

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

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DG 11-040

In the Matter of:
National Grid USA et al. and Liberty Energy Utilities Co. et al.
Joint Petition for Authority to Transfer Ownership of Granite State Electric Company and
EnergyNorth Natural Gas, Inc. to Liberty Energy Utilities Co.

Direct Testimony

of

Amanda O. Noonan
Director, Consumer Affairs

October 7, 2011

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

2 **A.** My name is Amanda Noonan. I am employed by the New Hampshire
3 Public Utilities Commission, 21 South Fruit Street, Suite 10, Concord, NH 03301.

4 **Q. What is your position with the New Hampshire Public Utilities Commission?**

5 I am Director of the Consumer Affairs Division.

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

7 **A.** Yes, I have.

8 **Q. Please outline your educational background and professional experience.**

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

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

20 **A.** The purpose of my testimony in this proceeding is to comment on certain aspects of the
21 proposed transaction and provide recommendations regarding the transaction, particularly
22 as it affects the levels of service provided to customers by Granite State and Energy
23 North. As part of that, I will also address Liberty Energy New Hampshire's (Liberty NH)

1 proposal for the customer facing areas of its operations as well as its managerial and
2 technical abilities.

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

4 **A.** My testimony first discusses the standard of review for utility ownership transfers and
5 then provides some brief background on the parties involved in the acquisition of Granite
6 State and Energy North. I then focus on potential benefits that Algonquin, on behalf of
7 Liberty Energy and Liberty NH, asserts would accrue to customers and the State should
8 the transaction be approved. Finally, I identify areas that could significantly impact the
9 realization of those benefits and areas where customers may lose access to some services
10 currently available to them.

11 **Q. What standard(s) has Staff used to evaluate the approvals requested in the petition?**

12 **A.** The petition requests the Commission find that the acquisition of the stock of Granite
13 State and EnergyNorth by Liberty NH is in the public interest and authorize the transfer
14 of all the stock of the two public utilities to Liberty NH in accordance with the relevant
15 stock purchase agreements. These requests are based on the requirements and standards
16 set forth in RSA 374:30 (“transfer of franchise, works or system . . .[must be] for the
17 public good”) and RSA 374:33 (“acquisition [must be] lawful, proper and in the public
18 interest”). Petition, paragraphs 18-22. Under both statutes, the Commission has
19 frequently applied the “no net harm” standard described in more detail below. It is this
20 standard that guides my evaluation of the proposed transaction.

1 **Q. Please describe your understanding of the “no net harm” standard mentioned**
2 **above.**

3 **A.** As described more fully in the direct testimony to Steven Mullen, the focus of the “no net
4 harm” standard is on the effects of the proposed transaction on the public interest and on
5 ratepayers. Among the important circumstances to be considered and weighed are the
6 managerial, technical, and financial capability of the acquirer, the corporate commitment
7 by all the Joint Petitioners to the success of the acquisitions, and the financial costs of the
8 acquisitions to ratepayers.

9 **Q. Please describe Algonquin Power and Liberty Energy.**

10 **A.** Liberty Energy Utilities Co. (Liberty Energy) is a subsidiary of Liberty Utilities Co.,
11 which is a subsidiary of Liberty Utilities (Canada) Corp., a wholly owned subsidiary of
12 Algonquin Power and Utilities Corp. (Algonquin) established for Algonquin’s regulated
13 businesses. Testimony filed by Ian Robertson, Chief Executive Office of Algonquin, and
14 David Pasieka, President of Liberty Utilities (Canada) Corp., provides a more complete
15 description of Liberty Energy and its corporate structure.¹ Liberty Energy appears to
16 have created separate subsidiaries for each state in which it intends to conduct business.
17 The New Hampshire subsidiary, Liberty Energy Utilities (New Hampshire) Corp.
18 (Liberty NH in my testimony), would be the owner of Granite State Electric and
19 EnergyNorth Natural Gas.

20 **Q. Do Liberty Energy or Algonquin own or operate any other public utilities in New**
21 **Hampshire or in other states?**

22 **A.** While neither Liberty Energy nor Algonquin own or operate any other public utilities in

¹ See pages 6 – 8 of 32 of the direct testimony of Ian Robertson and pages 5 – 6 of 23 of the direct testimony of David Pasieka.

1 New Hampshire, Liberty Utilities Co, the parent company of Liberty Energy, has been
2 providing utility service through its Liberty Water subsidiary to water and wastewater
3 customers in other states for approximately ten years. Most recently, Liberty Energy
4 acquired California Pacific Electric Company (CalPeco) from NV Energy, Inc. Liberty
5 Energy's experience operating CalPeco began on January 1, 2011. Aside from that
6 acquisition, which is in the early stages of its transition from NV Energy to Liberty
7 Energy, Liberty Energy has no experience owning and operating electric or gas
8 distribution utilities. Ownership of Granite State Electric and EnergyNorth will be
9 accompanied by a challenging learning curve for Liberty Energy.

10 **Q. Does Liberty Energy's limited experience with ownership and operation of**
11 **regulated electric and gas distribution utilities create any concerns regarding the**
12 **proposed transaction which is the subject of this proceeding?**

13 **A.** Certainly it makes it difficult to evaluate Liberty Energy and Liberty NH's ability to
14 provide the same levels of service to customers as is currently provided by National Grid.
15 Additionally, as is described in more detail in the direct testimony of G³ Associates,
16 Attachment A, Technical Report, Liberty Energy's very limited progress with the
17 transition of CalPeco from operating on transition services provided by NV Energy to
18 operating on its own systems does not allow for examination of Liberty Energy's abilities
19 to successfully transition services from National Grid to its own systems.

20 **Q. Has Liberty Energy identified any benefits that would accrue to customers as a**
21 **result of its ownership that would, in Liberty Energy's view, support its position**
22 **that the transfers are in the public interest?**

23 **A.** While several Algonquin and Liberty NH witnesses offer testimony regarding the

1 benefits to customers and the public that would accrue as a result of the proposed
2 transfers, the testimony of Ian Robertson summarizes those benefits. As outlined on
3 pages 17 – 21 of 32 of Mr. Robertson’s direct testimony, the transfers would significantly
4 increase the level of local management, control and operation; result in the restoration of
5 over 60 jobs to New Hampshire, with the potential for additional jobs in the future;
6 implement an operating model which focuses on local management and control, bringing
7 an enhanced focus on customer service and regulatory relations; and create customer
8 service and regulatory policies and programs tailored specifically for Granite State and
9 EnergyNorth through its New Hampshire-centric approach rather than the one size fits all
10 approach necessitated by the current centralized management structure of National Grid.

11 **Q. Has Liberty Energy made further commitments that would support its position that**
12 **the transfers are in the public interest?**

13 **A.** Yes. In his testimony², Mr. Robertson offers the following commitments which he
14 asserts will serve the public interest:

- 15 • A New Hampshire based President for Liberty NH;
- 16 • Continued employment of current employees in NH with recruitment of
17 experienced personnel from National Grid to fill new positions;
- 18 • New Hampshire based headquarters and operations center for all core functions of
19 Granite State and EnergyNorth;
- 20 • Annual customer satisfaction survey using process currently utilized by
21 Algonquin for its other utilities;
- 22 • Continued reporting of service quality metrics currently reported by Granite State

² See pages 21 – 23 of 32 of the direct testimony of Ian Robertson.

1 and EnergyNorth;

- 2 • Establishment of customer call center in New Hampshire and opening of walk-in
- 3 centers to improve communications and overall customer satisfaction;
- 4 • Capital spending at least at currently budgeted levels;
- 5 • No rate recovery of any acquisition premium or of any financing or legal
- 6 transaction cost associated with purchase; and
- 7 • Maintenance of Granite State and EnergyNorth as separate legal entities with
- 8 separate books and records.

9 **Q. What comments do you have on the benefits and commitments outlined above?**

10 **A.** Generally, the commitments that Liberty Energy has made seem to be positive as they
11 relate to the level of service provided to customers. Through its testimony³, Liberty
12 Energy describes its management philosophy as being customer focused and its customer
13 service philosophy as empowering management teams with the necessary authority and
14 autonomy to determine how to best meet the needs of customers and focusing on
15 customer service located in the communities served. This is a significant shift from the
16 centralized management and customer service provided by National Grid. Such an
17 approach should have a positive impact not only on the level of service provided to
18 customers but also on the types of services available to customers. Re-establishing call
19 centers in New Hampshire in conjunction with the re-establishment of walk-in centers for
20 customers are all very positive changes for customers. Liberty Energy is an unknown
21 and, as it relates to electric and gas operations, an unproven utility operating company,
22 however. Accrual of the above benefits is highly dependent on the ability of Liberty

³ See direct testimony of Ian Robertson and direct testimony of William Sherry, Gerald Tremblay and Robert C. Wood.

1 Energy and Liberty NH to successfully implement its IT systems and successfully
2 execute the transition from National Grid. As is discussed further in my testimony, there
3 are a number of uncertainties that make it difficult to determine if Liberty Energy and
4 Liberty NH can successfully execute all that it has planned.

5 **Q. Given the above, would you recommend that the proposed transfers be approved?**

6 **A.** As stated by Mr. Mullen in his testimony, Staff's recommendation is that the stock
7 transfers not be approved as filed. Based upon my review of the information provided in
8 the joint petition as well as during the discovery process, I have identified some areas
9 where there are unknowns or uncertainties that need to be addressed in order to provide
10 more confidence that this transaction would not result in harm to customers and would in
11 fact be in the public interest. First and foremost is the successful conversion from
12 National Grid's systems to Liberty NH's own systems. As discussed in more detail in the
13 direct testimony of G³ Associates, Attachment A, Technical Report, the ability of Liberty
14 Energy and Liberty NH to successfully transition from National Grid's systems to Liberty
15 NH's own systems is unknown at this point. As noted in the direct testimony of G³
16 Associates, Attachment A, Technical Report, Liberty Energy has chosen to bifurcate its
17 approach to planning for the transition of services from National Grid to Liberty NH. As
18 a result of this decision, very little work has been done that would allow Staff and G³
19 Associates to evaluate Liberty NH's systems and the planned testing and cutover
20 readiness process. As demonstrated by the recent acquisition of Verizon's New
21 Hampshire service area by FairPoint, the successful implementation of proven and tested
22 IT systems and a smooth transition are critical to the success of the transaction. The
23 impact on customers of an unsuccessful implementation and transition is significant and

1 long-lasting as is the impact on the acquiring company's financial viability. This
2 uncertainty regarding Liberty NH's plans for proving and testing the systems it intends to
3 implement, for its transition planning, and for the ability of the systems it has chosen to
4 replicate the same services and user support as is provided today by National Grid raises
5 concern.

6 **Q. Aside from the IT systems and transition, are there other areas of concern?**

7 Liberty NH has committed to providing the same levels of service as currently required
8 for Granite State and EnergyNorth. As required in DG 06-107, Granite State must meet
9 the following service metrics:

- 10 • Answer 80 percent of calls received at the call center within 20 seconds; and
- 11 • Conduct a statistically valid annual customer satisfaction survey and achieve a
12 satisfaction rating from residential customers that is no less than 88%.

13 The same proceeding established the following service metric for EnergyNorth:

- 14 • Answer 80 percent of calls received at the call center within 30 seconds.

15 The customer satisfaction survey which Liberty proposes to use is quite different from
16 the survey currently used by National Grid. If Liberty NH were to begin using its own
17 customer satisfaction survey without continuing for a period of time to conduct a survey
18 that is the same as or comparable to that conducted by National Grid today, there would
19 be no meaningful way to compare its performance to that of Granite State. Further, the
20 uncertainty associated with Liberty NH's ability to successfully implement its IT systems
21 and execute a seamless transition to those systems raises concern regarding the ability of
22 Liberty NH to achieve the service metrics outlined above.

1 **Q. What impact will the proposed transfer have on low income customers of Granite**
2 **State and EnergyNorth?**

3 **A.** The proposed transfer of Granite State and EnergyNorth to Liberty NH will not affect
4 customer access to the electric assistance program and the low income gas discount
5 program. Both programs will continue on as currently structured and will be available to
6 low income customers of Granite State and EnergyNorth subject to the same eligibility
7 criteria as today. National Grid has a number of other low income initiatives, however,
8 and it is unclear if Liberty NH will continue those initiatives.

9
10 National Grid provides gas and electric service to some of the more urban populations in
11 New Hampshire⁴ and expends considerable resources on outreach to low income
12 customers. Those outreach efforts include a calling campaign in the early fall to those
13 customers who have been identified as potentially eligible for the federal low income
14 home energy assistance program to encourage those customers to apply for the program
15 to better manage their winter heating bills. In addition to the calling campaign, National
16 Grid has Consumer Advocates who support the needs of low income and payment
17 troubled New Hampshire customers. The focus of the Consumer Advocates is to provide
18 specialized enrollment and education service tailored to each customer's unique needs
19 and circumstances and assist payment troubled customers in identifying and enrolling in
20 all programs available for their benefit, whether offered by National Grid or not. The
21 Consumer Advocates also respond to customer requests through early intervention, crisis
22 bill payment management, and outreach and education. Further, these advocates develop

⁴ Granite State serves approximately 42,000 customers in the southern and western portions of the state, including Salem and Lebanon, while EnergyNorth serves approximately 86,000 customers in the southern and central portions of the state, from Nashua to Laconia.

1 and maintain strong partnerships with human service agencies in order to remain current
2 with the programs available outside of the company and to enable the development of
3 meaningful solutions to meet customers' needs. In short, Consumer Advocates fill an
4 essential function within the utility, and their intervention on behalf of low income and
5 payment troubled customers can benefit all customers. There is no comparable position
6 on the numerous organizational charts that have been provided by Liberty NH, and there
7 has been no discussion by Liberty NH of having such a position.

8 **Q. What is your opinion of the ability of the current management of Liberty Energy**
9 **and Algonquin to successfully execute the planned system implementation and**
10 **transition from National Grid to Liberty NH?**

11 **A.** The management of Algonquin, Liberty Utilities and Liberty Energy seem to be very
12 sincere in their interest in serving customers in New Hampshire and committed to making
13 this proposed transaction work. Having said that, this is a significant transaction, much
14 bigger than any utility acquisition Liberty Energy has undertaken to date. I am concerned
15 that once the transaction has closed, management of Liberty Energy and Algonquin will
16 focus on other business. As I have previously mentioned, a successful implementation of
17 the IT systems and successful execution of the transition plan is a critical component in
18 ensuring there is no adverse impact to customers and the public as a result of this
19 transaction. With a shift of Algonquin and Liberty Energy's focus and resources not only
20 to its day to day business but also to other business, such as the proposed acquisition of
21 Atmos Energy, and no individual at Liberty NH dedicated to managing the system
22 implementations and the transition, I echo the concerns expressed in the direct testimony
23 of G³ Associates, Attachment A, Technical Report that Liberty Energy re-evaluate how it

1 approaches this transaction and support the recommendation that a dedicated senior
2 executive be appointed to manage the transition activities associated with this
3 transaction.

4 **Q. Does the management team that has been formed to oversee customer service
5 operations at Liberty NH reduce any of the uncertainty regarding the ability of
6 Liberty NH to successfully execute all that it has planned?**

7 **A.** The individuals that comprise the newly formed management team responsible for
8 customer service are largely unknown to me. For a period of 12 to 18 months following
9 the close of the transaction, customer service support functions will be provided under the
10 transition service agreements by National Grid. As identified in the transition service
11 agreements⁵, call center operations; meter reading, billing and payment processing;
12 collections process support; and new business administration customer support functions
13 have a 12 to 18 month term. Revenue protection/diversion and investigation and
14 customer data migration have a 12 month term. As a result, it is difficult for Staff to
15 evaluate the adequacy of Liberty NH's plans for its direct customer service operations
16 and for its customer support functions as much of this work will be done following the
17 close of the transaction.

18
19 It is clear that staffing levels for the call center should be examined very closely.

20 National Grid has shared call volume data with Liberty NH, and Liberty NH is aware of
21 the service levels that it must meet in New Hampshire. With that information, Liberty
22 NH should be able to determine the appropriate staffing levels for its call center under

⁵ See Joint Petitioners' Attachment 10, pages 63 through 65 of 81 and Joint Petitioners' Attachment 11, pages 59 through 61 of 77.

1 normal operating conditions. An unsuccessful implementation of the IT systems and the
2 execution of the transition plan will significantly impact the volume of calls received by
3 the call center following the transition from National Grid to Liberty NH. It is unclear if
4 Liberty NH has planned for such a contingency.

5 **Q. Do you have any further issues to address?**

6 **A.** One further issue relates to National Grid's commitment to making this proposed
7 transaction work. As discussed in the direct testimony of G³ Associates, Attachment A,
8 Technical Report, National Grid has committed significant resources to effect the
9 proposed transaction and to work with Liberty NH to achieve a successful transition. If
10 the proposed transaction is approved, National Grid would no longer be a regulated
11 utility, subject to the jurisdiction of the Commission, following the close of the
12 transaction. National Grid will continue, however, to play an important role in ensuring a
13 successful transition and a seamless experience for customers following the close.
14 Accordingly, it may be appropriate for the Commission to consider directing Liberty NH
15 to escrow a portion of the transition service agreement payments pending review by the
16 Commission that the work has been successfully completed and requiring National Grid
17 to post a performance bond to ensure National Grid's continued commitment to the
18 transition process. Both of these considerations are addressed in more detail in the direct
19 testimony of G³ Associates.

20
21 Also of concern is G³ Associates' finding relative to Liberty Energy's budget for the
22 development and implementation of its IT systems⁶. As discussed in Hypotheses VI,
23 Liberty Energy's IT budget estimates do not include adequate coverage for the costs it

⁶ See direct testimony of G³ Associates, Attachment A, Technical Report.

1 will incur for the work of configuring the systems to meet its standalone requirements,
2 for the conversion of data from National Grid's systems to the Liberty Energy
3 applications, and for system and user testing of the IT systems before implementation.
4 Requiring a portion of the acquisition premium paid to National Grid to be set aside in an
5 escrow account, as suggested in the direct testimony of Stephen Frink, would shift some
6 of the financial risk from customers to National Grid and would reduce the likelihood that
7 customers would be harmed by the proposed transaction.

8 **Q. Does that conclude your testimony?**

9 **A.** Yes, it does.