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I. Introduction

1 **Q. Please state your name and position with Portland General Electric (PGE).**

2 A. My name is Stephen Hawke. I am Senior Vice President of Customer Service and Delivery.
3 My qualifications appear in PGE Exhibit 800.

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

5 A. The purpose of my testimony is to present an overview of Customer Service, including our
6 goals and objectives. I also explain PGE's Customer Service expenses for the 2011 test
7 year.

8 **Q. How much do Customer Service O&M costs increase from 2008 to the 2011 test year**
9 **forecast?**

10 A. Customer Service O&M expenses increase from approximately \$68.0 million in 2008¹ to
11 approximately \$70.7 million in 2011, approximately \$2.7 million.

12 **Q. Do FTEs increase from 2008 to 2011?**

13 A. No. In fact, the number of FTEs should decline.

14 **Q. Is the reduction in FTEs due entirely to the impact of AMI?**

15 A. No. After normalizing for Advanced Metering Infrastructure (AMI), Customer Service
16 FTEs in 2011 are still lower than in 2008.

17 **Q. If labor is not a driver of cost increases, what are the non-labor factors that increase**
18 **Customer Service O&M costs?**

19 A. There are primarily four factors, as shown in Table 1 below.

¹ Actual costs for the Performance Management Group are normalized to reflect its move from Customer Services to A&G with no change to PGE's corporate costs.

Table 1
Customer Service Non-Labor O&M Cost Changes
from 2008 actuals to 2011 Test Year Forecast

Cost Driver	(\$Million)
Information Technology	4.1
100	1.7
Write-offs of Uncollectible Accounts	
Other Factors	0.4
Meter Reading	<u>-2.2</u>
Total of Non-Labor Cost Drivers from 2008 to 2011	\$ 4.0

1 **Q. How is your testimony organized?**

2 A. First, I provide an overview of Customer Service. Next, I briefly discuss the cost increases
3 in Information Technology (IT). I then discuss write-offs of uncollectible accounts. Finally,
4 I describe other areas of increased costs in Customer Service. The reduction to meter
5 reading and other AMI operating benefits is discussed in PGE Exhibit 300, Section III.

II. Customer Service

A. Overview of Customer Service

1 **Q. Please describe Customer Service.**

2 A. Customer Service is PGE's first point of contact for customers. They communicate with us
3 by placing a phone call (and using the Interactive Voice Response (IVR) phone system),
4 visiting community offices, accessing our website, or mailing a letter. Our mission is to
5 deliver levels of service that our customers require for appropriate levels of satisfaction and
6 costs.

7 Our success in achieving our mission in the future depends upon our ability to use
8 information and technology to meet our customers' expectations, to continue to target our
9 capital and O&M towards system reliability that our customers value, and to invest in the
10 development of our employees and leaders.

11 **Q. What are PGE's goals for Customer Service?**

12 A. PGE's primary goals for Customer Service include:

- 13 • Deliver the value customers require from PGE by ensuring that programs and
14 service options are customer driven; and,
15 • Ensure that we provide operational excellence in customer service at a reasonable
16 cost.

17 **Q. What measurements does PGE use to ensure operational excellence in Customer
18 Service?**

19 A. As I discuss below in Section B, PGE uses independent third-party customer surveys (such
20 as J.D. Powers and Market Strategies International) as an important form of customer

1 feedback that indicates areas where we are meeting our customers' expectations and areas
2 where we need to improve.

3 While these surveys provide an important measurement of PGE's service overall, we
4 also measure our performance at the transaction level. PGE conducts online surveys to
5 gather customers' feedback about their experience at our website
6 (www.portlandgeneral.com). Questions range from overall satisfaction with PGE and the
7 usefulness of PGE services to specific questions about the website's ease of navigation, the
8 accuracy of the information received, and whether customers were able to accomplish their
9 primary tasks, such as viewing/paying their bills. Customers can also leave feedback in the
10 comments section.

11 In addition, we conduct surveys in our community offices and via our IVR system that
12 allow customers to rate their interactions and provide open-ended feedback. The
13 information from this survey data is used to measure the performance of individual customer
14 service representatives (CSRs) on the phones and in our community offices. Customers
15 evaluate CSRs for their courtesy and confidence, correct processing, and information
16 accuracy. In addition, supervisors and "lead" representatives monitor and assess each
17 interaction and provide feedback and coaching to the CSRs.

18 Monitoring and scoring customer calls and face-to-face transactions captures both the
19 required procedural and the interpersonal aspects of the interaction. These metrics are part
20 of our overall quality assurance efforts and CSRs are held accountable for their performance
21 in these areas, just as they are expected to maintain the percentage of time they are available
22 to speak with customers.

1 **Q. Does PGE consider at-fault complaints part of its operational performance**
2 **measurement?**

3 A. Yes. The OPUC has established a service quality metric of no more than 57 at-fault
4 complaints company-wide, per year. From 2005 to 2009, our at-fault complaints have
5 remained at 16 or less annually. At-fault complaints are reported throughout the company
6 and the circumstances of each complaint are reviewed for training and process improvement
7 purposes.

B. Customer Research and Feedback

8 **Q. Why is customer feedback important?**

9 A. Customer feedback ensures that our goals are customer driven. PGE has safely and
10 dependably powered northwest Oregon for more than 120 years. During this time, we have
11 developed a solid understanding of our customers' needs. We have also seen significant
12 changes in our customers' expectations, which is why it is as important now as ever for us to
13 maintain open lines of communication and make sure our customer service goals are aligned
14 with our customers' priorities.

15 **Q. How does PGE ensure that customer service goals are customer driven?**

16 A. PGE uses a number of tools and metrics to determine whether customer service goals are
17 customer driven, including:

- 18 • Customer ratings from our residential and business customers, where our goal is
19 to be in the top quartile among our peer utilities and all utilities nationally;
- 20 • Customer feedback received and reviewed by our Customer Relations team; and
- 21 • A customer survey at our Contact Center, with the goal of obtaining real time
22 feedback on our customers' experiences. The survey is optional and immediately

1 follows the call. It measures satisfaction with PGE, the specific call, and certain
2 qualities of our representatives. We also measure first call resolution,² since it is a
3 priority for both our customers and PGE. For calendar year 2008, 95.1% of the
4 customers surveyed felt they were treated as valued customers,³ and 83.1%
5 indicated they received first call resolution. In 2009, 95.4% of the customers
6 surveyed felt they were treated as valued customers, and 82.1% indicated they
7 received first call resolution.

8 **Q. How does PGE use customer research and feedback?**

9 A. We use customer research and feedback to better understand our customers' unique and
10 diverse needs. As a result, we no longer place customers into just three broad segments
11 (residential, commercial, and industrial). Based upon our experience with customer
12 behavior, customer research and feedback, we classify our residential customers in four
13 market segments and our business customers in 10 industry segments.

14 PGE uses customer research and feedback to develop comprehensive strategies for
15 responding to customers' changing needs. For example, the online survey provided
16 feedback that our customers wanted outage information on our website. In 2009, we
17 responded with an interactive outage map and outage list that is not only used by our
18 customers, but is also used by the news media covering power outages.

19 PGE also disseminates this information throughout the company in an effort to educate
20 all areas of the business on customers' concerns and needs. This is extremely valuable as it

²First call resolution is based on the percent of customers who indicate that this is the first time they have contacted PGE about a particular problem or question, and that the representative has resolved, or will resolve, that problem or question. The annual score is an average of the monthly first call resolution scores received for that year.

³The score for "treated as a valued customer" is based on the percent of customers rating the representative an "8" or "9" on that question ("9" is the highest score).

1 ensures that PGE and its employees learn from these examples. It also ensures that
2 programs and service options stay focused on customers.

3 **Q. Has PGE developed programs and service options based on feedback from PGE's**
4 **customers?**

5 A. Yes. Direct customer feedback has led to several programs and service options, including:

- 6 • Promotion of paperless bills and renewable options when customers start or
7 transfer service;
- 8 • Changes in prorated bill details that allow the full billing details to be displayed;
- 9 • Piloting a Customer Feedback form;
- 10 • Virtual Hold⁴; and,
- 11 • Implementation of a consolidated bill program for large customers.

12 PGE is also implementing an Information-Driven Energy Savings (IDES) program.
13 This information tool can reveal energy-reducing strategies that the customer may find
14 valuable to implement. For example, after customers enter their household information, the
15 tool can determine the cost of running a “spare” refrigerator, or identify the cost of
16 “always-on” devices, or determine the bill reduction that would be achieved by setting the
17 thermostat a few degrees lower. IDES is a valuable tool that will allow customers to better
18 manage their household energy usage.

19 **Q. Are there other examples of programs that PGE is implementing to benefit customers?**

20 A. Yes. The Agency Web Portal provides online web access for energy assistance agencies
21 providing support to low income customers. This portal allows agencies (with customer
22 authorization) to view specified customer information and pledge money towards a

⁴The Virtual Hold queuing application allows customers to select a call back from our automated system rather than wait on hold, without losing their place in the queue.

1 customer's bill. This allows the customer greater privacy, reduces overall time (no phone
2 hold time), and allows agency workers to help more clients.

3 We have also updated the online process for renewable options enrollment. Previously,
4 when customers signed-up or made changes online, an operations support person would
5 need to re-enter the data into our Customer Information System (CIS) in order to process the
6 request. Depending on the timing of the bill, the operations support person might also have
7 to put the request in queue and follow up later. The updated process automatically enters the
8 information into CIS and coordinates the timing of the processing for 90% of the renewable
9 transactions requested through our website.

10 In addition, we created a new process and a new entry application for handling
11 renewable enrollment internally that takes what was an average 33-step process down to 3
12 steps. This reduces the processing time for the customers who call in or enroll at a
13 renewable 'event' (paper) and reduces overall handling and processing time for the Contact
14 Center. Average handling time for requests that were in queue or came from an event
15 declined from 12.9 days to 2.5 days.

16 **Q. Are these programs a result of customers' changing expectations?**

17 A. Yes. Our customers are interested in more service options and these programs and
18 technological enhancements are an effort to meet our customers' expectations.

19 **Q. How are customers' expectations changing?**

20 A. Customer expectations are continually changing for all businesses and PGE is no exception.
21 For example, in the 1970s, underground service was not common and was considered a
22 benefit only to customers being directly served by underground lines. Originally, PGE
23 charged a higher underground rate. However, as more customers and communities pushed

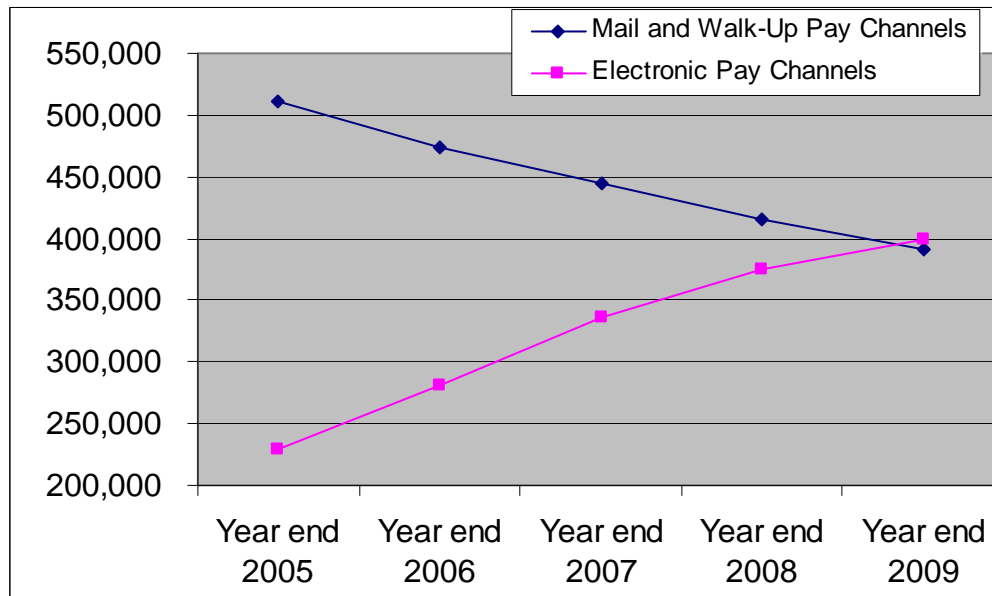
1 for underground service, it became the norm in Oregon and was no longer considered a
2 separate benefit.

3 Today, technology is rapidly changing and with it, customers' expectations. A few
4 years ago, we were neither working with nor communicating with our customers via online
5 portals, but as society and technology has changed, more and more of our customers want to
6 work with us on the web and that is becoming the norm.

7 PGE must provide customers with options supported by systems that adapt and react to
8 these changes. See also, PGE Exhibit 600. PGE's customers are rapidly adopting new
9 technologies and expect PGE to keep pace. For example, customers want to receive more
10 information from PGE via email and text messages.

11 Also, customers are now paying their bills differently than in the past. Figure 1 below,
12 shows the significant increase in the number of customers paying their bills electronically
13 (autopay, E-banking through the PGE website or IVR, or phone payments). In fact, the
14 number of customers paying their bills electronically now exceeds those paying by mail or
15 in person. As our customers become more and more technologically dependent, keeping
16 abreast of changing information technology will continue to be an important focus for PGE.
17 It not only meets our customers' needs, but it can also lead to eventual cost savings.

Figure 1



1 As discussed in PGE Exhibit 203, receiving payments electronically is less expensive
2 than processing checks and this yields operational savings over time. Likewise, both PGE
3 and its customers have more flexibility in responding to emails and text messages than they
4 have with phone calls. While building the capability of responding to customers through
5 different avenues may increase costs in the short run, this can lead to future savings and
6 improved service.

III. Information Technology (IT)

1 **Q. How much are Customer Service IT costs increasing from 2008 to 2011?**

2 A. Costs for Customer Service IT increase by approximately \$4.1 million from 2008 to 2011.

3 **Q. What are the primary reasons for the forecasted increase?**

4 A. The primary area of increase is the IT allocated charges that consist of costs for information
5 systems needed to support our operations; IT system replacement costs; increasing cyber
6 security requirements for hardware, software, and network systems; growing data storage
7 requirements; and higher overall costs for maintenance agreements on PGE's systems.

8 These costs are explained in greater detail in PGE Exhibit 600.

IV. Write-offs of Uncollectible Accounts

1 **Q. You identified write-offs of uncollectible accounts (uncollectibles) as another driver of**
2 **increased costs. How does PGE minimize uncollectibles?**

3 A. PGE minimizes uncollectibles in three ways:

- 4 • Actively pursuing fraud, ID theft, and energy theft; for example, by dedicating
5 staff to research fraudulent activities using tools such as LexisNexus, Open
6 Online, Equifax, etc. We also have individuals dedicated to detecting and
7 resolving any situation where the amount of service being provided is not the
8 amount being paid, such as unmetered service, faulty equipment, miswires, theft,
9 tampering, etc. We also have employees dedicated to working directly with
10 customers in fashioning acceptable payment arrangements;
- 11 • Reaching out to past due active customers using different channels; for example,
12 by providing bill messages and highlighting past due amounts on bills, making
13 automated outbound calls, sending direct inserts and notices, and maintaining a
14 field collections presence, all of which act as reminders for our customers that
15 they have a bill due or delinquent; and
- 16 • Keeping abreast of best practices within the utility industry and incorporating
17 appropriate practices within PGE; for example, by participating in utility
18 conferences and webinars.

19 **Q. What uncollectibles rate is PGE using for 2011?**

20 A. PGE is using a rate of 0.57% for 2011. The light and power component for 2011 is 0.54%,
21 which is an average of the preceding three years of activity. PGE also includes a rate that
22 reflects other write-offs, such as insurance claims related write-offs and other miscellaneous

1 write-offs. This rate is forecasted to be 0.03%, which is based on an average of the
2 preceding three years of activity. The use of a three-year average is beneficial because it
3 smoothes the peaks and troughs in the uncollectibles rate experienced by PGE. Table 2
4 shows the calculation of our 2011 uncollectibles rate.

Table 2
Uncollectibles Rate (\$000s)

	2008 Actuals	2009 Actuals	2010 Forecast	Avg.
Light & Power	\$8,072	\$8,601	\$8,847	
Other	\$176	\$666	\$535	
Revenues	\$1,504,002	\$1,579,736	\$1,598,708	
Uncollectibles Rate	0.55%	0.59%	0.59%	0.57%

Note: Average may not foot due to rounding.

5 **Q. What was PGE’s uncollectibles rate in 2009?**

6 A. PGE’s actual uncollectibles rate for 2009 was 0.59%. This was in part due to the current
7 economic conditions in Oregon. This includes factors such as the cost of goods (gasoline,
8 food, etc.), and was mitigated in part by additional low income energy assistance funding.

9 **Q. What is the unemployment rate in Oregon?**

10 A. Oregon’s unemployment rate has been steadily rising since May 2008 and the average for
11 2009 was 11.4%. The State of Oregon Department of Consumer and Business Services
12 currently forecasts the following annual unemployment rates: 11.4% for 2010, 10.2% for
13 2011, and 9.0% for 2012. These state unemployment rates are considerably higher than
14 those experienced as recently as 2007 (5.1%) and 2008 (6.4%).

15 **Q. Is unemployment the only driver of the uncollectibles rate?**

16 A. No. Though there is likely a loose correlation between uncollectibles and unemployment,
17 other contributing factors include things like higher gasoline prices, resetting of adjustable
18 rate mortgages, and higher food costs. These factors affect the employed as well as the
19 unemployed.

1 **Q. Have PGE customers received additional low income energy assistance funding?**

2 A. Yes. For the 2008 to 2009 heating season,⁵ Oregon received an additional \$21 million of
3 funding (on top of an existing \$24 million), of which PGE customers received
4 approximately \$4 million. This funding has been extremely important for our customers and
5 has helped keep PGE's uncollectibles rate lower than it otherwise would have been.

6 **Q. Does PGE expect this level of funding to continue in the test period?**

7 A. Not necessarily. Though Congress has approved the same level of additional funding for the
8 2009 to 2010 heating season, they have not announced the level of funding for the 2010 to
9 2011 or 2011 to 2012 heating seasons. If the same level of funding is not maintained for
10 each of these two seasons, the 3-year average uncollectibles rate supported in this testimony
11 will be understated.

⁵ Heating seasons are specifically defined as October 1 to September 30. For example, October 1, 2008 to September 30, 2009.

V. Other Factors

1 **Q. What other factors are increasing costs from 2008 to 2011?**

2 A. The remaining increase is primarily the result of two components: 1) higher amortization
3 expense resulting from more distributed standby generation (DSG), and 2) the absence of
4 insurance proceeds that PGE received related to the major storm in December 2008.

5 **Q. How much of the increase do each of these components account for?**

6 A. The added DSG expense accounts for approximately \$250,000 of the increase⁶, while the
7 absence of insurance recovery accounts for approximately \$140,000. The absence of
8 insurance recovery related to storms is addressed in detail in PGE Exhibit 1000.

9 **Q. Where does PGE discuss reductions to non-labor O&M for meter reading and other
10 AMI operating benefits?**

11 A. The reduction to meter reading and other AMI operating benefits is discussed in PGE
12 Exhibit 300, Section III.

13 **Q. Does this conclude your testimony?**

14 A. Yes.

⁶ Additional DSG related O&M expenses are included in PGE Exhibit 700, Section III.