BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Case 16-G-0369

Corning Natural Gas Corporation

October 2016

Prepared Testimony of Consumer Services Panel:

Sonny Moze
Utility Consumer Program Specialist 4

Chelsea Kruger
Utility Analyst 1

Office of Consumer Services
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Q. Please identify the members of the Consumer Services Panel and provide your business address.

A. The Panel includes Sonny Moze and Chelsea Kruger. Our business address is Office of Consumer Services, New York State Department of Public Service, Three Empire State Plaza, Albany, New York 12223-1350.

Q. Mr. Moze, what is your position at the Department?

A. I am employed as a Utility Consumer Program Specialist 4 in the Consumer Advocacy and Education Section of the Office of Consumer Services.

Q. What is your education and background?

A. I received a Bachelor of Arts degree in Industrial Psychology from Morehouse College Atlanta, Georgia and a Master of Public Administration degree from Atlanta University in Atlanta, Georgia. I also attended the Rockefeller Institute of Government in Albany, New York and graduated with a certificate in New York State Government Management and Operations, in 1992. That same year, I joined the

Department of Public Service as a Public Management intern. I have worked for the Department of Public Service since 1990 in various administrative and program positions. My responsibilities in my current position include advocating positions on behalf of residential customers in utility rate proceedings, overseeing utility customer service operations, developing utility service quality incentive programs and evaluating utility low-income programs.

Q. Have you previously testified before the Commission?

A. Yes, I have testified numerous times in the areas of customer service, service quality, low income assistance programs, and outreach and education, most recently in the electric and gas rate cases for Niagara Mohawk Power Corporation d/b/a National Grid, Cases 12-E-0201 and 12-G-0202; and St. Lawrence Gas Company, Inc., Case 15-G-0382.

Q. Ms. Kruger, what is your position at the Department?

A. I am employed as a Utility Analyst 1 in the

Consumer Advocacy and Education Section of the Office of Consumer Services.

Q. Please describe your educational background and professional experience.

A. I received a Bachelor of Arts degree in Public Communications with a minor in Spanish from The College of Saint Rose. Before my employment at the Department, I was a content editor at The Saratogian and Troy Record newspapers in Saratoga Springs and Troy, New York. I joined the Department in January 2015, performing tasks associated with monitoring utility compliance with consumer protection and service requirements contained in the New York State Public Service Law and Public Service Commission regulations. My responsibilities include advocating on behalf of residential customers and evaluating utility low income assistance programs. I am currently assigned to the Reforming the Energy Vision proceeding, Case 14-M-0101; the Low Income Affordability proceeding, Case 14-M-0565; the Community Net Metering proceeding, Case 15-E-0082; and the Central Hudson management audit, Case 16-M-0001.

Q. Have you previously testified before the Commission?

A. Yes, I provided pre-filed testimony regarding New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation in Cases 15-E-0283, 15-G-0284, 15-E-0285, and 15-G-0286, as well as The Brooklyn Union Gas Company d/b/a National Grid and KeySpan Gas East Corporation d/b/a National Grid in Cases 16-G-0058 and 16-G-0059. The subjects of my previous testimony include low income assistance programs, uncollectibles, service terminations, credit card payments, trip charge fees, and outreach and education.

Q. What is the purpose of the Panel's testimony in these proceedings?

A. The purpose of our testimony is to make recommendations regarding Corning Natural Gas Corporation's proposal to introduce a symmetrical incentive for the Customer Service Performance Incentive Mechanisms (CSPI). The Panel will also propose new customer service metrics with new associated negative revenue adjustments (NRAs), a credit to customers for missed appointments, additional reporting requirements for the Company’s Low Income Credit Program, credit/debit card payment reporting, and a new performance-based ratemaking mechanism for reducing terminations and uncollectable expense.

Q. In your testimony, will you refer to, or otherwise rely upon, any information obtained during the discovery phase of this proceeding?

A. Yes, we will refer to, and rely upon, several responses provided by the Companies to Information Requests (IR). These responses are contained within Exhibit __ (CSP-1). We will refer to these responses by the designation given to them during discovery, <u>e.g.</u>, DPS-123.

Q. Have you prepared any other exhibits in connection with your testimony?

A. Yes, we are sponsoring five exhibits in total.

Q. Would you briefly describe each exhibit?

A. As just noted, Exhibit __ (CSP-1) contains the Companies’ responses to Staff interrogatories we have relied upon. Exhibit __ (CSP-2) presents the current Customer Service Performance Incentive Program target levels and associated

NRAs. Exhibit __ (CSP-3) shows our proposed CSPI program. Exhibit __ (CSP-4) contains the proposed reporting requirements for Corning's low income assistance program. Exhibit __ (CSP-5) presents our recommendation regarding an incentive for residential service terminations and uncollectibles.

Customer Service Performance Incentive (CSPI) Program

Q. What is the purpose of a CSPI?

A. CSPIs help to align shareholder and ratepayer interests by providing earnings consequences related to the quality of service provided by a utility to its customers. The CSPI mechanisms link earnings directly to a company's performance on specific measures of customer service. Currently, such mechanisms are in effect at all of the major investor-owned energy utilities.

Q. Why is a CSPI needed?

A. As monopoly providers of delivery service, investor-owned utilities do not have a profit-based incentive to provide adequate customer service, because their customers cannot select another utility on the basis of the quality of service provided. However, obtaining adequate service is extremely important to customers. A CSPI establishes an incentive to the Companies to provide adequate levels of customer service performance.

Q. Please describe Corning’s current CSPI.

A. The current CSPI for Corning is designed to promote adequate levels of customer service delivery. As shown in Exhibit __ (CSP-2), there are two metrics. The two metrics are the number of annual PSC Complaints and the score on an annual Customer Satisfaction Survey. If its performance on either metric falls below specified thresholds it would incur an NRA. The maximum potential NRA is $36,000, or approximately eight basis points, allocated evenly between the two broad-based metrics of customer service quality.

Q. What are the current performance thresholds and associated NRAs for the PSC Complaint metric?

A. As shown in Exhibit __ (CSP-2), for six or fewer annual PSC complaints, there is no NRA. For seven PSC complaints the NRA is $6,000; for eight PSC complaints the NRA is $12,000; and for nine or more PSC complaints the NRA is $18,000.

Q. How has the Company performed under this current metric?

A. The Company’s performance so far has been satisfactory. During the 12-month periods ending December 31 of 2014 and 2015, Corning had three escalated PSC complaints in 2014 and no escalated PSC complaints in 2015. Based on the Company’s customer base of 15,000 customers, one PSC complaint per year equals a monthly average PSC Complaint Rate of about 0.5 complaints per 100,000 customers. At this rate, Corning’s PSC Complaint Rate performance compares favorably with other gas utilities in the State.

Q. Please describe the Customer Satisfaction Survey.

A. The Customer Satisfaction Survey is a percentage score that reflects the percentage of customers satisfied with the service they receive from the Company, based on the results of an annual customer survey. An annual telephone survey is conducted by an independent vendor of customers who have recently contacted the Company. One question asks customers to rank their overall satisfaction with the Company on a 10-point scale. Responses to this question are used to measure customer satisfaction.

Q. What are the current performance thresholds and associated potential NRAs for the Customer Satisfaction Survey metric?

A. As shown in Exhibit __ (CSP-2), for survey results greater than 83 percent, there is no NRA. For a result equal to or less than 83 percent, the NRA is $6,000; for results equal or less than 81 percent, the NRA is $12,000; and for a Customer Satisfaction Survey equal to or less than 79 percent, the maximum NRA of $18,000 would apply.

Q. How has the Company performed under this metric?

A. The Company has performed satisfactorily. Corning began using the Customer Satisfaction Survey in the third year of its current Rate Plan, which began in May 2014, in order to allow the Company time to develop and benchmark the survey. During the 12-month period ending April 30, 2015, the Company’s Customer Satisfaction Survey result was 89 percent.

Q. What is the Company's proposal regarding the CSPI?

A. The Company proposed that the Commission either institute an Earnings Adjustment Mechanism (EAM) in this proceeding or direct parties to collaborate on the development of positive and negative safety, reliability and customer service incentive metrics. The proposed EAM would award Corning an additional 60 basis points in any year that the Company exceeds all of the thresholds for safety, reliability and customer satisfaction performance metrics; 30 basis points if the Company exceeds all but one metric in any year; and 15 basis points if the Company exceeds all but two metrics in any year. The Company asserts that its proposal is consistent with Reforming the Energy Vision Track 2 Order. This is further discussed in the Staff Policy Panel's testimony.

Q. What do you recommend regarding the CSPI?

A. We recommend continuing the negative-only incentive for the two customer service metrics, with revised targets for the PSC Complaint metric, and increasing the total potential NRAs to $60,000, which is the equivalent of 13 basis points, allocated evenly between the two measures. As further explained by the Staff Policy Panel, the REV Track 2 Order clearly states that positive incentives are designed for new metrics, not existing, business-as-usual metrics.

Q. Why does the Panel recommend an increase in the NRA amount?

A. Notwithstanding the Company’s satisfactory performance under the current mechanism, maintaining a large amount at risk helps ensure that management’s attention remains focused on providing adequate customer service in the Rate Year, and to ensure there is no backsliding in customer service performance. The amount at risk was negotiated in a settlement with the Company, and represents the initial implementation of a CSPI for Corning, including a brand new customer survey. Given these circumstances, it was appropriate to limit the Company’s risk of not achieving the targets. In addition, the total NRA of $36,000, in the first year of the previous plan, was equal to 13 basis points; however, the Company’s equity balances have increased in the years since. We propose to bring the total NRA back to an equivalent amount. We also note that an even greater increase would be required to bring the Company in line with the amounts at risk for the state’s other investor-owned gas utilities, which currently lie in the range of 30 to 93 basis points.

Q. What changes does the Panel propose for the PSC Complaint metric?

A. As shown in Exhibit __ (CSP-3), for three annual PSC complaints or fewer, there is no NRA. For four annual PSC complaints, the NRA would be $10,000; for five complaints, the NRA would be $20,000; and for six, the NRA would be $30,000.

Q. How did the Panel determine these targets?

A. The targets are designed to maintain service levels at the same satisfactory levels the Company has been providing for the last several years. These proposed targets are based on the Company’s most recent three-year average performance, with two standard deviations added to the average for the initial target, and each subsequent target set at one standard deviation above the previous target.

Q. What changes does the Panel recommend to the Customer Satisfaction Survey metric?

A. We propose to keep the current targets and to adjust the associated NRAs. As shown in Exhibit __ (CSP-3), for survey results greater than 83 percent, there is no NRA. For results equal to or less than 83 percent, the NRA would be $10,000; for results equal to or less than 81 percent, the NRA would be $20,000; and for results equal to or less than 79 percent, the NRA would be $30,000.

Q. If the Panel's proposed targets for these measures were in effect for the last three years, would the Company have incurred any NRAs on either metric?

A. No.

Q. Do you have any further recommendations concerning the CSPI reporting requirements?

A. Yes. Consistent with current practice for other utilities, the CSPI should remain in effect unless or until modified or discontinued by the Commission. Corning should file an annual report on its performance under the CSPI for the previous rate year no later than 30 days after the end of the rate year, including whether any NRAs are applicable.

Q. Does the Panel have any further recommendations?

A. Yes. We recommend the Company provide a $25 credit to customers if the Company misses a scheduled appointment.

Q. How is the Company’s Performance on keeping Scheduled Appointments?

A. According to the Company’s response to IR DPS-282, all scheduled appointments for the calendar years 2011 through 2015 were kept.

Q. Why is the Panel recommending a bill credit to customers for missed appointments if the Company has kept all its scheduled appointments for the past five years?

A. We are making this recommendation to ensure that the Company continues to keep all scheduled appointments with customers. In addition, it directly compensates customers who are inconvenienced by a missed appointment. Such credits for missed appointments are required for most other electric and gas utilities, such as

Central Hudson Gas and Electric Corporation, Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation.

Low Income Program

Q. Please summarize the importance of low income energy assistance programs for customers.

A. Energy costs continue to place a great burden on low income households. Customers with lower incomes historically have spent a larger portion of their incomes on energy costs, estimated in the range of 15 to 20 percent of total income, when compared to middle and upper income households, whose home energy burdens typically lie in the range of one to five percent. Financial assistance for these households is essential as energy costs continue to place a burden on low income customers. The Commission has recognized the need to support low income and affordability programs for customers facing financial difficulties in each of the major investor-owned energy utility service territories. On May 20, 2016, the Commission issued an Order Adopting Low Income Program Modifications and Directing Utility Filings (May 2016 Order) in Case 14-M-0565, Proceeding on Motion of the Commission to Examine Programs to Address Energy Affordability for Low Income Utility Customers, which establishes a framework that addresses energy affordability for low income customers.

Q. What are the elements of the low income assistance program framework provided in the May 2016 Order?

A. As described in more detail in the May 2016 Order, the framework provides for six elements, including eligibility and enrollment criteria; benefit levels; program budgets; treatment of arrearage forgiveness; reconnection fee waivers; and program reporting. While companies with a customer base of 25,000 or less, such as Corning, are not subject to the May 2016 Order, that order does provide useful guidance regarding the state-wide objectives of utility low income assistance programs.

Q. Please describe the Company’s current low income assistance program.

A. Presently, Corning provides a monthly $8 bill credit to qualifying residential customers. This program also provides a reconnection fee waiver of $25 for participants whose service is disconnected for non-payment, and the customer can receive a waiver once per year.

Q. What are the current eligibility criteria for enrollment in the low income assistance program?

A. A customer is automatically enrolled in the low income assistance program when Corning receives a Home Energy Assistance Program (HEAP) grant on behalf of that customer.

Q. What is the level of participation in the Company's' low-income customer program?

A. According to the Company's response to IR DPS-183, in the Rate Year ending in May 2016, Corning had 1,388 customers enrolled in the low income assistance program.

Q. Does the Company propose any modifications to its low income assistance program?

A. No.

Q. Does the Panel recommend modifying the low income assistance program discount level?

A. No. We recommend maintaining the existing $8 discount level at this time, unless the minimum charge for residential customers is increased. If the Commission adopts the Company’s proposal to increase the minimum charge, we propose the low income discount increase by the amount the minimum charge is increased, so that low income customers are held harmless from such increases.

Q. Does Corning's current low income bill discount achieve a six percent energy burden for its low income customers?

A. Yes, based on an average residential bill of $94, Corning’s low income discount of $8 already ensures that participants, on average, achieve a six percent energy burden.

Q. Does the Panel have any further recommendations concerning the Company’s low income assistance program?

A. In an effort to align the Company’s program with the rest of the state’s utilities, we recommend the Commission adopt certain elements of the May 2016 Order for Corning’s low income assistance program, specifically related to the reporting requirements.

Q. Which reporting requirements does the Panel recommend?

A. We recommend the Commission adopt the following reporting requirements to enhance data tracking and comparison among the state’s utilities: (a) rate discount participants, as well as new enrollments and exited customers; (b) participant reconnection fees waived in total customer accounts and dollars; (c) rate discount dollars expended; (d) average customer bill; (e) total over/under collection; and (f) other collection data specific to low income program participants. The proposed requirements are detailed in the sample report contained in Exhibit __ (CSP-4), which is modeled after the standard reporting format set forth in Appendix D of the May 2016 Order.

Residential Service Terminations and Uncollectibles

Q. What is the State policy regarding utility customer protections relating to termination of service for non-payment?

A. The Home Energy Fair Practices Act, or HEFPA, enacted in 1982, establishes a State policy that, “the continued provision of gas, electric and steam service to residential customers without unreasonable qualifications or lengthy delays is necessary for the preservation of the health and general welfare and is in the public interest." HEFPA and Commission regulations implementing HEFPA include many provisions designed to keep customers connected to the utility system without jeopardizing the utility's financial health, for example due to increasing uncollectibles, also known as bad debt. HEFPA also prescribes the minimum steps that utilities must take before they can terminate the service of residential customers for nonpayment. Excessive use of service terminations as a credit and collections tool may jeopardize the health, safety, and welfare of customers.

Q. How has the Company performed historically regarding uncollectible expenses and residential terminations?

A. As shown in Exhibit __ (CSP-5), Corning has maintained an average rate of about 370 terminations annually for the previous three rate years, the years ended May 31, 2014, 2015 and 2016. Possibly due to historically low gas prices, both terminations and bad debt were below the average in the year ended May 31, 2016. Terminations were at 308, below the three year average of 370, and bad debt was about $175,000, a decrease from the three-year average of approximately $199,000.

Q. What is the Panel’s recommendation regarding a termination incentive?

A. The Company should be encouraged to continue to reduce residential service terminations for nonpayment while at the same time not increasing uncollectibles. Rather than propose specific actions that the Company should take as alternatives to service termination or increased uncollectible debt, we recommend that the Commission adopt a positive financial incentive for the Company to identify and implement new measures to reduce residential service terminations for nonpayment while decreasing, or maintaining, the dollar amount of bad debt from residential accounts. We also recommend an NRA, if either residential terminations or residential bad debt increase significantly.

Q. Please explain the Panel’s incentive recommendation.

A. We recommend a maximum positive revenue adjustment (PRA) of $32,000 — the equivalent of approximately seven basis points — if the Company achieves both of the following targets for the Rate Year: an uncollectible level of no more than $161,000 and total residential service terminations for nonpayment of no more than 270 customers. If uncollectibles rise to $237,000 or more and terminations rise to 470 customers or greater, a maximum NRA of $32,000 should be applied. Partial positive or negative revenue adjustments are possible if targets are partially met, as detailed in Exhibit __ (CSP-5). For example, Corning could be awarded $16,000 if residential terminations are reduced to 270 customers or less, with residential bad debt held at or below the three-year average of $199,000; or, Corning could incur an NRA of $16,000 if residential terminations rise to 470 customers or more while residential bad debt is held at or below $199,000.

Q. How did the Panel determine the recommended amounts?

A. The maximum PRA and NRA each are approximately seven basis points, which Staff believes is an appropriate amount in this instance for such an incentive mechanism. Similar amounts have been established for this type of incentive in recent cases for Central Hudson Gas and Electric; Orange and Rockland Utilities, Inc.; New York State Electric & Gas and Rochester Gas and Electric; and St. Lawrence Gas Company, Inc.

Q. How did the Panel determine the recommended targets?

A. We utilized a similar methodology as Staff used in the St. Lawrence Gas Company, Inc. rate proceeding, Case 15-G-0382. The proposed targets are two standard deviations above and below the most recent three-year average of both uncollectibles and terminations, as shown in Exhibit __ (CSP-5), with twice the standard deviation subtracted from the average for the PRA target, or added to it for the NRA target.

Q. Please explain why the Panel is proposing this incentive.

A. Our proposal reflects an increased emphasis on ensuring that customers have access to utility service. To ensure that termination is employed as a last resort, we recommend NRAs for performance that exceeds the upper targets. In an effort to incent the Company to reduce terminations and uncollectibles, we recommend PRAs for performance better than the lower targets.

Q. Does the Panel recommend any reporting requirements associated with the new incentive and revenue adjustment measures?

A. Yes. We recommend that the Company file quarterly and annual reports on a rate-year basis with the Secretary. The first report should be required within 60 days of a Commission order setting rates in this proceeding to demonstrate the Company’s progress relative to the goals of the incentive mechanism and to provide updates on any actions being taken to achieve those goals. This will assist Staff in assessing the impact of this new incentive measure.

Credit/Debit Card Payments

Q. How does the Company currently handle credit and debit card payments?

A. Currently Corning has contracted with a third-party vendor, Paymentus, to process credit and debit card payments on behalf of the Company. According to the Company’s testimony, these payments will be accepted electronically and customers will be charged a $2.40 per-transaction fee.

Q. What does the Panel recommend regarding credit/debit card payments?

A. We recommend that the Commission require the Company to submit an annual report for the calendar year to the Secretary providing the number of transactions, the cumulative amount customers spent on per-transaction fees and associated expenditures – for example, administrative costs – and customer participation, in comparison with the transaction fees and costs of the Company’s other payment methods, such as walk-in offices and mail.

Q. Does this complete the Panel’s testimony at this time?

A. Yes.