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April 24, 2014

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*Via Hand Delivery and Electronic Mail*

Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

**Re: DG 11-040: Liberty Utilities (EnergyNorth Natural Gas) Corp. and Liberty Utilities (Granite State Electric) Corp. (both d/b/a Liberty Utilities and collectively referred to as "Liberty Utilities")  
Liberty Utilities IT Conversion**

Dear Ms. Howland:

We are writing in response to the April 16, 2014 memorandum from Staff ("Staff Memorandum") to the Commission requesting that the Commission open an investigation into the performance of Liberty Utilities' customer information systems and compliance with certain requirements of the settlement agreement (the "Settlement") in this docket. The purpose of this letter is to provide the Commission with additional information regarding the issues raised by Staff and to reiterate our continuing commitment to addressing Staff's concerns and to meeting our customer service responsibilities.

While we acknowledge that the transition to a new customer information system and support infrastructure necessitated by the ownership change has resulted in a minor number of customer billing issues, we believe that the overall customer care performance metrics currently being demonstrated by Liberty Utilities meet the expectations of the Commission and our customers. At the time of filing of the Staff Memorandum, Staff may not have been aware of the continuing improvements in our performance metrics. While Liberty Utilities acknowledges that these reports were delayed during the conversion process, their preparation was in process and delivery to Staff and the Commission was planned for April 30, 2014. While we regret the delay in reporting our customer care metrics to Staff, we request that any decision by the Commission regarding whether to open an investigation be made in the light of our current demonstrated customer care performance evidenced by the enclosed reports.

Specifically, Liberty Utilities would like to call to the Commission's attention the following metrics, which demonstrate our performance on customer billing:

- As of the date of this letter, Liberty Utilities is currently billing 99% of its gas customers on time; clearly a service level which meets the expectations of the Commission. This reflects an increase in performance from an average of 94.3% of customer bills issued on time for the period September 2013 to March 2014;
- Liberty Utilities' performance on the 'number of estimated bills', 'number of bills with exceptions', and 'billing accuracy' meets the service level metrics set out in the Settlement; we would point out this performance actually represents an improvement over National Grid's pre-sale performance levels. Specifically, Liberty Utilities currently issues 'estimated bills' less than 0.92% of the time, compared to National Grid's 3.75%. In addition, Liberty Utilities has issued only 1.29% of its bills with 'exceptions', while National Grid previously issued 3.23% of bills with 'exceptions'. We believe these results are noteworthy and demonstrate the value of the local management approach that Liberty Utilities has brought to New Hampshire.
- Liberty Utilities' 12-month rolling average service level in answering customer calls within the standard of 80% of customer calls answered within 30 seconds improved to 82% to March 31 2014, and remains on track for the month of April. This service level meets the requirements of the Commission.

Liberty Utilities has now notified Staff of these results.

The following is intended to address the specific issues raised by Staff:

Billing Delays: The Staff Memorandum raises concerns surrounding delays in customer billing (we assume such concerns to be focused on billing of gas customers only, as electric customer billing is still being performed by National Grid). We have established an internal target of rendering 95% of customer bills on time. For the period September 2013 through March 2014, we issued 598,342 customer bills, 94.3% of which were issued on time. Most notably, since March 31, 2014, over 99% of all bills have been prepared and issued on time. We actively monitor the timing of the issuance of bills and take prompt action when needed to ensure that the 95% on-time objective will continue to be met. We are confident that we will continue to meet our internal target and believe the recent performance should provide comfort to the Staff and Commission regarding our ability to do so.

Repetitive or Cumulative Bills: We are aware of a limited number of instances where customers received duplicate or cumulative bills. We have investigated this matter and determined that it resulted from a billing system abnormal condition related to transitioning an account between customers, or a situation where a vacant account transitions to a new customer. The problem is being resolved by our software vendor and we will notify Staff with confirmation upon the resolution of the issue; until such time, we are using a manual process in these circumstances.

Accounts Without Bills Since Conversion: We confirm that all customers have received a bill since conversion. Notwithstanding, we acknowledge that there are a limited number of customers that suffered delays in receipt of bills; based on the data provided in a recent response to the Commission's consultant G3, 33 accounts were not billed for three months and 129 accounts were not billed for 2 months. We have identified the root cause of this billing issue and a code update, which should resolve this matter, is scheduled to be installed in mid-May 2014 as part of a scheduled upgrade to our billing system. (This billing system upgrade is independent from the electrical utility planned conversion.) In the meanwhile, we have implemented a manual process to issue bills to these customers.

Performance of Liberty Utilities Customer Service Center: Staff raised concerns regarding Liberty Utilities' ability to meet its obligations under the Settlement to answer 80% of calls from its gas customers within 30 seconds, as measured on a 12-month rolling average. Staff cites a slight drop below 80% in the months of January and February of 2014 as the cause for its concerns. We acknowledge that our service levels did fall below the 80% target level in the months following the conversion to the new customer care systems and the transfer of responsibilities to our New Hampshire-based customer service organization.

While we understand Staff's frustration with this slight decline in the level of service, we note that temporary service level dips are not uncommon as part of any major system conversion and organizational change implementation. Notwithstanding, we confirm that the 12-month rolling average service level improved to 82% for the period ending March 31 2014, and remains on track for similar results in the month of April. We are bolstering our customer service staff, both permanent and temporary, as we prepare to take on our Granite State Electric customers. We monitor our customer service staffing on a weekly basis to ensure adequate resources are available to answer customer calls in accordance with the committed service levels.

Compliance with Settlement Agreement in DG 11-040: Staff states that following the conversion of the Liberty Utilities' gas customers to our new customer care system, we have not filed performance metrics on 'bill accuracy', 'estimated bills percentages', and 'percentages of bills with exceptions' as described in Attachment N to the Settlement. Attached to this letter is a summary of our billing metrics for the period September 2013 to March 2014, which confirms not only a positive trend since conversion, but acceptable overall performance in all three categories – bill accuracy, estimated bills, and percentages of bills with exceptions.

We acknowledge that while this information was not provided to the Staff prior to the filing of the Staff Memorandum, it does demonstrate and confirm our ability to meet the commitments made in the Settlement. Liberty Utilities remains committed to providing this information in a timely manner on a going forward basis.

While not specifically raised in the Staff Memorandum, we would like to call the Commission's attention the results of our recently completed 2013 Customer Satisfaction surveys which were filed with the Commission on March 3, 2014. As part of the Settlement, Liberty Utilities performed a baseline survey in 2012 to determine customer satisfaction levels at the time

of transfer of ownership from National Grid to Liberty Utilities. Liberty Utilities conducted a subsequent survey in the fall of 2013, following its system conversion for its gas customers. The 2013 survey results indicate that there was no degradation of overall customer satisfaction through the period of ownership transfer. We believe this positive customer satisfaction indicator should be considered into the assessment of our overall performance.

Delays in Posting of Payments to Accounts: Customer payments are received and processed by Liberty Utilities' billing agent, FiServ; on a daily basis, FiServ delivers data files to Liberty Utilities for posting of customer payments to customer accounts. FiServ provides four different payment channels for customers to make payments to Liberty Utilities. From the commencement of service in September 2013, FiServ has been meeting the daily processing and information transfer service levels.

Notwithstanding, there are circumstances in which certain payments are posted on the next day; for example, electronic payments which are received by FiServ from a customer after the 4 pm EST cut-off on a particular day will be processed the following day. This unfortunately results in a one day delay in the customer seeing the payment on their account. Additionally, in the situation where a customer payment references an incorrect account number or a customer payment must be applied to multiple accounts, such payments must be processed manually which can delay postings for several days. Delays due to these circumstances are not unique to Liberty Utilities, but arise due the necessity of manual intervention.

Regarding payment postings to customer accounts, there remain a small number of customers who, notwithstanding the correspondence advising them of the change in service provider, have continued to send their payments to National Grid. Most of these customers have automatic payment arrangements configured through their own financial institution. Both Liberty Utilities and National Grid have communicated with these customers repeatedly since conversion, including individual phone calls. The number of such customers has been reduced from initially more than three thousand at conversion to less than three hundred in March 2014. National Grid's practice has been to aggregate such payments and forward the aggregated funds and customer information to Liberty on a monthly basis. Liberty Utilities staff must then manually cross reference the customer's National Grid account number to the Liberty Utilities account number in order to post the payment to the customer's account. In February 2014, there were 256 such payments, and in March there were 271. As of April 1, 2014, in accordance with an agreement between Liberty Utilities and National Grid, National Grid will now be returning the payments to the customers with instructions to contact Liberty Utilities.

Break Down of Bills Covering More Than One Billing Period: Liberty Utilities' billing system is configured to accurately calculate bills over multiple billing periods to address the situation when a customer's bill is in question or a rate/billing code needs to be adjusted. While we are committed to delivering a month-by-month re-billing or analysis upon request by a customer, we note that this is currently a manual process. An upgrade to Liberty Utilities' billing system scheduled for May 2014 will automate this process, reducing the time delay associated with the unusual requirement for processing bills covering more than one billing period.

Electronic Billing/Viewing Online Bills: We acknowledge the concerns raised by Staff regarding the ability of customers to see payments when reviewing their accounts online. Unfortunately, the FiServ bill processing system currently only allows customers who pay their bills through electronic auto payments to view payment history online; customers who pay one time or through the lockbox system cannot view these payments online. We are upgrading the web-based customer portal during 2014 and have included a more robust bill review system as part of our requirements. We plan to reach out to various stakeholders, including the Commission Staff for comments on areas in which we can improve the website.

Increase in Call Volume Described by Staff: We note that when comparing monthly call volume for the period September 2012 – March 2013 against the period September 2013 – March 2014, there has been an increase in call volume for the November to February period. While a portion of this call volume is attributable to the introduction of a new bill format under Liberty Utilities' ownership, we also note a substantial number of calls also relate to increased gas prices and gas usage as a result of the record setting winter in New Hampshire. We acknowledge these multiple factors likely contributed to an increase in the number calls made by customers to the Commission Staff and we are committed to working with Staff to address this going forward.

ISO Standard 2700-1 Assessment: The Staff has raised concerns regarding the network security assessment which was performed by PriceWaterhouseCoopers ("PWC") in April 2012 and submitted to the Staff on June 28, 2012. Liberty Utilities has met with G3 to explain in detail the nature of the 2012 network assessment and Liberty Utilities' plans for further assessment. As explained at the quarterly meeting with Staff held in January 2014, we believe that the security assessment contained in the 2012 PWC report remains valid on the basis of:

- a) the protracted nature of the transition of IT systems from National Grid to Liberty Utilities; Liberty Utilities' network only became relevant for the gas utility starting on Labor Day 2013 and will not be relevant for the electric utility until following the cutover of systems, and;
- b) Liberty Utilities has used the results of the 2012 PWC assessment, combined with continuing internal and PWC work, to confirm Liberty Utilities compliance with ISO 2700-1 and has based its action plans for improvement in security processes upon that work.

We reiterate our commitment to the adoption of ISO 2700-1 as a part of the framework for implementing and monitoring network security. As recently as March 18, 2014, Liberty Utilities provided a detailed schedule for satisfying this requirement in response to G3's data request XII.B.4. In essence, Liberty Utilities plans two further third party assessments in 2014; one to provide a current state assessment of compliance with the ISO 2700-1 network security control objectives prior to the completion of the IT transition for the electric utility, and a subsequent third party assessment later in 2014 following the IT transition. We understand that Staff had not received a copy of the data response from G3 prior to submitting the Staff Memorandum, and thus we are attaching that data response hereto for the Commission and the

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Staff's consideration. The initial 2014 assessment has commenced, and the terms of reference for that assessment have been made available to Staff. The results of the assessment will be provided to Staff and G3 forthwith following completion.

Delay in Electric Conversion: The Staff Memorandum recommends that the Commission consider requiring Liberty Utilities to delay the conversion of its electric customer information systems which were planned for May 23 to May 25, 2014. While Liberty Utilities remains comfortable and confident that a conversion of the electric utility would be accomplished seamlessly under the original timetable, we have now deferred the conversion date until the weekend of July 3 2014. This delay has been solely occasioned to ensure that Staff has sufficient time to gain a similar level of confidence in the conversion process to that held by Liberty Utilities.

We appreciate the opportunity to provide these comments to the Commission for its consideration. We believe the information, which was not entirely available to Staff prior to submission of their memorandum, reflects positive performance of Liberty Utilities against key customer billing metrics. We are committed to a positive completion of the electric utility conversion in July and we look forward to continued constructive work and communications with the Commission and Staff on this matter.

Very truly yours,

  
Richard H. Leehr

Enclosures

cc: Service List