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## **NEWS RELEASE**

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# **PSC Audit: LG&E and KU Need to Improve Customer Service**

## ***Independent review says utilities are falling short of their own standards***

**FRANKFORT, Ky. (Sept. 14, 2011)** – An independent review ordered by the Kentucky Public Service Commission (PSC) has found numerous problems with customer service operations at Louisville Gas and Electric Co. (LG&E) and Kentucky Utilities Co. (KU).

In a report issued today by the PSC, an outside consultant noted that the two utilities – the largest in Kentucky – are regularly failing to meet their own internal performance standards. The report makes specific recommendations to correct the shortcomings.

The review, known as a focused management and operations audit, was conducted by The Liberty Consulting Group.

With the completion of the audit report, the next step is for Liberty and the two utilities to develop a set of action plans to address Liberty's findings and recommendations. The action plans should be completed in several weeks.

While noting that LG&E and KU have committed to address the operational issues and also began implementing corrective measures prior to the completion of the audit, Liberty's report says that alone will not solve the problems.

"Executive management needs to follow up its expressed commitment to change by addressing fundamental culture and resource issues in order for the proposed fixes to have credibility and likelihood of success," the report says. "Superior service has been lost...it needs to be regained."

Liberty noted that the purchase of the two utilities by PPL Corp. from E.ON U.S. LLC, which occurred a year ago, is an opportunity to bring about the needed changes in corporate culture. E.ON took a strictly "bottom-line" approach, whereas PPL can now prove its stated commitment to improving customer service, Liberty said in the report.

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“The findings in this report confirm much of what the PSC has heard from unhappy LG&E and KU customers,” PSC Chairman David Armstrong said. “We expect the utilities to treat this report with the utmost seriousness and look forward to working with them to correct the deficiencies noted in the audit.”

Because of those complaints, the PSC ordered a comprehensive review of all LG&E and KU customer service functions, including meter reading, accounting, billing and collections, call center operations, service installations, and disconnections and reconnections. Under state law, the PSC selects the auditor, but the utility pays the cost of the review.

LG&E has about 396,000 electric customers in nine counties in and around the Louisville area and 320,000 natural gas customers in 21 counties. KU has 515,000 customers in 77 Kentucky counties.

In general, the audit found that customer service at LG&E and KU has declined in recent years, especially following the 2009 switch to a new computer system for billing and other customer functions. As service has declined, so has customer satisfaction, the auditors said.

Significant findings in the audit report related to customer service include:

- Customer satisfaction has declined steadily since 2008, both with respect to the amount of time spent on hold when calling customer service at LG&E and KU and with respect to the outcome of complaints.
- Since 2008, LG&E and KU’s joint customer service centers in Louisville, Lexington and Pineville have failed to meet internal goals for answering calls quickly and have not adequately monitored calls to insure they are handled properly.
- Turnover among call center employees, particularly in Louisville and Lexington, has been so high that many employees don’t remain long enough to receive any advanced training. The problem is exacerbated by utility hiring and training practices.
- Changes in rates and billing policies coincided with the transition to a new computer system in April 2009, leading to extremely high call volumes that overwhelmed the call centers and led to further declines in customer service.
- The new computer system is in some ways hard for customer service representatives to use, leading them to ask customers for Social Security numbers as a way to speed the location of customer records.
- Meter reading, field service and bill review functions have not been performing as well as they should be, in part due to problems caused by the new computer system.
- The process of deciding when a customer should be disconnected for non-payment, which changed with the new computer system, has been inconsistent and has allowed some customers to accumulate large past-due balances.

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However, the auditors also found that LG&E and KU have in place the technology to correct many of the problems noted in the audit and the information technology expertise to provide the needed support to its customer service functions.

The Liberty auditors also examined strategic planning and management at the utilities, finding that:

- The current customer service performance falls short of past standards and present commitments, as the culture of providing superior customer service has eroded in recent years.
- The corporate approach to customer service has been ineffective in recent years, and it is too soon to judge whether that will change under PPL ownership.
- Customer service has not been a priority in recent strategic planning and budgeting, with cost savings overriding performance.

Liberty makes a number of recommendations in the report, including:

- The utilities should adequately staff the call centers. The audit notes that LG&E and KU are boosting staffing by filling existing vacancies and adding 50 jobs at a new call center in Morganfield.
- Change hiring and work practices to improve retention of call center employees. The audit notes the utilities have begun to implement the recommendation.
- Improve the computer system to make it more user-friendly and discontinue the practice of asking customers for their Social Security numbers.
- Make changes to meter reading and other services to improve billing accuracy. A number of recommendations have been put into place already, the report says.
- Change the disconnection policy to make it more consistent and reduce large back bills. The utilities began implementing these changes last month.
- Place a higher priority on quality customer service in strategic planning and budgeting.
- At every management level, place a greater emphasis on the quality of customer service, with increased reliance on the employees who deliver services and less on technological solutions.

The full report is available on the PSC website, [psc.ky.gov](http://psc.ky.gov).

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.