

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DOCKET DE 16-383

IN THE MATTER OF: LIBERTY UTILITIES (GRANITE STATE ELECTRIC)
CORP. d/b/a LIBERTY UTILITIES

REQUEST FOR CHANGE IN RATES

DIRECT TESTIMONY

OF

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DIRECTOR
CONSUMER SERVICES AND EXTERNAL AFFAIRS

DECEMBER 16, 2016

1 **Introduction**

2 **Q. Please state your name.**

3 A. My name is Amanda Noonan.

4 **Q. By whom are you employed and what is your business address?**

5 A. I am employed by the New Hampshire Public Utilities Commission, 21 South Fruit Street,
6 Suite 10, Concord, NH, 03301.

7 **Q. Have you previously testified before the commission?**

8 A. Yes, I have.

9 **Q. Please summarize your education and professional work experience.**

10 A. I have been employed with the Commission since January 1992. During that time, I have
11 worked in the Engineering Division, the Electric Utility Restructuring Division, and the
12 Consumer Services and External Affairs Division. I have been the Director of Consumer
13 Services and External Affairs since December 2015. Prior to that, I was the Director of the
14 Consumer Affairs Division for 18 years. I am a member of the NARUC Staff
15 Subcommittee on Consumer Affairs and of the New England Conference of Public Utility
16 Commissioners Staff Committee on Consumer Affairs. Prior to joining the Commission, I
17 was employed by BankEast Corporation for 6 years where I was responsible for the design
18 and development of corporate training programs relating to management and customer
19 service as well as bank operations. I have a B.S. in business administration from the
20 University of New Hampshire Whittemore School of Business and Economics.

21 **Q. What is the purpose of your testimony in this proceeding?**

22 A. The purpose of my testimony in this proceeding is to discuss the Liberty Utilities (Liberty)
23 customer experience as evidenced by the calls received by the Commission's Consumer

1 Services and External Affairs Division and the results of Liberty's annual customer
2 satisfaction surveys. In addition, the management and operations audit conducted by
3 Liberty Consulting Group evaluated Liberty's management of its customer functions. While
4 the audit was focused on EnergyNorth rather than Granite State, the systems and processes
5 used by EnergyNorth are also used by Granite State and can provide insight into Liberty's
6 management of its customer service functions generally. Testimony regarding the principal
7 findings and conclusions of that audit is provided by Liberty Consulting Group. Although
8 increases to rates and external factors outside of a utility's control such as major storms can
9 affect customer satisfaction levels, the customer experience is reflective of the performance
10 of the utility, of whether a utility employs good utility practices, and should be taken into
11 account when considering the appropriate rate of return a utility should be allowed to earn.

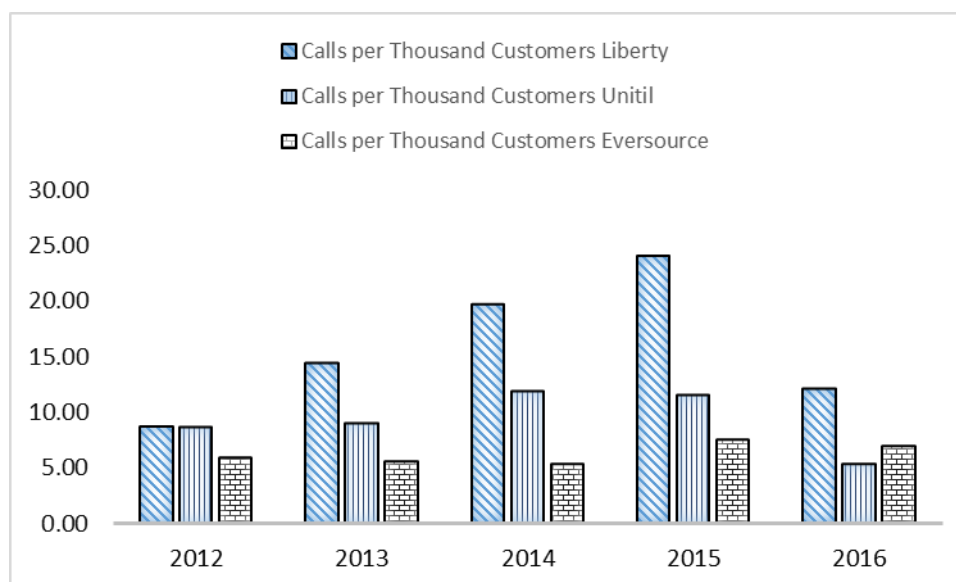
12 **Q. How have you organized your testimony?**

13 A. My testimony will describe the experience of the Commission's Consumer Services and
14 External Affairs Division with calls from Liberty Utilities' customers, comparing it to the
15 experience of the Division with Unitil Energy Services (Unitil) and Eversource Energy
16 (Eversource). I will also summarize the results of Liberty's annual customer satisfaction
17 surveys, comparing the 2013, 2014 and 2015 customer satisfaction results to one another
18 and to the baseline customer satisfaction survey conducted by Liberty in 2012, following the
19 acquisition of Granite State Electric by Liberty Utilities.

20 **Q. Please describe the experience of the Consumer Services and External Affairs Division.**

21 A. The Consumer Services and External Affairs Division receives calls from New Hampshire
22 consumers with questions or concerns about their utility service. Calls from customers
23 regarding Liberty Utilities have outpaced calls received from customers regarding the other

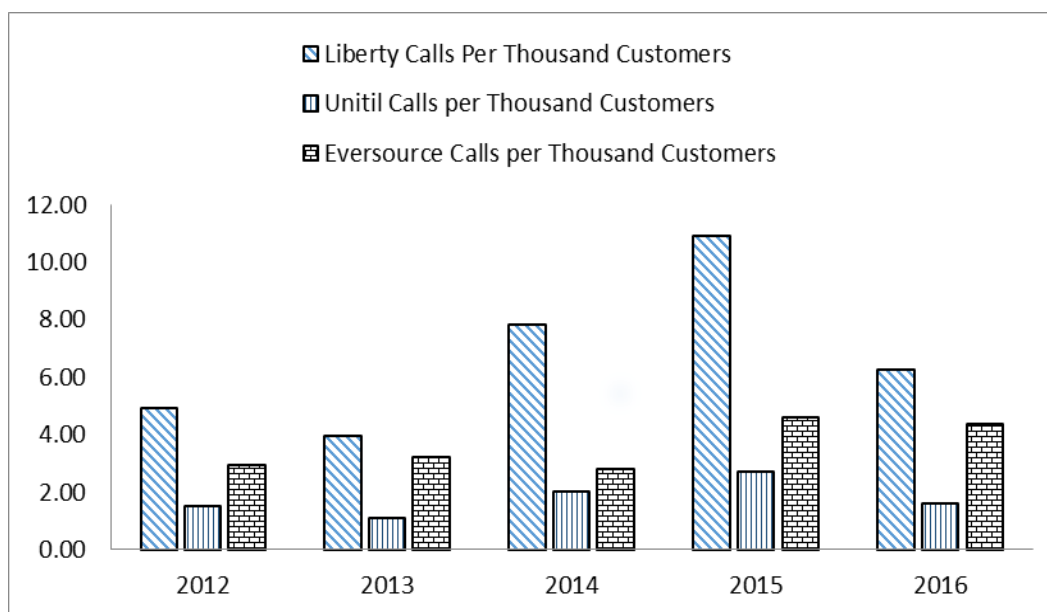
two jurisdictional electric utilities in New Hampshire since 2013. The table below shows the number of calls received by Liberty, Unitil, and Eversource in 2012, 2013, 2014, 2015, and to date in 2016. The number of calls is presented as calls received per one thousand customers to account for the difference in utility size. In 2012, Liberty's performance was quite similar to that of Unitil. During 2013, 2014 and 2015, the calls per one thousand customers increased significantly for Liberty. Winter energy supply prices in 2013 and 2014 may account for some of the increase; however, Unitil customers also experienced high energy supply prices. Further, there were no major storm events in 2013, 2014, or 2015 that would have negatively impacted Liberty without similarly impacting Unitil and Eversource.¹



Requests for authorization to disconnect service to customers with a medical emergency certification increased for Liberty in 2015. While Eversource routinely requests

¹ While there were no major storm events which affected Liberty but did not affect Unitil and Eversource, the Thanksgiving 2014 snowstorm affected Unitil and Eversource much more significantly than Liberty. The percentage of customers without power at peak were as follows: Unitil 46%, Eversource 41% and Liberty 7%.

1 authorization to disconnect medically certified accounts with past due balances and no
 2 arrangement for payment, Liberty did not until 2015, and Unitil submits very few requests.
 3 Those requests require customer outreach by the Consumer Services Division and so are
 4 recorded in the Division's database. Additionally, calls to the Commission from customers
 5 who either intended to call their utility or who had not called their utility first in an effort to
 6 resolve their concern are recorded in the Division's database. As these two categories of
 7 calls are not necessarily reflective of customer satisfaction with the utility, the table below
 8 shows the number of calls, expressed as calls per thousand customers, for Liberty, Unitil
 9 and Eversource excluding requests for authorization to disconnect medically certified
 10 accounts and calls referred to the utility without intervention from the Consumer Services
 11 Division.



12 The number of calls per thousand customers for Liberty is, again, higher than that of
 13 Eversource and significantly higher than that of Unitil. In looking at the types of calls the

1 Division received, calls related to billing issues is the number one reason Liberty customers
2 contact the Commission.

3 **Q. Is there other evidence to support customer dissatisfaction with the level of service**
4 **provided by Liberty Utilities?**

5 A. As part of its acquisition of Granite State Electric, in DG 11-040, Liberty agreed to conduct
6 a statistically-valid residential customer satisfaction survey and report the results to the
7 Commission annually no later than one month following the availability of the survey
8 results. The selected sample size for the survey had to be sufficiently large so as to yield an
9 error rate of no more than plus or minus 2.5% with a 95% confidence rate.

10
11 To develop a baseline against which to measure Liberty's performance, the first survey was
12 conducted within three months of the closing. Liberty committed to maintaining a customer
13 satisfaction level no lower than that established by the baseline survey, provided the
14 baseline survey resulted in a customer satisfaction level of no less than 80%. The baseline
15 survey, conducted in 2012, established an overall customer satisfaction level of 81% and,
16 when price was excluded from consideration, of 82%. *See Attachment AON-1.* The
17 baseline survey also showed that, among customers who had called customer service, the
18 interaction with customer service was rated as good to excellent by 79% of respondents.
19 Further, 80% of the respondents found their electric bill easy to understand, 83% found the
20 bill easy to read, and 69% said the bill was always accurate. When rating the usefulness of
21 the website, 72% of respondents found the website somewhat or very useful.

1 During 2013, many of the services Liberty provided to its customers were provided through
2 transition services agreements with National Grid. While there were some changes in the
3 customer satisfaction results, customer satisfaction levels in 2013 remained relatively
4 consistent with the baseline established in 2012. In 2014 and 2015, however, customer
5 satisfaction decreased significantly when compared to the performance goals established by
6 the 2012 baseline survey.

7 **Q. What other information do the customer satisfaction survey results provide?**

8 A. Liberty contracted with Luth Research to conduct the baseline residential customer
9 satisfaction survey in 2012 and also to conduct the residential customer satisfaction surveys
10 in 2013, 2014 and 2015. While the decline in customer satisfaction from 2014 to 2015 was
11 not as marked, Luth Research notes on page 12 of its 2015 report that, “Although overall
12 satisfaction with customer services was statistically unchanged compared with last year, the
13 long-term trend is troubling. Satisfaction has declined by 23 points since 2012 and unlike in
14 2012, more customers who were satisfied in 2015 were more likely to give the company
15 ‘good’ rather than ‘excellent’ ratings.” A comparison of some of the results of the customer
16 satisfaction surveys conducted in 2012, 2013, 2014 and 2015 are shown on the next page.
17 See attachments AON-1 through AON-4 for the survey results for 2012, 2013, 2014 and
18 2015.

	2012 Baseline	2013	2014	2015
Overall satisfaction – somewhat to very satisfied	81%	78%	66%	64%
Overall satisfaction when exclude price – somewhat to very satisfied	82%	81%	73%	74%
Interaction with customer service – good to excellent	79%	72%	62%	56%
Bill easy to understand	80%	78%	68%	63%
Bill easy to read	83%	81%	70%	67%
Bill always accurate	69%	72%	63%	60%
Usefulness of website – somewhat or very useful	72%	66%	59%	58%

Q. Why were the above results chosen for comparison?

A. The annual customer satisfaction surveys reports provide Liberty with information regarding its performance, as rated by its customers, for 6 main areas: overall services and company, customer service, customer billing, service outage, communication, and awareness of energy efficiency programs. The only two areas not represented in the table above are service outage and awareness of energy efficiency programs. While Liberty is to be commended for surveying its customers about awareness of energy efficiency programs and expectations during an outage, awareness of energy efficiency programs is more a function of the effectiveness of Liberty's communications efforts than an expression of customer satisfaction with the customer experience. Service outages are most often the result of events outside the control of the company, and, while customer communication is critical during an outage, service outages themselves are not a consistent experience from year to year and so were excluded from this comparison.

1 **Q. Did Liberty take steps to address the declining level of customer satisfaction?**

2 A. Yes. As required by the settlement agreement in DG 11-040, Liberty must file an action
3 plan for improving customer satisfaction levels with the Commission. On January 29, 2015
4 and November 13, 2015, Liberty filed its action plans responding, respectively, to the areas
5 for improvement identified in the 2014 and 2015 customer satisfaction survey reports.

6 **Q. Is Liberty Utilities performance in accordance with the conditions of the settlement in**
7 **DG 11-040?**

8 A. No. Liberty's performance in 2013 was 78% for overall satisfaction as compared to 81% in
9 2012. When excluding prices, customer satisfaction in 2013 was 81%, one percent lower
10 than in 2012. Liberty failed to achieve the baseline performance goals established by the
11 2012 survey in 2014 and 2015 by more significant percentages.

12 **Q. Has Staff reviewed Liberty's 2016 customer satisfaction results?**

13 A. No. Staff inquired about the availability of the 2016 report and was told the survey was
14 scheduled to be completed on December 9, 2016. At the time of Staff's inquiry, Liberty
15 indicated it expected the survey company to present the results to Liberty on December 14,
16 2016 and the survey to be filed with the Commission before the end of the year, assuming
17 no changes to the survey schedule. At the time this testimony was prepared, Liberty had not
18 yet filed its 2016 customer satisfaction results.

19 **Q. How should Liberty's performance relative to customer service and customer**
20 **satisfaction be addressed within the context of its request for change in rates?**

21 A. As evidenced by the calls received by the Commission and Liberty's own customer
22 satisfaction survey results, customer satisfaction with Liberty has declined measurably since
23 its acquisition of Granite State Electric. While less significant in 2015 than 2014, Liberty's

1 customers have experienced a level of service which is not commensurate with its baseline
2 performance levels. This level of service appears to reflect the inexperience of Liberty's
3 management with creating systems and processes to support the needs and expectations of
4 electric customers. While improvements have been made, there continues to be
5 opportunities for improvement.

6
7 For example, the issuance of a bill that is timely, understandable and accurate is a basic
8 utility function. Yet only 63% of Liberty's customers rated the bill as easy to understand, a
9 decrease of 17% from the baseline survey conducted in 2012. While less of a decrease, only
10 60% of survey respondents believed their bill was always accurate as compared to 69% in
11 2012. As noted in the testimony of Liberty Consulting Group, Liberty faces a number of
12 challenges in reversing the downward trend in customer satisfaction. Efforts to more clearly
13 define the customer service organization, policies, and procedures as well as to improve
14 engagement and development of employees are needed to deliver a quality customer
15 experience.

16
17 Customer satisfaction reflects, in part, the performance of a utility. While price impacts
18 satisfaction, it is clear from Liberty's customer surveys that even when price is excluded
19 Liberty is not delivering service at a level which meets the needs and expectations of its
20 customers and achieves baseline customer satisfaction goals. The experience of the
21 Consumer Services and External Affairs Division provides further evidence about utility
22 performance, and, as described earlier, Liberty's customers seek assistance from the
23 Division in much higher numbers, proportionally, than the customers of other New

1 Hampshire electric utilities. Finally, the management and operation audit conducted by
2 Liberty Consulting Group, while recognizing initiatives to improve the customer experience,
3 identifies a number of areas where improvement is needed.

4
5 In its testimony, Liberty Consulting Group concludes that Liberty Utilities' management has
6 not demonstrated an overall level of good utility practice in the area of customer service.²
7 This conclusion supports, and is supported by, the testimony presented here. Liberty's
8 actions have had a direct impact on ratepayers, and the Commission should recognize that
9 impact and provide ratepayer relief in the form of lower rates through a reduction to the
10 return on equity. Approving a return on equity of 8.35%, a reduction of 50 basis points
11 from the 8.85% recommended by Dr. Woolridge in his testimony, sets the return on equity
12 at approximately the midpoint of the range identified by Dr. Woolridge as reasonable while
13 reflecting the lower performance of Liberty Utilities and providing relief to customers.

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

15 A. Yes.

² See Testimony of Liberty Consulting Group. "However, given the following two factors, we would not conclude that, overall, management demonstrated good utility practice in customer service. The first factor is the breadth of the concerns we found, which extended to many areas central to effective performance. The second factor is the newness of a number of initiatives, which, given the extent of past problems and those still existing, called for caution in believing that LU-NH's path toward a level of effective and efficient performance would continue."