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 15-E-0283
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 15-G-0284
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service	Case 15-E-0285
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service	Case 15-G-0286

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REBUTTAL TESTIMONY OF CUSTOMER SERVICE, ENERGY EFFICIENCY, AND RETAIL ACCESS PANEL

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October 13, 2015

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REBUTTAL TESTIMONY OF CUSTOMER SERVICE, ENERGY EFFICIENCY, AND RETAIL ACCESS PANEL

I. INTRODUCTION

Q. Please state the names of the members of this Customer Service, Energy Efficiency, and Retail Access Panel ("Panel").

A. We are Mark Beaudoin, Joni Fish-Gertz, Carl Taylor, Theresa VanBrooker, and Marc Webster.

Q. Are you the same Panel members that sponsored the Direct Testimony of the Customer Service, Energy Efficiency, and Retail Access Panel on behalf of New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E" and together with NYSEG, the "Companies") in these proceedings?

A. Yes.

Q. Are there any updates to the positions of the Panel members?

A. Yes. Ms. Fish-Gertz is currently the Manager, Non-Wires Alternatives in the Business Transformation Group.

Q. What is the overall purpose of the Panel's Rebuttal Testimony?

A. We address the testimony of the New York State Department of Public Service Staff ("Staff") Consumer Services Panel ("Staff CSP") and portions of the testimony of Gregg C. Collar, on behalf of the New York State Department of State, Division of Consumer Protection, Utility Intervention Unit ("UIU"), that relate to service quality measures, Low Income Programs, closure of walk-in offices, residential service terminations, customer deposits, credit and debit card payments, trip charges, and outreach and education ("O&E"). We will also address the energy efficiency-related testimony of Karl R. Rabago, filed on behalf of Pace University.

Q. Is the Panel sponsoring any exhibits in support of its Rebuttal Testimony?

A. Yes. The Panel is sponsoring the following exhibits:

1) Exhibit __ (CSEERA-R1) provides the Companies' audit recommendations related to Customer Service Quality Measures;
2) Exhibit __ (CSEERA-R2) contains RG&E's year-to-date New York State Public Service Commission ("PSC" or the "Commission") complaint rate;
3) Exhibit __ (CSEERA-R3) includes the August 24, 2015 Letter Comments submitted on behalf of NYSEG and RG&E in Case 14-M-0565 – Energy Affordability for Low Income Utility Customers;
4) Exhibit __ (CSEERA-R4) includes the Companies' October 2, 2015 Winter Protections letter;
5) Exhibit __ (CSEERA-R5) contains a copy of the Siena College AT&T Consumer Usage and Perception Study conducted by Siena College Research Institute, November 16 – 23, 2014;
6) Exhibit __ (CSEERA-R6) includes a map of walk-in offices, the unique customers who have used walk-in offices and alternate pay locations;
7) Exhibit __ (CSEERA-R7) shows the percent of low income customers using walk-in offices;
8) Exhibit __ (CSEERA-R8) is the Companies' response to data request NYRC-0926 (DPS-311);

9) Exhibit __ (CSEERA-R9) details the average increase in electric supply costs over the period 2005 – 2014;
10) Exhibit __ (CSEERA-R10) includes information showing trends of outbound calls;
11) Exhibit __ (CSEERA-R11) contains the Companies' "Self-Direct Guidance Document"; and
12) Exhibit __ (CSEERA-R12) provides the Companies' responses to data requests issued in Case 15-M-0252.

Q. Does the Panel have any preliminary comments concerning the Staff CSP and UIU Witness Collar's testimony in these proceedings?

A. Yes. In general, we are disappointed that Staff rejected proposals that the Companies demonstrated are in the best interest of customers. The Companies' recommendations in our Direct Testimony resulted from significant analysis. Staff, however, dismisses many of these recommendations with limited or inadequate justification. Additionally, in terms of residential service terminations, both Staff and UIU offer proposals that will have significant negative impact on the Companies' ability to efficiently manage collection of past due debt.

II. RESPONSE TO STAFF CONSUMER SERVICES PANEL

A. Customer Service Quality Measures

Q. Did Staff recommend modifications to the Companies' proposals related to Service Quality Measures?

A. Yes. At page 16, the Staff CSP dismisses the Companies' proposal for symmetrical targets for performance measures and elimination of Percent of Estimates as a performance indicator. Staff also proposes, at page 18, a modification in the target for PSC complaint rate for RG&E.

Q. Please summarize Staff's position on symmetrical targets for performance measures.

A. Staff indicates that positive incentives provide the Companies "a revenue increase without significant improvements to customer service" (Staff CSP at 16) and that incentives "would place a financial burden on the ratepayers without a commensurate improvement in customer service" (Staff CSP at 16-17).

Q. Does the Panel agree with Staff's position?

A. No. Contrary to Staff's position, positive incentives will provide the Companies with the means to creatively provide an enhanced customer experience. A positive incentive mechanism will create a "win/win" atmosphere, allowing the Companies to explore innovative service options that will benefit customers. For example, the Companies may conduct a cost/benefit analysis of a new technology. With the potential for an incentive, this may enable the investment in a service that may benefit customers. Often the "soft" benefit of enhanced customer satisfaction is not enough to justify the investment, especially if targets are already being met.

Q. Please address Staff's rejection of the Companies' proposal to eliminate Percent of Estimates as a performance indicator tied to a revenue adjustment.

A. Staff recommends rejection of this proposal, stating that elimination of this measure may cause the Companies to have an over-reliance on estimates in the creation of bills (Staff CSP at 16).

Q. Do you agree with this position?

A. No. First, there are only three New York State utilities that have Percent of Estimates as a measure tied to revenue adjustments (NYSEG, RG&E and National Fuel Gas Distribution Corporation). This limited number demonstrates that there is not a consistent Commission approach to ensuring companies minimize estimates for billing purposes. Staff has not justified disparate treatment for NYSEG or RG&E that would support a different approach applicable to the Companies. Second, as part of Case 91-M-0500 (Customer Service Standards), all New York State utilities are required to submit monthly results for a set of performance measures. These monthly statistics include Percent of Estimates, thus ensuring that, to the extent it is viewed as useful, there will continue to be visibility on the Companies' results in this area. Third, the Companies recognize that it is in their best interests to minimize estimated bills, as timely actual bills are a critical component of customer satisfaction. Any increase in estimated bills would have a negative impact on the Companies' results for Calls Answered in 30 Seconds, Contact Satisfaction and PSC Complaints, which we propose continue to be tied to revenue adjustments.

Q. Would the Panel please address Staff's testimony concerning the Operational Audit that has recently taken place?

A. Yes. The Companies worked collaboratively with the auditor, Overland and Jacobs, and with Staff and other parties throughout the audit process which resulted in very minor findings related to the reported results for Service Quality Measures for NYSEG and RG&E (Exhibit __ (CSEERA-R1)). The recommendation and timing of potential changes to the measures that are part of the Operational Audit should have no impact on the Commission's ability to consider incentives in this case as a result of the Companies' strong performance as demonstrated by the audit results.

Q. Please respond to Staff's recommendation to modify the target for RG&E's PSC complaint rate.

A. The Companies disagree with this recommendation. With its recommendation of a 44% reduction in RG&E's current target, Staff is, in essence, penalizing RG&E for good performance. Additionally, the sample size for PSC complaints is extremely small, meaning that a small change in the population can have a considerable impact on results. Exhibit __ (CSEERA-R2) shows RG&E's complaint rate year-to-date for 2015. As of August 2015, the PSC complaint rate for RG&E is at 0.7 per 100,000 customers. RG&E currently has averaged 3.55 chargeable complaints per month from January 2015 through September 2015, for a total of 32 chargeable complaints. By a simple extrapolation, if this trend continued through December 2015, RG&E would have 43 complaints and a complaint rate of 0.9 per 100,000 customers for the year.

If RG&E were to incur only 4 more chargeable complaints beyond the projected level (i.e., 47), the complaint rate would be 1.0, equal to the penalty threshold Staff proposes. This would translate to averaging 3.91 complaints per month for the year. As is evident, an amazingly small difference in complaints per month (3.91 vs. 3.55) can be the difference between achieving a threshold and not meeting it, and underscores how sensitive the complaint rate can be to such low thresholds.

To underscore this sensitivity for RG&E, every 5 additional chargeable complaints per year would add 0.1 to the complaint rate for the year. Thus, for example, 52 complaints for the year would yield a complaint rate of 1.1, 57 complaints would yield a complaint rate of 1.2, and so on.

Q. Do the Companies agree with Staff's recommendation to continue the doubling provision of the negative revenue adjustments ("NRAs") contained in the Companies' Joint Proposal approved in Case 09-E-0715 et al. ("2010 JP")?

A. Provided that targets are set at an appropriate level, the Companies accept this recommendation.

B. <u>Low Income Programs</u>

Q. Please generally address Staff's recommendation for Low Income Programs.

A. The Companies agree that recommendations must align with those contained in the Staff Report issued in the Low Income Affordability proceeding (Case 14-M-0565) ("Staff Report"). The Companies concur with Staff's recommendation in its testimony in this case that no existing program participants should lose the benefit they currently receive under the Companies' current Low Income Programs.

Q. Would the Panel please specifically address Staff's recommendation in the Staff Report concerning the Bill Reduction component of the program?

A. The Staff CSP notes that the Staff Report recommends the automatic enrollment of all Home Energy Assistance Program ("HEAP") recipients into the program and the Companies agree with that recommendation (Staff CSP at 24). The proposal for tiered benefits, also proposed in the Staff Report, is reasonable and acceptable to the Companies. The amounts proposed by Staff also appear to be reasonable. As stated in our comments in Case 14-M-0565 – Energy Affordability for Low Income Utility Customers (Exhibit __ (CSEERA-R3)), the Companies recommend that the tier for each customer be specifically identified by the New York State Office of Temporary and Disability Assistance ("OTDA") rather than the utility having to determine the tier based on benefit amount. This would ensure the accuracy of the Bill Discount benefit amount as the qualifying party (OTDA) will be specifying the categorization for the customer. Otherwise, the utility will have to "back into" the appropriate categorization based on the grant amount.

Q. Do the Companies agree with the recommendations related to other program components?

A. Not entirely. The Companies agree with the recommended funding of the Arrears Forgiveness program at 10% of the overall program budget. This level is consistent with funding that the Companies currently have with their existing program and is consistent with Staff's proposal in Case 14-M-0565 – Energy Affordability for Low Income Utility Customers.

Q. Is Staff's elimination of administrative expenses associated with the Low Income Programs appropriate?

A. No. We do not agree with the elimination of administrative expenses and disagree with Staff's characterization at page 29 that we are an outlier on this issue. All utilities conduct some level of administrative activities associated with their Low Income Programs. The difference is simply where and how the activities and their associated costs are accounted for, not that the Companies are the only utilities recovering such costs. Staff also compares the 30% funding (agreed upon with all parties through stipulation in the Companies' 2010 JP) with that of Central Hudson Gas & Electric Corporation ("Central Hudson"), but the comparison is inapt and potentially inaccurate. The percentage used for Central Hudson in Staff's testimony is calculated as a percent of their entire low income budget. The Companies' administrative budget is only calculated as a percentage of the program components that require monitoring and follow up action by a representative. If we were to make a similar comparison to Central Hudson, NYSEG and RG&E's administrative budgets are only 6% and 8.4%, respectively. This level of administrative expense is not excessive and the Companies are not "outliers" with respect to the level of expenses or their recovery.

Q. Do the Companies agree that administrative expenses are offset by a reduction in collection expenses, as Staff testifies?

A. No, Test Year collection costs already reflect any "reduction" that resulted from the benefits of a low income program, and, therefore, it is unrealistic to expect an additional offset in the future.

Q. Please address Staff's recommendation that the Commission reject the Companies' proposal for Budget Balance Forgiveness.

A. The biggest challenge facing low income customers is the general affordability of the monthly bill. The Companies' recommendation to offer Budget Balance Forgiveness at the end of a budget cycle would allow stability of the bill for the customer. A "clean up" bill at the end of a 12-month budget cycle can be the one thing that makes the bill unaffordable for a customer. We propose that the Companies be allowed to implement a pilot for this program to determine if it has a positive impact on the customers' ability to successfully complete the Arrears Forgiveness program. To undertake this pilot, it must be funded at the proposed level along with administrative expenses to support it. The Companies would monitor the success of the program as a “pilot” and provide statistics and reports to evaluate its overall impact on the Low Income Programs.

Q. Would the Companies be able to fund a Budget Balance Forgiveness program considering the budget caps proposed in Case 14-M-0565?

A. Yes. Funding of a Budget Balance Forgiveness program would still leave the Companies below the maximum funding amounts proposed in Staff’s Report in Case 14-M-0465.

Q. Do the Companies agree with Staff’s recommendation to eliminate the Reconnect Waiver component of the Low Income Programs?

A. Yes, the Companies agree to eliminate this component.

Q. Please address whether the Companies agree with Staff’s recommendation to continue the current program reconciliation.

A. For the existing program components, we are in agreement. Additionally, because the Budget Balance Forgiveness program is new, we recommend that this funding be reconciled along with the bill reduction funding.

Q. Please address the remaining Low Income Programs-related testimony of the Staff CSP.

A. The Staff CSP recommends same day reconnection of service for residential customers whose service was disconnected for non-payment at the meter and who become eligible for reconnection by 5 p.m., Monday through Friday. Staff testifies that this would “help protect the health and safety of customers.” (Staff CSP at 32). The Companies strongly disagree with this proposal.

The Companies fully comply with NYCRR Title 16, which requires reconnection of service within 24 hours of resolution of arrears. Requiring the Companies to reconnect more quickly is unwarranted and goes well beyond what is required by law. The Companies already undertake multiple "voluntary" measures (Exhibit __ (CSEERA-R4)) to ensure the health and safety of customers. These measures include limiting terminations during periods of high and low temperatures and extra protections for vulnerable customers. Requiring same day reconnects would result in a significant change to the Companies' current staffing and would add significant, unnecessary costs.

C. Closure of Walk-In Offices

Q. What is Staff's proposal concerning the Companies' request to close certain walk-in offices?

A. Staff recommends rejection of this proposal, stating that "the importance of accessible walk-in offices should not be underestimated." (Staff CSP at 35). Staff further states that although all transactions can be completed over the phone or via the internet, not all customers have access to a phone or computer. (Staff CSP at 36). Additionally, Staff indicates that "unbanked" customers need the offices to make cash payments.

Q. What is the Companies' response to Staff's position on this topic?

A. The Companies note that they are the only Upstate New York utility that has not been allowed to close their walk-in offices. Staff's position that "the importance of accessible walk-in offices cannot be underestimated" (Staff CSP at 36) is contradicted by their prior action in allowing other utilities to close their walk-in offices. It is important to note that we are not recommending closure of all such offices; rather, we recommended a staged closure, starting with those offices with limited traffic, to ensure that there are no negative impacts to customers. The Companies disagree with Staff's contention that all customers cannot complete necessary transactions by either a phone or computer. A recent Siena College Research Institute study in New York indicates that a high percentage of residents have a cell phone (including smartphones) and many have both a cell phone and a landline. Exhibit __ (CSEERA-R5). We demonstrated in our Direct Testimony that the vast majority of customers utilize phone or internet channels to complete transactions. Thus, it is reasonable to conclude that 100% of the walk-in office transactions can be managed through these other channels.

Q. Do the Companies agree with Staff's statement that offices are necessary for the "unbanked" (Staff CSP at 37)?

A. No. Exhibit __ (CSEERA-R6) and Exhibit __ (CSEERA-R7) show graphical representations of the offices proposed for closure, the unique customers who have used the offices and other payment locations available within the area. Customers can make cash payments at any Walmart or Western Union location. These payments are posted daily and the Companies have excellent performance related to timely posting of payments.

Q. What is your response to Staff's position that closing the offices "would likely have a disproportionately severe impact on elderly and payment-challenged customers, particularly lower-income customers who have limited transportation options" (Staff CSP at 37)?

A. We disagree with this statement. As shown on Exhibit __ (CSEERA-R7), the majority of customers utilizing the walk-in offices proposed for closure are not identified as "low income."

Q. Turning to the proposed closure of Waring Road, please address Staff's reasons for keeping this office open.

A. Although we agree that this is a busy office, we continue to be concerned with safety in the plaza where it is located. We demonstrated through a data request response (Exhibit __ (CSEERA-R8)) that there have been at least three bank robberies in this plaza supporting our safety concerns about this location. Locating walk-in offices in our own buildings gives us a much greater ability to ensure the safety of both our customers and our employees. Our commitment to customer and employee safety is the reason why we have recommended closing this office and moving traffic from Waring Road to our two other Rochester offices. We do not agree with Staff's position that this would "significantly increase travel time" (Staff CSP at 34) as the other Rochester offices are a short distance from Waring Road, as shown in this Panel's Exhibit __ (CSEERA-13), provided with our Direct Testimony. Placing the walk-in traffic in our own office is greatly preferred to another location, even one with additional security measures greater than are available at Waring Road.

Q. Would you please further address Staff's position concerning closure of walk-in offices?

A. As we noted previously, NYSEG and RG&E are the only upstate New York utilities that are still required to have walk-in offices. The Commission has allowed other New York utilities to close offices and as a result it is reasonable to conclude that closure of walk-in offices does not lead to "increased difficulty for vulnerable customers in establishing, maintaining and paying for utility service," as Staff asserts (Staff CSP at 38). Thus, the Commission should permit the Companies to close the offices requested at this time, with careful consideration of phased office closures in the future.

D. <u>Residential Service Terminations</u>

Q. What did Staff recommend related to residential service terminations?

A. Staff recommends an incentive/penalty mechanism that Staff claims would encourage the Companies to reduce service terminations while at the same time maintaining or reducing uncollectibles. In explaining its position, Staff makes various incorrect claims concerning compliance with the Home Energy Fair Practices Act ("HEFPA").

Q. Do the Companies agree with Staff's mechanism?

A. No. The Companies do not agree with Staff's position that terminating a service for non-payment is in any way in conflict with the intent of HEFPA. While we agree that HEFPA was established to protect the residential population, it also establishes specific steps that must be taken on the part of both the utility and the customer as they relate to non-payment of bills. The Companies comply with all aspects of HEFPA and go above and beyond requirements to work with customers to avoid service terminations. Customers are sent reminders and termination notices, referred to Department of Social Services and offered payment agreements as required by HEFPA. Additionally, the Companies perform many outbound "reminder" calls. These actions are taken to provide the customer with notice and options to assist them prior to a service termination. Only after exhausting all other options is an account fielded for disconnect of service. Although unfortunate, disconnection of service is sometimes the only option left available to the utility. Terminating the service of those customers that have chosen not to pay as compared to those that cannot pay limits the exposure to all customers by not allowing non-paying customer balances to continually increase, adversely affecting accounts receivable. Taking this step is both prudent and required to ensure we are acting in the best interests of all customers.

Q. What is Staff's position in regard to the number of terminations performed by the Companies?

A. Staff testifies that the Companies are "relying too heavily on residential service terminations as a method of collecting customer arrearages" (Staff CSP at 40). To support this, in the same testimony, Staff points to the increase in bad debt at the Companies from 2013 to 2014. Staff's characterization is simply incorrect.

The increase in bad debt during this time frame is due primarily to increased supply costs and colder temperatures. From 2013 to 2014, the average electric supply costs went up 26% and 15% at NYSEG and RG&E, respectively (Exhibit __ (CSEERA-R9)). It should also be noted that, although bad debt increased at both Companies, NYSEG performed fewer service terminations in 2014 than 2013 (28,880 as compared to 25,377) and RG&E only performed 1,207 more terminations in 2014 (11,334 as compared to 10,127). This data supports the fact that other factors (such as commodity costs and weather) caused the increase to bad debt and refutes Staff's contention that the Companies are making excessive use of service terminations as a credit and collection tool.

Q. Do the Companies have additional data to support the Companies' position?

A. Yes, in its testimony Staff indicates that the Companies should consider alternate collection methods, such as outbound calls. The Companies already make extensive use of outbound calling in an attempt to resolve collection situations. Exhibit __ (CSEERA-10) shows the number of outbound collection calls made in 2014 and 2015. These calls are completed in an effort to provide customers with adequate notice and to offer assistance in avoiding service terminations. Additionally, the Companies continually look at "creative" means to limit service terminations, such as our proposal for residential service deposits. We will discuss this more in the next section of our testimony, but it should be noted that Staff has recommended both a limitation of the Companies' ability to terminate service and a limitation on the Companies' ability to implement creative practices to prevent the need for service terminations.

Q. What is the Companies' response to Staff's position regarding positive and negative incentives as they relate to service terminations and bad debt?

A. The Companies do not agree with Staff's proposal. As illustrated with the data for 2013 and 2014, there were many factors outside of the control of the Companies that can lead to a significant increase in bad debt expense. These factors, that have a direct impact on the value of bad debt, include the volatility of commodity prices, weather, economy and ESCO pricing tactics. The Companies should always be expected to pursue a service termination when it is necessary. Placing arbitrary limits on terminations and bad debt expense will result in increasing delinquent accounts receivable and increased uncollectible costs for all customers.

E. <u>Customer Deposits</u>

Q. Please explain the Companies' proposal as it relates to Customer Deposits.

A. The Companies have proposed a residential service deposit as a condition of service for certain customers who predominantly contribute to uncollectible expense. As stated in the Panel's Direct Testimony and as shown in Exhibit __ (CSEERA-19), 67.3% of accounts written off at NYSEG and 61.0% of accounts written off at RG&E would have met one of the proposed criteria for collecting a security deposit. Considering the high propensity for customers which meet the criteria to have their accounts written off, the Companies' proposal effectively addresses the issue while protecting low income and other vulnerable customers. In the Panel's Direct Testimony, the Companies acknowledge that a customer who is a known recipient of public assistance or other state payments or who is 62 years old or older would be exempt from the proposed deposit requirement.

Q. Please summarize Staff's position concerning deposits.

A. Staff recommends that the Commission should reject this proposal. Staff testifies that on advice of counsel, "the proposal seems contrary to the intent of PSL § 30 because it would create barriers to obtaining utility services beyond those contemplated by the law." (Staff CSP at 46). Staff further states there are likely to be more effective means of reducing uncollectibles, such as outbound calls.

Q. Do you agree with Staff's position on this?

A. No. On advice of counsel, the Companies understand that applicable regulations specifically provide the utility the opportunity to seek approval to request deposits under certain conditions. We have been very thoughtful in our proposal and believe it to be an innovative recommendation to help limit collection situations. The Companies' proposal is very focused and targeted on risk and we do not agree with Staff's position that a deposit is an "unreasonable qualification" (Staff CSP at 46) when used as proposed. Also, as we noted earlier, the Companies have made extensive use of outbound calling in an attempt to limit collections. Adding a deposit requirement for high risk customers would further enhance our ability to minimize residential terminations as it would provide an incentive for customers to make timely payments in an effort to get the security deposit refunded. Additionally the Companies believe that this rate case is the proper forum to provide ample opportunity for public input on this issue, considering the breadth of parties participating in the case.

F. <u>Credit and Debit Cards</u>

Q. What is Staff's recommendation as it relates to the Companies' proposal for credit and debit cards?

A. Staff recommends that the Commission approve the Companies' proposal to accept credit and debit cards as a form of payment. The Companies appreciate Staff's support of this proposal and believe its implementation will enhance our already high level of customer satisfaction.

G. <u>Trip Charge</u>

Q. What is the Companies' response to Staff's rejection of their proposal for a Trip Charge for collecting a payment in the field?

A. Although the Companies believe that this is another creative initiative that would incent customers to pay in advance of a service termination, we are withdrawing this proposal at this time. Therefore, as stated in the Rebuttal Testimony of the Deliveries and Revenues Panel, the Companies have removed from their Rate Year revenue forecasts the proposed fees of $187,470, $100,095, $61,360, and $40,910 for NYSEG Electric, NYSEG Gas, RG&E Electric, and RG&E Gas, respectively.

H. Outreach and Education

Q. Do the Companies agree with Staff's testimony on O&E?

A. Staff proposes that the Commission allow for the establishment of summits, but proposes that funding should be allocated through existing budgets. The Companies accept Staff's funding recommendation and plan to conduct the summits to the extent funding is available in the O&E budget.

Q. Do the Companies agree with Staff's proposal for a full financial reconciliation for O&E?

A. Yes, we agree that a full reconciliation of O&E spending should be conducted each year.

I. Codes of Conduct

Q. Did Staff have testimony related to the Companies' Codes of Conduct?

A. Yes. This topic will be addressed by the Companies' Policy Panel.

III. RESPONSE TO UTILITY INTERVENTION UNIT

Q. Would the Panel please address UIU Witness Gregg Collar's testimony concerning customer service-related matters?

A. Yes. The Companies will address Mr. Collar's testimony on Customer Service Performance Mechanism ("CSPM"), Low Income Programs, Trip Charge Fee and Same Day Service Reconnection.

Q. Starting with the CSPM, please address UIU's proposal.

A. UIU supports the Companies' proposal to eliminate Percent of Estimates as part of the CSPM. UIU also recommends that the maximum amount at risk should remain the same and be spread over the remaining three measures. The Companies support that recommendation. Consistent with our rebuttal to Staff's testimony regarding symmetrical performance targets, the Companies do not agree with UIU's position rejecting implementation of positive incentives. As we testified earlier and in our Direct Testimony, positive incentives will provide the Companies with the means to creatively provide an enhanced customer experience. Moreover, a positive incentive mechanism will create a "win/win" atmosphere allowing the Companies to explore innovative service options that will benefit customers. For example, the Companies may conduct a cost/benefit analysis of a new technology. With the potential for an incentive, this may enable the investment in a service that may benefit customers. Often the "soft" benefit of enhanced customer satisfaction is not enough to justify the investment, especially if targets are already being met.

Q. Do the Companies agree with UIU's position that matters associated with Low Income Programs should be deferred due to the pending Case 14-M-0565 – Energy Affordability for Low Income Utility Customers?

A. The Companies agree that recommendations and their implementation in this case must align with those being made in Case 14-M-0565 to the extent feasible, given that case's ongoing status. However, because Case 14-M-0565 remains ongoing and may not conclude before the Commission acts in this rate case, the framework for the Companies' programs must be determined in this proceeding to ensure no vulnerable customers are negatively impacted. The Companies would be amenable to working with Staff and interested parties to implement any subsequent Commission directives made in the separate proceeding.

Q. UIU Witness Collar recommends that bill discount amounts be increased by the same amount as any increases to delivery rates. Does the Panel agree with this recommendation?

A. As we indicated earlier and as noted in the in the Companies' comments in Case 14-M-0565, the proposal for tiered bill reduction benefits is reasonable and acceptable to the Companies. The amounts proposed by Staff in its testimony in this proceeding also appear to be reasonable. Set amounts that increase based on customer need are more appropriate than an increase equivalent to that of delivery rates as proposed by Mr. Collar.

Q. Would the Panel please respond to UIU's recommendation concerning adoption of additional reporting and data collection.?

A. As stated in the Companies' comments filed in Case 14-M-0565, it is premature to establish new or modified reporting requirements. Although we generally agree that more rigorous data analysis and evaluation may provide a better understanding of how the Low Income Programs are meeting the needs of low income customers, setting these requirements without a final determination on program components is premature. Once the program design is determined, then additional discussions concerning reporting requirements would be appropriate.

Q. Please respond to UIU's recommendation that the Commission should reject the Companies' proposal for a Trip Charge Fee.

A. The Companies identified this option as a creative initiative that would incent customers to pay in advance of a service termination. Although the Companies continue to support such innovative options, we withdraw this proposal at this time.

Q. What is the Companies' position concerning UIU's recommendation that the Companies should implement same day electric service reconnection?

A. For the reasons we explained above, the Companies strongly disagree with this proposal.

Q. Have the Companies estimated the incremental costs that would be incurred if this proposal is implemented?

A. No. The Companies would need to do significant analysis to determine the impacts of conducting same day reconnects. The time allowed during this rebuttal period was not sufficient to conduct that type of analysis.

REBUTTAL TESTIMONY OF CUSTOMER SERVICE, ENERGY EFFICIENCY, AND RETAIL ACCESS PANEL

IV. RESPONSE TO PACE ENERGY AND CLIMATE CENTER

Q. Please briefly discuss the testimony of Karl R. Rabago on behalf of the Pace Energy and Climate Center ("Pace").

A. Most of the issues surrounding the Companies' Energy Efficiency Transition Implementation Plan ("ETIP") and Budgets and Metrics Plan ("BAM") will be resolved in the ongoing generic proceeding, Case 15-M-0252, addressing utility energy efficiency programs and should not also be considered in this rate proceeding.

Q. Does Mr. Rabago also discuss additional issues which may not be considered in Case 15-M-0252 that the Companies want to address?

A. Yes. Pace appropriately agreed with the Companies to eliminate the qualification standard relating to the number of units for the multifamily program. (Rabago at 13). The Companies also agree with Pace's proposal that building function type should also be part of the program eligibility criteria (i.e., duplexes with residential equipment and residential accounts should be served under the residential program rather than the multifamily program).

Q. Does the Panel have further comments regarding Pace's position concerning the Companies' "Large Customer Self-Direct Program" ("Self-Direct Program") planned for 2017?

A. Yes. Before addressing Pace's program design comments, the Companies would like to point out that Pace's use of "industrial" when referring to the proposed Self-Direct Program should be replaced by "Large Customer." This change recognizes that the Companies have no intention to restrict access to the program to industrial customers only.

Q. Please further address Pace's recommendations concerning the Self-Direct Program.

A. The Companies do not agree with Mr. Rabago that the Self-Direct Program necessarily offers efficiencies of administration or that the Self-Direct Program reduces program benefits and cost effectiveness. All three of these characteristics are functions of the design and implementation of the specific Self-Direct Program which will be administered.

Q. Does the Panel agree with Pace on the issue of transparency and collaboration in design for a self-direct program?

A. Yes. We agree with Pace that transparency and collaboration in the design of a self-direct program generally is desirable. In fact, such transparency and collaboration were used to develop the "Self-Direct Guidance Document" included in Exhibit __ (CSEERA-R11). That collaborative included all large electric investor-owned utilities, Staff and other interested participants.

Q. Please discuss Pace's recommendation that the Commission should reject the Companies' energy savings target reductions for 2016.

A. The Companies reiterate that the energy savings targets and budgets are expected to be resolved separately in Case 15-M-0252. Staff has submitted several data requests in that case, to which the Companies have responded (both the requests and the responses are filed in Matter 15-01945). Second, Pace's assertions that the Companies' analyses in support of its proposal are insufficient is incorrect. The information submitted by the Companies in the proceeding addressing targets and budgets provides ample support for the Companies' positions. The Commission's Document and Matter Management ("DMM") system shows that Pace is a party to Case 15-M-0252.

Q. Is there a particular set of data request responses to which the Companies refer in support of the proposed energy savings' reductions?

A. In particular, the Companies direct Pace to the responses to Questions 3, 4, 5 and 12 and the attachments to question 12 (Exhibit __ (CSEERA-R12)). This information details the magnitude of the reductions to Technical Resource Manual savings allowances, and describes how the Companies plan to offset the very significant impacts of these savings reductions within the portfolio of programs. However, the Companies continue to note that the magnitude of these savings reductions was so great as to make the previous years' savings targets unreachable within the previous years' budget, as further described in the ETIP.

Q. Please further discuss Pace's positions concerning energy efficiency programs in 2016.

A. The Companies disagree with Mr. Rabago's statement that the Companies "raise the possibility of reducing incentives only to dismiss the idea because incentives can be reduced to a level of ineffectiveness." (Rabago at 16). The Companies have historically lowered incentives to reduce the cost of achieving energy savings (in particular in the residential gas HVAC Program, the Small Business Direct Install Program and the Commercial/Industrial Rebate programs).

Q. Does the Panel agree that lowering incentives is one way to address both increasing costs of providing energy efficiency services and the lowering of the achievable savings available per measure?

A. Yes. This is part of the overall effort to align the energy efficiency savings reported to that which is actually provided. However, lowering incentives beyond the point at which they actually incent customer behavior to make the energy efficiency improvements is neither desirable nor effective.

Q. Please comment on Pace's statements regarding evidence of alleged "backsliding."

A. We disagree strongly with Pace's comment that the proposed reduction in electric and gas targets for 2016 constitute a reduction of performance, accountability and evidence of "backsliding." Rather, the Companies continue to support aggressive energy savings, to achieve that savings with reasonable costs to rate payers, and to ensure that the energy savings which is reported and claimed is accurately found in the field and can be counted on both to reduce customer's costs and reduce the load on the Companies' distribution system.

Q. Does that conclude your Rebuttal Testimony at this time?

A. Yes.