

**MONTANA-DAKOTA UTILITIES CO.
A Division of MDU Resources Group, Inc.**

Before the South Dakota Public Utilities Commission

Docket No. NG12-__

**Direct Testimony
of
Michael J. Gardner**

1 Q. Please state your name and business address.

**2 A. My name is Michael J. Gardner and my business address is 400
3 North Fourth Street, Bismarck, North Dakota, 58501.**

4 Q. By whom are you employed and in what capacity?

**5 A. I am the Executive Vice President of Utility Operations Support for
6 Montana-Dakota Utilities Co. and Great Plains Natural Gas Co., Divisions
7 of MDU Resources Group, Inc.**

8 Q. Please describe your duties and responsibilities at Montana-Dakota.

**9 A. I have executive responsibility for the Utility Shared Services Group
10 which certain functions for the four utility companies that are part of MDU
11 Resources Group Inc. (MDU Resources). In addition to Montana-Dakota
12 and Great Plains Natural Gas, the utilities that are part of MDU Resources
13 Group are Cascade Natural Gas Corporation and Intermountain Natural
14 Gas Company. The four utilities, which internally are referred to as the
15 Utility Group, maintain their historical brands to the public, and remain
16 separate subsidiaries or divisions of MDU Resources Group, Inc. The
17 Utility Shared Services Group provides service support functions for the
18 Utility Group including information technology and communications,**

1 administrative services, such as purchasing and fleet, engineering and
2 operations procedures, and customer services.

3 **Q. Please outline your educational and professional background.**

4 A. I hold a Bachelor of Sciences in Mechanical Engineering Degree
5 from the University of Washington, as well as a Masters of Business
6 Administration Degree from the same university. I am a Professional
7 Engineer, registered in the state of Washington. I have been in the utility
8 industry for over 20 years, including positions in engineering, field
9 management, safety, training, and operations management. In 2005 I was
10 named Vice President of Operations for Cascade Natural Gas Corporation
11 and in 2008 I was named Executive Vice President and General Manager
12 of Cascade Natural Gas Corporation. I started in my current role in 2009.

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

14 A. The purpose of my testimony is to provide an overview of the Utility
15 Shared Services Group, primarily in the customer services area, including
16 information regarding our customer service model and the measurement
17 of customer satisfaction. I will also discuss our new utility customer
18 information and billing system, or CIS.

19 **Q. Please describe the Utility Operations Support Department.**

20 A. The Utility Operations Support Department (Support Department)
21 was created in early 2009 as part of a package of integration efforts by the
22 Utility Group. The Support Department provides functions such as
23 information technology and customer services to all the companies in the
24 Utility Group. The goals for the Department when providing services, are
25 to share best practices among the companies, enhance the ability to share

1 resources across the companies, provide the services at the best cost,
2 and reduce liability through the implementation of best practices. Services
3 from the Department are allocated to the appropriate company utilizing
4 each service at cost.

5 **Q. Would you please describe the Customer Services Department that**
6 **is part of Support Services?**

7 A. Montana-Dakota operates a single service center for all inbound
8 communications from customers of all of the Utility Group companies on a
9 24/7/365 basis. The center is physically located in Meridian, Idaho.
10 Customer service agents are initially trained for one company and
11 eventually many are trained to take calls for more than one company,
12 which increases the efficiency of the center. Customer satisfaction is a
13 high priority. Our internal goal is to answer over 80 percent of all calls in
14 60 seconds or less. In order to monitor customer satisfaction and ensure
15 we are meeting the needs of customers, we survey our customers,
16 historically through mailed postcards and currently through JD Power and
17 Associates. The Customer Services Department is also responsible for
18 credit and collection activities through a credit center located in Bismarck,
19 North Dakota, as well as all customer programs, such as automated
20 customer information, continuous service, and level pay options. During
21 2011 customer service enhancements were implemented that benefit our
22 customers. We expanded the hours of standard operation to 7:00 am to
23 7:00 pm local time. Full service had previously only been available from
24 8:00 am to 5:00 pm local time. Agents continue to be available 24 hours
25 per day for emergency related calls. We also added an Interactive Voice

1 Response (IVR) system for Montana-Dakota customers. Certain customer
2 service issues, such as bill payment, requesting a copy of the bill, inquiries
3 regarding a due date, or even making payment arrangements, can all be
4 done on a 24/7 basis without the need to talk to a customer service agent.
5 Of course, during normal business hours, the customer can always reach
6 an agent by pressing zero. An automated call-back system was also
7 installed in order to better meet customer demand during times of high call
8 volumes.

9 **Q. What are the service levels for inbound calls at the service center?**

10 A. In 2011, 82.2 percent of all inbound calls were answered in 60
11 seconds or less. Based on our internal survey results, for 2011, Montana-
12 Dakota customers gave us an overall satisfaction score of 91.8 percent.

13 The results for the first nine months of 2012 were similar in that
14 81.7 percent of all calls were answered in 60 seconds or less. During
15 2012, the Utility Group started utilizing JD Power and Associates to
16 measure the level of customer satisfaction. Our goal is to be in the top half
17 of all companies surveyed nationally, in terms of overall satisfaction. After
18 the first nine months of 2012, we were exceeding that goal.

19 **Q. What are some of the factors measured in determining customer
20 satisfaction?**

21 A. One of the reasons we switched to JD Power & Associates for
22 measuring customer service is to be sure we are capturing what is
23 necessary to better measure customer satisfaction and identify what we
24 can do better across all aspects of the operation. The survey questions
25 represent a broad spectrum of customer concerns including billing and

1 payment, price, corporate citizenship, communications, customer service
2 and field service. For example, under billing and payment, drivers include
3 providing a variety of methods to pay the customer's bill, ease of finding
4 the exact amount due, and the usefulness of information on the bill. Under
5 price, drivers include total cost, fairness of pricing, ease of understanding
6 pricing options, and the effort of the utility to help manage monthly usage.
7 Montana-Dakota customers gave particularly good scores, well above the
8 national average, in the area of field customer service and phone
9 customer service, as well as corporate citizenship. Montana-Dakota
10 customers gave scores below the national average on the bill itself and
11 options to pay their bill. Both of these areas will be addressed with our
12 new customer information and billing system.

13 **Q. Montana-Dakota is implementing a new customer information**
14 **system. Would you please discuss the new customer information**
15 **and billing system?**

16 A. The system is called Customer Care and Billing (CC&B), and is an
17 Oracle product. It is a top tier Customer Information System, or CIS, and
18 will replace the current CIS system that was implemented in 1999. The
19 core functions of the CC&B system are to store relevant customer
20 information, and based on meter reads, produce accurate billing
21 statements. It is a state of the art system, with newer technology, making
22 it a more configurable product. Once all Utility Group companies are
23 utilizing the system, ongoing costs will be more efficient, including
24 hardware, licensing and maintenance, as the costs will be shared by all
25 Utility Group companies. The new system will also facilitate additional

1 customer interfaces, such as through the internet, and will allow for
2 electronic bill presentment and payment options. As part of the new CIS
3 project Montana-Dakota will also be revamping the consumer bill. For
4 example, the bill will include a graph showing 13 months of historical
5 usage, detailed billing information as well as a summary providing a quick
6 view of the amount due and the due date. These are all items that our
7 customers have told us that they want.

8 **Q. What is the cost of the CC&B system included in this application for**
9 **new rates?**

10 A. Montana-Dakota's share of the new CC&B system is estimated at \$24.4
11 million, with \$3.7 million applicable to South Dakota gas operations.

12 **Q. When will the new system be implemented?**

13 A. The new CIS will be ready for service by Montana-Dakota by
14 December 31, 2012. However, due to requirements imposed by both the
15 external auditors and internal auditors as part of MDU Resources'
16 Sarbanes–Oxley compliance plan, CC&B will not actually be implemented
17 for billing purposes until February 1, 2013. The requirement is that the
18 conversion to the new system must occur at least three months prior to
19 year-end.

20 **Q. Does this conclude your direct testimony?**

21 A. Yes, it does.