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Record-Breaking Customer Satisfaction Continues for Energy Utilities

Both Natural Gas and Electric Service Improve; Hurricane Sandy Sinks LIPA to Never-Before-Seen ACSI Historic Low

ANN ARBOR, Mich. (April 16, 2013) – Customer satisfaction improves for a seventh straight year for energy utilities, making 2013 another year of record-breaking results for the sector at large, according to a report released today by the American Customer Satisfaction Index (ACSI). The ACSI benchmark for the energy utility sector improves 0.9% to 77.4 on a scale of 0 to 100, the highest level seen since inaugural measurement in 1994. The pattern holds across three measured categories of energy utilities, with investor-owned, municipal and cooperative utilities all posting record-high ACSI scores.

“Customer satisfaction with utilities continues to climb,” says Claes Fornell, ACSI founder and chairman. “While last winter was not quite as mild as the year before, temperatures continued to be lower than long-term averages. At the same time, consumers are finding more ways to save energy. The fact that there has been no price increase to speak of also helps boost customer satisfaction.”

The ACSI report covers customer satisfaction with three categories of energy utilities (cooperative, investor-owned and municipal), along with two health care service industries (hospitals and ambulatory care).

Investor-Owned Utilities: Natural Gas Suppliers on Top for Customer Satisfaction

Residential customer satisfaction with investor-owned energy utilities reaches its highest level in nearly two decades with a 1.3% increase to an ACSI benchmark of 77. Two natural gas suppliers lead the field: Atmos Energy at 85 and CenterPoint Energy at 84. Southern Company is a close third at 83. All three edge up 2% to reach individual company highs in the ACSI.

Natural gas service continues to improve according to residential buyers, with a record-high ACSI benchmark of 82. Customer satisfaction with electric service is lower, but still the best in 10 years with a score of 76.

In the investor-owned category, several utilities earn above-average scores of 80 to 82. Dominion Resources (+2%) and MidAmerican Energy Holdings (+4%) are tied at 82, followed by NiSource (unchanged) and Entergy (+4%) at 81. The trio of Sempra Energy, PPL and NextEra Energy land at 80, but for Sempra this represents a drop of 4% compared with a year ago.

Northeast Utilities bounces back from a year with outages as Hurricane Irene and winter storms sent customer satisfaction plummeting down 21% to 59. This year, customer satisfaction for Northeast leaps 24% to 73. Two Michigan-based utilities also make large gains that return them to their past ACSI levels. CMS Energy advances 5% to 79, while DTE Energy jumps 8% to 78. Showing similar gains of 6% and 7%, Exelon and PG&E tie at 74—a score that is below average for the industry, but is nevertheless a company high for both.

Even though most utilities have improved on customer satisfaction, about one-third of investor-owned utilities move in the opposite direction. The lowest score in the category belongs to Consolidated Edison, slipping 1% to 70. Storms and merger challenges mar the customer satisfaction outlook for American Electric Power and Duke Energy, each falling 5% to an ACSI score of 75.

“Customers are less happy with AEP, whose service territory—stretching from Texas to the north and Virginia to the east—was hit hard by late winter storms in 2012,” says Fornell. “For Duke Energy, the customer satisfaction downturn coincides with the acquisition of Progress Energy, a utility with a less-than-stellar track record in customer satisfaction.”

Also on the low end, Ameren (-5%) and Public Service Enterprise Group (-4%) register weakening customer satisfaction that leaves them deadlocked at 74. For Ameren, it has been a rocky road with the company coming under fire from its customers over electric rate hikes, including a sizable increase in December 2012 and another proposed for this spring.

Municipal Utilities: LIPA Slumps to Lowest ACSI Score Ever Recorded

Mixed results among municipal utilities keep the industry’s customer satisfaction benchmark steady at 76 following a big boost a year ago. The Salt River Project (SRP) maintains its lead for a third year with an unchanged ACSI benchmark of 81, followed by CPS Energy, up 1% to 80. There is a considerable gap to the next two major municipal operators. Despite a 3% ACSI improvement, the Los Angeles Department of Water & Power (LADWP) is a distant third place at 71.

What really stands out, however, is the torrential 26% customer satisfaction deterioration of the Long Island Power Authority (LIPA) due to the utility’s handling of the destruction wrought by Hurricane Sandy. The ACSI loss plunges LIPA down to 43—the lowest customer satisfaction score ever recorded for any company in any industry in the American Customer Satisfaction Index.

“This year’s precipitous shortfall in customer satisfaction comes just a year after a large decline of 11% hit LIPA in the aftermath of Hurricane Irene,” notes Fornell. “Back-to-back big storms, followed by what customers considered protracted and inadequate response to outages, set the table for what is the lowest ACSI score on record.”

Cooperative Utilities: Category Turns in Top Overall ACSI Score

Customer satisfaction with smaller rural cooperative utilities reaches a three-year high. The category improves 2.5% to an ACSI benchmark of 83, led by a comparable gain for its largest member, Touchstone Energy Cooperatives, an alliance of more than 700 local electric cooperatives. The upturn for Touchstone erases a decline from a year ago and puts the entire category at 83—the stable score maintained by the aggregate of all other cooperatives following a 4% increase last year. Touchstone ties Southern Company for third place, surpassed only by Atmos Energy at 85 and CenterPoint Energy at 84.

Health Care: Better Outpatient Care Pumps Up Patient Satisfaction for Hospitals

Patients are more satisfied with the care they receive at both hospitals and doctors' offices this year. The health care sector as a whole rises 1.9% to an ACSI benchmark of 80.0—setting a new record over nearly two decades of measurement.

Patients continue to show preference for ambulatory care (such as office visits to doctors, dentists and optometrists) over hospital care (inpatient, outpatient and emergency room services), but both categories reach customer satisfaction highs. Up 1.2% to 82, ambulatory care bests hospitals at 78 (+2.6%), but there is one area where hospitals do very well. Outpatient services have a higher score (83) compared with emergency services. While the high cost of inpatient service keeps customer satisfaction statistically flat at 80, long waiting time at ERs leads to much lower patient satisfaction at 70, although this score is up from 66 a year ago.

About ACSI

The American Customer Satisfaction Index (ACSI) is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. The ACSI uses data from interviews with roughly 70,000 customers annually as inputs to an econometric model for measuring satisfaction with more than 230 companies in 43 industries and 10 economic sectors, as well as over 100 services, programs, and websites of federal government agencies.

ACSI results are released on a monthly basis, with all measures reported using a scale of 0 to 100. ACSI data have proven to be strongly related to a number of essential indicators of micro and macroeconomic performance. For example, firms with higher levels of customer satisfaction tend to have higher earnings and stock returns relative to competitors. Stock portfolios based on companies that show strong performance in ACSI deliver excess returns in up markets as well as down markets. And, at the macro level, customer satisfaction has been shown to be predictive of both consumer spending and gross domestic product growth.

The Index was founded at the University of Michigan's Ross School of Business and is produced by ACSI LLC. The ACSI can be found on the Web at www.theacsi.org.

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