

BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
New York State Electric & Gas Corporation
for Electric Service

Case 09-E- 0715

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
New York State Electric & Gas Corporation
for Gas Service

Case 09-G- 0716

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
Rochester Gas and Electric Corporation
for Electric Service

Case 09-E- 0717

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
Rochester Gas and Electric Corporation
for Gas Service

Case 09-G- 0718
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**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

**Mark O. Marini
Theresa B. VanBrooker**

February 12, 2010

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1 Q. Please state the names of the members of this Customer Service Panel ("Panel").

2 A. We are Mark O. Marini and Theresa B. VanBrooker.

3 Q. Are you the same Panel members that sponsored the Direct Testimony of the
4 Customer Service Panel on behalf of New York State Electric & Gas Corporation
5 ("NYSEG") and the Direct Testimony of the Customer Service Panel on behalf of
6 Rochester Gas and Electric Corporation ("RG&E") (with NYSEG, the
7 "Companies") in these proceedings?

8 A. Yes.

9 Q. What is the overall purpose of the Panel's rebuttal testimony?

10 A. We address the testimony of the New York State Department of Public Service
11 Staff ("Staff") Consumer Issues Panel and portions of the testimony of Gregg C.
12 Collar, on behalf of the New York State Consumer Protection Board ("CPB"),
13 that relate to Service Quality Measures, the Companies' proposed Contact Survey,
14 Low Income programs, reconnection charges, customer deposits and credit cards.

15 Q. Is the Panel sponsoring any exhibits in support of its rebuttal testimony?

16 A. Yes. We are sponsoring two exhibits. Exhibit __ (CSP-27) includes responses to
17 interrogatories. Exhibit __ (CSP-28) provides the number of customers that
18 would benefit from the CPB's and Staff's proposed arrears forgiveness programs.

19 Q. Do you have any preliminary comments concerning the Staff Consumer Issues
20 Panel's and Mr. Collar's testimony in these proceedings?

21 A. Yes. In general, the Companies are concerned with the inconsistency in Staff's
22 customer service expectations and its proposed austerity and productivity

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1 adjustments to the Companies' revenues. It is unrealistic and unreasonable for
2 Staff and CPB to set increased performance targets for service quality measures
3 while not providing adequate funding to achieve these levels. Staff's proposals
4 are also imbalanced in that they expect the Companies to perform at an
5 increasingly high level of service while at the same time require austerity
6 measures. Given current economic conditions, it is also unreasonable for Staff
7 and CPB to refuse to allow the Companies an ability to offset rising costs through
8 creative mechanisms, such as residential deposits. Similarly, Staff's proposed
9 funding of Low Income programs, which is based on recent New York State
10 historic funding levels, is unreasonable. Given the state of the economy, Staff
11 should allow greater funding than it has in the past to help ease the burden of Low
12 Income customers.

SERVICE QUALITY MEASURES

13
14 Q. Do the Staff Consumer Issues Panel and Mr. Collar propose revisions to the
15 number of Service Quality Measures included in the Companies' proposed
16 Customer Service Performance Programs?

17 A. Yes.

18 Q. What do Staff and Mr. Collar recommend?

19 A. Both the Staff Consumer Issues Panel and Mr. Collar propose that the Companies'
20 Customer Service Performance Programs include four service quality measures
21 rather than the six proposed by the Companies.

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1 Q. What were the six Service Quality Measures proposed by the Companies?

2 A. The Companies proposed the following measures for NYSEG and RG&E: PSC
3 Complaint Rate; Contact Survey (referred to as the Contact Satisfaction Index for
4 NYSEG and Customer Interaction Service Index for RG&E); Calls Answered in
5 30 Seconds; Estimated Meter Readings; Appointments Kept; and Billing
6 Accuracy.

7 Q. What Service Quality Measures do the Staff Consumer Issues Panel and Mr.
8 Collar eliminate?

9 A. The Staff Consumer Issues Panel and Mr. Collar eliminate the "Billing Accuracy"
10 and "Appointments Kept" measures.

11 Q. What rationale do the Staff Consumer Issues Panel and Mr. Collar offer in support
12 of their proposals?

13 A. The Staff Consumer Issues Panel states that it examined the Customer Service
14 Performance Indicators data from 2005 to 2009 for appointments kept and billing
15 accuracy and concluded that both Companies' performance on these measures is
16 excellent and averages around 99% for most years. Therefore, the Staff
17 Consumer Issues Panel does not see a need to provide an incentive to the
18 Companies to improve their performance in these areas given the trend of
19 excellent results. Likewise, Mr. Collar testifies that targets and measures that are
20 routinely exceeded (as is the case with these measures) are not meaningful.

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1 Q. Do you agree with Staff and CPB on this point?

2 A. No. The "Billing Accuracy" and "Appointments Kept" measures should not be
3 eliminated for NYSEG and RG&E, as those measures relate to key processes in
4 serving customers and offer significant points of interaction between the
5 Companies and their customers. The Staff Consumer Issues Panel's and Mr.
6 Collar's only rationale for eliminating these measures is that the Companies have
7 excellent historical results. The fact that current and historical performance has
8 been excellent does not detract from the importance of these measures to our
9 customers. The intent of the Service Quality Measures is to encourage the
10 Companies to focus on all key processes that impact customers. Staff's and CPB's
11 view that the purpose of Service Quality Measures is to provide the Companies
12 incentive to improve performance is short-sighted. The Companies' proposed
13 Service Quality Measures ensure a balanced focus across all key processes and
14 best serves customers.

15 Q. Has the New York State Public Service Commission ("Commission") approved
16 Billing Accuracy and Appointments Kept measures for other utilities?

17 A. Yes. As shown in the Staff Consumer Issues Panel's response to NYSEG-RGE-
18 68 (DPS) (included in Exhibit __ (CSP-27)), the Commission has approved
19 Billing Accuracy measures for Con Edison, KeySpan-NY, KeySpan-LI, and
20 National Fuel Gas. The Commission has approved Appointments Kept measures
21 for Central Hudson Gas and Electric, KeySpan-NY, KeySpan-LI and National
22 Fuel Gas.

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1 Q. Did the Staff Consumer Issues Panel and Mr. Collar agree with the Companies'
2 proposed amount and allocation of revenue at risk?

3 A. Not entirely. The Staff Consumer Issues Panel and Mr. Collar support the
4 Companies' total revenue at risk - \$6.4 million for RG&E and \$8 million for
5 NYSEG. However, the Staff Consumer Issues Panel and Mr. Collar oppose the
6 Companies' proposal of allocating the revenue at risk equally between all
7 measures.

8 Q. What do Staff and CPB propose instead?

9 A. As shown in Staff Exhibit __ (CIP-4), Staff proposes to allocate 62.5% of the
10 dollars at risk to the PSC Complaint Rate and the Contact Survey. For RG&E, \$2
11 million would be at risk for each of these two measures, and for NYSEG, \$2.5
12 million would be at risk for each of these two measures. Staff proposes to divide
13 the remainder of the revenue at risk between Calls Answered in 30 Seconds and
14 Estimated Meter Readings. CPB proposes a similar reallocation as detailed in
15 Exhibit __ (GCC-1) and Exhibit __ (GCC-2).

16 Q. Do you agree with Staff's and CPB's proposals?

17 A. No.

18 Q. Why not?

19 A. Neither the Staff Consumer Issues Panel nor Mr. Collar provides evidence that
20 one measure is more important than another. Moreover, Contact Satisfaction
21 Survey and PSC Complaint results can be impacted by external factors, such as a

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1 harsh economy, which are outside of the Companies' control. Therefore, these
2 measures should not be assigned significantly more risk than other measures.

3 Q. Why do you recommend allocating the dollars at risk equally across the Service
4 Quality Measures?

5 A. Each of the Companies' six proposed measures is equally important. The
6 Companies should be encouraged to meet all measures to ensure balanced
7 performance.

8 Q. Do the Staff Consumer Issues Panel and Mr. Collar make adjustments to the
9 Companies' Service Quality Measures' performance targets?

10 A. Yes. Staff and/or CPB adjust the PSC Complaint Rate, Estimated Meter Readings
11 and Calls Answered in 30 Seconds metrics for one or both of the Companies.

12 Q. What adjustments do the Staff Consumer Issues Panel and Mr. Collar make to the
13 PSC Complaint Rate performance target for RG&E?

14 A. Both the Staff Consumer Issues Panel and Mr. Collar propose a higher level of
15 performance targets than RG&E's existing thresholds for PSC Complaint Rate
16 (currently at ≤ 2.5 complaints/100,000 customers). Staff proposes a threshold of
17 >1.5 to >2.2 complaints/100,000 customers with four increments of revenue
18 adjustments. CPB proposes a threshold of ≥ 1.3 to ≥ 1.9 complaints/100,000
19 customers with four increments of revenue adjustments.

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1 Q. What rationale do Staff and CPB offer in support of their revised PSC Complaint
2 Rate target for RG&E?

3 A. Staff states that RG&E's proposed thresholds from >2.5 to >3.2
4 complaints/100,000 customers are much higher than the five-year average of
5 actual performance for 2005 to 2009 (1.16 complaints/100,000 customers). Staff
6 also notes that the PSC Complaint Rate measure has not been modified since May
7 2005 and is substantially above the level applicable to NYSEG. CPB erroneously
8 states that maintaining the same targets and proposed revenue adjustment
9 threshold levels that RG&E met with relative ease over the past five years
10 suggests that RG&E has little interest in challenging itself to maintain its high
11 quality of customer service.

12 Q. Does the Staff Consumer Issues Panel propose any revisions to the proposed PSC
13 Complaint Rate target for NYSEG?

14 A. No.

15 Q. Does Mr. Collar adjust NYSEG's proposed PSC Complaint Rate target?

16 A. Yes. Mr. Collar recommends that NYSEG's target be at a higher performance
17 level (<0.7 complaints/100,000 customers) than the existing level (<1.0
18 complaints/100,000 customers)?

19 Q. Does Mr. Collar offer any support for his adjustment to NYSEG's proposed PSC
20 Complaint Rate target?

21 A. In his response to NYSEG-RGE-137 (CPB), Mr. Collar states that his target is
22 based on NYSEG's five-year average.

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1 Q. Do you agree with higher level PSC Complaint Rate performance targets for
2 RG&E and NYSEG?

3 A. No.

4 Q. Why not?

5 A. NYSEG and RG&E require a significant amount of resources to handle the
6 Commission's current Complaint QRS and SRS process and maintain the 2009
7 performance level of .8 and 1.5 complaints/100,000 customers, respectively. This
8 performance level is not met with "relative ease" as stated by Mr. Collar. In
9 particular, the Companies provide an appeals process that allows customers to
10 have their concerns addressed by another Company team, before they contact the
11 Commission. The Companies must dedicate a significant amount of resources to
12 administer the appeals process, which has been essential for reducing the number
13 of PSC Complaints to the current performance level. Since the number of
14 customer complaints has not diminished and it will be challenging to maintain the
15 Companies' current high level of performance, the target should not be increased.

16 Q. Are there other reasons why it is appropriate for the Companies to retain their
17 existing Customer Complaint Rate performance target?

18 A. Yes. The Companies need to strike a balance between the levels of service
19 provided and rate impacts to customers. For example, RG&E's current target of
20 ≤ 2.5 complaints/100,000 customers (<13 complaints per month) appropriately
21 strikes this balance as it results in above adequate customer service. Moreover,
22 neither the Staff Consumer Issues Panel nor CPB provided documentation

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1 demonstrating that customers are willing to pay for a higher level of service nor
2 have they given the Companies the necessary revenue requirement to provide an
3 even higher level of service.

4 Q. What adjustments do the Staff Consumer Issues Panel and Mr. Collar make to the
5 Estimated Meter Readings performance target for RG&E?

6 A. For RG&E, both the Staff Consumer Issues Panel and Mr. Collar propose
7 adjusting the current target of $\leq 10\%$ to a target of $\leq 5\%$ estimated reads with the
8 application of incremental revenue adjustments.

9 Q. What is the basis for the revised Estimated Meter Readings target for RG&E?

10 A. Staff calculated the five-year average for this measure for 2005 to 2009 to be
11 4.06%. Staff uses this historic average as a guideline for its proposed target of
12 $\leq 5\%$ estimated reads. Staff also notes that the last time the Commission set this
13 measurement threshold for RG&E was in 2004 in Cases 03-E-0765 and 03-E-
14 0766. As discussed earlier, Mr. Collar erroneously states that maintaining the
15 same targets suggests that RG&E has little interest in challenging itself to
16 maintain its high quality of customer service.

17 Q. Do you agree with higher level Estimated Meter Readings performance targets for
18 RG&E?

19 A. No.

20 Q. Why not?

21 A. It is becoming increasingly difficult for RG&E to meet its high performance level
22 because the cost of maintaining a dedicated workforce to read meters as scheduled

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1 has continued to increase in recent years. Specifically, because of the high
2 percentage of inside meters in the RG&E service territory, it often takes multiple
3 trips to obtain a meter read. This extra effort increases the cost of the overall
4 meter reading process. As RG&E continues to focus on meeting customer
5 expectations with a mind toward austerity, the Company will find it increasingly
6 difficult to maintain this high level of service, especially considering the
7 additional effort and cost of the extra trips required to obtain meter reads.
8 Therefore, the proposed adjustments to RG&E's Estimated Meter Readings are
9 inappropriate.

10 Q. Are there other reasons for maintaining existing targets for RG&E's Estimated
11 Meter Readings?

12 A. Yes. As stated earlier, the Company needs to strike a balance between the levels
13 of service provided and rate impacts to customers. The current target of $\leq 10\%$
14 estimated reads results in above adequate customer service and thus the target
15 appropriately strikes this balance. Again, neither the Staff Consumer Issues Panel
16 nor CPB provided documentation demonstrating that customers are willing to pay
17 for a higher level of service nor have they given the Companies the necessary
18 revenue requirement to provide an even higher level of service. Therefore, it is
19 appropriate to maintain the existing target.

20 Q. Does the Staff Consumer Issues Panel propose any revisions to NYSEG's
21 proposed Estimated Meter Readings target?

22 A. No.

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1 Q. Does Mr. Collar adjust NYSEG's proposed Estimated Meter Readings target?

2 A. Yes. Mr. Collar recommends a performance target of <5.8%, which is higher
3 than the five-year average calculated by NYSEG and accepted by Staff.

4 Q. Do you agree with higher level Estimated Meter Readings performance targets for
5 NYSEG?

6 A. No.

7 Q. Why not?

8 Q. Mr. Collar does not provide any evidence to support his adjustment. As noted
9 earlier, NYSEG utilized the Company's five-year average to determine its
10 proposed target level. Similarly, Mr. Collar states that he used the Company's
11 five-year average to determine the target level. However, Mr. Collar does not
12 provide documentation as to why his calculation of the five-year average was
13 different than the Company's calculation. Therefore, NYSEG supports setting the
14 target at the Company calculated five-year average of 6.1%, which is supported
15 by our Direct Testimony and accepted by Staff.

16 Q. With respect to the Estimated Meter Readings performance measures, are the
17 Companies' current targets similar to those for other New York State utilities?

18 A. The Companies' current targets are more aggressive than performance thresholds
19 already approved by the Commission for the three other New York utilities that
20 have a similar metric, including Con Edison (13.1%), National Fuel Gas (15.9%)
21 and National Grid (8%).

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1 Q. Does the Staff Consumer Issues Panel propose any revisions to any other
2 performance thresholds for NYSEG?

3 A. Yes, the Staff Consumer Issues Panel proposes revising the performance
4 thresholds for Calls Answered in 30 Seconds.

5 Q. Please describe the proposed revision.

6 A. Both NYSEG and the Staff Consumer Issues Panel propose using an average to
7 determine the beginning target for this measure. However, instead of using the
8 five-year average from January 2005 through June 2009 as proposed by NYSEG,
9 the Staff Consumer Issues Panel recommends that 2006 be excluded from the
10 average.

11 Q. Do the Companies agree with Staff's proposal to eliminate 2006 data?

12 A. Yes. We agree that 2006 had many unusual events, resulting in performance
13 levels that were significantly different from other years. Therefore, the
14 Companies accept Staff's proposal to remove 2006 data when calculating the
15 beginning threshold level for Calls Answered in 30 Seconds.

16 Q. Has the Commission made any recent statements regarding austerity measures?

17 A. Yes. As noted on pages 38-39 of the Staff Policy Panel's testimony, in the April
18 24, 2009 Order Setting Electric Rates for Consolidated Edison Company of New
19 York, Inc. in Case 08-E-0539, the Commission stated "[e]xpenditures that are
20 reasonable during average or good economic conditions are not necessarily
21 reasonable when economic conditions are extremely poor. When consumers are
22 experiencing the extraordinary harsh economic realities we see today, a certain

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1 measure of frugality is properly expected from utilities and reprioritizing of
2 expenditures may be needed." In addition, the Commission stated "[i]n these
3 extraordinary times, we recognize the need for utilities to implement austerity
4 programs to constrain costs and tighten belts to limit discretionary spending...
5 The Company's management will be responsible for determining how best to
6 achieve the . . . revenue requirement reduction while maintaining reliability,
7 service quality, and safety."

8 Q. Given the Commission's position and directives with respect to austerity
9 measures, is it reasonable as Staff proposes to require higher performance
10 standards for the Companies?

11 A. No. In fact, it is reasonable to expect that the Companies may have difficulty
12 meeting the existing targets. We agree with the Commission that expenditures
13 that may have been reasonable in the past are not necessarily reasonable in the
14 current economic environment. This applies as well to Service Quality Measures
15 that do not impact safety and reliability. The Companies may need to re-allocate
16 resources in order to comply with the Commission's austerity directives, which in
17 turn will make it increasingly more difficult for the Companies to comply with
18 their current performance targets, let alone the enhanced targets proposed by Staff
19 and CPB. Staff's proposal would require the Companies to dedicate a significant
20 amount of resources to ensure the performance targets for the Service Quality
21 Measures are met, which is contrary to the Commission's recognition that a

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1 company's management should be responsible for determining how best to fulfill
2 the Commission's austerity directives.

CONTACT SATISFACTION SURVEY

3
4 Q. Does the Staff Consumer Issues Panel agree with the Companies' proposed
5 implementation of a new customer satisfaction telephone survey study?

6 A. Yes, but with minor modifications.

7 Q. What are the modifications?

8 A. Following the filing of the Companies' Direct Testimony in these proceedings,
9 parties interested in the new customer satisfaction survey participated in
10 collaborative sessions on October 28, 2009 and November 4, 2009. The parties to
11 the collaborative sessions agreed that the survey would be a random sample
12 telephone survey and the survey scale for all customer satisfaction index
13 questions would be a five-point, fully labeled scale to rank customer satisfaction.
14 The parties also agreed on the wording and position of the questions, in particular
15 the overall customer satisfaction index question.

16 Q. Do the Companies agree with the modifications and the Staff Consumer Issues
17 Panel's next steps to develop a new threshold target?

18 A. Yes, we accept the Staff Consumer Issues Panel's position.

LOW INCOME PROGRAMS

19
20 Q. Does the Staff Consumer Issues Panel support the Companies' Low Income
21 program proposal?

22 A. Yes, with modification.

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1 Q. What modifications does the Staff Consumer Issues Panel propose?

2 A. Staff recommends several changes to the Companies' proposed Low Income
3 programs, including revisions to the Companies' proposed enrollment, funding,
4 and guidelines.

5 Q. How does the Staff Consumer Issues Panel adjust the proposed funding level?

6 A. The Staff Consumer Issues Panel recommends a reduction in the proposed overall
7 size of the Companies' proposed Low Income programs from \$21,187,659 to
8 \$8.08 million for NYSEG and from \$17,685,402 to \$5.82 million for RG&E?

9 Q. Do you agree with this adjustment?

10 A. No.

11 Q. Why not?

12 A. The Companies' proposed funding levels were supported by extensive data, as
13 acknowledged and referenced by both Staff and CPB. This data supports the fact
14 that the Companies' Low Income customers are increasingly finding it more
15 difficult to pay their bills. Therefore, the Companies' expect that more Low
16 Income customers will need assistance. Moreover, as recognized by Staff and
17 CPB, the proposed Low Income programs will likely have a positive overall
18 impact on the uncollectibles for both Companies.

19 Q. Are there other reasons the Companies oppose Staff's adjustments to the overall
20 size of the Low Income programs?

21 A. Yes. Staff has proposed that the amount allocated to the Low Income programs
22 equate to .46% and .59% of sales revenue for NYSEG and RG&E, respectively.

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1 Staff's allocation methodology is unreasonable given the current economic
2 conditions.

3 Q. What percentage of total sales does the Companies' proposal represent?

4 A. The Companies proposal for Low Income programs equates to 1.21% and 1.79%
5 of total sales revenue for NYSEG and RG&E, respectively.

6 Q. Is there data to support the Companies' proposed allocation?

7 A. Yes. The Companies' approach of utilizing true customer data is a reasonable
8 methodology for determining the funding level for the Low Income programs.
9 Moreover, the poverty rate in New York State is approximately 14% as shown on
10 the New York State Community Action Association website at:

11 <http://www.nyscaaonline.org>. Given the poverty rate, the Companies' proposed
12 funding levels for the Low Income programs are appropriate.

13 Q. How did the Staff Consumer Issues Panel adjust the Companies' proposed bill
14 credit of \$15 per meter?

15 A. The Staff Consumer Issues Panel recommends reducing the proposed bill credit
16 from \$15 per meter to \$9.50 per customer (i.e., per account) based on the
17 2008/2009 HEAP data.

18 Q. Do you agree with this adjustment?

19 A. No.

20 Q. Why not?

21 A. The Companies' customers should not experience a reduction in their current bill
22 credits as a result of switching to the Companies' proposed Low Income

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1 programs. Staff's proposed bill credit would reduce the bill credit currently
2 received by the Companies' dual-metered customers.

3 Q. How would the Staff Consumer Issues Panel's proposal harm dual-metered
4 customers?

5 A. Since the Staff Consumer Issues Panel's proposed bill credit is tied to a customer's
6 account rather than meter, Staff's proposal of \$9.50 per customer bill would offer
7 a significantly lower benefit to customers who are dual-metered. The Companies
8 note that currently 66% of RG&E customers and 22% of NYSEG customers are
9 dual-metered.

10 Q. How else would the Staff Consumer Issues Panel's proposal disadvantage dual-
11 metered customers?

12 A. Some of the Companies' customers are served by other utilities for their second
13 meter. Those customers would be eligible to receive a benefit for both meters
14 under each utility's Low Income program. Again, this would put the Companies'
15 dual-metered customers at a disadvantage.

16 Q. On page 16 of Mr. Collar's testimony, he states "CPB recommends low income
17 customers be held harmless from any rate increase to the Customer Charge." Do
18 the Companies agree?

19 A. The CPB's position has merit. The Companies are not opposed to increasing the
20 current bill credits by the amount the customer charges are increasing in this case.
21 As Mr. Collar states in his testimony, basic service charges are expected to
22 increase. Under the current low income programs, the majority of NYSEG's

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1 dual-metered customers are able to receive a bill credit benefit for both services
2 (\$6.60 for gas and \$9.57 for electric), regardless of which service provides heat.
3 At RG&E, only very few low income customers are able to receive a benefit for
4 each service type. The primary benefit is a bill reduction through the Residential
5 Energy Consumer Assistance Program of \$10 for heating service. Since most low
6 income customers in RG&E's service territory heat with gas, very few are also
7 able to get the benefit of the Home Energy Assistance Program ("HEAP") (gas
8 non-heating) bill credit of \$9.81. Under the proposed program, the Customer
9 Service Panel is recommending that both RG&E and NYSEG low income
10 customers are able to receive a bill discount for each meter to help offset the
11 customer charge increase. Therefore, a reduction for both electric and gas should
12 be allowed. This will help ensure that Low Income customers are held harmless
13 from the impacts of an increased customer charge for each service in this case.

14 Q. What impact will the Companies' revised bill reduction proposal have on program
15 costs?

16 A. In order to answer that question, the Companies need to know the amount of the
17 increase to the customer charge. Thus, the true impact of the Companies'
18 proposal on the program costs cannot be quantified until new rates are set. At that
19 time, the Companies will be able to determine the expected costs of the bill
20 reduction component of the programs.

21 Q. On pages 38-39 of its testimony, the Staff Consumer Issues Panel proposes a
22 change in the arrears forgiveness portion of the programs and recommends a

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1 reduction in eligibility from an upper limit in the arrears balance of \$4,800 to
2 \$1,250. Do you agree with Staff's recommendation?

3 A. No. Given the current economic conditions that our Low Income customers face,
4 the Companies do not agree with this modification.

5 Q. Did Mr. Collar propose a change in the arrears forgiveness portion of the
6 programs?

7 A. Yes. CPB proposed an upper limit of program eligibility requirements of \$2,400.

8 Q. Do you agree with this recommendation?

9 A. No.

10 Q. Please compare the effect that Mr. Collar's and the Staff Consumer Issues Panel's
11 recommendations would have on the number of customers eligible for
12 participation in the arrears forgiveness portion of the programs?

13 A. A review of the number of customers that would benefit from the two proposals is
14 included in Exhibit __ (CSP-28). As demonstrated in that exhibit, if the programs
15 included the arrears group of \$240 - \$2,400 (as proposed by CPB), then 47.8% of
16 NYSEG HEAP eligible customers and 55.7% of RG&E HEAP eligible customers
17 would potentially be eligible for participation in the programs. In contrast, if the
18 programs were restricted to the arrears group of \$240 - \$1250 (as proposed by
19 Staff), only 36.5% of NYSEG HEAP eligible customers and 38.6% of RG&E
20 HEAP eligible customers could potentially participate, significantly limiting the
21 eligible pool of customers. The Companies do not support either level of

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1 reduction as they do not adequately address the number of customers that need
2 assistance in gaining control of their utility expenditures.

3 Q. The Staff Consumer Issues Panel, on pages 40-42 of its testimony, raises concerns
4 about the Companies' proposed requirement that participation in the arrears
5 forgiveness portion of the Low Income programs is the sole arrangement the
6 customer will be afforded to avoid disconnection of service for non-payment, and
7 no further installment plan will be allowed for arrears accumulated while on the
8 programs. Do you wish to clarify the Companies' position in this regard?

9 A. Yes. These programs are the equivalent of minimum payment arrangements. As
10 proposed, the programs are more advantageous than the minimum payment
11 arrangement allowed by the Home Energy Fair Practices Act ("HEFPA").
12 HEFPA requires a utility to negotiate in good faith a payment agreement tailored
13 to the customer's financial ability to pay, with payments as low as \$10/month
14 toward arrears balances. The Companies' proposed Low Income programs go
15 beyond that in allowing the customer to reduce their arrears by 1/24 per month,
16 with \$0/month paid on the part of the customer. This is well within the guidelines
17 stated above and certainly tailored to the customer's financial status. Thus, this
18 arrangement should be treated no differently than any other minimum Deferred
19 Payment Agreement ("DPA").

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1 Q. Please explain why the Low Income programs should be treated the same as a
2 DPA.

3 A. Currently, customers with a DPA are required to make minimum monthly
4 payments toward their arrears or risk being in default of their DPA thereby
5 subjecting them to normal collection activity. Customers eligible for the proposed
6 Low Income programs, however, are not required to make any payment toward
7 their arrears in order to maintain eligibility. Therefore, in the event of a default,
8 Low Income program participants should not be allowed to negotiate a DPA so as
9 to provide them an advantage over customers in default of a DPA.

10 Q. Is the language the Companies propose to use in their Low Income program
11 application forms (Exhibit __ (NYSEG CSP-15) and Exhibit __ (RGE CSP-13))
12 similar to that used by other utilities?

13 A. Yes. The language and intent used for the proposed Low Income program
14 application forms is very similar to the language and intent of the National Fuel
15 Gas Low Income program application form approved by the Commission in its
16 April 26, 2006 Order Approving Phase II Low Income Residential Assistance
17 Program in Case 04-G-1047.

18 Q. Does the Staff Consumer Issues Panel recommend any changes to the Companies'
19 projected administrative expenses for the Low Income programs?

20 A. Yes. After consideration of the initial start-up cost for each Company and re-
21 evaluation, implementation and staffing costs, the Staff Consumer Issues Panel
22 recommends that administrative costs be limited to 8% of total program costs.

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

1 Q. Do you agree with this recommendation?

2 A. No.

3 Q. Why not?

4 A. The Staff Consumer Issues Panel suggests that there is no basis to allow more
5 administrative costs for NYSEG when RG&E's administrative workload would be
6 greater than NYSEG's as it is adding 39,000 customers while NYSEG is adding
7 20,000 customers. However, overall program size is the relevant factor for
8 determining administrative costs, which is estimated at 40,000 customers for
9 RG&E and nearly 57,000 customers for NYSEG. Moreover, the Companies'
10 revised proposal does not change the overall number of customers served.

11 Q. Why is the overall program size more relevant for determining administrative
12 costs than the number of proposed additional customers?

13 A. While NYSEG has a larger program currently in place, the parameters of the
14 current program are completely different than the proposed program. Existing
15 Low Income program participants at NYSEG would be new to the proposed
16 program and therefore would need to receive outreach materials. They would
17 have the same questions about matters such as bill reductions, arrears forgiveness,
18 and understanding their bill as the RG&E customers. Specific administrative
19 costs associated with both Companies were previously provided in responses to
20 information requests DPS-121, DPS-122 and DPS-293 (NYRC-0128, NYRC-
21 0129 and NYRC-0360), which are attached hereto as Exhibit __ (CSP-27).

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

1 Q. What impact would the Staff Consumer Issues Panel 8% cap on administrative
2 costs have on NYSEG's Low Income program?

3 A. NYSEG's current Power Partner program has a 14% administrative cost for a
4 well-established program. A reduction to 8% for a new program would adversely
5 impact the level of customer satisfaction and likely result in program
6 implementation/maintenance delays. It would also severely restrict outreach, a
7 necessary expense to informing low income customers of all the benefits available
8 to them, something that is challenging even for a long-established program.
9 Outreach is also integral to keeping partner agencies informed of changes and
10 updates as they work with our most needy customers.

11 Q. Are there limits on administrative costs for NYSEG's Power Partner program?

12 A. The Order on Power Partners Low Income Program, issued and effective
13 September 25, 1998 in Case 96-E-0891, originally set an administrative spending
14 threshold of 22% of the total program budget. The September 28, 2001 Order
15 Requiring Continuation of Low-Income Program upon Conditions reduced the
16 administrative spending threshold to 20% of the total budget. At that time, the
17 Power Partner program had received numerous letters of support from state and
18 local agencies, weekly letters of appreciation from participants and certificates of
19 appreciation from Community Action Agencies, Cornell Cooperative Extension
20 and Governor Pataki's Joint Advisory Committee on Aging.

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

1 Q. How does the Companies' proposed Low Income programs compare to NYSEG's
2 Power Partner program?

3 A. The Power Partner program's administrative spending thresholds were based on a
4 program spending level that included a much larger amount allocated toward the
5 bill reduction portion of the program. The bill reduction portion of the program
6 was the segment requiring the least amount of resources for maintenance. With
7 respect to the proposed Low Income programs, that portion of the programs is
8 expected to be more automated and generate significantly fewer questions than
9 the arrears forgiveness portion of the programs. If the administrative cost
10 percentages for NYSEG's Power Partner program had been allocated based on the
11 amount of actual administrative expense required for each component of the
12 program, the arrears forgiveness would have been deemed to be much higher.

13 Q. What effect will the Companies' proposed changes to the bill credit have on
14 administrative costs?

15 A. Because the Companies are only proposing modifications to the bill reduction
16 component of the programs, we do not expect any significant change in
17 administrative costs.

18 Q. Should the Companies have some discretion with respect to administrative costs?

19 A. Yes. The Companies should be afforded some latitude for administrative costs,
20 especially in the start-up year(s) to determine the level of support required by the
21 programs. Administrative costs could be periodically reported to and reviewed as
22 we will discuss later.

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

- 1 Q. On page 43 of its testimony, the Staff Consumer Issues Panel recommends that,
2 for the rate year and any subsequent year, the Companies defer and reconcile the
3 amount recovered in rates to the actual program cost, with carrying charges
4 calculated at the pre-tax rate of return, with differences due to total program over-
5 expenditure limited to no more than 15% of the rate year funding levels. Do you
6 agree with the recommended cap?
- 7 A. No. A cap will cause the Companies to limit enrollment thereby potentially
8 blocking some HEAP eligible customers from participating in the programs. The
9 Companies' proposed deferral recovery mechanism ("DRM") would allow them
10 to manage the many unknowns of the proposed Low Income programs. Our
11 Direct Testimony cited the significant increases in HEAP applicants in the last
12 few years (e.g., in 2007 – 2009, NYSEG HEAP recipients increased 27.9% and
13 RG&E HEAP recipients increased 37.6%). However, there is speculation in the
14 advocacy community that median income averages may decrease due to
15 unemployment rates, hence lowering the HEAP eligibility levels and the
16 corresponding number of participants. Other factors such as whether a second
17 emergency HEAP is offered in any given year can also play a role in the number
18 of recipients. Since there is potential for significant movement in the number of
19 HEAP eligible customers, there should not be a cap on reconciliation.

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

1 Q. Do the Companies' agree with the Staff Consumer Issues Panel's proposal that the
2 proposed programs continue after the rate year?

3 A. Yes. The utility fully supports continuation of the proposed programs beyond the
4 rate year.

5 Q. Would the Companies be willing to agree to the CPB's suggestion to provide
6 quarterly reporting to interested parties?

7 A. Yes. The Companies support CPB's recommendation regarding quarterly reports.
8 The Companies further supports CPB's recommended categories of monthly data
9 including: 1) the number of customers enrolled in the Bill Reduction program; 2)
10 the number of customers enrolled in the Arrears Forgiveness program; 3) the total
11 amount held in arrears for the program; and 4) the average amount in arrears. In
12 addition, the utility would support reporting on: 1) the aggregate amounts of low-
13 income bill discounts; 2) the aggregate amount of arrears forgiven; 3) the number
14 of customers who have defaulted off the program; and 4) the number of
15 reconnections of low income customers for which the fee was waived and the
16 aggregate amount of reconnection fees waived to date.

RECONNECTION CHARGES

17
18 Q. Subsequent to the filing of the Staff Consumer Issues Panel's Direct Testimony,
19 did Staff clarify its position with respect to the funding levels for the reconnection
20 waiver program?

21 A. Yes. In its response to NYSEG-RGE-67 (DPS), Staff states that it transposed the
22 funding level for the Companies such that the funding levels should have been

**REBUTTAL TESTIMONY OF THE
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1 \$92,000 for NYSEG and \$107,000 for RG&E. Staff's response is included in
2 Exhibit __ (CSP-27).

3 Q. Do you have any comments regarding the Staff Consumer Issues Panel's
4 recommendation that NYSEG and RG&E offer a one-time waiver of reconnection
5 fees for all participants in NYSEG's and RG&E's low-income assistance
6 programs?

7 A. Yes. While we do not disagree in principal with the recommendation, questions
8 remain regarding the disposition of the waived reconnection fees.

9 Q. Can you elaborate on the remaining questions?

10 A. Based on a funding level of \$107,000 for RG&E and \$92,000 for NYSEG, and
11 given the current reconnection fees of \$32.25 for RG&E electric customers and
12 \$68 for RG&E gas customers, and \$13 for NYSEG electric customers and \$15 for
13 NYSEG gas customers, this equates to approximately 3,300 reconnections at
14 RG&E and approximately 6,133 reconnections at NYSEG. These numbers are
15 inconsistent with recent experience and data provided to Staff in DPS-582
16 (NYRC-0899). These reconnects will have to be carefully tracked by both
17 Companies to ensure that they do not overspend the program. The Companies
18 need assurance that any amount of forgiveness for reconnect fees will be fully
19 reconcilable based on actual experience. The Companies also need clarification
20 that the number of reconnections is only applicable during the first rate year and
21 should not be continued beyond that point.

22

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

CUSTOMER DEPOSITS

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Q. Do you have any comment on the Staff Consumer Issues Panel's and CPB's testimony that the rate cases do not provide ample opportunity for public input on the Companies' proposed customer deposits?

A. Yes. The Companies would agree to initiate a separate proceeding to pursue this issue. However, since the Companies' goal would be to use customer deposits to offset arrears in the case of customer default, we would seek acknowledgement that deposits would not have to be re-considered in future rate cases.

Q. Do you have any comment on CPB witness Collar's request at page 26 of his testimony to start a proceeding to investigate "whether the Companies have engaged 'best practices' to control their bad debt expenses"?

A. Yes. The proposed investigation is unwarranted. The Companies have always had a financial incentive to minimize bad debt. There are no guarantees that the Companies will be able to fully recover uncollectible expenses in future rate cases. Because no guarantee exists, it would be illogical and potentially financially disastrous to allow uncollectibles to rise unchecked. The Companies have, therefore, followed an aggressive course of action to curb write-offs.

CREDIT CARDS

Q. The Staff Consumer Issues Panel, on pages 54-55 of its testimony, commented that the Companies' proposed use of credit cards "might encourage the use of credit cards instead of other economical means of bill paying...and instead of a customer negotiating a deferred payment agreement... The acceptance of credit

**REBUTTAL TESTIMONY OF THE
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1 cards by the Companies might have the unintended consequence of harming low
2 income or payment-troubled customers who might use a credit card instead of
3 negotiating a DPA with the Companies." Do you have a response to that
4 statement?

5 A. Yes. The Staff Consumer Issues Panel's testimony offers no justification why the
6 credit card payment method should be excluded from revenue requirements when
7 other payment options are included. The Companies demonstrated that the credit
8 card fees are reasonable and lower than the \$5.95 fee that is currently assessed on
9 customers who are "payment troubled" and paying by credit card to avoid shutoff.

10 Q. Has the Staff Consumer Issues Panel shown any logical connection between a
11 customer's use of a credit card and the customer's understanding of the availability
12 of a DPA?

13 A. No. In fact, the Companies' experience has shown quite the opposite response
14 from customers. During our most recent customer contact survey, a number of
15 customers expressed a desire to pay by credit card and clearly expressed their
16 disappointment when they were told that the credit card option was not offered
17 without the \$5.95 convenience fee. The feedback from customers clearly
18 demonstrated that they were informed consumers who were attempting to pay
19 their electric and gas bills in the most economic and financially expedient manner
20 for them.

**REBUTTAL TESTIMONY OF THE
CUSTOMER SERVICE PANEL**

1 Q. Do you have anything else to say on this topic?

2 A. Yes. On page 55 of its testimony, the Staff Consumer Issues Panel states "[t]o the
3 extent that payment-troubled customers may not fully understand their ability to
4 obtain a DPA, and instead were to finance their utility bill on their credit card, the
5 customer may incur substantial interest costs and exacerbate their financial
6 difficulties." This argument is baseless and may even be harmful to customers.
7 Credit Cards have become so prevalent and replaceable that they are almost a
8 fungible commodity. Consumers frequently shop for the best interest rate and
9 many cards offer interest rates much lower than the 18% annual interest rate that
10 the Companies charge for past-due amounts. Additionally, many credit cards
11 have other non-interest benefits such as cash-back bonuses or rewards points.
12 With the myriad number of combinations of interest rates and other benefits
13 offered by credit cards, it is naïve to assume that customers would be worse off
14 using a credit card.

OUTREACH AND EDUCATION

16 Q. The Staff Consumer Issues Panel proposes on page 56 of its testimony that
17 NYSEG and RG&E develop an Outreach and Education plan with an identifiable
18 budget annually. What is your response to Staff's proposal?

19 A. The Companies already provide this information to Staff and have been doing so
20 for several years. The Companies have no intention of discontinuing this practice.
21 However, the Companies would note that on Staff Revenue Requirements Exhibit
22 (SRRP-3), a \$578,000 adjustment was made to the gas outreach and education

**REBUTTAL TESTIMONY OF THE
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1 expenses with no explanation or justification, as is more fully described in the
2 Companies' Revenue Requirements Panel rebuttal testimony.

OUTAGE INFORMATION ON THE COMPANY WEBSITES

3
4 Q. Do you agree with the Staff Consumer Issues Panel's statement on page 57 of its
5 testimony that the Companies' proposed Geographic Information System ("GIS")
6 system is too expensive?

7 A. No. As explained in the Companies' Capital Expenditures, Reliability, and
8 Operations Panel's ("CRO Panel") rebuttal testimony, there is both a directive by
9 the Commission to provide enhanced informational access of outage related
10 information as well as the current inability for our Outage Management System to
11 provide the necessary information. The Companies' proposed GIS solution would
12 meet the Commission's directives, and it shows sufficient forethought by the
13 Companies by providing a compatible platform for Advanced Metering
14 Infrastructure ("AMI"). However, as the CRO Panel's rebuttal testimony points
15 out, the GIS solution recommended by the Companies will first be focused on
16 Outage Management and will be applicable to AMI at a later date.

17 Q. Is the Staff Consumer Issues Panel's request for the Companies to pursue
18 alternatives less than \$300,000 reasonable?

19 A. As the Companies' CRO Panel explains in its rebuttal testimony, the Staff
20 Consumer Issues Panel's recommended solution would require manual
21 intervention to analyze and present information stored in our existing GIS to
22 accurately present outage information. This is not a reasonable solution given the

**REBUTTAL TESTIMONY OF THE
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1 fact that outage information changes rapidly. It is unreasonable for Staff to expect
2 the Companies to provide critical outage information to customers via the web
3 and then not allow the Companies to fund the necessary changes to get the
4 required data.

5 Q. Does this conclude the Panel's rebuttal testimony at this time?

6 A. Yes, it does.

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