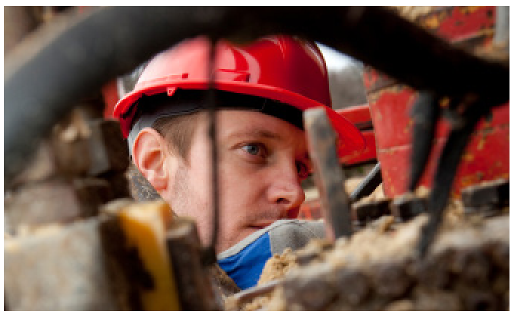
American Customer Satisfaction Index

The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States.

The Index uses data from interviews with roughly 500,000 customers annually as inputs to an econometric model for analyzing customer satisfaction with more than 400 companies in 46 industries and 10 economic sectors, including various services of federal and local government agencies.

Index results are released throughout the year, with all measures reported on a scale of 0 to 100. Index data have proven to be strongly related to several 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 customer satisfaction deliver excess returns in up markets as well as down markets. At the macro level, customer satisfaction has been shown to be predictive of both consumer spending and GDP growth.



March 24, 2020

AMERICAN CUSTOMER SATISFACTION INDEX ENERGY UTILITIES REPORT 2019-2020

Industry Results for:

- Investor-Owned Energy Utilities
- Municipal Energy Utilities
- Cooperative Energy Utilities

Energy Utility Customers Want More Reliable Service and Cleaner Energy

Energy Utilities

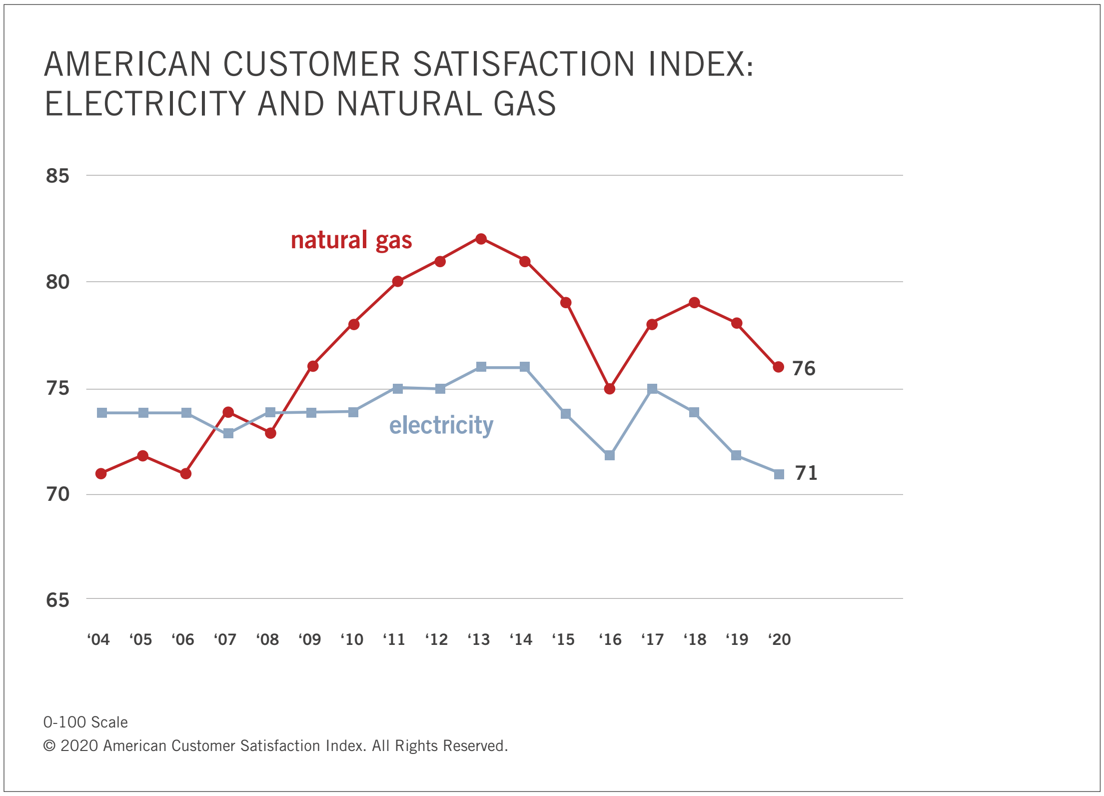
Customer satisfaction with the energy utilities sector overall descends for a second straight year, down 1.5% to 72.1 on the American Customer Satisfaction Index's 100-point scale. Less reliable electric service and decreased ability to restore power are dimming customer perceptions about the quality of their residential energy utility service. The results are based on interviews conducted over a 12-month period from January to December 2019.

In 2019, energy utilities were hit hard by natural disasters, including wildfires and hurricanes, that continue to reinforce the sector's need to modernize grids. Likewise, energy utilities are under pressure to protect their grids from cyberattacks. In addition to keeping the lights on, consumers expect more from their energy utilities—from cleaner energy to smarter technology and energy-saving practices. While the federal government's focus has been on rolling back environmental regulations, state and local governments continue to promote new standards for renewables.

In 2019, natural gas continued to dominate the U.S. power mix, with wind and solar gaining ground. The trend toward renewables, buoyed by strong consumer interest, is expected to continue into the coming decades, with coal's share in electricity generation diminishing.

As the energy utility sector continues to transform itself, residential customers are not satisfied with the current state of their service. Similar to results from a year ago, the decline in customer satisfaction is widespread. Among three categories of energy utilities—cooperative, investor-owned, and municipal—there is no improvement, as well as little difference in the industry-level scores. Both investor-owned and municipal energy utilities backtrack 1.4% to scores of 72, while cooperative energy utilities tumble 2.7% to 73. These scores place all three categories among the bottom 11 industries in the Index. Among individual energy utility companies, the vast majority are flat or down for customer satisfaction compared to a year ago.

Looking at satisfaction trends for electric and natural gas service, neither is doing a good job of meeting customer needs at present. Customers continue to prefer natural gas (-3% to 76) to electric service (-1% to 71), but both have weakened over the past year. For natural gas, this is the second consecutive year of decline, while electric service shows a three-year fall.



Investor-Owned Energy Utilities

Across 25 major investor-owned energy utilities, 15 register weaker customer satisfaction this year, with another 8 companies showing no change. Noticeably absent in the results are any significant improvements from the customer viewpoint, with just two companies earning small 1% gains in satisfaction. This is the second straight year that the investor-owned category shows wide-reaching declines, coupled with deterioration across many key elements of the residential customer experience.

For only the second time in a decade, no investor-owned utility posts a score of 80 or above. The industry overall drops 1.4% to 72, matching its record low from 2016. Natural gas providers continue to dominate the top of the industry rankings, although CenterPoint Energy has lost the lead to the other gas-only provider, Atmos Energy. After declining 2% a year ago to 80, CenterPoint Energy slides an additional 4% to 77, just behind a stable Atmos Energy (unchanged at 78). In February 2020, after the interview period ended, CenterPoint announced an agreement to sell its retail gas business. The move followed other divestments of businesses acquired from its 2019 merger with Vectren.

Third place goes to NextEra Energy, which slips 1% to 76. Along with Atmos Energy, NextEra Energy is a leader in providing energy-saving ideas to its customers.

AMERICAN CUSTOMER SATISFACTION INDEX: INVESTOR-OWNED ENERGY UTILITIES

	2019	2020	% CHANGE
Investor-Owned Energy Utilities	**73**	**72**	**-1.4%**
Atmos Energy	78	78	0%
CenterPoint Energy	80	77	-4%
NextEra Energy	77	76	-1%
Consolidated Edison	78	75	-4%
NiSource	76	75	-1%
Sempra Energy	75	75	0%
Southern Company	77	75	-3%
Berkshire Hathaway Energy	74	74	0%
Dominion Energy	76	74	-3%
Edison International	75	74	-1%
WEC Energy	76	74	-3%
Ameren	75	73	-3%
CMS Energy	73	73	0%
PPL	73	73	0%
Xcel Energy	74	73	-1%
All Others	72	72	0%
DTE Energy	72	72	0%
Entergy	75	72	-4%
Exelon	73	72	-1%
Public Service Enterprise Group	72	72	0%
Duke Energy	70	71	1%
FirstEnergy	72	71	-1%
National Grid	71	70	-1%
Eversource Energy	68	69	1%
American Electric Power	68	68	0%
PG&E	70	63	-10%

0-100 Scale

Four utilities are tied with scores of 75, with Sempra Energy holding its ground year over year and NiSource (-1%) slipping for a second year. The company's two-year slide follows its Massachusetts gas pipeline disaster from 2018. Subsequently, NiSource has agreed to sell its Columbia Gas of Massachusetts subsidiary to Eversource Energy. Meanwhile, Southern Company drops 3% to an all-time company low of 75 as some of its customers experienced record-high temperatures in the fall.

With an even bigger drop, Consolidated Edison retreats 4% to 75 and its service is deemed less reliable compared to a year ago. In July 2019, the utility came under fire for a blackout that impacted customers in New York City, followed by a shutdown in Brooklyn during a weekend heat wave. On a positive note, Consolidated Edison—now the second largest solar producer in North America—rates best in class for its efforts to support green programs.

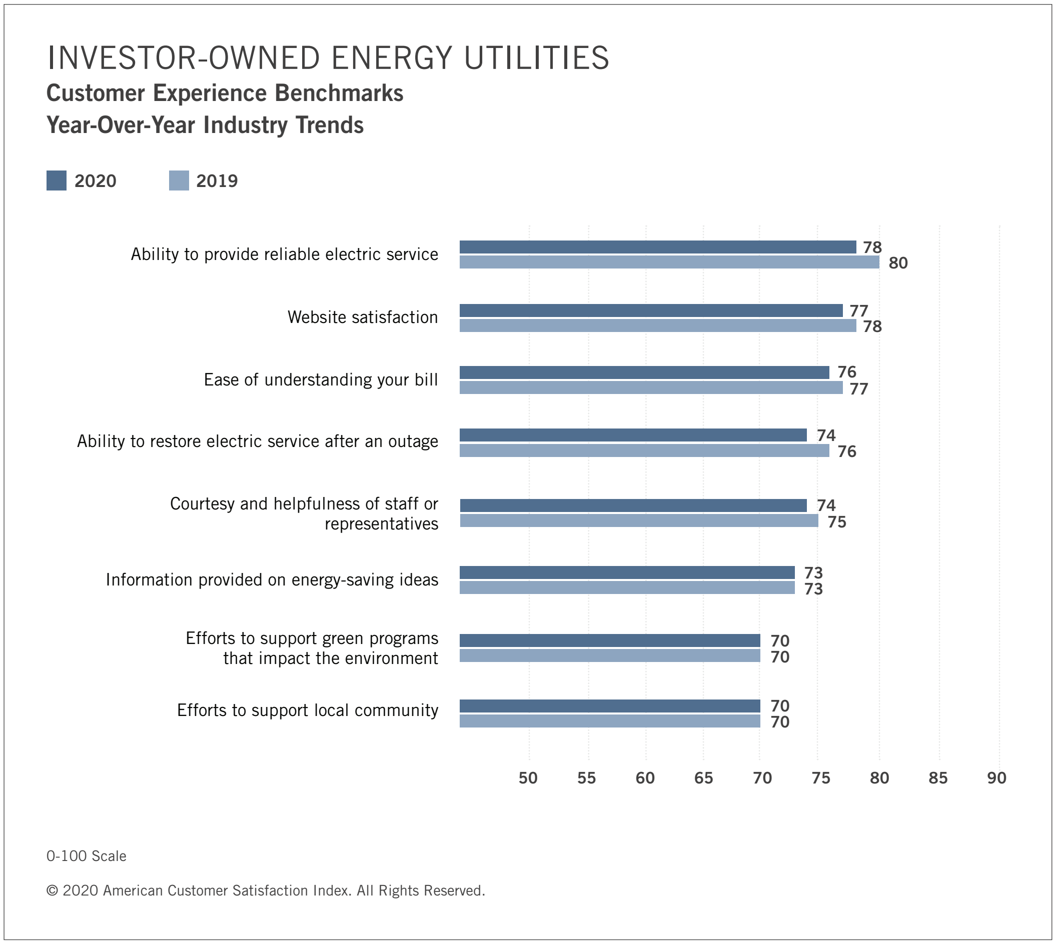
Several utilities cluster together with scores of 74. Berkshire Hathaway Energy is unchanged and Edison International ticks down 1%. WEC Energy also scores 74, but its decline is 3% year over year. Despite the downturn, WEC Energy maintains its position as a leader in providing reliable electric service. Dominion Energy also dips 3%, its second consecutive decline. While the company's Atlantic Coast Pipeline project faces environmental pushback, it also has ambitious plans to develop the largest offshore wind farm in the country. At present, Dominion Energy rates below average for its support of green programs, according to customers.

Just a point above the industry average, Ameren drops 3% to tie with CMS Energy (unchanged), PPL (unchanged), and Xcel Energy (-1%) at 73. Next, a large group of companies are tied with the industry average of 72—most of which show little change year over year. The smaller utilities in aggregate remain stable at 72. Likewise, DTE Energy and Public Service Enterprise Group are steady at 72. Exelon inches back 1% to 72, whereas Entergy dives 4% to the same score. For Entergy, customers find its overall quality of service to have deteriorated considerably compared to the prior year.

On the industry's low end, Duke Energy is one of only two energy utilities to show a slight gain. The company rises 1% to 71, driven by some improvement in customer perceptions of value. Likewise, Eversource Energy ticks up 1% to 69, but remains well below the industry average for customer satisfaction. While the company has made investments to enhance reliability, these efforts thus far have not resulted in significant satisfaction gains. FirstEnergy slips 1% to 71, with National Grid down 1% to 70. American Electric Power is steady at 68—the second worst satisfaction rating in the industry.

The bottom of the industry belongs entirely to PG&E, plummeting 10% to 63 after another tumultuous year—starting with its bankruptcy protection filing in January 2019. The utility's track record includes equipment failures linked to deadly wildfires in 2018, which PG&E reached a settlement for in December 2019. Meanwhile in 2019, the utility drew criticism for widespread preemptive blackouts that left many of its customers in the dark during periods of high-risk for wildfires. According to its customers, PG&E is doing worse across all aspects of the customer experience, and most notably its ability to provide reliable electric service and restore power.

For investor-owned energy utilities overall, no aspect of the residential customer experience has improved. The industry is less able to provide reliable electric service and its rating drops 3% to 78—much lower than reliability scores for either municipal (83) or cooperative (81) energy utilities. Likewise, electric power restoration slides 3% to 74, trailing the other categories by a wide gap of 4 to 6 points.



Websites are less satisfying (77), bills are harder to understand (76), and staff are less courteous and helpful (74). The industry's weaker points continue to be areas where company goodwill initiatives fall short in the eyes of consumers. Overall, investor-owned energy utilities need to do a better job of providing information on energy-saving ideas (73), supporting green programs (70), and supporting the local community (70).

Municipal Energy Utilities

Customers are less happy with their municipal energy utility service for a second year as the industry's score wanes by 1.4% to 72. One year ago, however, most energy providers experienced larger declines. This year, industry leader Salt River Project slips 1% to 77 but keeps well ahead of the remaining municipal energy utilities. The Arizona-based utility excels when it comes to electric service reliability, outperforming companies across all three energy utility categories, according to its customers.

The remainder of the municipal category is deadlocked at the industry average of 72. The group of smaller municipal utilities inches back 1%, while CPS Energy is flat at 72. For the Los Angeles Department of Water & Power (LADWP), the change is positive as its score rises 4% to an all-time high of 72. For a decade, customer satisfaction with LADWP has trailed the field, but now the utility hugs the category average. The satisfaction gain comes from a strong surge in customer perceptions of value, although the utility still lags when it comes to ease of understanding bills. LADWP had long been criticized for overcharges to its customers stemming from the launch of a new billing system in 2013, including a lawsuit settlement in 2017. New filings in 2019 could yield further refunds to ratepayers.

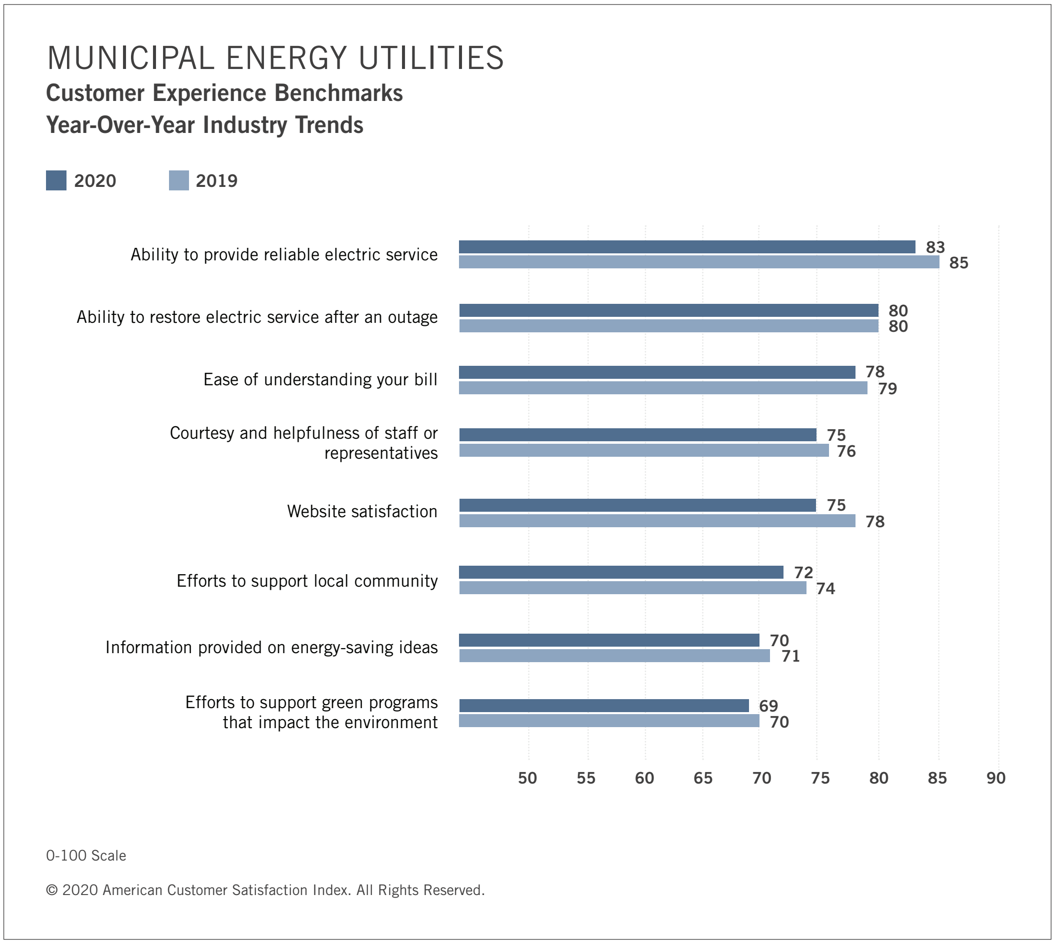
AMERICAN CUSTOMER SATISFACTION INDEX: MUNICIPAL ENERGY UTILITIES

COMPANY	2019	2020	% CHANGE
Municipal Energy Utilities	**73**	**72**	**-1.4%**
Salt River Project	78	77	-1%
All Others	73	72	-1%
CPS Energy	72	72	0%
LA Department of Water & Power	69	72	4%

0-100 Scale

No aspect of the customer experience for municipal energy utilities improves this year, and many elements weaken year over year. Electric service reliability remains a strong point for the category despite a 2% downturn to 83. Power restoration following an electric outage is also highly regarded with an unchanged score of 80 that outpaces both investor-owned (74) and cooperative energy utilities (78).

Bills are somewhat less easy to understand (78) but other aspects of the customer experience show room for improvement. In particular, websites are much worse compared to a year ago as website satisfaction retreats 4% to 75—the lowest level across the three utility categories. Staff courtesy also lessens (75) and efforts to support the local community fall further behind (-3% to 72). As seen in the other categories, customers would like their municipal utility to offer more information on energy-saving ideas (70), as well as support clean energy programs (69).



Cooperative Energy Utilities

Cooperative energy utilities serving small rural communities lose the most ground this year, falling 2.7% to a score of 73. Almost a decade ago, member-owned cooperatives outperformed investor-owned and municipal energy utilities for customer satisfaction by a wide gap of 8 to 9 points. Their lead now dwindles to just 1 point ahead of both other categories (72).

Similar movement in the finance sector has occurred over the same period where member-owned credit unions (79) have lost their customer satisfaction advantage over big banks (80). Not only do large banks have the resources to invest in technology, the personalized customer service that was the hallmark of smaller credit unions is no longer a key differentiating factor. Likewise, in-person service for cooperative energy utilities has deteriorated, according to members. For cooperatives, staff courtesy (-5% to 75) has decreased more than any other element of the residential experience, coming in at roughly the same level as either investor-owned (74) or municipal energy utilities (75) this year.

The largest cooperative energy utility, Touchstone Energy, drops 1% to a customer satisfaction score of 74, following a larger drop one year ago. This puts Touchstone Energy much closer to the industry average for investor-owned energy utilities than it was a decade ago. The group of smaller cooperatives plunges 6% to 72, tying the record low from 2016. Survey data show that for both Touchstone and the smaller cooperatives, members seek lower rates for their service.

AMERICAN CUSTOMER SATISFACTION INDEX:
COOPERATIVE ENERGY UTILITIES

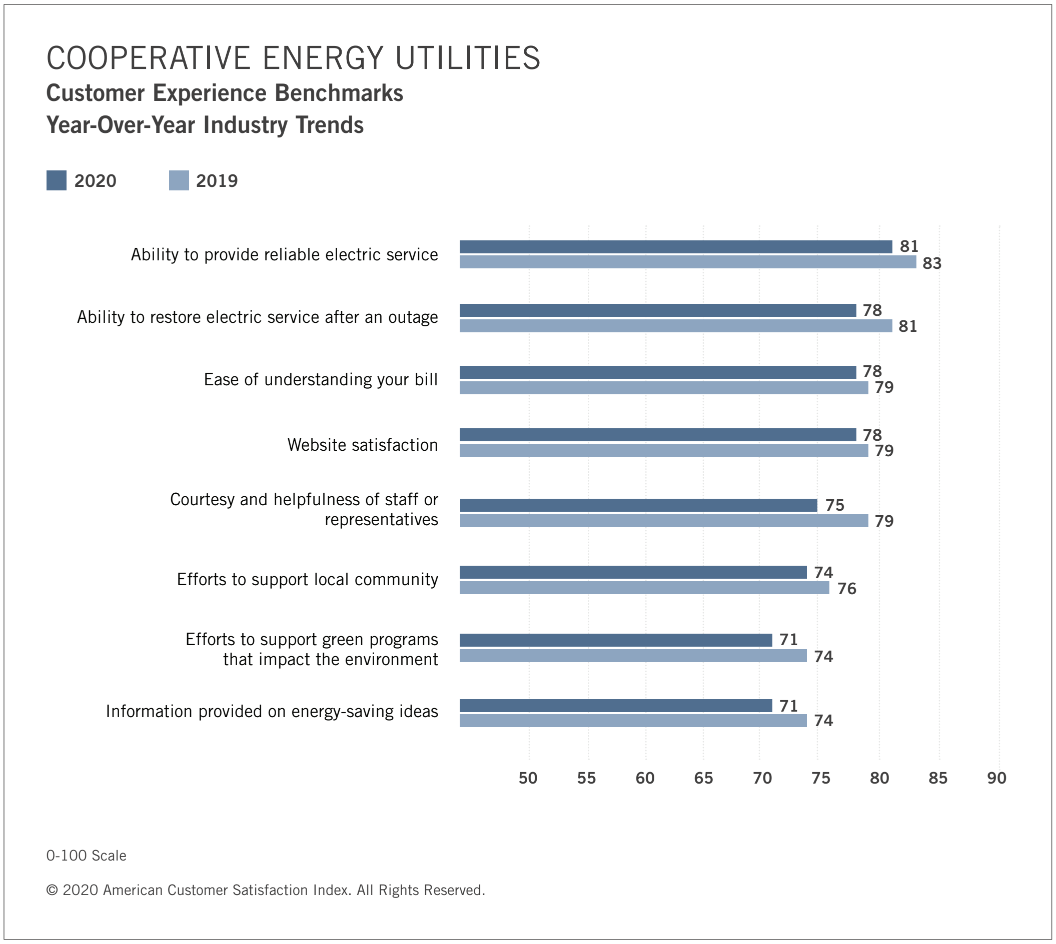
COMPANY	2019	2020	% CHANGE
Cooperative Energy Utilities	**75**	**73**	**-2.7%**
Touchstone Energy	75	74	-1%
All Others	77	72	-6%

0-100 Scale

Members of cooperative energy utilities find that all elements of their experience have worsened year over year. While electric service is still deemed very reliable, it drops back 2% to 81. The category's ability to restore power diminishes more, falling 4% to 78 and trailing that of municipal energy utilities (80).

While bills are less easy to understand (78) and websites less satisfying (78), the biggest change as described previously occurs for staff courtesy and helpfulness (-5% to 75). Cooperatives no longer show a substantial advantage in this area as they did one year ago.

Compared with the other energy utility categories, cooperatives remain leaders for supporting their local communities although they are not doing as good a job this year (-3% to 74). Likewise, cooperatives now have a smaller advantage for their ability to provide energy-saving ideas or support green programs. Both factors show ample room for improvement following 4% declines to 71.



About This Report

The *American Customer Satisfaction Index Energy Utilities Report 2019-2020* covers three categories of energy utilities (investor-owned, municipal, and cooperative). Results are based on interviews with 26,901 residential customers, chosen at random and contacted via email between January 8 and December 23, 2019. Customers are asked to evaluate their recent experiences with the largest energy utilities in terms of market share, plus an aggregate category consisting of "all other"—and thus smaller—companies.

The survey data are used as inputs to the Index's cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. Our clients receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

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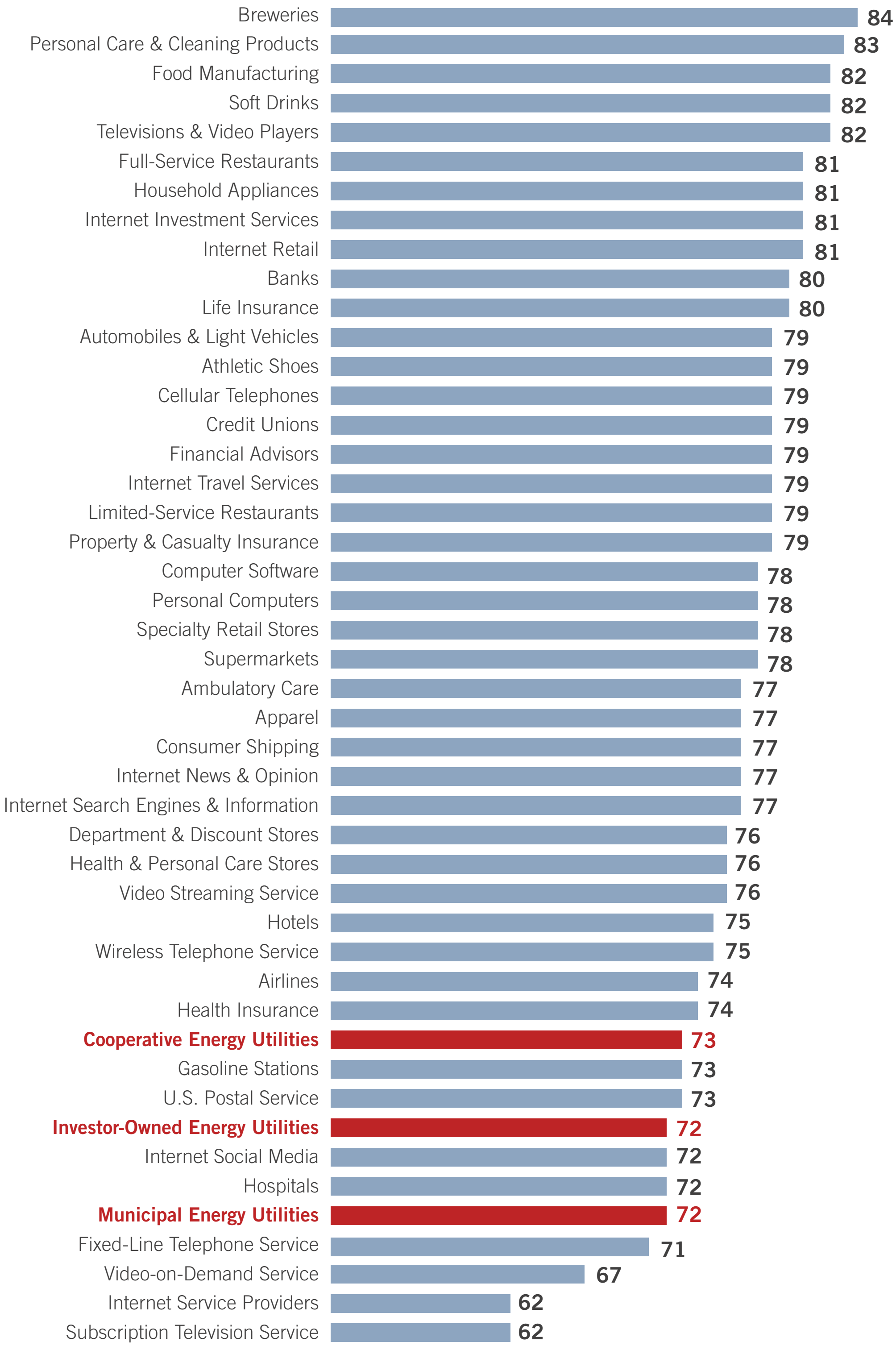
CUSTOMER SATISFACTION BENCHMARKS BY INDUSTRY



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