

CORNING NATURAL GAS CORPORATION

REBUTTAL TESTIMONY

OF

STANLEY G. SLEVE

VICE PRESIDENT - ADMINISTRATION

November 15, 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. Are you the same Stanley G. Slevé who presented direct testimony on behalf of
5 Corning Natural Gas Corporation (“Corning” or the “Company”)?

6 A. Yes, I am.

7 Q. What is the purpose of your rebuttal testimony?

8 A. I am addressing the Staff Consumer Services Panel (“CSP”) testimony regarding the
9 following: (a) Staff’s recommendation to continue the Customer Service Performance
10 Incentive (“CSPI”) Program; (b) Staff’s proposed changes to the negative revenue
11 adjustment (“NRA”) metrics in the CSPI; (c) Staff’s recommendation to continue the
12 Customer Satisfaction Survey (“CSS”) Program; (d) Staff’s proposed changes to the
13 NRA metrics in the CSSP; (e) The recommendation by Staff that the Company
14 provide a \$25 credit to customers if the Company misses a scheduled appointment;
15 and (f) Staff’s recommendations regarding residential service terminations and
16 uncollectibles.

17 Q. Are you sponsoring any exhibits?

18 A. No.

19 Q. Before discussing individual items you listed, do you have any general comments on
20 the CSP’s presentation?

21 A. Yes. The CSP, at page 6, line 21, states that, “as monopoly providers of delivery
22 service, investor-owned utilities do not have a profit-based incentive to provide
23 adequate customer service”. Based on Staff’s recommendations for each of the
24 programs discussed by the Panel, the stated solution seems to be making satisfaction

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1 targets more difficult to achieve and/or increasing financial penalties as a means to
2 assure good customer service is being provided. It concerns us that this is the
3 recommended solution in the absence of any evidence of a lack of or diminishment of
4 service to customers. Another rationale presented is that these metrics are in place for
5 other investor-owned utilities and should therefore be in place in the Company.
6 Assuming that all of the Company's complaint levels remain, for all practical
7 purposes, at zero, while the targets are lowered and the financial penalties are
8 increased, it seems likely that the Company could eventually be required to absorb
9 NRA's without having any incidents of failure in the programs.

10 While the Company supports the need to manage and monitor service to its customers,
11 in the absence of any reported incidents that indicate the Company does not value and
12 perform at high levels of customer service, increasing penalties and lowering the
13 thresholds is an unusual and inappropriate response to a highly motivated customer
14 service operation. With nearly 2,000 of our approximately 15,000 customers visiting
15 our offices each month for a variety of services, our customers have nearly unlimited
16 access to our consumer services. In the event that our customers' needs were not
17 being met, it is unlikely that our escalated complaints would be at or near zero each
18 year.

19 Q. Is there any other observation you would like to make regarding the connection to
20 whether being a "monopoly provider," as described in Staff testimony, has a
21 correlation to poor customer service?

22 A. It is an interesting juxtaposition to associate a NRA with providing good or even
23 superior customer service. NRAs are not what motivates our Company. That is clear
24 from a three-year examination of our customer service metrics. We perform at a

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1 superior level, with “superior” being defined as having no founded complaints and not
2 missing any appointments over a three-year period. The truly important motivation
3 for our Company is our customer-focused culture and the proven financial incentive of
4 having lower bad debt and arrears. The Company believes there is a direct correlation
5 between bad debt/arrears and customer satisfaction.

6 Q. Please describe further the positive financial incentive to the Company that you
7 believe arises from the correlation between good customer service and bad debt/
8 arrears?

9 A. The Company has operated with an intention to encourage customers to come to our
10 building and for the employees to have the ability to interact and explain any questions
11 that may be on a customer’s mind. It is our strong belief that this positive interaction
12 with customers helps to maintain a low level of bad debt and a very favorable 60-day
13 arrears volume. The imposition of a potential \$60,000 penalty, instead of a \$36,000
14 penalty, will not motivate our Company beyond the motivation I have just described.
15 Our Company has shown that it does not need a financial threat held over it to perform
16 in an exemplary manner as it relates to customer service. To increase the penalty by
17 67% does not add motivation. This is especially true when these metrics are being
18 established in the most favorable customer satisfaction environment that could exist.
19 That is an environment of extremely low gas prices. It is only logical to conclude that,
20 if gas prices increase, these more stringent metrics are likely to lead to complaints,
21 even if the Company does nothing that would otherwise warrant a complaint. It is also
22 the case that the customer complaint does not have to be found to be the fault of the
23 Company, as was explained in my earlier testimony related to a high gas bill
24 complaint that was unfounded. Motivation comes from having an incentive to do

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1 better, not from an arbitrary and unilateral imposition of a penalty. The cost of doing
2 business in New York State is already more onerous than in most jurisdictions and an
3 increase of 67% in penalties, as proposed by the CSP simply exacerbates that situation
4 without providing any corresponding benefit.

5 Q. With regard to the CSPI Program, has the Company met the targets of the Program?

6 A. Yes, the Company has met its targets and, therefore, has not incurred any NRA under
7 the program.

8 Q. Has Staff cited any unsatisfactory performance with regard to the CSPI program?

9 A. No. In fact, on page 8 of the CSP testimony, it is stated that, “the Company’s
10 performance so far has been satisfactory”. Additionally, on three other occasions in
11 the Staff testimony (pp. 9, 11 and 12), Staff indicated that the Company performed
12 satisfactorily in each of the customer service metrics.

13 Q. What is the Company’s rationale for why the CSPI NRAs should not be increased?

14 A. While increasing the NRA value might be a valid response to a poorly performing
15 program that does not respond to other incentives for improvement, it hardly seems to
16 be an appropriate tool to employ where, for all practical purposes, Corning has had no
17 founded complaints in 2014, 2015 or through ten months of 2016.

18 Q. In the response to the previous question, you stated that, “for all practical purposes,
19 Corning has had no founded complaints....” Why do you consider the three
20 complaints in 2014 to be “none?”

21 A. In 2014, there were three escalated complaints across our nearly 15,000 customers.
22 The following are the results of closer examination of those three complaints. One
23 complaint was because of a high gas bill, that was determined to be accurate and the
24 customer was responsible for the usage and paid the bill. A second complaint was

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1 about damage to a sewer line on the property during construction that was determined
2 not to have been damaged by the Company or its contractor and no damages were paid
3 as a result. The final complaint in 2014 was the result of a leak that had been
4 determined to be a Type 3 leak that did not require immediate resolution; however, the
5 Company did repair the leak as an extra measure of customer service.

6 In addition, with a sample size of 15,000 customers and the occurrence of three
7 (unfounded) complaints or 0.02%, it seems hardly imaginable, with the number of
8 interactions that occur between the Company and our customers on an annual basis,
9 that the Company could be expected to do better than zero founded complaints over
10 three years. It also seems that the level of NRA under the current program, that has
11 resulted in no customer complaints over the past nearly three-year period, does not
12 need an added incentive of a 67% increase in the NRA and at the same time, a
13 lowering of the allowed number of complaints by 33%.

14 Q. Are there any recommendations that the Company has regarding the CSPI program
15 NRAs or incentive targets?

16 A. Yes. The Company recommends that the program be limited to a monitoring-only
17 program and that no financial penalties (NRAs) be imposed until such time as the
18 monitoring results indicate an actual diminishing level of customer service before
19 targets and financial penalties are established.

20 Q. Why does the Company suggest a monitoring-only approach?

21 A. The Company believes that, rather than assigning an arbitrary number which may or
22 may not represent an actual reduction or lack of service to our customers, the target
23 should be based on actual complaints that resulted from poor customer service. In an
24 environment of rising gas costs during any particular heating season, it would not be

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1 unreasonable to expect escalated complaints that are neither avoidable nor attributable
2 to the Company's level of service to the customer. Given the proposed target of four
3 complaints resulting in a \$10,000 NRA, it seems unreasonable that a financial penalty
4 that severe could result from four such complaints that are effectively beyond the
5 control of the Company.

6 Q. Do you have any further observations about the CSP testimony?

7 A. I have one point of clarification. On page 8, line 22, the Panel states that the Company
8 performs an annual telephone survey. The third-party provider of the survey actually
9 performs the survey monthly and then prepares monthly results that are annually
10 reported to the PSC.

11 Q. What is your response to the proposed continuation of, and increase in, the negative-
12 only "incentive" that is supported by the CSP?

13 A. The Company has performed satisfactorily according to the CSP. In light of this
14 satisfactory performance, there seems to be no rationale to increase the negative
15 incentive. In fact, the Company experienced a three percent increase in satisfaction in
16 the CSS from the 2014 to 2015 survey year.

17 Q. Do you have any recommendations regarding the survey or the negative incentive as
18 proposed?

19 A. When examined in their entirety, there are three components to the CSP's proposed
20 metrics: (1) the CSPI, which has been addressed earlier in my rebuttal testimony;
21 (2) the CSS; and (3) the Panel's recommendation to impose a \$25 credit to a customer
22 in the event that an appointment is missed by the Company. In each case, there is no
23 evidence that the Company has performed in a less-than-exemplary manner for all
24 areas of customer service. In particular, in the case of the \$25 credit for a missed

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1 appointment, the Panel's rationale (page 14, lines 22-24) consists primarily of the
2 observation that "such credits are required for most other electric and gas utilities."

3 Q. What is your recommendation, if any, as to the continuation of the CSPI and CSS
4 negative incentives and the extending of a \$25 credit to a customer for a missed
5 appointment?

6 A. The Company has shown for the past three years that it is not in need of a negative
7 incentive to maintain services to our customers at a very high degree of satisfaction. It
8 also has demonstrated that the only escalated complaints during the past three years
9 were not a result of the actions of the Company or its personnel. In other words, if any
10 one of the three complaints had been the one to reach the arbitrary target of
11 performance, there is nothing the Company could have done differently to avoid the
12 financial penalty. In the case of the CSS, the Company not only performs at a
13 satisfactory level according to Staff testimony, but the Company has actually
14 improved its satisfaction rating from 2014 to 2015. As to the imposition of a \$25
15 credit for a missed appointment, the Company has not been responsible for missing an
16 appointment during the period in question. It should be noted that if a Company
17 employee were to miss an appointment, it would be because that employee was
18 redirected to a more critical situation. These high levels of service provided on an
19 ongoing basis by the Company do not warrant a lowering of the targets or the dramatic
20 increase in the NRAs or a new credit toward keeping appointments.

21 Q. Do you have any other observations regarding the CSP testimony?

22 A. Yes. Given the superior customer service the Company provides and its open door
23 policy to customers, if Staff continues to advocate for new and increased penalties,
24 corresponding achievable incentives should be provided for exceeding the target. Yet

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1 Staff is proposing just the opposite. In addition to the increased NRAs and the
2 lowering of the target numbers for the penalties, the CSP has proposed that the
3 Company undertake and bear the cost of additional quarterly and annual reporting for
4 the new incentive and revenue adjustment measures without inclusion of additional
5 administrative personnel allowances or other compensation to meet the reporting
6 requirements.

7 Q. Does this complete your rebuttal testimony at this time?

8 A. Yes it does.