

CORNING NATURAL GAS CORPORATION

DIRECT TESTIMONY

OF

STANLEY G. SLEVE

VICE PRESIDENT - ADMINISTRATION

June 17, 2016

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1 Q. Please state your name and business address.

2 A. My name is Stanley G. Slevé. My business address is 330 West William Street,

3 Corning, NY 14830.

4 Q. By whom are you employed and in what capacity?

5 A. I am employed by Corning Natural Gas Corporation (“Corning” or the “Company”) as

6 Vice President – Administration.

7 Q. What are your duties as Vice President – Administration?

8 A. As Vice President of Administration I supervise the Manager of Customer Service and

9 a staff of cashiers, customer service representatives and billing clerks. I also supervise

10 the Information Technology (“IT”) Manager and Human Resource (“HR”) Manager.

11 My additional responsibilities are to manage the physical facilities (i.e., buildings,

12 HVAC, telephone and other systems) used to operate our Company, and to manage the

13 Company’s public relations operations. I am also the Corporate Secretary and perform

14 miscellaneous administrative duties associated with my areas of responsibility in the

15 Company.

16 Q. Please summarize your education and professional experience.

17 A. I graduated from the State University of New York Empire State College, Albany, NY

18 with a Business Administration Degree. I have held various positions, including

19 Project Manager and Business Manager at civil engineering companies in New York

20 from 1973 through 1997. In 1998 I joined Corning Natural Gas Corporation as Vice

21 President of Business Development and in 2006 became the Vice President of

22 Administration and Corporate Secretary.

23 Q. Have you previously testified before the Public Service Commission (the

24 “Commission”)?

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1 A. Yes. I have testified in Case 07-G-0772, a prior Company rate proceeding, and in
2 Case 09-G-0252, the proceeding in which the Company's exercise of a franchise in the
3 Town of Virgil was approved.

4 Q. What is the purpose of your testimony?

5 A. I will present testimony with regard to staffing requirements for the Company's
6 Customer Service, HR and IT departments. This testimony supports the addition of a
7 total of four staff members: two staff members as Customer Service representatives,
8 the third staff person as a HR representative, and the fourth as an IT specialist. I will
9 also present testimony with regard to capital budget expenditures projected for 2016
10 through 2018 in three categories: building improvements including roofing, parking
11 lots and floor covering; building refitting of office space; and projects to improve IT
12 security, data management and overall IT system integrity. The costs are included in
13 Exhibit CNG-8, Schedule 1.

14 Q. Please briefly describe the Company's existing staffing in Customer Service.

15 A. The Company currently has a Customer Service Manager and eight employees who
16 are responsible for switchboard, reception, Customer Service, cashier, customer billing
17 and collection services. All of these services are provided at our headquarters
18 location. Also included in duties performed in Customer Service are the tabulation
19 and preparation of reports related to customer satisfaction surveys. Each employee
20 category, with the exception of reception and collection, has a staff of two. Having
21 two qualified employees available in each category allows the duties to be performed
22 adequately even if one of the two is absent. The current staffing levels, however, do
23 not assure prompt responses to customer calls at the switchboard or for various tasks
24 in Customer Service during high-volume periods. The Company continues to take

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1 payments in person from 2,000 walk-in customers per month and to meet with an
2 additional 1,500 to 1,800 customers per month for various Customer Service needs,
3 such as payment arrangements, changing service or other services provided by the
4 Company.

5 Q. What are the details of the first of the two Customer Service positions that are
6 proposed?

7 A. Corning is proposing to hire an additional employee in the Customer Service
8 department in order to meet the increase in work tasks that have resulted from our
9 growing customer base and the increase in activity from our existing customers.
10 There are several new functions performed by Customer Service, including processing
11 of electronic fund transfers and the scanning of checks directly into the CIS system.
12 This is a function that had been performed by a bank previously. We have added more
13 than 200 customers in our Virgil franchise territory and we continue to add
14 approximately 50 customers per year in our core service territory with no increase in
15 Customer Service staff. The addition of one more representative will help assure that
16 we can meet the Commission-mandated Customer Service Performance Incentive
17 (“CSPI”) goals that were established in Case 11-G-0280. The CSPI goals require
18 collection, monitoring and reporting which will be some of the tasks that are assigned
19 to the new Customer Service positions.

20 Q. Please provide the details of the second Customer Service position you are proposing.

21 A. The second position we propose to add is a Customer Service Billing Clerk. As with
22 the first Customer Service position I just described, there is a need for an additional
23 billing clerk to keep up with increased customer activity as the number of customers
24 expands. For a significant period of time, there has been no increase in staff in billing

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1 while there has been a steady increase in customers in the Virgil territory as well as
2 the Corning “core” territory. The new billing software has increased the time required
3 to adjust bills and correct meter readings, prompting a need for added personnel hours
4 in order to keep billing on schedule. While the new CIS software simplifies many of
5 the processes and procedures, there are many areas that require input of data for each
6 customer account. An example of this is that each software revision for notice
7 processing, bill print and pick-up routines requires the information to be input in a
8 “test” environment prior to being moved to “production” or the live version. The
9 Company has 22 billing cycles. It is critical that the Company be able to maintain its
10 schedule of cycle billing. To that end, the Billing Clerks are required to review all
11 meter readings and bills that are produced for each billing cycle. The result of
12 incorrect bills, whether from an input or meter read correction, is to invoke the
13 cancel/rebill process. This is costly to the Company in terms of both duplication of
14 effort and delay in customer payment. The new position will allow the many new
15 procedures that are available with the new billing software to be run and completed in
16 a timely fashion. This will reduce the potential for “spilling over” to the following
17 day, thereby interrupting the cycle bill for the following day, and possibly subsequent
18 days.

19 Q. What is the anticipated annual salary cost of each of the proposed new Customer
20 Service positions?

21 A. We estimate that the cost of each of those new non-exempt positions will be
22 approximately \$37,000 per year.

23 Q. Please briefly describe the Company’s existing staffing in Human Resources.

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1 A. The Company currently has a single employee who is responsible for payroll
2 processing. HR is also responsible for managing all benefits programs provided by
3 the Company. This includes medical insurance enrollment and changes, all questions
4 and changes for the Flexible Spending Account and Health Savings Account plans for
5 employee medical savings accounts, workers compensation claims, and voluntary
6 benefit plans offered to employees. HR's responsibilities also include negotiation and
7 implementation of the Labor Agreement with the Company's union workers. The
8 single HR staff person is also responsible for administration, communications and
9 questions from retirees and employees who are considering retirement. Also included
10 in duties performed in HR is the continuous monitoring of necessary changes for the
11 Employee Handbook, including new requirements from the Affordable Care Act, 401-
12 K and pension plans and the Federal and State family leave requirements.
13 Additionally, HR is responsible for securing auto and all general liability insurance
14 policies each year.

15 Q. What are the details of the HR position that is proposed?

16 A. Corning is proposing to hire an additional employee into the HR Department as an HR
17 Specialist. With the increase in the regulations, monitoring and management of data
18 that is required by HR, there has been and continues to be an increasing demand for
19 work hours dedicated to handling questions, claims, benefit changes, filing and
20 follow-up in all areas of compliance. It is no longer feasible to continue to operate
21 with a one-person department as our employee numbers continue to increase, as
22 described in the Direct Testimony of the Accounting and Rates Panel, and the scope of
23 work continues to expand. Additionally, there is a need to have backup for everyday
24 duties that are required, as well as scheduled vacation and benefit time usage by our

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1 HR Manager. Most critical, in the event of a long-term absence by our current HR
2 Manager, the Company needs to have qualified staff to operate all phases of the
3 department. Especially with the increasing demands of many of the insurance and
4 benefit programs, such as medical insurance, pension and 401-K, a second staff person
5 is urgently needed.

6 Q. What is the anticipated annual cost of the proposed new position?

7 A. We estimate that the cost of this new non-exempt position will be approximately
8 \$48,000 per year.

9 Q. Please briefly describe the Company's existing staffing in Information Technology.

10 A. The Company currently has an IT Manager who provides all of the services required
11 of the department. The single staff person is responsible for every facet, from
12 repairing a broken printer to managing the computer network and security. The IT
13 Manager also maintains the data and application servers, performs backups, does
14 computer purchasing, and installs and maintains all computers and peripherals. Also
15 included in the IT Manager's duties is maintaining security protocols and securing all
16 Company and customer data.

17 Q. What are the details of the IT position that is proposed?

18 A. Corning is proposing to hire an additional employee or to secure a contract with an IT
19 firm. The addition of the staff person or the hiring of a consulting firm will provide
20 multiple benefits. First and foremost, the person will be responsible for IT planning
21 and coordination. This will allow for a better division of labor and create a
22 manageable list of responsibilities for each staff person. Increasing IT requirements,
23 both operational and regulatory, require a new, more strategic approach to IT. The
24 second major benefit is the ability to have a backup for all of the IT functions that the

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1 Company must maintain. Reliance upon one full-time employee is no longer feasible.
2 Three areas, in particular, will require additional resources: 1. Cybersecurity demands
3 from auditors and regulators, as well as good business practice, require a more robust
4 program at the Company. 2. There is an imminent need for Management and planning
5 to implement a GPS tracking system for locating polyethylene fusions, pipe and
6 fittings. This will also include maintenance and monitoring of GPS equipment and
7 associated databases, and oversight of the Company GPS system. 3. There is a need
8 for a skilled individual to lead the planning and implementation of the conversion of
9 the current CADD mapping system into a GIS mapping system. This will eventually
10 require the management and oversight of the Company GIS system. The GPS
11 tracking system is mandated by new Commission regulations. This system alone will
12 require nearly a full-time person.

13 Additional critical IT needs include improved disaster recovery and incident response
14 plans. The new IT person will assist in these areas. We cannot practicably satisfy all
15 the new regulatory mandates with just one IT person.

16 Q. What is the anticipated annual cost of the proposed new position?

17 A. We estimate that the cost of this new position, which could be an employee or a
18 consultant, will be approximately \$100,000 per year.

19 Q. Please describe the projects for the capital expenditures budget for the years ending
20 December 31, 2016 through 2018 and specifically how those projects support the
21 staffing and capital project concerns.

22 A. The capital expenditures budget for 2016 through 2018 includes essentially the same
23 categories, but with amounts adjusted based on capital requirements for each specific
24 year as shown in Exhibit CNG-8, Schedule 1, page 4. For each additional staff person

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1 in Customer Service, Human Resources and Information Technology, the capital
2 project requirement will be approximately \$34,000 for four employees. This includes
3 a work station, computer, software and peripherals to set up an efficient work space
4 for the employee.

5 In addition to the specific work spaces required for the increase in staff, there is a need
6 to set up work stations and reorganize office spaces for several recent hires and others
7 who work in shared spaces, who currently operate in a highly inefficient and less than
8 fully productive environment. For example, in some cases, employees are working in
9 conference rooms or in areas not connected to their respective departments. Similarly,
10 the switchboard operator, a billing clerk and a member of the customer service team
11 share an open work area.

12 The realignment and establishment of functional workstations for the staff involved
13 will require the creation of eleven work spaces for the affected employees.

14 The total capital cost to create workstations for each of the employees impacted is
15 estimated at \$77,000 based on estimates received and past completed projects.

16 An additional need for funding in IT centers on implementation of the Disaster
17 Recovery, Continuing Operations and Incident Response Plans, which involve
18 significant work to enhance the backup, emergency power supply and general security
19 of Company data. Data storage security and the security of all methods of
20 communications connectivity and access will also require spending to achieve and
21 maintain security levels set by the cyber industry. This is in addition to directives that
22 result from the current and anticipated future Commission Orders regarding cyber
23 security issues. The cost of implementing these plans is estimated to be \$130,000 in

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1 year one for a consultant to prepare and implement the plans and \$25,000 annually
2 thereafter to maintain them.

3 Q. Please describe specifically how the capital projects proposed over the next two to
4 three years will benefit customers and the Company, as they relate to cybersecurity
5 and Information Technology.

6 A. The capital projects proposed are a result of audits conducted by the Staff of the
7 Department of Public Service and our own auditors regarding best practices that can
8 enhance the security of customer data and provide security to Company data as well.
9 The first project will be a thorough analysis of existing security processes and
10 procedures, including testing of those security features. Next will be a project to
11 analyze and update all necessary emergency generators, hardware, servers and
12 software to assure that proper security, backup power and data protection levels are
13 achieved. Additionally, the IT capital projects will involve the modification or
14 implementation of all hardware and devices that can access Company data by any
15 means. This includes mobile devices, laptops, RTUs and various SCADA
16 components. It is expected that changes in the cybersecurity area will require capital
17 projects virtually every year in the foreseeable future in order to remain current with
18 regard to data security and access. The project costs for IT capital expenditure
19 requirements for each year are shown in Exhibit CNG-8, Schedule 1, page 5.

20 Q. Are there any additional capital projects that will benefit customers and the Company,
21 as they pertain to customer care and convenience related to Customer Service and
22 Information Technology.

23 A. The Company has invested in more robust CIS and FRS software. This software
24 provides many features that allow us to better serve customer needs and to improve

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1 financial reporting. Among the most frequent concerns expressed by some of our
2 customers has been the inability to pay their bill using a credit or debit card and to
3 view their bill online. For a number of years, Corning has been one of the few utility
4 companies that do not accept electronic payments. We are now putting into place a
5 solution, compatible with our CIS software, that has the ability to be integrated into
6 that software to allow electronic payments in many forms. Records of transactions
7 will be available in real time so customer service representatives can view activity
8 immediately. The third-party vendor is providing the service at a nominal fee per
9 transaction that is charged to the customer using the service. The Company prefers
10 that this service not be socialized across all customers since many of our customers
11 continue to choose to pay their bill in person in order to avoid the cost of a postage
12 stamp, and the Company does not desire to burden them with the cost of service fees
13 that would benefit a customer who chooses to pay electronically. Additionally, the
14 third-party vendor will be responsible for all cybersecurity liabilities and data
15 protection issues surrounding the customer's Personally Identifiable Information
16 ("PII"). The use of a third party allows us to provide this service at a capital cost that
17 is much less than if the Company were to build a service for electronic payments
18 independently. An initial capital cost of approximately \$9,000 to provide an interface
19 between our CIS software and the payment vendor is drastically lower than the
20 estimated \$90,000 cost that the Company would incur by incorporating the service
21 into our CIS software. In addition, the Company would then assume the entire
22 liability that comes from collecting the customer's PII. Based on our examination of
23 the options, the most beneficial option to our customers is to have a third party provide
24 the service at a cost of \$2.40/per transaction.

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1 Q. Please describe any additional projects for the capital expenditures budget and
2 specifically how those projects support the Company's operations.

3 A. The office and operations facilities are in need of capital improvements. The primary
4 areas for projects within the building facilities in the next three years include parking
5 lots, roofs and floor coverings. Capital projects will also be necessary for the
6 repurposing of several workspace areas of the buildings resulting from a tenant
7 leaving the building in order to accommodate the Company's space needs.
8 Additionally, IT capital projects will be necessary to implement current technology
9 cybersecurity, network and communication hardware and software to protect customer
10 and Company data.

11 The Company's offices and associated facilities were built between 1988 and 1990
12 and have had no significant work in the categories of roofing, parking lots or floor
13 covering since that time. One exception is some remedial work and sealing of the
14 customer parking lot undertaken as interim measures.

15 Specifically, significant areas of the parking lots for operations, employees and
16 customers will require subbase replacement and complete repaving and striping. It is
17 estimated that the cost of all required work under this capital project will be \$140,000.
18 This will include some subsurface drainage and catch basin work in addition to the
19 paving work. The work can be accomplished over a three-year period by separating
20 operations, employee and customer parking areas to accommodate one area each year.
21 Another area that will require capital improvements over the next three to five years is
22 floor coverings. The flooring, which is primarily carpeting, with some additional tile
23 areas, has been in place for over 26 years and in many areas has reached the end of its
24 useful life. This capital project, much the same as the paving project, can be

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1 accomplished over a three-year period with the high traffic volume areas replaced
2 initially, then individual offices as needed. Since there will be disruption to individual
3 offices, this project will need to be broken into several smaller projects. It is estimated
4 that the carpeting and tile replacements will cost \$80,000 to \$100,000 or
5 approximately \$30,000 per year for each of three years.

6 The roof of the Operations, Administration and Customer Service areas is the original
7 roof that was installed in 1988 – 1990. It has far exceeded its useful life. During the
8 past three to five years there has been significant work done to patch and repair leaks
9 to avoid further damage inside the facilities. Now, even the patched areas are in need
10 of more permanent replacement. In addition, there are several skylights and other
11 penetrations of the roof that will require remedial work to ensure that the integrity of
12 the entire roof is protected.

13 It is estimated that the cost of reroofing the entire facility, including remedial work for
14 skylights and other roof penetrations, will be approximately \$280,000.

15 The building's roof construction lends itself to the separation of the roof replacement
16 into three distinct projects that could be accomplished over a three year period
17 allowing the capital project to be completed in phases. The relevant annual
18 expenditures would be \$70,000 in year one, \$90,000 in year two, and \$120,000 in year
19 three.

20 Q. Do you have any final comments on the capital expenditures budget over the three to
21 five-year period you describe?

22 A. Yes. The Company recognizes that the amount we propose to invest is significant in
23 the office and operations areas; however, these capital projects will prevent further
24 deterioration in the Company's offices and associated facilities. In particular, much

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1 needed roof repairs will prevent costly damage to furniture and equipment within the
2 office building. In short, it will preserve the value of the property and avoid even
3 greater costs that would likely be incurred if this work is not undertaken now. This
4 investment in our facilities will support effective and efficient operations and improve
5 the working environment for the benefit of our staff and customers.

6 Q. Does this complete your direct testimony?

7 A. Yes, it does.