

**STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION**

Docket No. DG 14-180

Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

DIRECT TESTIMONY

OF

RAY DUSOME

August 1, 2014

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1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is Ray Dusome. I am Director, Billing and Collections for Liberty
4 Utilities Co. (“Liberty Utilities”). My business address is 2865 Bristol Circle,
5 Oakville, Ontario.

6
7 **Q. Please describe your educational background and professional experience.**

8 A. I received a bachelor’s degree in Commerce from the University of Toronto in
9 1983. I have also attended a number of leadership training programs during my
10 career and have extensive management experience gained over a 30+ year
11 professional career. From 1986 to 2012, I was employed by Rogers
12 Communications Inc. where I held a number of positions, including Senior
13 Director/Vice-President, Revenue Assurance in which I was accountable for
14 safeguarding and enhancing revenue across the entire revenue stream for wireless,
15 cable and telephony products, and a portfolio with revenues in excess of \$13
16 billion. In this capacity I led a cross functional team of approximately 145 people
17 and had direct operating expense accountability for \$50 million. In my last five
18 years in this position, I was responsible for leading revenue recoveries exceeding
19 \$35 million. Prior to this position, I held numerous positions within Rogers
20 Communications, including Manager of Credit and Billing as well as a Director of
21 Billing. In the latter role, I was involved in implementing a Customer Information
22 System (“CIS”) which is similar to ongoing CIS work at Liberty Utilities.

1 **Q. Have you previously testified before the Commission?**

2 A. No. I have not.

3

4 **II. PURPOSE OF TESTIMONY**

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

6 A. The purpose of my testimony is to describe the actions that Liberty Utilities
7 (EnergyNorth Natural Gas) Corp. (“EnergyNorth”) is taking and will take to
8 address the level of uncollectible accounts receivable that has accrued over the last
9 twelve months. I will describe the reasons why the uncollectible balance has
10 accrued, the plan that we have put into place to recover the balance, and the policy
11 changes that we will implement in order to ensure that the problem does not recur.
12 I will also describe my role, which was newly created in May 2014, and the
13 mandate and responsibilities as it relates to EnergyNorth as well as to other Liberty
14 Utilities companies.

15

16 **Q. What is your role at Liberty Utilities?**

17 A. My role is to provide support and guidance in all matters concerning Billing and
18 Collections on behalf of all the regions in which Liberty Utilities operates. I work
19 in close partnership with the regions to develop and implement collection policies
20 and procedures based on “best in class” industry practices. As part of this, I work
21 with each region to identify best practices within Liberty and to act as a catalyst to
22 facilitate dialogue and ensure that reporting, analysis and expertise which is

1 available within one region is shared across the enterprise. In practical terms, I also
2 assist the regions in resolving operational issues which may arise and I am equally
3 involved in matters involving strategic planning in the areas described above.

4
5 **III. UNCOLLECTIBLE BALANCE ACCRUAL**

6 **Q. What is the current balance of uncollectible accounts on EnergyNorth's**
7 **books?**

8 A. The following illustrates the growth in accounts receivable for residential,
9 commercial and industrial customers over the period from September 2013 to June
10 2014, including distribution and commodity revenues¹.

11 **Historical Accounts Receivable**

| A/R Balance | As of |
|-------------|------------|
| 7,654,892 | 9/30/2013 |
| 8,795,710 | 10/31/2013 |
| 12,025,071 | 11/30/2013 |
| 22,172,797 | 12/31/2013 |
| 29,273,008 | 1/31/2014 |
| 38,471,827 | 2/28/2014 |
| 42,404,721 | 3/31/2014 |
| 41,884,684 | 4/20/2014 |
| 35,795,186 | 5/31/2014 |
| 28,776,662 | 6/30/2014 |

12

¹ The Company records a portion of its bad debt expense related to commodity in the deferred cost of gas account.

1 **Q. What are the reasons for the increase in the uncollectible balance from**
2 **September 2013 to March 2014?**

3 A. The primary reasons are the preparation for and the actual CIS conversion which
4 occurred in September, the deliberate suspension of collection activities for 2
5 months which followed the conversion and the winter moratorium which dove-
6 tailed the suspension period.

7

8 **IV. SUSPENSION AND RESUMPTION OF COLLECTION ACTIVITY**

9 **Q. During the period September 2013 to April 2014, collection efforts were**
10 **suspended. What was the reason for the suspension and can you confirm that**
11 **activity has now resumed?**

12 A. The conversion from the National Grid to the Liberty CIS system was performed
13 over the weekend of August 31, 2013, with a “go live” date of September 3, 2013.
14 In addition to IT specialists from National Grid, a team of subject matter experts
15 from Oakville, supplemented by resources from other Liberty regions that had
16 undergone similar conversions, were in New Hampshire for approximately 6
17 weeks, supplemented by experts from the CIS vendor, that were on site for 8
18 weeks, following the conversion. This included providing training and support to
19 New Hampshire employees to ensure the migration was as seamless as possible and
20 that the impact to customers was minimized. As part of that, a deliberate decision
21 was made to suspend collection activities for a period of two months as it was
22 anticipated that there could be a period of time following the conversion where

1 customers' bills could be delayed and some issues might arise which would require
2 corrective actions. Based on my experience, it is not uncommon for billing issues
3 to arise when large scale CIS conversions are undertaken.

4
5 The suspension of collections associated with the conversion dove-tailed with the
6 winter moratorium during which the Company (and consistent with National Grid's
7 past practice) determined that it would not disconnect any heating customers for
8 non-payment. Just prior to the commencement of the moratorium, EnergyNorth
9 issued 5,200 disconnection notices to customers to stimulate collections activity.
10 As a consequence, these two events (the CIS conversion and the winter
11 moratorium) resulted in there being no collections prior to March 2014.

12
13 **Q. Did the Company undertake any collections activities on non-heat customer**
14 **accounts during the moratorium?**

15 A. No. There were no collections activities undertaken on these accounts because the
16 testing of the collections module for the CIS systems was not finalized until April
17 16, 2014. Going forward, the Company plans to continue collections efforts during
18 the winter for non-heat accounts.

19
20 **Q. Please describe the Company's collections activities just after the winter**
21 **moratorium ended on March 31, 2014.**

22 A. The Company resumed collection activities in April 2014. Specifically, between

1 April 16 and June 11, the Company issued termination notices, made auto-dialer
2 outbound calls, and manual outbound calls in place of field visits. From April
3 through the end of June, 15,969 termination notices were mailed, 15,135 auto-dialer
4 calls (with a hit rate of 20.1%) and 569 manual calls were made to customers with
5 arrearages. From June 16 to June 30, 3,936 DELQ's (service disconnection orders)
6 were generated, resulting in 477 or 53% disconnections, with the remainder
7 accounted for as payments, notices left the premises, "promises to pay" and other
8 arrangements.

9
10 **V. SHORT-TERM ACTIONS TAKEN TO ADDRESS ACCOUNTS**
11 **RECEIVABLE**

12 **Q. What actions has EnergyNorth implemented to address the increase in the**
13 **uncollectible balance?**

14 **A.** A number of measures have been taken recently that will assist in reducing
15 EnergyNorth's accounts receivable. At a high level, these consist of i) adding a
16 number of full time staff, both in Oakville and New Hampshire, who are solely
17 dedicated to the collections effort, ii) implementing collection thresholds and
18 resuming all collection activities; that is, collection notices, outbound IVR calls,
19 outbound calling by customer service representatives, and disconnection of service
20 where necessary, iii) implementing detailed reporting and iv) establishing a cross-
21 functional forum including Customer Service, Collections, Finance, Operations and
22 resources from Oakville. Each of these are described in more detail below:

1 Resourcing. In addition to hiring a Director, Billing & Collections
2 (Oakville), in March 2014, a full time credit and collections supervisor was
3 hired in New Hampshire. Additionally, the field collections team,
4 consisting of four full time employees, was recently increased to 15, which
5 has dramatically increased the capability to conduct collections activities
6 and service disconnections in the field. These are incremental resources
7 which will be utilized until such time as they are no longer required, at
8 which point they will be re-deployed within field operations for
9 maintenance, meter replacements etc. Six collections service
10 representatives, reporting to the supervisor of Credit and Collections, were
11 hired in June 2014, with a mandate to support inbound calls resulting from
12 the enhanced collections activity, perform outbound collections activity and
13 to take “overflow” calls as required, in order to preserve the service level
14 standard; that is, 80% of calls being answered within 30 seconds.

15
16 Collections Thresholds. As of June 17, 2014, the Company reduced the
17 threshold for collections from \$500 to \$50.

18
19 Enhanced Reporting. The Company’s Finance Department has been
20 providing additional information to the Customer Service and Collections
21 team to support enhanced collection activities. This includes reporting
22 breaking out current and former customers by class of service, and then

1 further delineated between customers on levelized billing and special
2 payment arrangements. This has provided invaluable information to
3 strategically focus collection efforts. In addition, the volume of disconnect
4 orders are tracked on a daily basis and the disposition of each is managed
5 and monitored with respect to disconnect activity, payment arrangements
6 negotiated, ability to contact customers and a number of other key metrics.

7
8 Cross Functional Team Meetings. Meetings are held on a weekly basis to
9 discuss successes, plan events for the upcoming weeks, strategize means of
10 improving performance, and to generally ensure there is strong
11 communication amongst the key players. The forum is led by a member of
12 the senior leadership team within Operations and Engineering and is
13 attended by senior management personnel from across Operations,
14 Customer Service and Credit & Collections.

15
16 Nighttime Collections Activities: On July 21, 2014, the Company initiated
17 a pilot program to make collections visits to customers during the evening
18 hours. Specifically, the Company is conducting collections until 7:00 p.m.
19 Monday through Thursdays. The Company is tracking the results of these
20 efforts and if the pilot is deemed a success, the Company will consider
21 expanding the program and adopting the practice as part of its ongoing
22 collections efforts.

1 **Q. Will these measures remain in effect for an extended period of time?**

2 A. Yes, the resourcing that was discussed is permanent and the threshold of \$50 will
3 remain at its current level into the foreseeable future. As we approach the 2014
4 /2015 winter moratorium, we plan to re-visit our strategy concerning collections
5 activity during this period and will consider all options permitted under the
6 Commission's rules. At a minimum, we will continue issuing disconnect notices to
7 residential customers and will maintain both our IVR and outbound calling
8 programs. To the extent that field resources are no longer needed to conduct
9 service disconnection during the moratorium, those employees will be redeployed
10 to perform ongoing and necessary maintenance and support of the Company's gas
11 distribution system. Part of this will entail relocating indoor service meters to
12 outside of the service premises, which will also benefit collections over the long
13 term. Reporting will continue to be enhanced as necessary and the cross-functional
14 weekly team meeting will continue into the future as it is yielding considerable
15 benefit in terms of identifying opportunities and gauging the effectiveness of
16 measures which have been implemented already.

17

18 **Q. When do you anticipate realizing some benefits from the short-term efforts to**
19 **reduce the uncollectible balance?**

20 A. The combined effects of enhanced collection activity on more recent balances,
21 combined with the reduced revenues during summer months, has resulted in an
22 overall accounts receivable balance improvement from \$35,795,186 to

1 \$28,776,662, for a net improvement of \$7,102,000 from May to June of 2014. In
2 addition, we are already seeing some improvements in the 0 – 60+ day aging
3 category, with receivables dropping by \$9,156,506 in the same period. To some
4 extent, this reflects seasonal norms and the lower heating invoices which follow;
5 however, we also believe that our heightened collections activity is contributing to
6 this positive trend. Unfortunately, the collections activities and payment inflows of
7 \$4,692,226 in the month of May in the 60+ day category has been outstripped by
8 the aging of accounts in this same category for a net worsening in this same
9 category by \$2,736,918. This same trend, of receivables increasing over the winter
10 months, and the percentage of receivables in the 90+ day categories increasing, as a
11 percentage of overall outstanding receivables, is one which is not unusual in New
12 Hampshire and was experienced by the prior owner, National Grid.

13
14 Although considerable efforts are being expended to improve receivables and
15 notwithstanding some of the gains already observed, we expect a gradual
16 improvement in the receivables position, with particular challenges for customers in
17 the 121 -150 day and 150+ day aging categories. As mentioned previously,
18 customers in these aging categories are being aggressively pursued and additional
19 steps will be taken to target these groups.

1 **VI. LONG-TERM MANAGEMENT OF UNCOLLECTIBLE ACCOUNTS**

2 **Q. What are EnergyNorth's long-term plans for managing the uncollectible**
3 **accounts balance?**

4 A. Moving forward, we will continue to maintain a laser-like focus on managing
5 collections. Resources have been added and the Company has made a number of
6 changes in 2014 to enhance our capabilities in this area. However this is just the
7 beginning and we are investigating a number of other avenues which include:

8 i) Engaging a third party collection company to dramatically increase the
9 volume of outbound calls. The intent would be to increase the frequency of
10 outbound calling to accounts, using a combination of IVR and "live"
11 outbound calling strategies. Some preliminary discussions have already
12 taken place with a firm that has extensive utilities experience, with over
13 80% of its revenues being derived from this industry. To the customer, the
14 agency would be positioned as a representative of Energy North and the
15 interaction would be transparent from a customer experience perspective.

16 .

17 We would target customers in the 60 - 90 days aging buckets in order to
18 secure our "share of the wallet" and, in the process, assist customers to
19 maintain a manageable receivables balance and thereby avoid future
20 collections activity. In parallel, we would target the 150+ day customers,
21 with more frequent and consistent collection treatment in order to reduce
22 this problematic aged receivables category. As required, the third party

1 collections agency would be able to rapidly scale up or down to meet the
2 Company's needs within the regulatory framework. The Company is
3 sensitive to the need to work within the collective bargaining agreements at
4 EnergyNorth and will work with the local union and management team to
5 implement this strategy
6

7 ii) Sharing best practices within Liberty Utilities. This work is already
8 underway and will be further leveraged as we move forward. Part and
9 parcel to this is developing policies and procedures which are "best of
10 breed" and acquiring bench marking data specific to the industry, which will
11 be leveraged and shared across the Liberty Utilities properties, with
12 sensitivity to local conditions and the regulatory environment within each
13 state.
14

15 iii) Relocating "inside" meters. There are multiple initiatives underway at
16 EnergyNorth to relocate inside meters to outside of the customer's premises.
17 Estimates indicate that the volume of inside meters equals approximately
18 20%. We are currently investigating the feasibility of implementing a plan
19 within our outside meter program to target customers with past collections
20 activity. A key challenge is actually reaching these customers, with field
21 collectors not being able to reach approximately 25%, based on data from
22 June and July 2014. We are also pursuing having field operations capitalize

1 on the opportunity to relocate a meter whenever a service call involves
2 maintenance on an inside meter.

3
4 iv) Prioritizing customers for disconnect, based on meter location. An
5 investigation is currently underway to review the feasibility of targeting
6 delinquent customers based on the location of their meters; specifically, all
7 other factors being equal, the approach would be to target those customers
8 with “outside” meters, in addition to such factors as accounts receivable
9 balance and geographic location (to optimize collector productivity).

10
11 v) Security Deposits. The Company intends to implement a more aggressive
12 and consistent application of acquiring security deposits from new and
13 delinquent customers in order to reduce accounts receivable. The current
14 practice of securing deposits will be reviewed and an enhanced policy will
15 be implemented and closely monitored, to the extent that there are
16 opportunities with respect to the consistent application and size of deposits
17 secured.

18
19 vi) Engaging internal legal resources concerning customer bankruptcies.
20 Liberty has recently instituted a process whereby the legal department will
21 be filing proofs of claims in customer bankruptcies with the hope that we
22 will recover some funds through that process.

1 The above list of opportunities will be pursued in the context of existing
2 Commission rules. The Company will also consider seeking exemptions and will
3 work closely with the Commission Staff to arrive at solutions that meet the end
4 goal of improving collections results while still balancing the safety and security of
5 customers.

6

7 **Q. Does this complete your testimony?**

8 **A. Yes, it does.**