



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

Docket No. DE 16-383

Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities
Distribution Service Rate Case

REBUTTAL TESTIMONY

OF

SUSAN M. HOUGHTON-FENTON

AND

STEVEN E. MULLEN

February 3, 2017

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1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. Please state your names and business addresses.**

3 A. My name is Susan M. Houghton-Fenton. My business address is 15 Buttrick Road,
4 Londonderry, NH 03053.

5 A. My name is Steven E. Mullen. My business address is 15 Buttrick Road, Londonderry,
6 NH 03053.

7 **Q. By whom are you employed and in what capacity?**

8 A. (SMHF) I am the Vice President of Customer Experience for Liberty Utilities Service
9 Corp., which provides services to Liberty Utilities (Granite State Electric) Corp.
10 (“Granite State” or the “Company”) and Liberty Utilities (EnergyNorth Natural Gas)
11 Corp. (“EnergyNorth”)¹ and in this capacity I am responsible for the customer contact
12 centers, customer walk-in centers, billing, collections, PUC customer complaint
13 resolution, energy efficiency, load data services, and communications and media relations
14 for the Company.

15 A. (SEM) I am employed by Liberty Utilities Service Corp. as Manager, Rates and
16 Regulatory. I am responsible for rates and regulatory affairs for Liberty Utilities (Granite
17 State Electric) Corp. (“Granite State” or the “Company”) and for Liberty Utilities
18 (EnergyNorth Natural Gas) Corp. (“EnergyNorth”).

¹ Collectively, Granite State and EnergyNorth are referred to as “the Companies.”

1 **Q. On whose behalf are you testifying today?**

2 A. We are testifying on behalf of Granite State.

3 **Q. Have you previously submitted testimony in this proceeding?**

4 A. Yes. We submitted prefiled testimony as part of the Company's April 29, 2016, request
5 for an increase in distribution rates. Our professional backgrounds and qualifications are
6 contained in the prior testimony.

7 **II. PURPOSE OF TESTIMONY**

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

9 A. Our testimony is in rebuttal to the separate testimonies submitted on behalf of
10 Commission Staff ("Staff") by both Amanda O. Noonan and the Liberty Consulting
11 Group ("LCG") with respect to customer service issues, customer satisfaction, and the
12 present status of the Company's customer service functions.

13 **Q. What is your particular knowledge with respect to the issues discussed in your
14 testimony?**

15 A. (SMHF) When I joined Liberty in September 2014 as Director of Customer Care, it was
16 roughly a month after Granite State's transition from National Grid's customer
17 information system ("CIS") to its own system. First and foremost among my
18 responsibilities was to address and correct the customer service and billing issues
19 following the billing system conversion. In addition, as will be discussed below, I was
20 the primary contact with Staff in working through what became known as the "Issues

1 List” – a compilation of issues to be dealt with in various areas of Granite State and
2 EnergyNorth, many of which are discussed in this testimony.

3 (SEM) Prior to joining Liberty I was employed by the New Hampshire Public Utilities
4 Commission (“Commission”). At the time of the acquisition proceeding I was the
5 Assistant Director of the Electric Division. In that role I was heavily involved in the
6 review and analysis of the filing as well as the settlement negotiations and provided
7 testimony in that proceeding. After my move to Liberty in 2014, I was also a major
8 participant in communications with Commission Staff with respect to the Issues List
9 described by Ms. Houghton-Fenton.

10 In addition, we both significantly participated in the audit performed by LCG.

11 **Q. Please summarize your testimony.**

12 A. The testimonies of Ms. Noonan and LCG make it appear that very little has improved
13 since the responsibility for customer service and billing transferred from National Grid to
14 Granite State. The picture painted by Ms. Noonan and LCG is outdated, incomplete, and
15 in various ways misleading.

16 Ms. Noonan’s testimony barely mentions, and LCG’s testimony does not mention, the
17 existence and role of the Transition Service Agreements (“TSAs”) that were in effect
18 during the years discussed in their testimonies. Knowledge of the TSAs is vital to any
19 discussion of customer service and billing, particularly given Staff’s arbitrary, punitive,

1 and unauthorized recommendation of a reduction to the Company's authorized return on
2 equity ("ROE").

3 We will demonstrate that, with the exception of two months immediately following the
4 late July 2014 cutover from National Grid when the call answering service level fell
5 below 80%, the Company's customer service and billing performance stabilized quickly,
6 rebounded strongly, and performance has steadily improved since. With all the facts
7 painting the complete picture of the transition process, the improvements put in place,
8 and the improved overall customer experience, we will demonstrate that the testimony of
9 Ms. Noonan and LCG that customer service and billing operations have not improved is
10 wholly inaccurate and incomplete. In addition, Staff's recommended reduction to
11 Granite State's ROE is arbitrary, unnecessarily punitive, and it violates the terms of the
12 Settlement Agreement approved in Docket No. DG 11-040.

13 **III. TRANSITION FROM NATIONAL GRID / DG 11-040 SETTLEMENT**

14 **Q. Please provide a brief description of the sale of Granite State from National Grid to**
15 **Liberty.**

16 A. The acquisition, first announced on December 9, 2010, was filed with the Commission in
17 March 2011 and resulted in a comprehensive Settlement Agreement that was approved by
18 the Commission in Order No. 25,370 (Mar. 30, 2012). Among other things, the
19 settlement provided for a transition period during which various tasks and types of work
20 would be performed by National Grid after the closing until the Company was ready to
21 assume responsibility for those tasks. The various tasks and work were memorialized in

1 TSAs that were listed and described in Attachment B to the Settlement Agreement and
2 were later updated upon closing and filed with the Commission on July 6, 2012.

3 **A. Ownership Transition vs. Functional Transition**

4 **Q. When did the transaction to transfer ownership of the Companies close?**

5 A. The transaction closed on July 3, 2012, upon which date Granite State and EnergyNorth
6 became part of the Liberty Utilities family of companies.

7 **Q. Was Liberty in a position where it could begin assuming all aspects of the operation
8 of the Companies at that point in time?**

9 A. No, and that fact was known to all participants in the proceeding and is expressly why the
10 proposed transaction included 153 TSAs² to aid the Companies until they were able to
11 build the organization and support structures to effectively manage all functions of the
12 management and operations on their own.

13 **Q. Did the TSAs all terminate at the same time?**

14 A. No. Recognizing that various aspects of the Companies would require longer transition
15 periods than others, each TSA had its own estimated duration with the final duration
16 dependent on the facts and circumstances particular to each TSA. The final TSAs
17 terminated as of September 30, 2014, but other TSAs terminated at different times from
18 July 2012 through September 2014.

²77 TSAs were for Granite State, 76 for EnergyNorth.

1 **Q. How does the existence of TSAs relate to the testimonies of Ms. Noonan and LCG?**

2 A. With respect to the customer service and billing functions that are central to the
3 testimonies of Ms. Noonan and LCG, it is important to understand the relevant TSAs that
4 were in place for Granite State and how the durations of those TSAs differed for Granite
5 State and EnergyNorth due to the different dates on which Granite State's and
6 EnergyNorth's customers were transferred from National Grid's customer service and
7 billing systems.

8 **B. Customer Service and Billing Transition**

9 **Q. When did each of the Companies convert from National Grid's customer service
10 and billing systems?**

11 A. EnergyNorth was the first to convert and that occurred over Labor Day weekend in
12 September 2013. Granite State's conversion occurred at the end of July 2014.

13 **Q. Did each of the Companies have TSAs in place that covered customer service and
14 billing functions?**

15 A. Yes. EnergyNorth had six TSAs and Granite State had seven TSAs that covered the
16 following functions:

- 17 • CustomerSvc-1 – Call Center Operations
- 18 • CustomerSvc-2 – Meter Reading, Billing and Payment Processing
- 19 • CustomerSvc-3 – Collection Process support
- 20 • CustomerSvc-4 – New Business Administration
- 21 • CustomerSvc-5 – Revenue Protection/Diversion & Investigation
- 22 • CustomerSvc-6 – Customer Data Migration
- 23 • CustomerSvc-7 – Meter Data Services Support (N/A for EnergyNorth)

1 A copy of the TSA descriptions from the Settlement Agreement is included as
2 Attachment SMHF/SEM-1 to our testimony.

3 **Q. Did the different conversion dates from National Grid’s systems for EnergyNorth**
4 **and Granite State impact the duration of the above customer service and billing**
5 **TSAs for each of the Companies?**

6 A. Yes. The TSAs terminated on different dates as shown in the following table:

TSA	EnergyNorth Termination Date ³	Granite State Termination Date
CustomerSvc-1	12/30/2013	8/8/2014
CustomerSvc-2	5/15/2014	8/8/2014
CustomerSvc-3	12/30/2013	8/8/2014
CustomerSvc-4	12/30/2013	8/8/2014
CustomerSvc-5	12/30/2013	8/8/2014
CustomerSvc-6	12/30/2013	8/8/2014
CustomerSvc-7	N/A	8/15/2014

7

³ As mentioned above, the cutover from National Grid to Liberty customer service systems occurred in September 2013. Responsibility for customer service and billing functions transferred to EnergyNorth upon that conversion. The TSAs did not officially terminate until months later.

1 **Q. Why are the termination dates of the TSAs and the transfer of the responsibility for**
2 **the customer service and billing functions important in this Granite State rate case,**
3 **particularly as concerns the EnergyNorth customer service and billing functions?**

4 A. There are two reasons that the information is relevant and important in this case. First, it
5 is crucial to know whether National Grid or the Liberty entity was performing the related
6 functions so a proper determination can be made as to which company was responsible
7 for the period immediately prior to the 2014 Customer Satisfaction (“CSAT”) survey.
8 Second, both testimonies have somewhat conflated the EnergyNorth and Granite State
9 information which, considering this is a Granite State rate proceeding and Staff’s
10 suggested ROE penalty applies to Granite State, creates a misleading picture. An
11 example is Ms. Noonan’s brief and sole reference to the TSAs where she stated, “During
12 2013, many of the services Liberty provided to its customers were provided through
13 transition services agreements with National Grid.”⁴ (Emphasis added.) As shown in the
14 table above, however, the relevant Granite State TSAs were in effect into the month of
15 August 2014. Ms. Noonan was aware of the different dates that the customer service-
16 related TSAs terminated for Granite State (August 2014) versus EnergyNorth (December
17 2013 for all but one).⁵

18 The failure to acknowledge that TSAs were in place not only for 2013, but also for the
19 majority of 2014, puts the 2014 CSAT results in a misleading light because National
20 Grid, not Granite State, was providing services for most of the time immediately prior to

⁴ Noonan testimony, Bates 000007, lines 1-2.

⁵ Attachment SMHF/SEM-2, Noonan response to GSEC 1-108.

1 the 2014 CSAT survey. This omission undermines Staff’s and LCG’s conclusions with
2 respect to a decline in customer satisfaction in 2014 and Granite State’s responsibility for
3 that decline. Noonan testimony at Bates 000009; *see* LCG testimony at Bates 000007.

4 **Q. Did Ms. Noonan mention the date of Granite State’s cutover from National Grid’s**
5 **customer service and billing systems in her testimony?**

6 A. Inexplicably, she did not, although she had the perfect opportunity to do so when
7 discussing the charts on Bates 000004 and 000005 of the testimony. These charts show
8 an increase in calls from Granite State’s customers in the years 2014 and 2015. Ms.
9 Noonan stated: “In looking at the types of calls the Division received, calls related to
10 billing issues is the number one reason Liberty customers contact the Commission.” It
11 would have been simple, and appropriate, to mention that the billing conversion occurred
12 at the end of July 2014, and thus National Grid was responsible for many of those calls.
13 This omission is particularly glaring because the cutover of Granite State’s customer
14 service and billing information systems from National Grid is the single most significant
15 event that occurred following the ownership transition that directly impacted the
16 experience with customer service and billing—an event that would obviously generate
17 calls from customers.

18 **C. DG 11-040 Settlement Agreement**

19 **Q. Please describe the provisions of the DG 11-040 Settlement Agreement that are**
20 **pertinent to the Staff and LCG testimonies.**

21 A. The DG 11-040 Settlement Agreement contains terms and conditions regarding customer
22 service and billing. Attachment N to the Settlement Agreement contains metrics related

1 to customer service and billing, which metrics National Grid had to meet while working
2 under the TSAs, and which Granite State had to meet thereafter. The Settlement
3 Agreement also imposed requirements for annual customer satisfaction (“CSAT”)
4 surveys, including standards by which the results are to be measured. It is notable that of
5 the many customer service-related terms, conditions, and reporting metrics that are
6 included in the Settlement Agreement, Ms. Noonan’s testimony only focuses on two
7 topics: the number of calls to the PUC (which itself is *not* a metric in the Settlement
8 Agreement) and CSAT results, which is discussed in Section IV below.

9 To provide National Grid a strong incentive to make the transition from National Grid to
10 Liberty as smooth as possible, the Settlement Agreement provided for \$28.5 million of
11 the purchase price to be put into escrow and set aside in three Pools (A, B, and C), which
12 funds would not be released unless National Grid achieved certain milestones. Although
13 the requirements to release funds from each pool differed, the pools of escrow funds
14 served to ensure completion of each TSA and an effective hand-off from National Grid to
15 the Companies. The final portion of the escrow funds was released in December 2015.

16 **Q. What was Staff’s role with respect to the escrow funds?**

17 A. Staff was responsible for confirming that the functions performed by National Grid under
18 the individual TSAs had been completed and transferred to the Companies, certain
19 milestones had been accomplished, and no outstanding issues remained with respect to
20 TSA services. The Settlement Agreement authorized Staff to investigate failures to meet
21 certain performance metrics and, if necessary, withhold funds until the issues were
22 effectively resolved.

1 **Q. Did Staff take any actions against the escrow funds in relation to any customer**
2 **service or billing metrics during the period the funds were held?**

3 A. Other than reviewing the circumstances related to some missed metrics such as call
4 answering, Staff did not take any actions that would indicate it had significant concerns
5 with customer service and billing during the escrow period. That is, through Staff's
6 authorizations to release the escrowed funds to National Grid, Staff essentially said
7 National Grid met the required performance standards through the end of each TSA,
8 which was until August 2014 for Granite State.

9 **Q. Why is this relevant to the testimonies of Ms. Noonan and LCG?**

10 A. Ms. Noonan and LCG included in their testimonies statistics and trends that cover the
11 period when National Grid was operating under the TSAs, and they specifically noted
12 that certain statistics had declined since 2012. If there were significant issues occurring
13 during 2013 and 2014 when the CSAT baseline results were not achieved under National
14 Grid's watch,⁶ it begs the question of why Staff took no actions against National Grid and
15 against the escrowed money as authorized by the Settlement Agreement, and why Staff is
16 now trying to enact a penalty on Granite State for the same alleged poor performance – a
17 penalty that is unwarranted and that violates the terms of the Settlement Agreement.

⁶ Noonan testimony at Bates 000009, lines 8-11.

1 **IV. CALL VOLUMES**

2 **Q. The charts on Bates 000004 and 000005 of Ms. Noonan’s testimony show annual call**
3 **volumes for the various New Hampshire electric utilities over the years 2012**
4 **through 2015. Do you have any comments regarding those charts?**

5 A. Yes, we have several. First, it should be noted that the scale on both charts is incorrect as
6 the underlying data for the charts used total residential customers rather than total
7 customers (including commercial) for each utility, thereby resulting in a higher number
8 of calls per thousand customers. However, while the data points are incorrect, that does
9 not materially change the overall shape of the charts.⁷

10 Second, using total call volumes without indicating the underlying reasons for the calls
11 leads to inaccurate conclusions. On that point, the Company obtained and analyzed the
12 underlying data for each utility and provides the following observations:

- 13 • With respect to the total calls received by the Consumer Services and External
14 Affairs Division (“the Division”), the breakdown of calls per 1,000 customers by
15 utility and by the five most frequent categories of calls for the years 2012 – 2016
16 is as follows:

⁷ Corrected data points and charts were provided in a discovery response.

Contacts Categorized (p/1000 customers)					
2012	Referral	Collections	Billing	Rates	Info
Liberty	5.31	0.87	0.53	0.07	0.07
Eversource	0.89	4.93	0.28	0.09	0.11
Unitil	5.96	0.40	0.20	0.04	0.10
2013	Referral	Collections	Billing	Rates	Info
Liberty	8.94	0.64	0.81	0.72	0.26
Eversource	1.02	4.65	0.32	0.09	0.14
Unitil	6.56	0.39	0.23	0.05	0.04
2014	Referral	Collections	Billing	Rates	Info
Liberty	9.86	0.90	1.78	1.74	0.44
Eversource	1.92	4.48	0.21	0.09	0.10
Unitil	8.20	0.34	0.36	0.28	0.18
2015	Referral	Collections	Billing	Rates	Info
Liberty	10.23	2.77	3.82	0.80	0.57
Eversource	1.69	6.01	0.33	0.10	0.11
Unitil	7.37	0.58	0.42	0.51	0.14
2016	Referral	Collections	Billing	Rates	info
Liberty	2.79	3.89	1.24	0.27	0.46
Eversource	0.78	5.83	0.42	0.07	0.22
Unitil	2.97	0.54	0.31	0.09	0.01

1
2
3
4
5

- One key point to keep in mind in reviewing this chart is that while Granite State experienced a cutover of its CIS system in the third quarter of 2014, the other New Hampshire electric utilities did not, as Ms. Noonan acknowledged in response to data request GSEC 1-105.

- 1 • Another key point is that, for Granite State, the vast majority of the total calls
2 received by the Division over those years were categorized as “referrals,”⁸
3 followed in frequency by collections, and then billing:

% of Total Contacts for Granite State

	Referral	Collections	Billing	Rates	Info
2012	70%	8%	7%	1%	1%
2013	72%	5%	7%	6%	2%
2014	60%	6%	11%	11%	3%
2015	51%	14%	19%	4%	3%
2016	28%	38%	12%	3%	5%
2012-2016	56%	14%	12%	5%	3%

4

5 As the table above shows, Ms. Noonan’s statement that “calls related to billing issues is
6 the number one reason Liberty customers contact the Commission” is not correct.
7 Noonan testimony at Bates 000006. In fact, over the years 2012 through 2016, billing
8 issues were only the third highest category of contacts to the Division by Granite State
9 customers. Also, given that Granite State experienced a billing conversion during the
10 period while the other electric utilities did not, it is misleading to conclude that “total
11 calls” from Granite State customers “outpaced” calls from other electric utilities without
12 a) examining the underlying reasons for the calls, and b) acknowledging the third quarter
13 2014 billing system conversion.

⁸ As explained on Bates 000005, lines 4-6 of Ms. Noonan’s testimony, “referrals” are calls to the Division from “customers who either intended to call their utility or who had not called their utility first in an effort to resolve their concern.”

1 **V. CUSTOMER SATISFACTION**

2 **Q. Please describe the provision in the Settlement Agreement related to CSAT surveys**
3 **and results.**

4 A. Section V.D.3.e. of the Settlement Agreement reads as follows:

5 e. The Companies agree to conduct a statistically valid annual residential
6 customer satisfaction survey and report the results to the Commission
7 annually, no later than one month following the availability of survey
8 results. The Companies will select a sample size that yields an error rate
9 of no more than plus or minus two and a half percent (2.5%) with a ninety
10 five percent (95%) confidence rate.

11 i. In order to ensure a meaningful comparison between
12 National Grid's current customer satisfaction survey for
13 Granite State and Liberty Utilities (Canada) Corp.'s
14 customer satisfaction survey, Granite State and
15 EnergyNorth commit to undertaking a survey of their
16 residential customers using Liberty Utilities (Canada)
17 Corp.'s own format within 3 months of the Closing Date
18 ("Baseline Customer Satisfaction Survey"). Prior to
19 conducting this survey, Granite State and EnergyNorth will
20 meet with Staff within 45 days of the Closing Date to
21 discuss the design and format of Liberty Utilities (Canada)
22 Corp.'s customer satisfaction survey, the objectives of the
23 survey and whether it should be modified in any way.

24 ii. The Companies commit to maintaining a customer
25 satisfaction percentage that is no lower than the Baseline
26 Customer Satisfaction Survey satisfaction percentage.
27 ***Should the Baseline Customer Satisfaction Survey***
28 ***satisfaction percentage be lower than eighty percent***
29 ***(80%), the Companies agree to provide the Commission***
30 ***with an action plan for improving customer satisfaction***
31 ***levels.*** The plan shall be provided no later than 90 days
32 following the availability of the survey results and shall be
33 provided annually until such time as subsequent Customer
34 Satisfaction Survey satisfaction percentages exceed eighty
35 percent (80%).

36 (Emphasis added.)

1 **Q. Other than the section reproduced above, does the Settlement Agreement authorize**
2 **any penalties, such as the one recommended by Staff in this case, if the Company’s**
3 **CSAT results in any year were to fall below 80%?**

4 A. No. The lack of such a provision in the Settlement Agreement is notable. In effect, the
5 cited provision reflects the collective view of the settling parties that it is not unusual for
6 CSAT results to decline following a conversion of customer service and billing systems,
7 hence the need to file a plan for improving customer satisfaction levels. Staff is now
8 attempting to unilaterally revise the Settlement Agreement to impose a penalty where no
9 such provision exists. The fact that such a provision does not exist indicates that, by
10 signing the Settlement Agreement, Staff agreed no such penalty provision was necessary.
11 Just as the Company must live with provisions in the Settlement Agreement that it may
12 now wish were written differently, so must Staff.

13 **Q. Do other provisions of the Settlement Agreement authorize penalties for failure to**
14 **meet customer service metrics?**

15 A. Yes. The Settlement Agreement contains a process for the Commission to impose
16 penalties against National Grid if customer service metrics fell below the required
17 standards while National Grid was performing those services under the TSAs. The
18 Settlement Agreement section titled “Conditions Agreed to by National Grid” provides,
19 in part, the following:

20 With respect to any failure to achieve a particular Customer Service
21 Performance Metric under this subsection for which Staff determines that
22 a review is necessary, Staff will expeditiously review the specific
23 circumstances of the failure to meet the relevant Customer Service
24 Performance Metric to determine the reasons for such failure, the severity

1 or significance of the impact of such failure, and whether such failure is
2 directly attributable to National Grid.

3 * * *

4 If Staff's review includes a determination that it is appropriate to assess a
5 penalty against National Grid as a result of a material failure to achieve a
6 particular Customer Service Performance Metric under this subsection, it
7 shall report its finding to the Commission, with copies to the OCA, for a
8 determination of the appropriate amount of the penalty to be assessed.

9 Settlement Agreement at Bates 40 and 41-42. The Settlement Agreement provides a very
10 different enforcement mechanism if Liberty failed to meet customer service metrics. In
11 addition to the section applicable to Granite State mentioned above ("the Companies
12 agree to provide the Commission with an action plan for improving customer satisfaction
13 levels"), under the section titled, "Conditions Agreed to By Liberty Energy and Liberty
14 Energy NH," the Settlement Agreement also provides the following:

15 Notwithstanding the above, if Staff or the OCA is not satisfied with the
16 performance of the Companies at any time following notice of cutover of
17 call center services to the Companies and believes customer service is
18 being materially compromised by poor performance, Staff or the OCA
19 may request the Commission to open an investigation to determine
20 whether additional actions should be taken by the Commission to address
21 the Companies' service quality performance. Such actions may include,
22 but shall not be limited to, the establishment of service quality
23 performance standards for the Companies with financial penalties
24 associated with future performance, if the Commission deems appropriate.

25 Settlement Agreement at Bates 29. Thus, Staff may recommend penalties, and the
26 Commission may impose them, only after a Staff investigation and a Commission order
27 that the Company take certain remedial steps. And even then, penalties can only be
28 imposed for *future* conduct. Staff's ROE recommendation in this case ignores these
29 requirements and seeks to impose a 50 basis point penalty for *past* performance and
30 *without* following the Commission-approved processes. In reality, since call answering
31 service levels exceeded performance targets for all but a few months following the billing

1 system conversion, and since customer service was not materially compromised, neither
2 Staff nor the OCA previously requested any investigation under these provisions.

3 **A. CSAT Results during TSA Period**

4 **Q. Using the TSA termination dates provided earlier in your testimony as a reference,**
5 **please provide the years that the annual CSAT results reflect services provided**
6 **under the TSAs.**

7 A. Referring to the table included in Ms. Noonan's testimony at Bates 000008, and ignoring
8 the 2012 baseline survey, the 2013 CSAT results indisputably reflect services provided
9 while the TSAs were in effect. And since the relevant TSAs were in effect until August
10 2014 and the 2014 CSAT survey was conducted soon after that (in mid-September
11 through early October 2014), National Grid was also still providing billing and customer
12 service functions to Granite State under the TSAs for the vast majority of the period
13 leading up to the 2014 survey. Thus, most customers who responded to the 2014 survey
14 that commenced just weeks after the cutover were providing feedback on National Grid
15 rather than Granite State. Indeed, many of the survey questions specifically asked
16 customers to rate their performance over the prior year.⁹

⁹ See, for example, Bates 000139-000140 of Attachment AON-3, the 2014 CSAT survey results.

1 **B. CSAT Results Following the Termination of the TSAs**

2 **Q. Referring to the same table in Ms. Noonan's testimony, please identify the years for**
3 **which the CSAT results reflect the time where services were provided solely by**
4 **Granite State.**

5 A. As mentioned above, the 2014 CSAT results reflect mostly on National Grid's provision
6 of customer service and billing. That leaves 2015 as the only year in the table
7 representing a period during which the customer service and billing functions were
8 performed solely by the Company.

9 **Q. In her December 16, 2016, testimony, Ms. Noonan stated that Granite State's 2016**
10 **CSAT results were not yet available, but were expected to be filed with the**
11 **Commission by the end of 2016. Have the 2016 CSAT results been filed?**

12 A. Yes. The 2016 CSAT results for Granite State were filed with the Commission on
13 December 22, 2016. A copy of that study is included as Attachment SMHF/SEM-3 to
14 this testimony.

15 **Q. Please summarize the results of that study.**

16 A. Granite State's CSAT results improved significantly in 2016 as compared to 2015, and
17 also compared favorably to or exceeded prior years' results. A summary of the notable
18 improvements is included in Granite State's cover letter that is part of Attachment
19 SMHF/SEM-3, and repeated here for convenience:

- 20 • Overall customer satisfaction (including price) for Granite State Electric increased
21 sharply from 64% in 2015 to 77% in 2016, an increase of 13 percentage points.

- 1 • Overall satisfaction (excluding price) increased to 79% in 2016. These increases
2 are the direct result of process improvements, as well as increased supervision and
3 training of employees. These results are also supported by call answering service
4 levels and billing timeliness that consistently exceeded targets.
- 5 • The Key Indicators charts on pages 7-8 show that satisfaction scores increased
6 across the board in 2016 for non-price factors. It is particularly noteworthy that 7
7 of the 9 non-price indicators either rebounded or exceeded 2012-2013 levels:
- 8 ○ Customer Service: The largest increase in satisfaction was for customer
9 service, which has rebounded back to 2012 levels of 71% in 2016.
 - 10 ○ Conservation: Satisfaction with encouraging conservation is at an all-time
11 high at 65% in 2016, exceeding the 56% satisfaction achieved in 2012.
 - 12 ○ Reliable Services: Satisfaction was 87% in 2016 and similar to 2012-2013
13 levels.
 - 14 ○ Safe Services: Satisfaction was 87% in 2016, slightly higher than in 2012.
 - 15 ○ Payment Options: Satisfaction increased from 65% in 2015 to 75% in
16 2016, mirroring 2013 satisfaction results.
 - 17 ○ Website: Satisfaction increased from 42% in 2015 to 54% in 2016,
18 roughly the same level as in 2012.
 - 19 ○ Community Presence: Satisfaction increased to 57% in 2016, exceeding
20 the 2013 satisfaction of 50%.
 - 21 ○ Bill/Statement Accuracy: Satisfaction increased from 66% in 2015 to
22 75%.

- 1 o Communications: Satisfaction increased from 55% in 2015 to 65% in
2 2016, points since 2015.

3 The sharp increase in overall customer satisfaction from 64% in 2015 to 77% in 2016
4 (79% excluding price) is not surprising given the improvements implemented after the
5 billing system conversion in the fall of 2014. It is not unusual for customer satisfaction
6 to decline after a billing system conversion and then build back up over the following 12-
7 18 months. In Granite State's case, all post-conversion issues were addressed within
8 three to 12 months of implementing the new CIS system in Q3 2014.

9 **Q. How do the 2016 results for the specific indicators included in the table on Bates**
10 **000008 of Ms. Noonan's testimony compare to the 2015 results?**

11 A. A comparison of the indicators selected by Ms. Noonan for the years 2015 and 2016 is
12 provided below:

	2015	2016
Overall satisfaction	64%	77%
Overall satisfaction (exclude price)	74%	79%
Interaction with customer service - good to excellent	56%	65%
Bill easy to understand	63%	71%
Bill easy to read	67%	74%
Bill always accurate	60%	66%
Usefulness of website – somewhat or very useful	58%	58%

13
14 As is evident, none of the 2016 CSAT indicators decreased from the 2015 study. In fact,
15 six of those indicators increased significantly. Although Ms. Noonan did not have the
16 results of the 2016 study when preparing her testimony, she and other Division

1 employees were certainly aware of both the improvements in Company operations as
2 well as the overall customer experience. The Company has had extensive
3 communications with the Division and has filed with the Division a multitude of
4 customer service and billing metrics reports since Granite State assumed responsibility
5 for the customer service and billing functions.

6 **Q. Does the 2016 CSAT study describe the primary drivers of customer satisfaction?**

7 A. Yes. The CSAT studies for each of the years 2014 through 2016 contain regression
8 analysis results demonstrating the primary drivers of customer satisfaction. The
9 regression analysis results are contained on page 8 of Attachment SMHF/SEM-3, and the
10 2016 drivers are provided in the table below. Using the key indicators as reported in the
11 2016 CSAT study, the table also provides the results for those indicators for the years
12 2014 through 2016.

Drivers of Customer Satisfaction					
Key Indicator	Impact on Satisfaction (2016 CSAT)	Satisfaction with Key Indicators			Improvement from 2014-2016
		2014	2015	2016	
Customer Service	33%	59%	60%	71%	20%
Price	28%	31%	30%	48%	55%
Accuracy of Bill/Statement	19%	67%	66%	75%	12%
Provide Reliable Services	13%	85%	83%	87%	2%
Payment Options	7%	64%	65%	75%	17%
	100%				

13
14 The table demonstrates that there has been a significant improvement for all factors that
15 drive customer satisfaction but one (Provide Reliable Services), and that one indicator
16 also showed improvement even though it was already at a very high level. Further,

1 referring again to page 8 of Attachment SMHF/SEM-3, the regression analysis for 2015
2 shows that price was by far the largest indicator (34%) of satisfaction for customers.

3 Ms. Noonan concluded that "...customer satisfaction with Liberty has declined
4 measurably since its acquisition of Granite State Electric." Bates 000009. Our testimony
5 demonstrates that statement to be false. The existence of TSAs for the two years
6 immediately following the acquisition during which National Grid was responsible for
7 the CSAT results, and an analysis of the drivers of customer responses and ratings during
8 the time Granite State was responsible for the CSAT results, prove that customer
9 satisfaction with Granite State has *improved* measurably, not declined.

10 **Q. Do you have further comments on Ms. Noonan’s statement about customer**
11 **satisfaction since Liberty’s acquisition of Granite State?**

12 A. Yes. Regression analyses are key to understanding the ultimate ratings. Those analyses
13 show that in 2014 and 2015 “price” was the most significant factor driving customer
14 satisfaction, ranking at 31% and 34%, respectively. A review of customer satisfaction
15 scores over the period since acquisition, compared to the average residential Energy
16 Service price over those years, demonstrates the correlation between overall satisfaction
17 and price:

	2012 Baseline	2013	2014	2015	2016
Overall satisfaction – Somewhat to very satisfied	81%	78%	66%	64%	77%
Overall satisfaction when price excluded – somewhat to very satisfied	82%	81%	73%	74%	79%
Satisfaction with Price	55%	49%	31%	30%	48%
Residential Energy Service (¢/kWh)	6.29¢	7.32¢	9.41¢	10.23¢	8.24¢
% Change		16%	29%	9%	(19%)

1 (The Energy Service price was used as it is the largest and most variable portion of a
2 customer's bill.) Since Energy Service prices are market driven and thus beyond the
3 control of the Company, one must remove the price component to effectively look at the
4 quality of service provided by Granite State.

5 The resulting CSAT ratings for 2014 and 2015 without price are 73% and 74%, certainly
6 not a decline from year to year. Adding 2016 to the mix, customer satisfaction without
7 price rose to 79%, a substantial gain. At Bates 000010 of her testimony, Ms. Noonan
8 referenced the LCG testimony and stated, "...Liberty faces a number of challenges in
9 reversing the downward trend in customer satisfaction." That statement is simply wrong
10 in light of these CSAT results. Granite State is enjoying an *upward* trend in customer
11 satisfaction.

12 **Q. Since price is a driving factor in overall customer satisfaction, are there other**
13 **conclusions that can be drawn from that fact?**

14 A. Yes. Knowing that price is significant to customers, the Company's efforts to encourage
15 and promote energy efficiency and energy cost management is also important. As
16 demonstrated below, over the years 2012 through 2015 the Company was at or above the
17 baseline rating, and in 2016 far exceeded the baseline level:

	2012 Baseline	2013	2014	2015	2016
Encouraging Conservation	56%	61%	55%	58%	65%

18

1 **Q. Is there another important trend contained in the annual CSAT survey results?**

2 A. Noting the importance of the regression analyses and other details in the CSAT studies,
3 customers have indicated that another important aspect of the overall customer
4 experience was “Provide Reliable Service.” Referring again to page 8 of Attachment
5 SMHF/SEM-3, the importance ranking of Provide Reliable Service was at 18%, 12%,
6 and 13% for 2014, 2015, and 2016, respectively. The following table presents the score
7 for that factor in each year since the 2012 baseline survey, and demonstrates that the
8 score for reliable services has remained steady and in line with the baseline results:

	2012 Baseline	2013	2014	2015	2016
Provide reliable services	88%	86%	85%	83%	87%

9

10 **Q. You mentioned that the results for “Interaction with Customer Service” were the**
11 **most significant factor influencing 2016 CSAT customer satisfaction. Did the**
12 **regression analyses for 2014 and 2015 show similar results?**

13 A. No. As we discussed, price was the most important factor in 2014 and 2015 and
14 “Interaction with Customer Service” was not a key driver of overall customer satisfaction
15 for those years, being rated at 8% and 13% for 2014 and 2015, respectively. However,
16 regardless of its impact on overall customer satisfaction, it should be noted that the table
17 on Bates 000008 of Ms. Noonan’s testimony only included the ratings of “good” and
18 “excellent” in the reported customer service scores. The CSAT surveys also included an
19 option of “satisfactory.” When “satisfactory” is included in the overall customer service
20 score, the ratings have remained relatively stable since 2013:

	2012 Baseline	2013	2014	2015	2016
Interaction with customer service – <u>satisfactory</u>, good and excellent	88%	81%	80%	76%	79%
Interaction with customer service – good and excellent only	79%	72%	62%	56%	65%

1

2 **Q. Do you have any comments regarding the billing satisfaction results included in the**
3 **table on Bates 000008 of Ms. Noonan’s testimony?**

4 A. Yes. While certain selected factors were included in that table, other factors such as
5 “payment options” and “information on rates” were excluded. As the table below
6 demonstrates, satisfaction with those factors now exceeds the 2012 baseline results:

	2012 Baseline	2013	2014	2015	2016
Adequate payment options	70%	74%	68%	66%	72%
Useful information on rates	47%	57%	49%	50%	54%

7

8 **Q. Did Ms. Noonan or LCG present any industry benchmark data regarding the**
9 **impact of post-billing system conversion on CSAT scores?**

10 A. No. Neither Staff nor LCG possess such data.¹⁰

¹⁰ See Attachment SMHF/SEM-4, Ms. Noonan’s response to GSEC 1-110, and LCG’s response to GSEC 1-86.

1 **Q. Subsequent to filing her testimony, has Ms. Noonan reviewed the 2016 CSAT survey**
2 **results?**

3 A. Yes. The question and answer to the Company's discovery request GSEC 1-112 are as
4 follows:

5 **Request:**

6 Has Staff reviewed the 2016 Customer Satisfaction survey results for
7 Granite State that were filed with the Commission on December 22, 2016?
8 If so, please explain how those results impact any of the conclusions
9 reached in your testimony with respect to customer service. If Staff has
10 not reviewed those results, please explain why.

11 **Response:**

12 Yes, Staff has reviewed the 2016 customer satisfaction survey results for
13 Granite State Electric. As indicated in the testimony, Staff requested the
14 results prior to the submittal of testimony but understood that the results
15 were not yet available.

16 The 2016 results are an improvement over prior years, and Staff hopes
17 those results continue. Had the results of the 2016 survey results been
18 available prior to the filing of my testimony, those results would have
19 been considered. *The 2016 survey results are just one data point,*
20 *however, and more data indicating improvement would be needed before*
21 *any significant changes to the conclusions reached would be warranted.*

22 (Emphasis added.)

23 **Q. Has the Company provided information beyond “one data point” to Commission**
24 **Staff?**

25 A. Yes. We describe the other “data points” in the following section of our testimony.

1 **VI. COMMUNICATION WITH AND INFORMATION PROVIDED TO**
2 **COMMISSION STAFF**

3 **Q. Please describe the types of communication the Company has had with the Division**
4 **since mid-2014.**

5 A. Since mid-2014, the Company has communicated with the Division both through
6 regularly scheduled meetings and on an as-needed basis to discuss customer issues,
7 billing issues, and Company process and performance improvements, among other
8 things. The communications occurred in-person, via teleconference, and via e-mail with
9 a focus on the full sharing of information on particular topics. Attachment SMHF/SEM-5
10 provides a sampling of the dates and types of these meetings, but by no means captures
11 all such communications that occurred. While the list includes discussions of problems
12 that occurred following the cutover, it also shows a general progression of improvement,
13 not only in the nature of the meetings but also in their frequency. For example, bi-weekly
14 calls were held between Liberty and the Division beginning in July 2014 to discuss
15 customer, billing, and other issues. Those bi-weekly meetings continued until May 2016
16 when they were switched to a monthly frequency due to the shrinking number of topics
17 for discussion. In fact, during the past year 25% of the meetings were canceled due to the
18 lack of issues to discuss.

19 **Q. Earlier you mentioned the Issues List, and those meetings appear on Attachment**
20 **SMHF/SEM-5. Please provide some background as to the nature of the Issues List.**

21 A. In late 2014, given some of the issues that existed on both the gas and electric sides of the
22 business, the Companies developed a list of issues in coordination with Staff covering

1 various aspects of both Companies' operations. The purpose of the "Issues List" was to
2 promote open discussion regarding the issues and to develop mutually-agreed courses of
3 action to resolve them. The range of issues encompassed a variety of topics, many of
4 them one-time issues related to the areas of finance/accounting, operations, information
5 technology, regulatory filings, and customer service. The intent was to identify the issue,
6 determine the root cause, and develop a target date for resolving the issue. The customer
7 service issues involved the need to implement many process improvements. Periodic
8 meetings were held with Staff and, while many of the issues were resolved during 2014,
9 meetings continued through the second quarter of 2015. All issues, including customer
10 service issues, were resolved by June 2015 and were "confirmed" resolved by Ms.
11 Noonan by September 2015. Customer service issues were only confirmed to be resolved
12 with the agreement of Ms. Noonan.

13 **Q. Have customer service improvements also been communicated by other means?**

14 A. Yes. Many of these improvements were discussed in Ms. Houghton-Fenton's April 29,
15 2016, testimony in this proceeding. The Company also discussed many of its
16 improvements and additional measures in its August 25, 2016, Response to the Liberty
17 Consulting Group Final Report that was submitted as part of Docket No. DG 14-180.
18 That Response is a vital part of the outcome of the LCG audit, since a goal of the Audit
19 was to help the Company improve, yet the Response was not included as an attachment to
20 the LCG testimony. The public version of that Response is included with our testimony
21 as Attachment SMHF/SEM-6.

1 Thus, Staff had far more than “one data point” demonstrating Granite State’s
2 improvement available when it filed its testimony. Indeed, Granite State provided Staff
3 with a substantial amount of data over the last twenty-four months through periodic
4 meetings and compliance filings (as described in the next section), demonstrating Granite
5 State’s improved performance, yet that information was largely ignored in the Staff and
6 LCG testimonies. In view of the dramatic improvement in performance, improvement
7 that Staff was well aware of as described above, Staff’s recommended ROE penalty lacks
8 a factual foundation.

9 **VII. CUSTOMER SERVICE AND BILLING METRICS**

10 **Q. Please identify the customer service and billing metrics that are continually tracked
11 and routinely reported to the Commission.**

12 **A.** Granite State files monthly reports containing the results of the following metrics:

- 13 • Call answering
- 14 • Billing accuracy
- 15 • Estimated bills
- 16 • Bills with Exceptions

17 Attachment SMHF/SEM-7 provides a graphic display of Granite State’s metrics over
18 time, including the improvement and consistent performance that occurred as a direct
19 result of the process changes made by the Company. The performance on these metrics
20 is another demonstration of how the customer experience has improved over time, as
21 reflected in the most recent CSAT results.

1 **VIII. OTHER COMMENTS RE: NOONAN AND LCG TESTIMONIES**

2 **Q. Please provide your comments regarding the proposed ROE penalty.**

3 A. Both Staff and LCG carefully selected data points that do not tell the full and accurate
4 story of Granite State's transition from National Grid to Liberty, the timeline of that
5 transition, and the actions taken by the Company to improve the overall customer
6 experience. To the extent that improvements are even acknowledged by Staff and LCG,
7 they are merely in passing reference or dismissive comments. For instance, at Bates
8 000010, lines 4-5 of Ms. Noonan's testimony, she states, "While improvements have
9 been made, there continues to be opportunities for improvement." This is Ms. Noonan's
10 sole acknowledgement of the many improvements made by the Company described
11 above.

12 With respect to the topics of customer service and billing, LCG testified as follows:

13 LU-NH had undertaken a number of initiatives to improve Customer
14 Service processes and policies, including improving issue escalation
15 processes, enhancing the website, assigning special task forces, and
16 replacing temporary staffing with full-time employees. Nevertheless, a
17 number of significant challenges remained in more clearly defining the
18 Customer Service organization, policies, procedures, and in engaging and
19 developing employees to deliver a quality customer experience and
20 reversing the downward trend in customer satisfaction.

21 LCG testimony at Bates 000010.

22 Having dismissed Granite State's improvements, Ms. Noonan, also relying on LCG's
23 testimony, recommended a 50 basis point reduction to its requested ROE because
24 "management has not demonstrated an overall level of good utility practice in the area of
25 customer service." Noonan testimony at Bates 000011. This recommendation was not

1 based on any in-depth analysis, but rather was simply a matter of choosing the midpoint
2 of a 100 basis point range of returns on equity recommended by Staff's consultant Dr.
3 Woolridge. Knowing that, the recommended penalty is clearly arbitrary as it would
4 apparently rely on at least two factors: the width of the range of recommended ROEs and
5 where the recommended ROE for Granite State falls within that range.

6 Another troubling aspect of Staff's recommendation is that, since it impacts the ROE and
7 lowers the overall rate of return used to determine the revenue requirement, the penalty
8 would impact the Company on an annual basis until such time that distribution rates are
9 reset in a subsequent rate case. It would thus be a recurring, annual penalty regardless of
10 how well the Company is providing service or the level of customer satisfaction in the
11 coming years.

12 **Q. What is the extent of this annual penalty resulting from Staff's recommendation?**

13 A. If the Commission accepted the recommended 50 basis point ROE reduction, Staff
14 witness Mullinax calculated that it would result in an annual penalty of \$431,000 using
15 the Company's proposed rate base, or \$395,000 using Staff's proposed rate base.¹¹ As
16 demonstrated in our testimony, the imposition of a penalty is unwarranted in light of the
17 Company's demonstrated improvement in customer service, and is not allowed under the
18 DG 11-040 Settlement Agreement as quoted above.

¹¹ Attachment SMHF/SEM-8, Mullinax response to GSEC 1-100.

1 **Q. Please further comment on the LCG testimony.**

2 A. The customer service portion of the LCG testimony, which at first blush appears to be a
3 mere summary of its audit report, actually contains critical conclusions that were not in
4 the audit report itself and that are now being offered to bolster Ms. Noonan's conclusions
5 and recommendations. It is unclear why and how LCG's opinions of the Company's
6 customer service and billing operations became more strident in its testimony than in its
7 audit report. These more strident views contained in LCG's December 2016 testimony
8 are particularly troubling in light of its admission that, although its review of the
9 Company's customer service functions only covered the years 2012 through 2015, it did
10 not perform any follow-up analysis since issuing its final audit report, including any
11 analysis of the Company's August 25, 2016, Response to the audit report.¹²

12 LCG's testimony concluded that the Company did not demonstrate an overall level of
13 good utility practice in the area of customer service based, in part, on its concern about
14 the "newness" of a number of initiatives that existed at the time of their audit work.
15 Those initiatives are "new" only because LCG did not update its audit report analysis
16 with the Company's response to the audit and with the other available evidence that is
17 presented in this testimony. Plus, an initiative's "newness" does not mean it is either
18 inappropriate or ineffective, nor is "newness" relevant in determining whether the
19 measure represents good utility practice. Given that LCG has not performed any follow-
20 up work regarding the Company's customer service functions, its conclusions and Ms.

¹² Attachment SMHF/SEM-9, LCG responses to GSEC 1-79 and GSEC 1-80.

1 Noonan's reliance on those conclusions in support of the recommended penalty should be
2 disregarded.

3 **IX. CONCLUSION**

4 **Q. Do you have any concluding comments?**

5 A. Yes. The transition of customer service and billing functions from one utility to another
6 is never simple. Even with all of the planning by both the predecessor and successor
7 utilities, unexpected problems undoubtedly arise. Granite State does not dispute that it
8 experienced some bumps in the road, but it strongly disputes that it is still headed down
9 that same bumpy road. As discussed above and as communicated to Commission Staff
10 through numerous meetings and a vast number of periodic reports, the Company's
11 various reporting metrics have consistently improved and stabilized. Through the
12 countless meetings and teleconferences it has held with Commission Staff, the Company
13 has certainly communicated its improvements probably more than any other utility has
14 previously done. Given the vast amount of information that has been provided to Staff, it
15 is safe to say that the Company was dismayed by Ms. Noonan's testimony. She and LCG
16 would have the Commission believe that the Company is still experiencing the same
17 problems it encountered early in the transition process from National Grid. As shown by
18 the 2016 CSAT survey results in Attachment SMHF/SEM-3, customers obviously do not
19 have the same view. And the penalty resulting from Staff's recommended reduction to
20 Granite State's return on equity should be disregarded because it is contrary to the
21 express terms of the DG 11-040 Settlement Agreement, unwarranted by the facts,

1 arbitrary, and based on conclusions that are outdated, incomplete, and ignore the
2 significant impact that market-based price has on overall customer satisfaction..

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

4 **A.** Yes, it does.

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