

**ORIGINAL
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**BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION**

DOCKET NO 891345-EI

**REBUTTAL TESTIMONY
OF
J. E. HODGES, JR.**

Gulf Power



DOCUMENT NUMBER-DATE

04450 MAY 21 1990

FPSC-RECORDS/REPORTING

1 customer level, I believe that I am familiar with the
2 energy needs and demands of our customers.

3

4 Q. Mr. Hodges, what is the purpose of your testimony?

5 A. The purpose of my testimony is to provide rebuttal to
6 the position taken by Mr. Helmuth W. Schultz, III
7 concerning a regulated utility's Customer Service and
8 Information programs.

9

10 Q. What is your position regarding these activities?

11 A. I believe that all energy suppliers have a moral if not
12 legal responsibility to satisfy the needs of its
13 customers for cost-effective products and services.
14 Companies will not be successful in the future unless
15 they understand the needs of their customers and are
16 willing and able to provide for these needs. Customer
17 Service and Information programs are the delivery
18 mechanisms for meeting customer needs.

19

20 Q. How has Gulf Power met its customers' needs in the
21 past?

22 A. We began offering a wide range of conservation oriented
23 customer service programs that focused on reducing the
24 amount of energy purchased by our customers that was
25 not being efficiently used. These programs were

1 implemented in the mid-70's because our customers
2 expressed a need, and not because of any regulatory
3 requirements. These programs consisted of energy
4 efficient homes, energy efficient commercial struc-
5 tures, residential energy auditing services and consum-
6 er education.

7 The objective of these programs was to lower the
8 average cost of energy, improve the efficient utiliza-
9 tion of the energy customers purchased and improve the
10 customers lifestyle. Consumer response to these
11 programs was very high when they were implemented and
12 continues to be high 15 years later. We are very proud
13 of these programs because of their success and the fact
14 that they are indicative of how Customer Service and
15 Information programs should be designed and implement-
16 ed.

17

18 Q. Mr. Hodges, what about your most recent efforts,
19 specifically the five-year strategic plan?

20 A. I believe that our efforts were well thought out,
21 beneficial to our customers and achieved the goals they
22 were designed to accomplish. Customers reacted very
23 favorably along with trade allies and the communities
24 we serve.

25

1 Q. What do you believe is the perception held by some of
2 the parties to this case regarding this plan?

3 A. The general perception is that the new programs we
4 implemented from 1985 - 1989 were for the purpose of
5 defeating the competition in the energy marketplace.
6

7 Q. Do you believe that this perception is based on your
8 programs' performance?

9 A. No. The program performed as we intended. The percep-
10 tion of some is based solely on two minor occurrences,
11 the closing of the Top Gun tape and Gas Busters
12 T-shirts, and some comparative advertisements, that
13 have overshadowed the real purpose of the programs and
14 the results that have been achieved.

15 The decisions to include the controversial closing
16 in the tape and make the t-shirts were in hindsight, an
17 inappropriate reaction to the promotional efforts of
18 other energy suppliers. It is unfortunate that two
19 minor events over a five year period have distorted the
20 purpose and benefits of the entire customer service and
21 information efforts. Although not personally involved,
22 looking back we now regret the decision. However, we
23 do not regret the implementation of the programs and
24 are proud of the results they achieved.
25

1 Q. Mr. Hodges, what promotional practices are you refer-
2 ring to with respect to the other energy suppliers?

3 A. Primarily the two sellers of natural gas, who are not
4 regulated by the Commission. These Companies have
5 engaged in promotional practices which we believe are
6 misleading. We believe the Commission's position
7 regarding "source neutrality" seeks to have the facts
8 presented on the comparative benefits of electric vs.
9 gas in a neutral, straightforward way to the benefit of
10 the consumer. We have attempted to do this. The
11 comparative advertisements were run in response to
12 misleading information being presented to our custom-
13 ers.

14
15 Q. Do the programs you are currently implementing contain
16 any activities that may be in conflict with the Commis-
17 sion's policy?

18 A. I have personally reviewed each and every program we
19 are currently implementing and have satisfied myself
20 that we are not in conflict with Commission policy.
21 The managers responsible for the implementation and
22 monitoring of the programs have been personally in-
23 structed by me to ensure that we do not have any
24 conflict.

25

1 Q. Mr. Hodges, do you believe the programs and expenses
2 supported by Mr. Bowers are necessary in the fulfilling
3 of its customer service obligation?

4 A. Yes. As Mr. Bowers states, we have become the primary
5 source of information for our customers in a variety of
6 areas. The programs for which we are seeking recovery
7 are a vital part of this effort. As a result of my
8 vast experience in the field with our customers, I am
9 convinced that they expect and desire that we provide
10 these services.

11
12 Q. Mr. Schultz argues that these are not services which
13 should be provided by the utility and that they are
14 available elsewhere. Do you agree?

15 A. No. The Commission has recognized that the utility is
16 in the best position to provide the broad spectrum of
17 services which are designed to promote energy efficien-
18 cy and keep the customer satisfied. Rather than
19 diminishing the role of the utility as the primary
20 provider of energy services and information, I see our
21 role continuing to increase. Since assuming my posi-
22 tion as the Vice-President over both the Customer
23 Service and Division Operation areas, I have continual-
24 ly evaluated the proper role we should play in dealing
25 with our customers. I believe it is appropriate and am

1 seeking to instill in our employees a culture which is
2 totally customer oriented. This effort has received
3 the full support of top management in the Company.
4 What the customer wants, we believe, is to be treated
5 fairly and to receive information which is straightfor-
6 ward and unbiased. This is what we are attempting to
7 provide.

8

9 Q. How are you implementing this change in culture?

10 A. Organizational change originates with the executives
11 who must communicate with employees and constantly
12 reinforce the new concepts; without executive commit-
13 ment a lasting cultural change will not occur. I have
14 implemented several internal initiatives since I
15 assumed my current position that have resulted in
16 creating a change in culture in addition to identifying
17 methods of providing better customer service.

18

19 Q. Please describe these initiatives.

20 A. The first initiative consisted of several of focus
21 group sessions with employees responsible for customer
22 service and power delivery activities. I used these
23 sessions to find out how we were reacting to the needs
24 of our customers, what needs were not being met and how
25 could we fill in the gaps. The employees provided

1 valuable information that was incorporated with direct
2 input from customers that has formed the foundation for
3 developing additional customer service programs. We
4 found out that our customers were satisfied with their
5 rates and the reliability of their service, however,
6 they wanted us to make it easier for them to do busi-
7 ness with us.

8 The second initiative was the formation of a
9 working group consisting of three Division Managers,
10 the General Managers of Power Delivery, and Marketing
11 and other key management personnel. This group was
12 charged with the responsibility of addressing customer
13 needs and immediately researching and implementing
14 programs that create customer satisfaction.

15 The third initiative was creating a system for
16 obtaining employee suggestions on how we can improve
17 customer service. Employees were encouraged to provide
18 suggestions and in some cases participated in the
19 implementation process even though it may not have been
20 in their area of responsibility. I used this as a
21 means of communicating to all employees that a cultural
22 change was taking place and that every employee had an
23 important part to play.

24 Another initiative is field visits to our local
25 office by myself and corporate office department heads

1 responsible for customer service. These trips are used
2 to update the employees on issues facing the Company,
3 the programs that are being implemented to address
4 customer needs and to receive feedback from employees
5 on the status of programs currently being implemented.

6

7 Q. What type of input have you received from your employ-
8 ees?

9 A. The input from employees are mostly things that they
10 either see or get brought to their attention by direct
11 customer contact. This has always been the best source
12 of qualitative data.

13

14 Q. What are some of the results you have achieved from
15 these initiatives?

16 A. There have been several programs implemented or in the
17 research stage. We have extended the hours of opera-
18 tion of our commercial offices so that they are open
19 for the customers' convenience for paying bills and
20 applying for service. Our phone centers are in opera-
21 tion longer to allow customers who can't or don't want
22 to, personally come in the office to conduct business.
23 This customer service is especially important for

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1 businesses and out-of-town customers. We have imple-
2 mented a pilot program that allows a customer the
3 option of applying for service by telephone instead of
4 personally coming into an office. Our division custom-
5 er accounting representatives give each customer they
6 have contact with a business card with a phone number
7 the customer can use to contact the same representative
8 if the need arises.

9 Some of these programs may seem like the common
10 sense thing to do but the fact is we were not providing
11 these customer services. The change in culture has
12 identified the need for these services and we have
13 responded by providing them to the satisfaction of our
14 customers.

15
16 Q. What are some of the customer service and information
17 activities you are considering?

18 A. We are following up on a request by several customers
19 to provide summary billing instead of individual bills
20 for each account. Customers such as school boards and
21 governmental agencies have dozens of individual ac-
22 counts all coming due at different times of the month.
23 Summarizing these accounts into a single bill will save
24 both the customer and company the expense of processing
25 multiple bills.

1 We are developing a brochure that will provide
2 customers with information on how to apply for electric
3 service, how to report outages, the customer programs
4 and services that are available to them and who to call
5 in order to participate in the programs.

6 An employee cross-training program is being
7 developed that will enable our employees who do not
8 have direct customer contact to better understand what
9 programs and services are available and the importance
10 of satisfying customer expectations.

11 We have designed a program this year called
12 Quality Service Index which will enable us to monitor
13 the level of satisfaction our customers have with the
14 products and services we provide. We will use this
15 information to make improvements in the current pro-
16 grams and anticipate future needs.

17

18 Q. Mr. Hodges are you considering any changes to your
19 program planning process.

20 A. Yes. I want the planning process to be expanded to
21 include other functions in the Company and to solicit
22 their input at the very beginning of the program
23 planning process. I also want to create an environment
24 that will encourage all employees to actively partici-
25 pate in providing ideas for new programs or how to

1 improve existing ones. Finally, I would like to
2 solicit the input from people and organizations that
3 are external to the Company regarding significant
4 changes in programs or strategic direction.

5

6 Q. When will you have achieved your goal of meeting your
7 customers customer service needs?

8 A. Never. The energy marketplace is dynamic and we must
9 be flexible enough to respond to the changes. Our
10 customers expect their energy supplier to be totally
11 committed to satisfying their needs. They do not want
12 us to be just a supplier they want us to be a partner
13 in arriving at the most cost-effective solution to
14 their energy needs. We are continuing our commitment
15 of an energy partner by providing superior customer
16 service and information products and services that
17 satisfy their needs. The Good Gents Home programs and
18 Energy Education programs supported by Mr. Bowers are a
19 vital part of this effort.

20

21 Q. What do you perceive to be your customers' needs in the
22 future?

23 A. Customers want utility management to be committed to
24 providing energy and energy related services at the

25

1 lowest possible cost at the convenience of the custom-
2 ers and not the utility.

3 Service reliability will become even more impor-
4 tant, especially for residential customers, as the home
5 becomes more automated. The "Smart House" is an
6 example of a step in that direction. Customers will
7 want a wider variety of pricing and billing options
8 and, in the case of industrial customers, ones that are
9 tailored to their own individual needs.

10 Customers want their energy supplier to be social-
11 ly responsible by protecting the environment, becoming
12 involved in societal issues such as illiteracy and drug
13 education and they will expect utility management to
14 demonstrate total commitment to meeting their custom-
15 ers' expectations for products and services. They will
16 want their utility to take an active roll in community
17 and economic development activities.

18

19 Q. Please summarize your testimony.

20 A. Gulf Power Company has consistently demonstrated a
21 long-term commitment to providing the highest quality
22 customer services. We intend to continue to meet
23 customer expectations in the future and are asking the
24 Commission to continue to recognize the benefits that
25 are derived by the customer.

1 We understand the Commission's concern about some
2 isolated activities. We would request, however, that
3 the Commission consider what has actually been achieved
4 by the customer service programs and not be distracted
5 by the perception that has been created by the activi-
6 ties.

7 The executive management at Gulf Power is commit-
8 ted to creating a meaningful cultural change that will
9 create a greater focus on providing superior customer
10 services at the lowest possible cost to the total
11 satisfaction of our customers, the Company and the
12 Commission.

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14 Q. Mr. Hodges, does this conclude your testimony?

15 A. Yes, it does.

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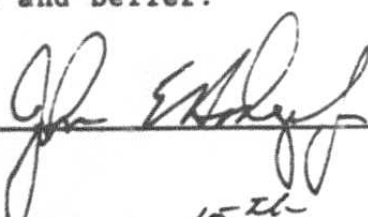
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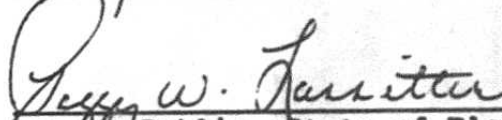
STATE OF FLORIDA)
)
COUNTY OF ESCAMBIA)

Docket No. 891345-E1

Before me the undersigned authority, personally appeared
J. E. Hodges, Jr., who being first duly sworn,
deposes and says that he ~~is~~ is the Vice President-Customer
Service and Division Operations of Gulf Power
Company and that the foregoing is true and correct to the best
of his/her knowledge, information and belief.



Sworn to and subscribed before me this 15th day of
May, 1990.



Notary Public, State of Florida at Large

My Commission Expires:
Notary Public, State of Florida
My Commission Expires March 23, 1991
Bonded Thru Troy Fain - Insurance Inc.