processes.

So there is no question that a healthier customer service culture will result in a propensity to spend more in customer service areas. The money will rightfully appear in the other recommendations.

Some direct costs will be likely, but we do not think they will be substantial. For example, changes to planning documents, changes to compensation formulas and other initiatives to demonstrate management's priorities should be necessary but not costly.

B. Benefit Analysis

It seems clear that the company is making major commitments to improve. Liberty believes those expenditures cannot be fully effective or sustaining without an accompanying change in management's perceptions on customer service in a manner that transforms organizational attitudes and priorities. So the primary benefit of this recommendation is the empowerment it provides for the other recommendations.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	Minimal direct costs but indirectly in the millions as it implies a high level of support for the other recommendations contemplated by the Company and recommended by Liberty.	
Benefit:	Long term benefits to the extent the impact and effectiveness of other recommendations are maximized.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Enhance the overall cultural and management aspects of customer service through corporate wide adoption of the Customer Experience Strategy (CES) (to be revised), commitment of funds to achieve overall objectives of the (CES), incorporation of operational metrics in day-to-day decision making, evaluation of the Team Incentive Award compensation program, and inclusion of Customer Service priorities in strategic planning and budgeting process.

B. Improvement Proposed by Company

Improvement in organizational attitudes and priorities regarding the corporate objective to advance the customer service culture.

C. Discussion of Cost/Benefit Analysis

Cost: These recommendations remain within the internal operating expenses of the Companies'; therefore no additional "explicit" costs are envisioned. However, costs associated with the individual objectives or tactical plans are already included in the corporate budget and included in the cost analysis in other sections of this report.

Benefit: Improvement in organizational attitudes and priorities regarding the corporate objective to advance the customer service culture.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Revamp the Customer Experience Strategic (CES) plan *Note: Actions included in the CES are continuing while this exercise occurs. The longer timeline is to ensure the new aspects of the strategy are properly disseminated across the corporation.*	See Rec. IV-9	03/2012
	Implementation of the CES	See Rec. IV-9	03/2012

	Note: Implementation of specific actions in the CES are well underway and/or have varying timelines depending on the specific nature of the action. Therefore, the CES has a perpetual timeline given that tactics are completed and new tactics come into the plan. Integrate the CES in planning and budget process		Completed 10/2011
	Set credible targets for metrics included in Retail Operating Report and incorporate into day-to-day decision making.	See Rec. IV-5 &IV-8	Completed 10/2011
	Evaluate TIA measures, determine recommended approach, and implement	See Rec. IV-4	01/2013
	Inclusion of Customer Service priorities in strategic planning and budgeting process.	See Rec. IV-10 IV-5	Completed 10/2011

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

Liberty believes that the implementation plan is appropriate. Staff and the company should recognize, however, that culture change requires sustained actions over a period of time.

Management Audit Action Plan

Recommendation No. 2

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 2

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Give customer-service operational performance greater visibility and oversight at the corporate and parent levels.

III. Background (Filled Out By Consultant)

There appears to be limited attention paid, and little priority given, to operational matters at the corporate and parent levels. If this were not the case, it is difficult to see how KPI results could deviate by so much for so long. As the industry continues to consolidate, this may perhaps be an inevitable consequence, with leadership necessarily becoming more distant from the operational elements of the business. Also, with the structure chosen by many firms, there are limited operational capabilities outside the largely autonomous operating units.

The lack of visibility and oversight leads directly to a lessened ability of the operating companies to get the resources they need to deal with problems. Accordingly, Liberty recommends that the operational performance measures should be on leadership's radar screen, should be factored into resource allocations, and should be treated with a suitable priority.

There is a fundamental decision to be made here by executive management and the parent. Are they interested in exerting some influence and control over operational performance or is their role strictly one of financial oversight? We suspect that leadership will select the former, in which case the recommendation here for greater visibility and oversight, where there seems to be little today, would appear to be mandatory.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation simply suggests that the leadership team pay attention to the commitments that have been made, review those on a periodic level and hold managers accountable to the committed levels of performance. The timing to implement this should be the very near future.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

There should be no new costs associated with this recommendation. For the executive level, the necessary reports are already in place and apparently have been shared on a regular basis. The recommendation suggests that these very same reports receive a greater level of attention and scrutiny at the executive conference table.

B. Benefit Analysis

The Company's decline in customer service in recent years occurred in full view. While there may have been many real problems, reporting of the circumstances was surely not one of them. KPIs sent a clear, consistent, strong and visible message to all who would listen. To the extent management is willing to again make these KPIs a meaningful part of the business by dealing with them regularly at the executive level, managers at all levels will attack emerging problems with considerably greater vigor.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	None	
Benefit:	Operational problems will be attacked in a fare more timely and effective way and not be allowed to fester. With continued executive attention, long term declines as seen in the past will simply be impossible.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Actively communicate Customer Service operational performance in corporate strategic planning and budgeting documents as well as senior level performance reports.

B. Improvement Proposed by Company

Visibility of customer service performance and senior level focus on overall operating results to ensure advancement on the customer experience vision.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies therefore no additional costs are envisioned.

Benefit: Executive attention to operational performance will ensure course correction where required are timely.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Develop / report customer service operational metrics in senior level performance reports	10/2011	12/2011
	Retain the Customer Experience Strategy steering committee to formally track and report on performance of strategic goals and tactical objectives. The steering committee includes: SVP Energy Delivery, Chief Information Officer, VP Corporate Planning and Development, VP State Regulation and Rates, VP Corporate Responsibility and Community Affairs, VP External Affairs, VP Corporate Communication, VP Retail Business.	Complete	Complete

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

Liberty's recommendation calls for greater oversight at the corporate and parent levels. The company response commits to providing better reports to senior management. Insufficient reporting was not the problem identified, nor did Liberty intend to suggest difficulties with reporting. Our recommendation addresses the issue of what executive leadership does with those reports, which we found to be problematic in the past.

Liberty observes in this recommendation that "little priority is given to operational matters at the corporate and parent levels." Liberty further asked "Are they interested in exerting some influence and control over operational performance or is their role strictly one of financial oversight?" Finally, Liberty recommends that "the leadership team pay attention to the commitments that have been made."

The company's response should address the role of upper management and the parent. A response from the VP of the Retail Business is fully inappropriate suggests that the company does not propose changes at the more senior (i.e., those that formed the subject of the recommendation) levels of management. An effective response to this recommendation requires a statement of actions planned by upper management and the parent.

Management Audit Action Plan

Recommendation No. 3

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 3

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Take actions at the parental level to reinforce PPL's commitment to superior service.

III. Background (Filled Out By Consultant)

There is clearly a level of disagreement between the Company and Liberty concerning the role of corporate management and that of the parent. The Company has sought to draw a bright line between the Energy Delivery organization and those to whom it reports, as if ED is an independent function, operating independent of its governors and with the wherewithal to fully control its own destiny. Liberty does not accept this notion. ED's seeming inability to garner adequate resources from its superiors, either because it was denied or it never asked, is a key conclusion of our analysis that the Company has not been able to refute.

Ironically, ED's "bright line" approach is starkly at odds with PPL's stated intentions, which we have taken at face value and believe are well meant. We have indeed pointed the finger at past parents, but at the same time have emphasized that PPL must be given the opportunity to prove its commitments – it is too soon and inappropriate to conclude that PPL is lacking in any way here. Our knowledge of PPL suggested that this recommendation would be well received and, in fact, viewed as a welcome opportunity to again communicate its values and commitments. ED's position that this recommendation should be deleted in its entirety therefore raises a whole new set of questions, not the least of which revert back to the culture issue.

Consistent with its commitment to active involvement and unparalleled customer service, the time seems right for help and support from PPL. The challenges being faced in Kentucky are substantial, and PPL's culture, values and customer service knowledge are sure to be a big help.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

We respectfully suggest that, with the flurry of activity now required to respond to and act upon these recommendations, the support of PPL would be especially timely, and we recommend that this recommendation proceed expeditiously.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The costs associated with this recommendation are obviously a function of how the parent would choose to become involved. We would suggest that continuing involvement comes at little or no cost. Similar to Recommendation 2, it is a question of management doing the right thing in monitoring and managing operational performance.

But PPL may choose a more direct and perhaps hands-on path as suggested in some of its testimony. In that case, some costs may come about. We can theorize potential assistance in the form of a PPL manager temporarily assigned to Kentucky. Or a continuing periodic meeting of corporate and Kentucky customer service managers focused on performance and expectations. Our cost estimates are based on this type of response, but we emphasize that PPL is likely to have as good or better ideas and we would defer to those ideas.

B. Benefit Analysis

We have indicated that past parents neglected operational matters for the benefits of tight budgets and rigid financial goals. We believe that such behavior is the genesis of, or at least a major contributor to, the problems of recent years. PPL has he chance to change all that, and bring things back into a reasonable balance. To take an "arms-length" approach will lose a good opportunity and lead to more of the same.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	$200,000 – assuming some direct level of interim resource support from PPL.	$100,000 – assuming periodic performance – oriented meetings
Benefit:	A focus of the parent on operational results, as opposed to just financial expectations, will preclude the kinds of problems that have occurred in the past. Also, PPL is likely to be able to provide a number of enhanced practices.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: Approved

D. Explanation of Exception or Rejection: Not Applicable

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Work in concert with PPL Retail operations to seek "best practice" approaches to managing overall customer service and ultimately customer experiences. Due to the breadth of Retail operations, both front and back office, best practices teams have been set up in the following areas; customer service, billing and payment, low income programs, energy efficiency program offerings, smart grid strategy, economic development, and community involvement. These efforts coupled with an exchange of leadership expertise for call center operations are well underway.

B. Improvement Proposed by Company

The adoption of best practice approaches in managing the Retail business will improve overall operations.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies.

Benefit: The adoption of best practice approaches in managing the Retail business will improve overall operations.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Set up best Practice teams: Customer Service Billing and Payment Low Income programs Energy efficiency program Economic Development Community Involvement	03/2011	Completed 05/2011
	Exchange Best Practices	04/2011	06/2012
	Exchange Call Center management expertise for review of current trends and business processes and seek performance improvement opportunities.	11/2011	12/2011

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

Liberty noted that "Our knowledge of PPL suggested that this recommendation would be well received and, in fact, viewed as a welcome opportunity to again communicate its values and commitments." However, the company's plans incorporate no response from PPL. We therefore have the same comments here as we offered in the immediately preceding section.

Management Audit Action Plan

Recommendation No. 4

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 4

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Reevaluate KPIs in customer service, set realistic targets consistent with its vision and reestablish the credibility of the KPI program.

III. Background (Filled Out By Consultant)

With such large deviations for such a prolonged period, the KPI program has lost credibility, at least with respect to customer service. Management should not consider that as acceptable. Significant steps are required to regain credibility, including communication of intent, establishment of credible goals, accountability for performance against those goals and immediate and visible action when KPIs are in trouble.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

The KPI program is defined as a critical part of the management process at the Kentucky utilities. It should therefore be an urgent priority to reestablish its viability.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

We recommend no fundamental changes in the mechanics of the program. Rather, the needs are credible goals and management attention to performance against those goals. Accordingly, we see no new costs.

B. Benefit Analysis

The KPI program, at least with regard to customer service, has no value in that performance is simply too far away from goals, leaving no real hope. Any management system requires a credible standard of performance. Since the Company itself views KPIs as important, it is incumbent on the Company to make the program meaningful.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	None	
Benefit:	Restoration of effectiveness for a critical management program.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Reevaluate KPIs in customer service, set realistic targets consistent with the Customer Experience Strategy’s vision.

B. Improvement Proposed by Company

Provides management and staff credible targets to gauge overall operational performance improvement efforts while maintaining a long range focus on the Customer Experience Strategy’s vision.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies; therefore no additional costs are envisioned.
Benefit: Provides management and staff credible targets to gauge overall operational performance improvement efforts while maintaining a long range focus on the Customer Experience Strategy’s vision.

VIII. Implementation Steps (Filled Out By Company)

Recommendation No.	Implementation Steps	Start Date	Completion Date
1.	Set credible targets for metrics included in Retail Operating Report	09/2011	Completed 09/2011

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

The actions by the company are generally consistent with Liberty's recommendation. We have not seen the revised targets, however, and therefore cannot comment on their conformity with our intent. Review of the targets by staff in its monitoring of the action plan is therefore the only means for verifying that conformity.

Management Audit Action Plan

Recommendation No. 5

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 5

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Directly reflect a high priority for customer service in strategic plans and in the planning and budgeting process.

III. Background (Filled Out By Consultant)

This is particularly important at the corporate level, where the MTP has no discussion of customer service goals or priorities and only a brief reference to past successes. Strategic plans should include clear definition of tangible goals and objectives reflective of superior customer service. The vision is essential but not sufficient in the absence of specific actions designed to make the vision a reality. The commitments made in the roundtable process need to be incorporated into ED's current strategic planning and budgeting processes.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation should be implemented in the next planning cycle.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

This is not a change in any planning process but merely reflecting what management already claims are its priorities in the strategic plan. Accordingly, there are no added costs.

B. Benefit Analysis

Management claims that customer service is a high priority, but such claims cannot become a reality if they are excluded from company plans. This recommendation facilitates management's ability to accomplish its priorities.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	None	
Benefit:	Reflection of management's stated priorities in strategic plans gives those priorities a chance of success.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Customer Service goals and priorities should be explicitly reflected in strategic planning and budgeting process consistent with the commitments made in the roundtable process. *Note: specific commitments not included in this section, however reflected in the recommendations in the balance of this report.*

B. Improvement Proposed by Company

Focused priority of Customer Service in the strategic planning and budgeting process to ensure operational goals are tracked and achieved.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies; therefore no additional costs are envisioned.

Benefit: Focused priority of Customer Service in the strategic planning and budgeting process to ensure operational goals are tracked and achieved.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Incorporate into strategic planning and budgeting process	05/2011	Completed 10/2011

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

The response is consistent with Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 6

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 6

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Examine, in a formal quantified way, the long-term strategy for minimizing customer expenses to assure that the vision for superior customer service is not compromised.

III. Background (Filled Out By Consultant)

There is evidence that the quest for low costs may be contributing to the decline in customer service. An analysis that seeks to balance costs and service, and to lead to a strategy that preserves the Company's competitive position while elevating service to prior levels, would be appropriate.

It is recognized that the consequences of insufficient funding of utility operational areas often do not become visible for 5 years or more. If this is the case, it is critical that the company understand what has happened in recent years and immediately begin a recovery process. The Company claims that its cost focus is and should be an important priority, as it is for all well managed companies. We agree, but respectfully suggest that one can take this too far. Management's challenge is one of balancing priorities, and there is reason to believe that perhaps the company may have lost that balance, with customer service being at least one victim.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation should be implemented in the next six months.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The recommendation entails a one-time study for which the company likely has the skills internally. Assuming one person for perhaps several months, the cost should be less than $100,000.

B. Benefit Analysis

The Company's continuing long-term pursuit of being the lowest cost provider may still be a valid priority. But we suspect that the toll it is taking may be too high a price. A studied analysis of cost policies, and how they have influenced operational performance, should reveal whether a change in strategy is appropriate.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	<$100,000	None
Benefit:	Validation, or refutation, of the strategy to continue driving the company's competitive position to the lowest cost.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Complete a one-time study of the current long-term strategy for minimizing customer expenses to assure that the vision for superior customer service is not compromised.

B. Improvement Proposed by Company

Validation, or refutation, of the strategy to continue driving the company's competitive position to the lowest cost.

C. Discussion of Cost/Benefit Analysis

Cost: The expected cost to complete the study is approximately $80,000.

Benefit: Validation, or refutation, of the strategy to continue driving the company's competitive position to the lowest cost.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Complete study Evaluate results for inclusion in strategic planning	01/2012 04/2012	04/2012 06/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

The response is consistent with Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 7

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 7

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Directly tie the budgeting process and the resulting allocation of resources to operational goals and objectives.

III. Background (Filled Out By Consultant)

This is a rather fundamental principle that requires: (1) some degree of flexibility in the funding process, (2) a clear understanding of priorities and (3) analytical capabilities to aid in the balancing process. The Company's management of customer service (and of operational decisions in general) will benefit from improvement in all three categories.

Liberty's evaluation of the budgeting and planning process suggests that any linkage between funding and operational performance is minimal. There have indeed been examples of the company directly allocating new money to problem areas, so the concept is not foreign. But the customer service area has clearly been an area requiring such treatment in recent and its problems never seem to have made it into budget discussions.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation should be implemented in the next budget cycle.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

One element of this recommendation may result in added costs. The Company presently does not seem to have the analytical capability to adequately support the managers charged with allocating resources. Each member of the allocation committees is effectively on his or her own in trying to judge where resources should be best assigned. An independent analyst, who can objectively analyze the various options and provide the supporting data to the managers would be helpful. Presumably such a person would emphasize where operational goals were being missed and provide a quantitative analysis of potential solutions. It is difficult to see how the committees can be effective without good data, and the failure to allocate resources to customer service in recent years is a clear example of where they have not been effective.

The balance of this recommendation involves relatively simple actions; i.e., operational goals and priorities should drive the allocation of resources. There is no real cost to implement this basic principle.

B. Benefit Analysis

At the present time, key managers spend considerable time in supporting committee activities. That time should produce real results and benefits in the form of optimized spending and enhanced operational performance. But this cannot happen if the spending and performance priorities are not linked. The benefit of implementing this recommendation is therefore that it will allow the current process to work as intended.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:		$150,000 per year for analytical capabilities to support the process
Benefit:	Enhanced spending and performance results.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Restructure the responsibility for the strategic allocation of resources to operational goals and objectives to the Manager of Strategic and Operational Performance. This role currently has five analysts responsible for the wide technical breadth of Energy Delivery operations, inclusive of Electric Distribution, Gas Operations and Retail services. Additionally, this functional role tracks and reports on operational performance and actively works with the Director of Asset Management for prudent resource allocation.

B. Improvement Proposed by Company

The optimization of operational performance though effective allocation of resources.

C. Discussion of Cost/Benefit Analysis

Cost: The annual cost for an additional analyst to support "collective reporting" is approximately $155,000.

Benefit: The optimization of operational performance though effective allocation of resources.

VIII. Implementation Steps (Filled Out By Company)

Recommendation No.	Implementation Steps	Start Date	Completion Date
	Restructure responsibility to the Mgr. of Strategic and Operational Performance and allocate analyst to this department.	05/2011	Completed 05/2011 *Note: Analyst in role as of May 2011.*

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

The response is consistent with Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 8

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 8

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Fully integrate the CES, when revised as desired, into the planning and budgeting process.

III. Background (Filled Out By Consultant)

At the present time, the CES is detached from the normal planning and budgeting process. As such, there is no allocation of resources to it or commitment to its objectives. Subjecting the CES to competing priorities for funding means that it is not a strategy or plan after all, but simply another idea that must sink or swim on its own.

Needless to say, that approach does not signal any real commitment on the part of management. Effective implementation of the CES will cost money, and that simply cannot happen without folding the program into the budgeting and planning process as a high priority element.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation should be implemented in the next budget cycle.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

The outcome of this recommendation will be significant additional costs competing for budget allocations. But those are costs correctly attributed to the CES, and not this recommendation.

B. Benefit Analysis

The CES program has no hope if each element is subjected to day-to-day and year-to-year competition for funds, particularly when such funds are already in short supply. The only chance for success is to make CES a priority and provide suitable funding.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	None	
Benefit:	The CES cannot succeed if it does not receive adequate funding via the budgeting process.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

The Customer Experience Strategy (CES) has been integrated into the 2011 corporate planning and budgeting process. This action has provided immediate focus and funding on customer service initiatives. However, post the completion of RecommendationIV-9, an assessment of the planning and budgeting gaps, if any, will be evaluated and closed.

B. Improvement Proposed by Company

This action ensures alignment between the corporate customer service vision and the planning and budgeting process while balancing other corporate priorities and the ultimate implications to customer rates.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies; therefore minimal additional costs are envisioned. Costs associated with the individual objectives or tactical plans are already included in the corporate budget and included in the cost analysis in previous sections of this report.

Benefit: Alignment between the corporate customer service vision and the planning and budgeting process while balancing other corporate priorities and the ultimate implications to customer rates.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Integrate the CES in planning and budget process	05/2011	Completed 10/2011
	Complete Gap analysis post completion of recommendation 9 and close gaps, if any.	03/2012	04/2012

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

This response is categorically consistent with Liberty's recommendation; however, we do not have the data to determine the extent that the CES has been fully incorporated into the process or fully funded in accordance with the CES's intent and objectives. Staff therefore should consider these questions when monitoring implementation.

Management Audit Action Plan

Recommendation No. 9

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 9

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Make a number of specific changes to the CES to reinforce its effectiveness.

a. The final CES should be accompanied by approved funding sufficient to fully implement the strategy.

b. The CES should evidence a greater sense of urgency and a greater commitment to each of its initiatives, including specific goals and committed timetables.

c. The CES should include correction of the basic performance shortcomings described herein and as already acknowledged by the Company.

d. Specific, quantified goals should be included as opposed to broad concepts.

III. Background (Filled Out By Consultant)

Liberty's report suggests that the CES can and should serve as a strong foundation for customer service improvement. A number of recommendations for improving the CES have been made in order to enhance its value and effectiveness.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation should be implemented immediately in the design of the CES.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

A revamping of the CES to introduce these and other improvements should have minimal cost. The key is to elevate the priority, in which many of these recommendations will flow naturally.

B. Benefit Analysis

The Company is pinning its future success on the CES, but it currently has a number of shortcomings that will compromise that objective. These recommendations will help close those gaps and make the CES more effective.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	<$50,000	None
Benefit:	The CES will prove more effective and more likely to succeed.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: Approved; Approved

D. Explanation of Exception or Rejection: Not Applicable

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Reconvene the corporate-wide cross divisional team to enhance the Customer Experience Strategy (CES)to evidence a greater sense of urgency and a greater commitment to each of the initiatives, including specific goals and timelines. This includes clear actions to improve overall operational performance accompanied by sufficient funding to meet operational objectives.

B. Improvement Proposed by Company

Improved clarity of corporate and operational objectives to enhance the overall customer service culture while driving operational performance.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies; therefore no additional costs are envisioned. Costs associated with the individual objectives or tactical plans are already included in the corporate budget and included in the cost analysis in previous sections of this report.

Benefit: Improved clarity of corporate and operational objectives to enhance the overall customer service culture while driving operational performance.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Revamp the Customer Experience Strategic (CES) plan *Note: Actions included in the CES are continuing while this exercise occurs. The longer timeline is to ensure the new aspects of the strategy are properly disseminated across the corporation.*	11/2011	03/2012
	Implementation of the CES *Note: Implementation of specific actions in the CES are well underway and/or have varying timelines depending on the specific nature of the action. Therefore, the CES has a perpetual timeline given that tactics are completed and new tactics come into the plan.*	See note	See note

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

The action plan is consistent with Liberty's recommendation.

Management Audit Action Plan

Recommendation No. 10

I. Report Reference (Filled Out By Consultant)

A. Chapter IV

B. Section D

C. Recommendation No. 10

D. Priority: High

II. Recommendation Statement (Filled Out By Consultant)

Introduce into the TIA more aggressive, yet achievable, goals consistent with a much improved level of customer service

III. Background (Filled Out By Consultant)

The intention here is to strike a reasonable balance between realistic goals and the "superior" level to which the Company aspires. In that context, the current goals are not suitably aggressive. Since "superior" may indeed be out of reach in the short term, we are not suggesting that as a goal for the TIA. But the TIA neither represents above average performance, nor does it strike a path towards eventual superior service.

IV. Expected Improvement/Implementation Timeline (Filled Out By Consultant)

This recommendation should be implemented in the next TIA cycle.

V. Cost/Benefit Analysis and Support (Filled Out By Consultant)

A. Cost Analysis

There is no cost associated with this recommendation as it is simply a redefinition of program targets.

B. Benefit Analysis

There is no clearer message of priorities than compensation. A strong link between exceptional customer service and employee rewards is a good start towards both improved performance and a healthier culture.

C. Cost/Benefit Summary

Category	One Time	Annual Recurring
Cost:	None	
Benefit:	Improved employee performance, clearer communication of priorities and a healthier customer service culture.	

D. Other Costs or Benefit

VI. Utility Responsibility (Filled Out By Company)

A. Name **John P. Malloy**

B. Title **VP Energy Delivery – Retail Business**

C. Recommendation Action: **Approved**

D. Explanation of Exception or Rejection: **Not Applicable**

VII. Utility Response (Filled Out By Company)

A. Discussion of Recommendation

Form a cross divisional team to evaluate, enhance or change the Team Incentive Award (TIA) consistent with driving a Customer Service culture in alignment with the Customer Experience Strategy vision of becoming a preeminent utility provider of innovative customer experiences.

B. Improvement Proposed by Company

Ensure alignment of incentive compensation to corporate commitment of driving a Customer Service culture.

C. Discussion of Cost/Benefit Analysis

Cost: This exercise remains within the internal operating expenses of the Companies; therefore no additional costs are envisioned.

Benefit: This action seeks to ensure incentive compensation is directly tied to managerial and employee decision making while advancing the corporate wide customer service culture.

VIII. Implementation Steps (Filled Out By Company)

No.	Implementation Steps	Start Date	Completion Date
1.	Evaluate TIA measures and determine recommended approach	10/2011	02/2012
	Implement recommended approach	06/2012	01/2013

IX. Comments/Clarification of Intent (Filled Out By Consultant)

A. Consultant Name: Richard Mazzini

B. Discussion:

The planned actions are categorically consistent with Liberty's recommendation; however, staff should verify at the appropriate time that the new targets are aligned with the recommendation's intent.