BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Consolidated Edison Company of New York, Inc.

Case 09-E-,0428

August 2009

Prepared Testimony of:

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Q. Please state your name, employer, and business address.

A. My name is Martin Insogna. I am employed by the New York State Department of Public Service (Department). My business address is Three Empire State Plaza, Albany, NY 12223.

Q. What is your position at the Department?

A. I am employed as a Utility Consumer Program Specialist 5 in the Office of Consumer Services.

Q. Please describe your educational background and professional experience.

A. I hold a Bachelor's Degree in philosophy and economics from Colgate University. Prior to joining the Department, I was employed in a wide range of customer service fields, including as a representative of the then New York Telephone Company. I joined the Consumer Services Division of the Department in 1990 as a Consumer Services Specialist, investigating and resolving utility consumer complaints. In April 1994, I was accepted into a traineeship with the Office of Energy Efficiency and Environment, with responsibility for policy and operational considerations involving utility energy efficiency and emerging environmental issues. In March 1998, I was promoted to the title of Associate Utility Rate Analyst, and transferred to the Electric Division, with responsibility for review and analysis of utility rate and rate-related filings. When the Department was reorganized in 1999, I was assigned to the Retail Competition section of the Office of Electricity and Environment, with responsibility for a wide variety of initiatives related to the introduction of retail access. In January 2000, I was promoted to the title of Associate Policy and Compliance Analyst and transferred to the Residential Advocacy Section of the Office of Consumer Education and Advocacy. The Department of Civil Service subsequently reclassified the title of Associate Policy and Compliance Analyst to Utility Consumer Program Specialist 4. In December 2003, the Department was again reorganized, and the Office of Consumer Services assumed responsibility for consumer advocacy functions within the Department. In August 2008, I was promoted to my current title.

Q. Please briefly describe your current responsibilities with the Department.

A. I oversee utility compliance with Public Service Law and Commission regulations regarding consumer protections and access to service, monitor and analyze utility customer service quality performance and responsiveness to customer needs, promote access to affordable utility services for low-income and other special needs customers, and address residential and small business customer interests in utility rate cases and other Commission proceedings.

Q. Have you previously testified before the Commission?

A. Yes. I have previously testified in proceedings concerning Orange and Rockland Utilities, Inc.; New York State Electric and Gas Corporation; Niagara Mohawk Power Corporation, d/b/a National Grid; Rochester Gas and Electric Corporation; KeySpan Energy Delivery New York and KeySpan Energy Delivery Long Island; and Consolidated Edison Company of New York, Inc. (Con Edison or the Company). The subjects of my previous testimony have included energy efficiency programs, system benefits charge implementation, rate design, consumer protections, service quality, low income customer needs, outreach and education, informational advertising, call center operations, credit and collections, utility metering, commodity supply pricing, and bill format.

Q. What is the scope of your testimony in this proceeding?

A. I will address Con Edison's proposals regarding call center improvements, customer service systems development, low income customer needs, and informational advertising. I will also address the Company's customer service performance incentive mechanism.

Q. Con Edison discussed a three-year rate plan proposal in its filing. Will you address this proposal?

A. My testimony primarily addresses a traditional one-year case.

Q. Do you have any exhibits?

A. Yes. Exhibit___(MXI-1) contains a summary of the structure of my proposal concerning the customer service performance mechanism.

Call Center Improvements

Q. Please summarize the Company's proposals regarding Call Center improvements.

A. Con Edison proposes work involving replacement of the automatic call distribution system (ACD), replacement of the existing telephone self-service voice response unit (VRU) applications, a business continuity initiative that involves implementation of a redundant server for the Call Center, replacement of Call Center workstations, and replacement of the call recording and quality monitoring system. For the Rate Year, the Company proposes capital expenditures of $413,000 for ACD replacement, $3.0 million for the VRU, $1.0 million for business continuity, and $350,000 for Call Center workstations. The Company proposes to incur additional operations and maintenance (O&M) costs for the Rate Year in the amount of $95,000 for the VRU and $50,000 for the redundant server. No capital costs or O&M costs would be incurred for the call recording/quality monitoring system until 2013.

Q. Do you support these proposals?

A. Staff understands and generally supports the Company's efforts to modernize and upgrade its call center equipment to maintain adequate service to customers; however, Con Edison's proposals are unnecessarily aggressive. Some of these systems still have several years of useful life. In addition, the Company proposes to undertake the replacement of several major systems simultaneously. This can produce disastrous results if system implementation is not executed flawlessly. More often than not, systems have bugs that need to be ironed out, and the difficulties involved in identifying and correcting such flaws are increased exponentially when system replacements are heaped on top of one another. Finally, for reasons described in more detail by the Staff Policy Panel, certain expenditures should be deferred where possible until economic conditions in Con Edison's service territory improve. Therefore, for economic as well as system implementation reasons, I recommend that some of this work be deferred beyond the Rate Year.

Q. What projects do you recommend be deferred?

A. I recommend that the Commission reject funding for the VRU replacement in the Rate Year. Con Edison states that the present VRU system will not be supported by the vendor beyond 2013. Not only does that provide many years of additional service life, but it leaves plenty of time for the vendor to reverse its decision and continue supporting the system beyond that date - which it may do, if pressured to do so by major clients such as Con Edison. Additionally, it seems wise to undertake the replacement of the ACD switch, and resolve any problems encountered in implementing that major system, before moving to replace the VRU, since these systems interact with each other, and both systems greatly impact customers' ability to reach and transact business with the Company. The Company's proposed new VRU, which the Company's Customer Operations Panel (COP) describes as a "next generation interactive voice response (IVR) system", is quite costly. The Company proposes to spend $7.9 million for the new system, including $3.0 million in the Rate Year. Finally, the Company has already invested significantly in the current systems, including

$0.5 million that was requested by the Company and approved by the Commission in Case **07-E-0523.** The unamortized portions of these investments will be stranded when a new system is put in place. Finally, even if the vendor does discontinue support for the current system after 2013, and these expenditures are ultimately necessary, they can be deferred for at least one year. For all of these reasons, I recommend rejecting the Company's proposed expenditures on a replacement VRU system.

Q. What is the impact of your proposal on the Company's revenue requirement?

A. Capital expenditure would be reduced by $3.1 million in the Rate Year.

<u>Customer Service System Improvements</u>

Q. Please summarize the Company's proposals for Customer Service System Improvements.

A. Con Edison proposes capital expenditures of approximately $3 million annually in 2010, 2011, and 2012 on a number of improvements to maintain its customer service system (CSS). The CSS supports customer service operations and billing functions. For the most part, these improvements are continuing processes that the Company engages in on an annual basis, and the Company requested and received authorization for annual capital expenditures of $1 million in Case 08-E-0539 for this purpose. Therefore, the increased level of funds requested by the Company in this case represents a further acceleration of these activities, which include updating and standardizing programming languages, and performing upgrades to revenue and statistics programs, letter generation, field reporting capabilities, and interfaces to external systems. In addition, the Company proposes to pursue ways to further enhance the functionality of its CSS. It proposes to spend about $2 million of the $3 million annually on this functional enhancement effort, which involves a review of the operation and capabilities of the system. In addition to the capital expense, the Company requests additional O&M of $400,000, beginning in the Rate Year, for personnel related to CSS improvements.

Q. Do you support the Company's proposals related to CSS Improvements?

A As with Con Edison's proposed Call Center Improvements, expenditures should be deferred where possible until economic conditions in the Company's service territory improve. In particular, the aggressive proposal to pursue functional enhancements seems ill-timed. Staff recommends that the Company should continue the development of its CSS system at its present pace, i.e., capital improvements of $1 million annually.

Q. What is the impact of your proposal on Con Edison's revenue requirement?

A. Capital expenditures would be reduced by $2 million in the Rate Year. O&M expense would be reduced by the portion of $400,000 allocated to electric operations, reflecting the reduced need for new hires.

Low Income Customer Needs

Q. Does Con Edison currently have any special programs for its low income customers?

A. Yes. The Company's low income program includes a monthly Customer Charge reduction of $7.68 for customers receiving a number of different social services programs. Con Edison employs an automatic enrollment process that matches Company records with records from the New York City Human Resources Administration and the Westchester County Department of Social Services. Currently, about 245,000 customers are participating in the low income program, and it is anticipated that a similar number of low income customers will be eligible for the low income rate discount in the Rate Year.

Q. Does the Company propose to continue its programs?

A. Yes, the Company proposes to continue the program at the same funding level as in the current rate plan, $22.9 million per year.

Q. Do you support a low income program for Con Edison electric customers?

A. Yes. Energy costs represent a large burden on low income families. Information from a variety of sources, including the Residential Energy Consumption Survey conducted quadrenially by the Federal Energy Information Administration, indicates that while middle and higher income customers experience energy costs in the general area of one to five percent of income, lower income customers experience energy costs in the general area of 10 to 20 percent of income. A December 2007 report from the federal government's Oak Ridge National Laboratory entitled Short and Long-Term Perspectives: The Impact on Low-Income Consumers of Forecasted Energy Price Increases in 2008 and a Cap-and-Trade Carbon Policy in 2030 identified "an escalation in the price of carbon-based fuels over more than a decade that has outpaced the increase in purchasing power of low-income households. The long-term problem is further exacerbated by sharp energy price increases experienced in recent years, in part due to the impact of Hurricanes Katrina and Rita on petroleum and natural gas supplies in 2005, high international petroleum prices and market uncertainty. The impact of these rising energy costs across time can be measured for individual households in the form of rising energy burdens, defined as the ratio of residential energy expenses divided by household income. From 2001 through 2005, the most recent year for which data is available, the average residential energy burden for low-income households rose from 12.6 percent to 14.6 percent of income. For non-low-income households the average burden was 3.1 percent of income in 2001 and remained essentially unchanged at 3.2 percent of income in 2005." As a result, many low income customers cannot afford essential services such as electric service. These families typically must trade off among food, shelter, medicine and energy purchase decisions. In addition, for heating customers, loss of a household's primary heat source presents serious health and safety risks, both due to the potentially fatal effects of cold weather and the fire and health hazards resulting from using unsafe alternative heating sources. Furthermore, low income families tend to live in poorly maintained and energy inefficient housing. This wastes energy, contributing to the higher percentage of income these customers pay in energy expenses and increasing the likelihood that these customers will be unable to pay their utility bills. For these reasons, programs to address the needs of low income customers are essential.

Q. Why should such programs be funded by utility customers?

A. There are a number of reasons. First, helping low income customers to pay their electric bills helps utilities and their customers. Utilities carry uncollectible expenses that are paid for by all customers as a cost of doing business. Collection costs and working capital on the unpaid bills of low income customers impose additional costs on the utility and its customers. These costs can be reduced with the effective implementation of a low income program. Savings include reductions in costs associated with credit and collection, arrears and bad debt, deposit maintenance, regulatory expenses, repeated payment plan negotiations, credit agency fees, diversion of revenue from arrears to reconnection fees and diversion of revenue resulting from forced moves. Second, the continuation of a low income program is consistent with Commission practice over the past several years. The Commission has authorized the implementation of low income programs at each of the major energy utilities in the State. Finally, in its Order Continuing the System Benefits Charge (SBC) and the SBC-Funded

Public Benefit Programs, issued December 21, 2005 in Case 05-M-0090, the Commission stated that, "[o]il and gas prices are volatile and rising, resulting in electricity commodity price increases for New York consumers, negatively impacting low income consumers, in particular, who spend a higher percentage of their income on energy costs." Citing the recent escalation in fuel costs and the disproportionate impact such increased costs have on low income customers, the Commission increased annual SBC support for low income energy efficiency programs by more than $11 million, to more than $38 million annually through 2011. For these reasons, financial support for Con Edison's low income rate discount should be increased.

Q. What type of program do you recommend for Con Edison's electric low income customers?

A. I propose to continue the Company's existing low income program; however, I believe the funding level should be increased from the present level of $22.9 million, as the Company proposes, to $27.4 million. I recommend that qualified low income customers receive a discount from the monthly charge, at the same percentage level of discount offered under the current program. Low income customers are currently billed a low income charge of

$6.50, a discount of $7.68 from the typical customer charge of $14.18. If the SC1/SC7 monthly charge is allowed to increase by 21 percent, to $17.22, as the Company proposes, the monthly charge for eligible low income customers should also be allowed to increase by 21 percent, to $7.89. This level of customer charge represents a discount of $9.33 per month, or $111.96 per year. The cost of such a program would total approximately $27.4 million per year. A $27.4 million annual expenditure level, if spread over all electric sales, would result in a rate impact of about $0.0006 per kwh, or about 0.4% of electric revenues. This is a reasonable funding level for such a program, particularly given the rising cost of electricity, the impact of electricity costs on low income customers, and the potential for offsetting benefits to the Company and all customers. As the Commission has permitted in the past, Con Edison should be allowed to defer any over- or under-expenditure on this program due to varying enrollment levels or other factors beyond the Company's control.

Q. What is the effect on the Company's Rate Year revenue requirement if the Commission adopts your proposal?

A. Revenue requirement would be increased by approximately $4.5 million.

Informational Advertising

Q. Please summarize the Company's informational advertising proposals.

A. Con Edison proposes to spend $14.8 million annually on informational advertising, an increase of $6.1 million over the historic year expense of $8.7 million, as well as an increase over the Commission's allowance of $6.3 million in Case 08-E-0539. Historically, the Company's informational advertising has been focused in the following areas, listed in order of decreasing budget allocation: energy conservation, upgrading infrastructure, emergency preparedness, workplace diversity, and other. The Company proposes advertising budgets for the same categories going forward, except that energy conservation and emergency preparedness would now be combined. Con Edison proposes a budget of $10.7 million for energy conservation/emergency preparedness, $2.1 million for upgrading infrastructure, $1.5 million for workplace diversity, and $0.6 million for other. As it did in Case 08-E-0539, the Company's Public and Customer Information Panel (PCIP) proposes again to depart from the 1977 Advertising Policy Statement, and replace it with a programmatic review. Alternatively, the PCIP proposes that the Commission allow the maximum percentage permitted under the 1977 Advertising Policy Statement, and to include ESCO revenues in the base from which the percentage would be calculated. The PCIP states that this calculation would yield a budget of $11.3 million.

Q. What did the Commission decide concerning the Company's proposal to depart form the 1977 Advertising Policy Statement in Case 08-E-0539?

A. In its April 24, 2009 order in that case, beginning at page 81, the Commission stated that in its preceding Con Edison rate order in Case 07-E-0523, it had'reiterated [its] concern over the subjective nature of evaluating informational and institutional advertising and noted the continuing merit of the Advertising Policy Statement. The arguments of the parties over the Company's proposals in [the 08-E-05391 case, together with the analysis in the recommended decision, serve to underscore the quagmire that having to engage in such a subjective evaluation creates. It was precisely to avoid these'kinds of subjective disputes, and the commitment of resources necessary to review and evaluate them, that this Commission originally adopted the Policy Statement. Rather than see future proceedings flounder in similar morasses, we renew our commitment to the Advertising

Policy Statement for the same reasons this Commission originally adopted it. Accordingly, rather than grant the Company's exception or adopt the judges' recommendation, and in light of the Company's overall plans for informational advertising as presented in this case, we will increase the allowance within the Policy Statement range to 0.08 percent of the Company's electric operating revenues." This equated to the $6.3 million rate allowance the Commission adopted in Case 08-E-0539.

Q. What do you recommend regarding the Company's proposals in this case?

A. In the last two rate cases, the Commission has affirmed the validity of the 1977 Advertising Policy Statement, and eschewed the "quagmire" of a programmatic review. The Advertising Policy Statement permits a range of between 0.04 and 0.1 percent of revenues to be directed to informational advertising, in inverse proportion to utility size. In the last case, the Commission allowed Con Edison's percentage to rise to 0.08 percent, excluding ESCO revenues. The Company has provided no justification for a further increase here, and in fact has combined two of its programs into one, presumably offering some potential economies. Furthermore, in approving Con Edison's 60- and 90-day gas and electric programs, the Commission approved marketing and promotional budgets of approximately '$4.9 million for the Company's energy efficiency programs. In light of the rate increase sought in this case, applying the same 0.08 percentage will result in an increase to Con Edison's advertising allowance, bringing it to approximately $6.6 million. Staff recommends that the Commission adopt this amount.

Q. What is the effect on the Company's Rate Year revenue requirement if the Commission adopts your proposal?

A. I understand that the Company's Accounting Panel escalated the $14.8 million requested by the PCIP for inflation, and included $15.3 million in revenue requirement for informational advertising. Revenue requirement would therefore be decreased by approximately $8.7 million.

Q. How does this recommendation affect the Company's outreach and education program budget?

A. The PCIP draws a distinction between the outreach and education program, which has a separately identified budget of $4.6 million, and informational advertising. The only apparent exception is that a sum of $750,000 is listed and included with the outreach and education budget as the outreach portion of informational advertising. It appears that this outreach is not part of any of the program categories listed in informational advertising, including "other," and therefore is also separate from the $14.8 million requested for informational advertising. Consequently, no part of the outreach and education budget of $4.6 million is affected by Staff's recommendation concerning informational advertising.

Customer Service Performance Incentive Mechanism

Q. Please describe Con Edison's current customer service performance incentive.

A. The Commission continued Con Edison's electric customer service performance incentive (CSPI) in its April 24, 2009 order in Case 08-E-0539, noting on page 281 that "[i]t is consistent with the long-standing policy of using performance metrics as an incentive for good utility performance." A maximum revenue adjustment in favor of customers of up to $40 million annually, equivalent to approximately 33 basis points of electric common equity, is applicable if the Company does not meet customer service threshold targets. The Company files a report annually on its performance under the incentive mechanism. The customer service performance metrics measure the following areas: PSC complaint rate; survey measures of the satisfaction of electric emergency callers, other non-emergency callers to the Company's telephone centers, and visitors to the Company's service centers; time to complete new and initial service jobs, initial phase; time to complete new and initial service jobs, final phase; percent of meters read on cycle; percent of telephone calls answered; billing accuracy, percentage of bills not adjusted due to company error; routine investigations, percentage completed within 30 days; and the Outage Notification Incentive Mechanism (ONIM), a measurement of the Company's performance in customer notification of service outages. For measurement purposes, under the terms of the existing rate plan, performance resulting from abnormal operating conditions, such as strikes, natural disasters, major storms and other unusual events are not considered. In such cases, Con Edison will omit data for the affected geographic area for any month in which such abnormal operating conditions occur from the calculation.

Q. Does the Company propose to continue the CSPI?

A. Con Edison is silent on the matter of continuing this performance mechanism; however, in its April 24 order, the Commission stated on page 280 that "we are requiring the Company to present its position on the existing customer service performance mechanism in its future rate case filings." Staff therefore concludes that the Company has no objection to continuing the mechanism.

Q. Do you recommend continuing the CSPI?

A. Yes; however, the Commission should modify the mechanism in several respects to ensure that it remains relevant to the current operating environment and poses an effective deterrent against poor performance.

Q. What modifications do you recommend?

A. I propose to eliminate certain measures, and reallocate amounts at risk to those that best measure service quality. For the survey measures, I propose to implement tiers for the associated targets and amounts at risk. Finally, I propose adjustments to the targets for PSC Complaint Rate and all three survey measures. The specific structure of the CSPI I recommend is illustrated in Exhibit (MXI-1).

Q. Please explain your proposal in more detail.

A. I propose to retain only the following measures from the Company's existing CSPI: PSC complaint rate; surveys of electric emergency callers, other non-emergency callers to the Company's telephone centers, and visitors to the Company's service centers; and the ONIM.

Q. Why do you recommend retaining these measures?

A. By their nature, both PSC complaint rate and survey measures of customer satisfaction are broad measures that reflect the Company's performance in every facet of its operations, from billing accuracy to repair promptness. In addition to providing broad measures of utility performance, PSC complaint rates have the advantage of being calculated by Staff, and thus provide a high degree of confidence in their results. Surveys administered by a third party contractor also provide an additional measure of confidence, secured by the survey contractor's reputation, that the results accurately reflect customer satisfaction. Because of their relative independence and ability to provide overall barometers of customer service performance, the PSC complaint rate and customer survey measures should be retained. The ONIM addresses a specific identified deficiency at Con Edison, and was added to Con Edison's customer service performance incentive following the Company's poor performance with customer notification during and after the Washington Heights outages in 1999.

Q. Why do you recommend discontinuing the other measures?

A. As a threshold matter, the Company's performance in specific areas related to customer service, such as billing accuracy and call answer rate, will be captured in the broader measures of PSC Complaint Rate and customer survey scores that I propose to continue. In addition, virtually every other measure of customer service is self-reported by the Company, and the results are not,audited by Staff. Given the lack of certainty presented by such measures, and absent a clear showing that Con Edison performs poorly on any particular measure, such measurement is not needed for incentive purposes. Data would still be collected; however, as part of standard performance indicators reported by all utilities. If, in the future, the Commission determines that adoption of any of these specific measures is necessary to improve Con Edison's performance in a specific area, the associated measure could be reintroduced into the CSPI.

Q. Why do you propose tiers for the survey targets and associated amounts at risk?

A. While the tiered structure reduces Con Edison's risk of incurring the maximum payment, it can be beneficial to ratepayers because it provides a continuing incentive for the Company to work to maintain good service, even if the initial threshold has been exceeded. The PSC Complaint Rate target is already structured this way, and the ONIM incorporates specific targets for various outage notification activities, with increasing payments to ratepayers if targets for more activities are missed.

Q. How did you arrive at the targets you propose for the PSC Complaint Rate?

A. I reviewed Con Edison's PSC Complaint Rate performance for each year since 2002, when the current PSC Complaint procedures were put into effect. For the three year period from August 2005 through July 2009, the most recent data available, I reviewed PSC Complaint Rate data by month. I then calculated the average PSC Complaint Rate for that three year period, and the standard deviation, which is a statistical measure of the distribution of a set of numbers. Con Edison's average PSC Complaint Rate for this period was 2.08 PSC complaints per 100,000 customers. The standard deviation was 0.19.

Q. How do the average and standard deviation relate to your proposed targets?

A. The average corresponds to what represents typical performance for the Company. The standard deviation is an interval around the average that represents a typical range of variation. In other words, if Con Edison maintains its 'historicallevel of effort in customer service, it can be expected to average 2.08 complaints, but that could vary between 1.89 and 2.27. For the purposes of setting a complaint target, I focused on the upper end - that is, the Commission would establish a payment to ratepayers if the PSC Complaint Rate rises above this level.

Q. Do you propose that payments commence when customer complaints rise to a level of 2.27 complaints per 100,000 customers?

A. No, in order to ensure that payments would be assessed only if there is a clear deterioration in service, I propose that payments would commence when complaints reach a level representing two standard deviations from the mean, or 2.46 complaints per 100,000 customers, which I have rounded up to 2.5 complaints per 100,000 customers. In order to establish the intervals for subsequent levels, I added another standard deviation to define the upper end of the interval, which I rounded to 0.2. Payments would therefore commence when the rate of complaints rises above 2.5 per 100,000 customers, and escalate at levels above 2.7 and 2.9, respectively, as shown on Exhibit (MXI-1). I propose that the Company be at risk for a maximum of $18 million annually for exceeding my recommended thresholds in the PSC Complaint Rate measure.

Q. How does your proposal compare to Con Edison's present PSC Complaint Rate target?

A. Under the current mechanism, payments are incurred at levels above 2.6, and reach their maximum at levels greater than 3.0. My proposal therefore represents a reduction of 0.1 at each end of the scale. The current mechanism carries a maximum payment of $6 million.

Q. Since your proposal has the effect of tightening the target, is there any way in which your proposal can be construed as "punishing good behavior"?

A. Not at all. Setting performance targets is of necessity an iterative process. With more time and greater experience, it is possible to state with greater confidence what represents a normal level of service that the Company is capable of delivering, and that its customers have come to expect.

Q. If your proposed PSC Complaint Rate target had been in effect in the years since 2002, when the current PSC complaint procedures were put into effect, would the Company have incurred a payment in any of those years?

A. No.

Q. How did you arrive at the targets you propose for the three surveys?

A. I used a method similar to the process I used to develop the PSC Complaint Rate targets. I reviewed Con Edison's survey performance for each year since 1997, when the current survey targets were put into effect. I then calculated the average score for each respective survey for that period, and the standard deviation. For the emergency caller survey, Con Edison's average score for this period was 84.7 percent, and the standard deviation was 2.8. For the phone center survey, the Company's average score for this period was 86.0 percent, and the standard deviation was 1.7. For the walk-in survey, its average score for this period was 88.3 percent, and the standard deviation was 1.9.

Q. Did you use the average and standard deviation values in the same way you used those values to develop your recommended PSC Complaint Rate targets?

A. I used the same approach and the same overall methodology, except that on surveys, poor performance is indicated by lower, instead of higher, scores. Therefore, for the purpose of developing recommended survey targets I focused on the lower end - that is, the Commission would establish a payment to ratepayers if the survey scores fall below a given level. Otherwise, I used the same methodology. In order to ensure that payments would be assessed only if there is a clear deterioration in service, I propose that payments would commence when satisfaction falls to a level representing two standard deviations below the mean. For the emergency caller survey, this corresponds to 79.1 percent - which I have further rounded down to 79.0 percent. In order to establish the intervals for subsequent levels, I subtracted another standard deviation, which I rounded to 3.0. Payments would therefore commence when satisfaction levels are below 79.0 percent, and escalate if satisfaction levels fall below 76.0 percent and 73.0 percent, respectively, as shown on Exhibit ___(MXI-1).

Q. Was your process the same for the remaining two surveys?

A. Yes. For the phone center survey, the customer satisfaction level representing two standard deviations below the mean corresponds to 82.5 percent, which I have further rounded down to 82.0 percent. In order to establish the intervals for subsequent thresholds, I subtracted another standard deviation, which I rounded to 2.0. Payments would therefore commence when customer satisfaction levels fall below 82.0 percent, and escalate if customer satisfaction falls below 80.0 percent and 78.0 percent, respectively, as shown on Exhibit ___(MXI-1). For the walk-in survey, initial payments are required when the customer satisfaction level drops below

84.4 percent – which I have further rounded down to 84.0 percent. In order to establish the subsequent thresholds, I subtracted another standard deviation, which I rounded to 2.0. Payments would therefore escalate as customer satisfaction slips to levels below 82.0 percent and 80.0 percent, respectively, as shown on Exhibit ___I - 1 I propose that the Company be at risk for a maximum of $18 million for failing to meet these survey measures, equally divided among the three surveys.

Q. How does your proposal compare to Con Edison's present survey targets?

A. The current mechanism carries a maximum amount at risk of $6 million, also equally divided among the three surveys. Under the current mechanism, the maximum payment is incurred at levels below 80.0 percent, 82.0 percent, and 83.0 percent for the emergency caller, call center, and walk-in surveys respectively. In response to the earlier question regarding punishing good behavior, my proposal for survey targets would tighten the target for the walk-in survey, relax the target for the emergency caller survey, and leave the call center survey target unchanged. This should satisfy any doubt regarding whether I developed and applied the method for determining the targets fairly and consistently.

Q. If your proposed survey targets were in effect in the years since 1997, when the current survey targets were put into effect, would the Company have incurred a payment in any of those years?

A. No.

Q. Do you propose any changes to the ONIM?

A. No; however, I propose that the amount at risk assigned to this measure be reduced from $8 million to $4 million. This is consistent with my overall recommendation to place greater emphasis on those indicators that are broad measures of customer service performance, and that are independently verifiable.

Q Do you have any other recommendations concerning the CSPI?

A. I recommend that the CSPI implemented here be continued indefinitely, or until modified or discontinued by the Commission.

Q. Does this conclude your testimony at this time?

A. Yes, it does.