

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

KeySpan Gas East Corporation d/b/a National Grid and
The Brooklyn Union Gas Company d/b/a National Grid NY

Cases 16-G-0058 and 16-G-0059

May 2016

Prepared Testimony of:

Consumer Services Panel

Leonard Silverstein
Utility Consumer Specialist 5

David Reulet
Power Systems Operations
Specialist IV

Monica M. Ferreri
Utility Analyst 2

Anna Senatore
Utility Consumer Program
Specialist

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

1 Q. Please identify the members of the Consumer
2 Services Panel and provide their business
3 address.

4 A. The Panel includes Leonard Silverstein, David
5 Reulet, Monica M. Ferreri, Anna Senatore, and
6 Chelsea Kruger. Except Ms. Senatore, our
7 business address is Office of Consumer Services,
8 New York State Department of Public Service, 3
9 Empire State Plaza, Albany, New York 12223-1350.
10 Ms. Senatore's business address is Long Island
11 Office, New York State Department of Public
12 Service, 125 East Bethpage Road, Plainview, NY
13 11803.

14 Q. Mr. Silverstein, what is your position at the
15 Department?

16 A. I am employed as a Utility Consumer Specialist
17 in the Consumer Advocacy and Education Section
18 of the Office of Consumer Services.

19 Q. What is your education and background?

20 A. I received both a Bachelor of Arts degree in
21 Political Science and a Master of Public
22 Administration degree from the University at
23 Albany. Before joining the Department of Public
24 Service, I held positions with the New York

1 State Assembly for nearly seven years, and
2 subsequently worked as a Regulations Analyst at
3 the New York State Governor's Office of
4 Regulatory Reform for about eight years. I have
5 worked for the Department of Public Service
6 since 2001. I work in the Office of Consumer
7 Services where my responsibilities include
8 advocating on behalf of residential customers in
9 utility rate proceedings, oversight of utility
10 customer service operations, developing utility
11 service quality incentive programs and
12 evaluating utility low-income programs.

13 Q. Have you previously testified before the
14 Commission?

15 A. Yes, I have testified numerous times, in cases
16 concerning National Fuel Gas Distribution
17 Corporation in Cases 04-G-1047 and 07-G-0141;
18 St. Lawrence Gas Company, Inc. in Cases 05-G-
19 1635 and 08-G-1392; Central Hudson Gas &
20 Electric Corporation in Cases 05-E-0934 and 05-
21 G-0935, 08-E-0887 and 08-G-0888, 09-E-0588 and
22 09-G-0589, 14-E-0318 and 14-G-0319; The Brooklyn
23 Union Gas Company d/b/a KeySpan Energy Delivery
24 New York in Cases 06-G-1185 and 12-G-0544;

1 KeySpan Gas East Corporation d/b/a KeySpan
2 Energy Delivery Long Island in Case 06-G-1186;
3 Niagara Mohawk Power Corporation in Cases 08-G-
4 0609, 10-E-0050, 12-E-0201 and 12-G-0202; Long
5 Island Water Corporation d/b/a Long Island
6 American Water in Case 07-W-0508; New York Water
7 Service Corporation in Case 09-W-0237; United
8 Water New York in Case 13-W-0295; United Water
9 New Rochelle, Inc. and United Water Westchester,
10 Inc. in Cases 13-W-0539, 13-W-0564, and 14-W-
11 0006; and New York State Electric & Gas
12 Corporation and Rochester Gas and Electric
13 Corporation in Cases 07-M-0906, 15-E-0283, 15-G-
14 0284, 15-E-0285 and 15-G-0286. The subjects of
15 my previous testimony include customer service,
16 service quality, low-income programs, and
17 outreach and education.

18 Q. Mr. Reulet, what is your position at the
19 Department?

20 A. I am employed as a Power Systems Operations
21 Specialist IV in the Business Advocacy section
22 of the Office of Consumer Services.

23 Q. Please state your educational background and
24 professional experience.

1 A. I received a Bachelor of Science in Electrical
2 Engineering from Union College in 1986. I
3 joined the Department of Public Service in 1987
4 and currently work in the Office of Consumer
5 Services. I have also held a position in the
6 former Power Division, Electric Transmission and
7 Distribution Section and Office of
8 Telecommunications, Network Reliability Section.

9 Q. Please describe your responsibilities within the
10 Department of Public Service.

11 A. My duties are centered on economic development
12 and business advocacy, including evaluating
13 utility economic development plans and
14 resolution of business issues related to
15 economic development and service issues. I have
16 previously testified before the Commission in
17 several matters, most recently regarding the New
18 York State Electric & Gas Corporation and
19 Rochester Gas and Electric Corporation in Cases
20 15-E-0283, 15-G-0284, 15-E-0285 and 15-G-0286.

21 Q. Ms. Ferreri, what is your position at the
22 Department?

23 A. I am employed as a Utility Analyst in the
24 Consumer Advocacy and Education Section of the

1 Office of Consumer Services.

2 Q. What is your education and background?

3 A. I received a Bachelor of Arts degree in History
4 from Vassar College and a Master's degree in
5 International Relations and Economics from Johns
6 Hopkins University. Before joining the
7 Department of Public Service, I taught History
8 and Economics at the secondary level, held
9 positions as a corporate litigation paralegal
10 and in financial services, and worked as an
11 energy market analyst for a consulting firm. I
12 have worked for the Department of Public Service
13 since 2013. I work in the Office of Consumer
14 Services where my responsibilities include
15 advocating on behalf of residential customers in
16 utility rate proceedings, monitoring utility
17 service quality incentive programs and
18 evaluating utility low-income programs.

19 Q. Have you previously testified before the
20 Commission?

21 A. Yes, I have testified regarding Central Hudson
22 Gas and Electric Corporation in Cases 14-E-0318
23 and 14-G-0319 and New York State Electric & Gas
24 Corporation and Rochester Gas and Electric

1 Corporation in Cases 15-E-0283, 15-G-0284, 15-E-
2 0285, and 15-G-0286. The subjects of my
3 previous testimony include customer service,
4 service quality, billing, and outreach and
5 education.

6 Q. Ms. Senatore, what is your position at the
7 Department?

8 A. I am employed as a Utility Consumer Program
9 Specialist in the Outreach and Education section
10 of the Office of Consumer Services.

11 Q. Please describe your educational background and
12 professional experience.

13 A. I received a Bachelor of Science degree in
14 Business Administration from the University of
15 Phoenix. Before joining the Department, I
16 served as director of communications and senior
17 project manager at a civil engineering firm
18 involved in California's largest transportation,
19 education, and water and energy projects. As
20 Senior Project Manager, I managed an air-quality
21 outreach program that was designed to keep
22 community leaders, public officials, and local
23 stakeholders informed about clean air programs,
24 policies, and objectives. Later, I was an

1 education coordinator at the Building Industry
2 Association of Southern California, where I
3 launched the Association's sustainable
4 development education programs. I have worked
5 for the Department of Public Service since 2014.
6 I work in the Office of Consumer Services where
7 my responsibilities include oversight and review
8 of utility service operations and customer
9 service practices.

10 Q. Have you previously testified before the
11 Commission?

12 A. No, I have not.

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

15 A. I am employed as a Utility Analyst Trainee in
16 the Consumer Advocacy and Education Section of
17 the Office of Consumer Services.

18 Q. Please describe your educational background and
19 professional experience.

20 A. I received a Bachelor of Arts degree in Public
21 Communications with a minor in Spanish from The
22 College of Saint Rose. Before my employment at
23 the Department, I was a copy editor at The
24 Saratogian and Troy Record newspapers in

1 Saratoga Springs, New York and Troy, New York.
2 I joined the Department in January 2015,
3 performing tasks associated with monitoring
4 utility compliance with consumer protection and
5 service requirements contained in the New York
6 State Public Service Law and Public Service
7 Commission regulations. My responsibilities
8 include advocating on behalf of residential
9 customers and evaluating utility low income
10 programs. I am involved in the Reforming the
11 Energy Vision proceeding, Case 14-M-0101; the
12 Low Income Affordability proceeding, Case 14-M-
13 0565; the Community Net Metering proceeding,
14 Case 15-E-0082; and the Central Hudson
15 management audit, Case 16-M-0001.

16 Q. Have you previously testified before the
17 Commission?

18 A. Yes, I have testified regarding the New York
19 State Electric & Gas Corporation and the
20 Rochester Gas and Electric Corporation in Cases
21 15-E-0283, 15-G-0284, 15-E-0285, and 15-G-0286.
22 The subjects of my previous testimony include
23 uncollectible expense, service terminations,
24 credit card payments, trip charge fees, and

1 outreach and education.

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

4 A. The purpose of our testimony is to make
5 recommendations regarding The Brooklyn Union Gas
6 Company d/b/a National Grid (KEDNY) and KeySpan
7 Gas East Corporation d/b/a National Grid (KEDLI)
8 (collectively, the Companies) proposals to:
9 modify the Customer Service Performance
10 Incentive Mechanisms (CSPI) and introduce new
11 measures; modify the Companies' low-income
12 programs and eliminate the On Track arrears
13 forgiveness programs; create an incentive
14 mechanism for reducing residential service
15 terminations; and modify KEDLI's smart
16 thermostat program. We will also propose an
17 alternative to the Companies new performance-
18 based ratemaking mechanism for reducing
19 terminations and a new proposal to reduce
20 uncollectible expense. Additionally, we make
21 recommendations regarding call center technology
22 upgrades and KEDNY's call center staffing.
23 Finally, we recommend changes to one of the
24 proposed Economic Development Grant Programs and

1 clarify the spending cap and the disposition of
2 unspent, unencumbered program funds.

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

6 A. Yes, we will refer to, and have relied upon,
7 several responses provided by the Companies to
8 Interrogatory Requests (IR). These responses
9 are contained within Exhibit ____(CSP-1).

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

12 A. Yes, we are sponsoring five exhibits.

13 Q. Would you briefly describe each exhibit?

14 A. Exhibit ____(CSP-1) contains the Companies'
15 responses to Staff interrogatories we have
16 relied upon. Exhibit ____(CSP-2) presents the
17 current Customer Service Performance Incentive
18 Program target levels for KEDNY and KEDLI.
19 Exhibit ____(CSP-3) shows the Companies' proposed
20 CSPI program. Exhibit ____(CSP-4) presents our
21 recommendation regarding an incentive for
22 residential service terminations and
23 uncollectibles. Exhibit ____(CSP-5) contains the
24 Companies' PSC Complaint Rate data from 2011 to

1 2015.

2

3 **Customer Service Performance Incentive (CSPI) Program**

4 Q. What is the purpose of a CSPI?

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

14 Q. Why is a CSPI needed?

15 A. As monopoly providers of delivery service, the
16 Companies do not have a profit-based incentive
17 to provide satisfactory customer service,
18 because their customers cannot select another
19 utility on the basis of the quality of service
20 provided. However, obtaining quality service is
21 extremely important to customers. A CSPI is
22 needed to establish an incentive to the
23 Companies to provide satisfactory levels of
24 customer service performance.

1 Q. Please describe KEDNY's current CSPI.

2 A. As shown in Exhibit __ (CSP-2), the current
3 customer service quality performance metrics for
4 KEDNY are: (1) annual PSC Complaint Rate per
5 100,000 customers; (2) residential Customer
6 Transaction Satisfaction, measured through a
7 customer satisfaction survey; (3) Percent of
8 Calls Answered within thirty seconds; and (4)
9 Percent of Adjusted Customer Bills.

10 Q. Please describe KEDLI's current CSPI.

11 A. As shown in Exhibit __ (CSP-2), the current
12 customer service performance incentive metrics
13 for KEDLI are: (1) annual PSC Complaint Rate per
14 100,000 customers; (2) residential Customer
15 Transaction Satisfaction, measured through a
16 Customer Satisfaction survey; and (3) Percent of
17 Adjusted Customer Bills.

18 Q. Have the Companies achieved their customer
19 service performance targets?

20 A. KEDNY has met its performance targets in recent
21 years. KEDLI has met its performance targets
22 from 2008 to 2012. In 2013, it failed to meet
23 the Customer Satisfaction target, and in 2014 it
24 failed to meet the targets for the PSC Complaint

1 Rate and the Customer Satisfaction survey.

2 KEDLI incurred Negative Revenue Adjustments
3 (NRAs) of \$4.445 million in 2013, and \$8.9
4 million in 2014.

5 Q. Do the Companies propose any modifications to
6 the customer service performance targets?

7 A. Yes. The Companies propose to modify their
8 service quality programs. As shown in Exhibit
9 __ (CSP-3), the Companies propose the following
10 changes to the current service quality metrics.
11 First, the Percentage of Calls Answered within
12 thirty seconds metric is currently set at 59.0%
13 for KEDNY. This metric is currently not in
14 place for KEDLI. The Companies propose to
15 update this metric to 62.2% for KEDNY, and to
16 establish it as a metric for KEDLI at 62.2%.
17 Second, the metric for Adjusted Customer Bills
18 is currently set at 1.69% for both KEDNY and
19 KEDLI. The Companies propose new targets of
20 0.58% for KEDNY and 1.24% for KEDLI. Third, the
21 annual PSC Complaint Rate metric is currently
22 set at 1.1, and the Companies propose to set the
23 target to 1.05 for KEDNY, and to continue the
24 current target of 1.1 for KEDLI. Fourth, the

1 current Customer Satisfaction survey metric is
2 set at 84.8% for KEDNY and 83.4% for KEDLI, and
3 the Companies propose to maintain the current
4 target levels.

5 Q. Do the Companies propose to achieve these
6 targets with their current labor resources?

7 A. No, they do not. KEDNY proposes six additional
8 call center representatives and one supervisor
9 to meet the more stringent Call Answer Rate
10 target.

11 Q. Do the Companies propose any other changes to
12 the CSPI?

13 A. Yes, as shown in Exhibit __ (CSP-3), the
14 Companies propose to include new metrics which
15 they claim will better measure customer
16 satisfaction. The first new metric is Payment
17 Processing. This metric will measure the
18 proportion of total exceptions due to company
19 error, per 100,000 payments processed. The
20 second proposed new metric measures the
21 percentage of customers using Interactive Voice
22 Response (IVR) and who are able to complete a
23 transaction through the automated system without
24 speaking to a call center representative. The

1 third proposed new metric is the Percentage of
2 Appointments Kept, which is currently a
3 performance indicator metric and reported to
4 Department Staff monthly. The Percentage of
5 Appointments Kept measures customer appointments
6 for service at the customer's premises, at a
7 time and date agreed upon by both the customer
8 and the Company. Services include meter reads,
9 service turn on and turn off, meter changes,
10 investigation of possible gas leaks, and other
11 safety issues. These three metrics would be
12 added to the existing and proposed four CSPI
13 metrics, to form a new system of seven metrics.
14 Failure to achieve targets in these seven areas
15 could result in potential negative revenue
16 adjustments.

17 Q. What weights would each of the separate metrics
18 have in this new system?

19 A. The weights of each respective metric in the
20 proposed new metric system would range from 5%
21 to 20% of the total score possible in customer
22 service, as shown in Exhibit ____ (CSP-3).

23 Q. Please explain the current weights of the
24 established metrics currently in place, and

1 explain how they would be weighed as a
2 proportion of the total in the proposed new
3 metric system.

4 A. First, the annual PSC Complaint Rate target for
5 KEDNY has a weight of approximately 40% based on
6 the proportion of potential negative revenue
7 adjustments. The new proposal would reduce the
8 weight to 5%. The current PSC Complaint Rate
9 target for KEDLI has a weight of approximately
10 45% based on the proportion of potential
11 negative revenue adjustments. The new proposal
12 would reduce the weight to 5%. Second, the
13 current target for Customer Satisfaction for
14 KEDNY has a weight of approximately 40% based on
15 the proportion of potential negative revenue
16 adjustments. The new proposal would reduce the
17 weight to 10%. The current target for customer
18 satisfaction for KEDLI has a weight of
19 approximately 45% based on the proportion of
20 potential negative revenue adjustments. The new
21 proposal would reduce the weight to 10%. Third,
22 the Percentage of Total Bills Adjusted/Billing
23 Accuracy metric is currently in place for both
24 KEDNY and KEDLI. The current target for KEDNY

1 has a weight of approximately 10% based on the
2 proportion of potential negative revenue
3 adjustments. The Companies' proposal would
4 increase the weight to 20%. The current target
5 for KEDLI has a weight of approximately 10%
6 based on the proportion of potential negative
7 revenue adjustments. The Companies' proposal
8 would increase the weight to 20%. Fourth, the
9 Percentage of Calls Answered within thirty
10 seconds is currently in place for KEDNY and has
11 a weight of approximately 10% based on the
12 proportion of potential negative revenue
13 adjustments. The Companies' proposal would
14 increase the weight to 20%. Currently, KEDLI
15 does not have a Calls Answered within thirty
16 seconds metric. The Companies propose to add
17 this as a new metric, with a weight of 20%.

18 Q. Explain the weights of the three proposed new
19 metrics, and describe how they would be weighed
20 as a proportion of the total new metrics in the
21 performance incentive program.

22 A. Payment Processing would have a weight of 20% in
23 the proposed metrics system for KEDNY and the
24 same amount for KEDLI. Percentage of

1 Appointments Kept would have a weight of 20% in
2 the proposed metrics system for KEDNY and the
3 same amount for KEDLI. IVR Self-service Rate
4 would have a weight of 15% in the proposed
5 metrics system for KEDNY and the same amount for
6 KEDLI.

7 Q. In addition to the three new metrics, do the
8 Companies propose other metrics having positive
9 incentives?

10 A. Yes, they propose two new positive incentive-
11 only metrics for the percentage of payments made
12 through the web and mobile applications and for
13 low income outreach and assistance program
14 engagement. The web and mobile payment positive
15 incentive would measure the payments received
16 through One Time Payment on the Companies'
17 website, or mobile application, as a percentage
18 of total payments received. The low income
19 outreach and assistance positive incentive
20 mechanism would measure the number of low income
21 program participants assisted with a KEDNY or
22 KEDLI billing matter or referred to a health and
23 human service agency by a Consumer Advocate at
24 an outreach event.

1 Q. What other changes to the CSPI do the Companies
2 propose?

3 A. The Companies propose a mechanism that would
4 allow them to offset underperformance for one
5 metric with superior performance in another
6 metric. This new feature could allow the
7 Companies to avoid a negative revenue adjustment
8 (NRA) for unsatisfactory service due to
9 underperformance in a particular metric if they
10 obtain superior performance in another.

11 Q. Would the Companies' recent performance in the
12 areas of the proposed new metrics result in a
13 positive revenue adjustment or the offset of
14 underperformance in another area according to
15 the Companies' proposal?

16 A. The Companies present data in their response to
17 IR DPS-423, Attachment 1 on page 3, included in
18 Exhibit __ (CSP-1), indicating there would have
19 been a "partial offset of the total penalty
20 amount", in certain categories of the proposed
21 service quality program. The Companies state
22 that KEDNY "would have missed the penalty
23 threshold for adjusted bills, but met the
24 stretch targets for IVR self-service and

1 customer satisfaction, thereby achieving a
2 partial offset of the total penalty amount."
3 Review of KEDLI's performance under the proposed
4 new system indicates that it would have met
5 stretch targets for contact center service level
6 and achieved a partial offset of a negative
7 revenue adjustment as well.

8 Q. What do the Companies' propose regarding the
9 amounts at risk for negative revenue
10 adjustments?

11 A. The Companies propose to maintain the \$11.7
12 million in total potential pre-tax NRAs for
13 KEDNY and \$9.9 million in total potential pre-
14 tax NRAs for KEDLI.

15 Q. Is there a tripling or quadrupling provision in
16 the Companies' current rate plans?

17 A. Yes. Effective August 23, 2007, in Case 06-M-
18 0878, the Commission issued an Abbreviated Order
19 Authorizing Acquisition Subject to Conditions
20 and Making Some Revenue Requirement
21 Determinations for KEDNY and KEDLI. In the
22 Commission's 2007 Order, the Commission
23 established NRAs for underperformance at twice
24 the level agreed upon by the parties included in

1 the Joint Proposal. The Commission also ordered
2 that these NRAs would be subject to tripling if
3 the missed target performance occurs when
4 dividend restrictions are in effect. Further,
5 the Commission ordered that NRA amounts would be
6 quadrupled for any year in which a measure is
7 not met and had not been met in any two of the
8 prior four years. The Companies are not
9 proposing to change the current NRA amounts;
10 however, they propose to eliminate the tripling
11 and quadrupling provisions.

12 Q. Does the Panel recommend the implementation of
13 all of the Companies' proposals regarding
14 customer service metrics?

15 A. No, we do not recommend implementation of these
16 changes. Based on our review, we recommend that
17 the Customer Service Performance Incentive
18 program continue within its current framework,
19 and that the expanded metrics proposed by the
20 Companies not be implemented. In addition, we
21 await potential Commission action from the
22 findings of the Data Audit, which is further
23 discussed later in our testimony. We recommend
24 that the Companies' Customer Service Performance

1 Incentive Programs continue until modified by
2 the Commission.

3 Q. What is the Panel's recommendation regarding the
4 Call Answer Rate?

5 A. The Percentage of Calls Answered within thirty
6 seconds should be increased from 59.0 percent to
7 60.6 percent instead of the 62.2 percent as
8 proposed by KEDNY. The lower target corresponds
9 to our recommended reduced staffing levels,
10 which will be discussed in the testimony
11 regarding call center staffing. For KEDLI, we
12 recommend that the Call Answer Rate metric be
13 established at the rate of 62.2 percent, as
14 proposed by KEDLI.

15 Q. Does the Panel propose to continue any other
16 measures?

17 A. Yes, in part. The annual PSC Complaint Rate
18 should be continued at the current target of 1.1
19 for KEDLI and KEDNY. The Adjusted Customer
20 Bills metric should be continued at the current
21 target of 1.69 percent for both Companies. The
22 Residential Customer Transaction Satisfaction
23 Survey targets of 84.8 percent for KEDNY and
24 83.4 percent for KEDLI should be continued, as

1 proposed by the Companies.

2 Q. Does the Panel recommend any other modifications
3 to the current CSPI?

4 A. We recommend that the overall structure
5 currently in place for the CSPI remain
6 unchanged. Adding the three proposed new
7 metrics and making the additional changes to the
8 calculations of the Companies' score are not
9 recommended.

10 Q. What is the Panel's recommendation regarding the
11 first new metric, Payment Processing?

12 A. Payment Processing measures the proportion of
13 total exceptions due to company error per
14 100,000 transactions processed. Correct payment
15 processing is a basic duty of any business, and
16 this metric would potentially provide additional
17 benefit for the Companies for doing something
18 that they are expected to do as part of normal
19 and acceptable business practices. Accurate
20 payment processing already provides the benefits
21 of correct revenue accounting for the Companies,
22 as well as the benefit of maintaining a positive
23 relationship with customers who have the
24 reasonable expectation that their bills will be

1 accurately processed and their accounts credited
2 with their payment on time in a manner that will
3 prevent late fees or termination of service.

4 There is also a limited data pool for analysis
5 regarding this proposed metric, and data that
6 covers a longer period of time would be needed
7 in order to evaluate this proposal. We do not
8 support the addition of this metric to the
9 performance program.

10 Q. What is the Panel's recommendation regarding the
11 second proposed new metric, which measures the
12 percentage of customers using Interactive Voice
13 Response (IVR)?

14 A. This metric measures the percentage of customers
15 using Interactive Voice Response (IVR) that are
16 able to complete a transaction through the
17 automated system without speaking to a call
18 center representative. We do not recommend the
19 adoption of this metric. While it appears that
20 increasing numbers of customers are completing
21 transactions through the automated system
22 without speaking to a call center
23 representative, this does not provide sufficient
24 basis to include it as a new metric. IVR

1 contributes to efficiency, and the Companies
2 should pursue strategies to increase customer
3 use of IVR to obtain the efficiency gains, but
4 the Companies have not shown that the measure of
5 this proposed metric has an impact on customer
6 service quality nor that it would be a valid
7 measurement of service quality. This is another
8 metric that can be considered part of standard
9 business practices. Providing customers a
10 reliable IVR experience assists them in paying
11 their bills on time, and in setting up
12 appointments, without speaking to a call center
13 representative. Reducing the incoming calls to
14 representatives allows them to spend more time
15 and resources reaching out to customers who may
16 be payment troubled and wish to set up a
17 deferred payment agreement, who may wish to set
18 up new service, and other services which are
19 facilitated by customer service representatives.
20 Reducing the demands on representatives also
21 benefit the Companies in that there may not be a
22 need to add as much additional labor at times of
23 increased usage if more customers can
24 successfully take care of their own transactions

1 through IVR. Fewer representative-assisted
2 transactions for ordinary items such as bill
3 paying frees customer service representatives to
4 tend to other customer problems. This reduction
5 in representative-assisted call volume benefits
6 the Companies by allowing them to utilize
7 existing resources effectively.

8 Q. Is there sufficient data to evaluate this
9 metric?

10 A. No. There is a limited data pool for analysis
11 regarding this proposed metric, and data that
12 covers a longer period of time is needed in
13 order to evaluate this proposal. In addition,
14 the data measures the services provided to a
15 portion of customers who self-select by their
16 usage of IVR; it does not measure services
17 provided to the majority of customers and
18 therefore the data pool has limited value as an
19 indicator of service quality.

20 Q. What is the Panel's recommendation regarding the
21 addition of the third proposed new metric,
22 Percentage of Appointments Kept, which is
23 currently a performance indicator metric.

24 A. We recommend that this proposed new metric

1 remain a part of the performance indicator
2 metrics and that it not be implemented as a
3 third proposed new metric. Again, keeping
4 scheduled appointments is part of accepted
5 standards of good business practices. Given the
6 essential function of the services provided by
7 utility companies, they have an important
8 responsibility to keep appointments so that
9 customers may be provided new service in a
10 timely manner, and to respond to customer
11 requests for the shut off of service. Keeping
12 appointments is a key factor in maintaining safe
13 provision of service, particularly in cases
14 where the customer expresses safety related
15 concerns and requests a service call related to
16 possible gas leaks or other safety issues. By
17 maintaining a high level of performance in
18 keeping appointments, the Companies derive the
19 benefit of adding new customers and additional
20 revenue to their operations, and also benefit by
21 becoming aware of, and being able to respond to
22 safety issues. As a general business practice,
23 the Companies should not miss customer
24 appointments.

1 Q. Does the Panel have another proposal related to
2 missed appointments?

3 A. Yes, the Companies should provide a \$30 credit
4 to customers in the event the Companies miss an
5 appointment. This would compensate customers
6 who have been inconvenienced by a missed
7 appointment for their time. In addition, we
8 recommend that customers not be charged for what
9 the Companies term "an unproductive field
10 visit." The Companies should call the customer
11 prior to keeping the appointment and either
12 confirm the appointment or reschedule it if the
13 customer will be unavailable at the originally
14 scheduled time.

15 Q. Does the Panel recommend that the Commission
16 grant the Companies' proposal to establish a
17 positive-only incentive metric measuring the
18 percentage of payments made through the web and
19 mobile applications?

20 A. No, we do not recommend that this metric be
21 implemented. First, when customers make
22 payments through the web and mobile
23 applications, customer service representatives
24 are not involved in the transaction, and can

1 direct their efforts toward assisting other
2 customers. By removing a significant number of
3 transactions from the paper billing stream, this
4 method of payment provides a benefit to the
5 Companies by reducing the need to direct
6 resources toward processing paper-based
7 payments. Second, the Companies have provided
8 only limited amounts of data regarding
9 percentage of payments made through the web and
10 mobile applications. In the response to IR DPS-
11 423, Exhibit __ (CSP-1), the Companies state that
12 "because certain metrics are new, there is
13 limited information available upon which to
14 perform an analysis. Therefore, a meaningful
15 analysis of the overall outcome of the new
16 metrics is not possible." This data set
17 consists of approximately three years of data,
18 and consequently is not large enough to provide
19 an effective basis of analysis.

20 Q. Do you recommend that the Commission grant the
21 Companies' proposal to establish a positive-only
22 incentive metric which measures low income
23 outreach and assistance program engagement?

24 A. No, we do not recommend that this metric be

1 implemented. The Companies have not provided
2 sufficient evidence that this proposed metric
3 can be effectively measured and analyzed. It is
4 unclear how the Companies can effectively
5 quantify and measure benefits that customers may
6 have derived from referral to social service
7 agencies. Also, it is presumptively beneficial
8 to refer customers to department of social
9 services who are income-qualified, but it is
10 difficult verifying that only qualified
11 individuals are referred. The Companies could
12 refer many individuals, many of whom do not
13 qualify for assistance. This would essentially
14 render any measure of referrals imprecise at
15 best, resulting in data that may be misleading
16 and fundamentally unreliable in its accuracy.
17 In addition, customers may already have worked
18 with outside agencies, may already be
19 participating in other beneficial social service
20 programs, and may have chosen to not disclose
21 participation information to the Company
22 representative at an outreach event. The
23 Companies have not sufficiently demonstrated how
24 they will measure and quantify this data in a

1 manner that can show clear benefits to customers
2 at a level that would justify the potential
3 financial gain to be derived from implementation
4 of this metric as a positive incentive-only
5 metric.

6 Q. Does the Panel recommend that the Commission
7 approve the Companies' proposal to establish a
8 performance mechanism whereby superior
9 performance in one area can offset
10 underperformance in another area?

11 A. No, we do not make this recommendation.
12 Allowing superior performance to offset
13 underperformance in another area does not incent
14 the Companies to improve their efforts at
15 achieving good performance in all areas of
16 customer service. Application of over-
17 performance reduces the effectiveness of the
18 current customer service quality performance
19 mechanism, by marginalizing any level
20 achievement in other metrics. Important and
21 well-recognized metrics such as the PSC
22 Complaint Rate and Customer Satisfaction metrics
23 will be diluted by including new metrics whose
24 efficacy in measuring customer service

1 performance has not been proven. The proposed
2 mechanism provides a framework that offers the
3 possibility to reduce standards in areas that
4 the Commission has deemed essential, in favor of
5 allowing the Companies to substitute other
6 measures that have not been proven to be
7 effective measures of customer service quality,
8 or that can be accurately measured and verified.
9 Implementation of new metrics coupled with this
10 performance mechanism is likely to lead to a
11 decline in areas of customer service that are
12 considered important to consumers, rather than
13 providing a framework that ensures consistent,
14 high levels of customer service.

15 Q. What is the Panel's recommendation regarding the
16 tripling and quadrupling of the negative revenue
17 adjustment provisions in the current Rate Plan?

18 A. We recommend that the tripling, and quadrupling
19 negative revenue adjustment provisions be
20 maintained. KEDLI missed a total of three
21 performance targets in 2013 and 2014, indicating
22 that the underlying reasons why the Commission
23 imposed the tripling and quadrupling provisions
24 in the merger proceeding still exist today.

1 Q. Does the Panel recommend any other modifications
2 to the current CSPI?

3 A. We recommend that the fundamental structure
4 currently in place for the CSPI remain
5 unchanged. The addition of the three proposed
6 new metrics, the two incentive-only metrics, and
7 the offsetting mechanism is not recommended.

8 Q. What should be the term of the CSPI?

9 A. The CSPI should continue until modified by the
10 Commission.

11 Q. What is the Data Audit?

12 A. On August 15, 2013, the Commission instituted a
13 proceeding in Cases 13-M-0314 and 15-M-0566 for
14 an independent third party consultant to conduct
15 a focused operations audit of the accuracy of
16 the self-reported data regarding customer
17 service, among other things, by multiple gas and
18 electric utilities in New York State.

19 Q. What is the status of the Data Audit?

20 A. The consultant submitted a report to the
21 Commission in April 2015. Staff is analyzing
22 the various utilities' responses to the report
23 and the results of the Data Audit are pending.
24 It would be premature to establish new metrics

1 before the results of the Audit have been
2 determined.

3

4 **Low Income Programs**

5 Q. Summarize the importance of low income energy
6 assistance programs for customers.

7 A. Energy costs continue to place a great burden on
8 low income households. Lower-income customers
9 historically have spent a larger portion of
10 their incomes on energy costs, estimated in the
11 range of 15 to 20 percent of total income, when
12 compared to middle and upper income households,
13 whose home energy burdens typically lie in the
14 range of 1 to 5 percent. Financial assistance
15 for these households is essential as energy
16 costs continue to place a burden on low income
17 customers. In addition, the Commission has
18 recognized the need to support low income and
19 affordability programs for customers facing
20 financial difficulties in each of the major
21 investor-owned energy utility service
22 territories. The Commission's ongoing Low
23 Income proceeding, Case 14-M-0565, Proceeding on
24 Motion of the Commission to Examine Programs to

1 Address Energy Affordability for Low Income
2 Utility Customers, is examining programs that
3 address energy affordability for low income
4 customers. The Commission has indicated that it
5 will provide guidance on design, funding,
6 eligibility, and benefit levels for low income
7 programs.

8 Q. Please summarize the Companies' current low
9 income customer programs.

10 A. The Companies' current low income programs
11 include the Residential Reduced Rate Program and
12 the On Track arrearage forgiveness program.

13 Q. Please describe the Residential Reduced Rate
14 Program.

15 A. The Residential Reduced Rate Program provides a
16 monthly bill discount to qualifying residential
17 heating and non-heating customers. This program
18 also provides a reconnection fee waiver of \$60
19 for KEDNY participants whose service is
20 disconnected for non-payment. KEDLI
21 participants are not charged reconnection fees.

22 Q. What are the bill discounts for the Residential
23 Reduced Rate Program?

24 A. The existing bill discounts for KEDNY's program

1 participants are monthly minimum charge
2 discounts of 21.83 percent for non-heating
3 customers and 56.52 percent for heating
4 customers, and a discount of 49.61 percent on
5 the second rate blocks during winter months.
6 For KEDLI, the existing bill discounts for
7 recipients are monthly minimum charge discounts
8 of 49.94 percent for non-heating customers and
9 83.19 percent for heating customers, and a
10 discount of 41.45 percent on the second rate
11 blocks during winter months.

12 Q. What are the Companies proposing regarding the
13 Residential Reduced Rate Program?

14 A. The Companies propose to increase the budget of
15 the Residential Reduced Rate Program from \$9.847
16 to \$12.875 million for KEDNY and from \$3.323 to
17 \$4.661 million for KEDLI.

18 Q. Please describe the Companies' arrears
19 forgiveness program.

20 A. The arrears forgiveness program, called On
21 Track, provides low income customers with a
22 deferred payment agreement, money management
23 education, account management and arrears
24 forgiveness for on-time payments. The 2015

1 expenditures for the On Track program were
2 \$319,767 and \$88,620 for KEDNY and KEDLI
3 respectively. Of the total expenditures,
4 salaries comprised 71 percent for KEDNY and 90
5 percent for KEDLI, which indicates very high
6 administrative costs. Program administration
7 costs do not provide tangible benefits to low
8 income customers.

9 Q. What are the Companies' current eligibility
10 criteria for enrollment in the low income
11 programs?

12 A. For the Residential Reduced Rate program,
13 customers who received a HEAP grant within the
14 last 14 months are automatically enrolled to
15 receive the monthly bill discount. Recipients
16 of other public assistance programs are manually
17 enrolled; these programs include Temporary
18 Assistance for Needy Families, Safety Net
19 Assistance, Supplemental Security Income,
20 Medicaid, Food Stamps, Veteran's Disability
21 Pension, Veteran's Surviving Spouse Pension and
22 Child Health Plus. For the On Track program,
23 eligibility is limited to single and two-family
24 residential gas heating customers with arrears

1 greater than \$400.

2 Q. What is the level of participation in the
3 Companies' low-income customer programs?

4 A. According to the Companies' response to IR DPS-
5 249, Exhibit __ (CSP-1), in 2015, KEDNY had
6 60,809 customers enrolled in the Residential
7 Reduced Rate and 1,012 customers enrolled in the
8 arrears forgiveness program. In 2015, KEDLI had
9 11,517 customers enrolled in the bill reduction
10 program and 64 customers enrolled in the arrears
11 forgiveness program.

12 Q. What modifications do the Companies propose for
13 their low income customer programs?

14 A. For the Residential Reduced Rate program, the
15 Companies propose a five percent increase in the
16 discounts for the monthly customer charges and
17 second rate blocks, applicable in winter months
18 only, to heating and non-heating customers, as
19 well as forming a collaborative with various
20 agencies to explore a file-sharing mechanism
21 that would allow for automatic enrollment of
22 other qualifying recipients. The Companies also
23 propose to eliminate the On Track arrears
24 forgiveness program due to low enrollment, high

1 labor costs and high default rates.

2 Q. Do the Companies have a proposal regarding
3 increasing enrollment for eligible customers?

4 A. Yes, the Companies also propose to establish a
5 collaborative with Staff; the City of New York's
6 Human Resources Administration, or HRA; the
7 Office of Temporary and Disability Assistance,
8 or OTDA; and other interested parties to develop
9 a method of file matching that limits, phases
10 in, and prioritizes the automatic enrollment of
11 new participants based on the greatest need.

12 Q. Does the Panel have any other recommendations
13 concerning the Companies' low income programs?

14 A. Until the Commission provides guidance and a
15 general policy direction in its generic
16 examination of utility low income programs in
17 Case 14-M-0565, we agree with the Companies' low
18 income proposals and recommend that the
19 Commission approve the Companies' proposals to
20 increase the Residential Reduced Rate bill
21 discounts, discontinue the On Track arrears
22 forgiveness program and to form a collaborative
23 to explore a file-matching mechanism to expand
24 enrollment in the Residential Reduced Rate

1 Program.

2 Q. Do you have any recommendations regarding what
3 should happen when the Commission issues an
4 order in the Low Income Proceeding?

5 A. Yes, upon the issuance of such an order, we
6 recommend that the Companies modify the low
7 income programs as soon as possible to conform
8 to the Commission order. Any increased low
9 income program expenditures by the Companies
10 should be deferred for future recovery by the
11 Companies.

12 Q. Please describe the proposed funding mechanism
13 for the low income programs.

14 A. The funding for the low income programs is
15 currently accounted for in the Companies' rate
16 design. The proposed budgets for the program
17 will be included in a line item in the O&M
18 expense, providing increased transparency and
19 ease of administration of low income program
20 allocations. We also recommend a two-way
21 deferral mechanism so that any under
22 expenditures should be rolled over for future
23 use for the low income program and any over
24 expenditures should be recovered by the

1 Companies. The proposals are discussed in
2 Staff's Gas Rates Panel.

3

4 **Residential Service Terminations**

5 Q. What is the Companies' proposal regarding
6 service terminations?

7 A. The Companies propose an incentive mechanism to
8 reduce residential service terminations. Under
9 the proposal, KEDNY would receive \$1.4 million
10 if terminations were reduced below 38,000. This
11 is a 5 percent reduction from the five-year
12 average of 39,903, or in the alternative \$2.1
13 million if terminations were reduced below
14 37,000. This is a 7.5 percent reduction from
15 the five-year average. KEDLI would receive
16 \$730,000 if terminations are reduced to below
17 13,300, a five percent reduction from the
18 approximately 14,000 terminations in Calendar
19 Year 2015. KEDLI would also be entitled to
20 \$1.04 million if terminations were reduced below
21 13,000; a 7.5 percent reduction from the 2015
22 average. The Companies state that the incentive
23 levels are consistent with the incurred expenses
24 if the terminations were performed.

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

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

24 Q. How have the Companies performed historically

1 regarding uncollectible expenses and residential
2 terminations?

3 A. As shown in Exhibit __ (CSP-4), KEDNY has
4 maintained an average rate of about 38,000
5 terminations on an annual basis for the previous
6 seven years, from 2009 through 2015. Its
7 residential bad debt in 2015 was about \$11.4
8 million, a decrease from a normalized seven-year
9 average of approximately \$16 million. For the
10 same time period, KEDLI has maintained an
11 average rate of over 9,000 terminations and over
12 \$10 million in residential bad debt.

13 Q. What is the Panel's recommendation regarding a
14 termination incentive?

15 A. The Companies should be encouraged to alter
16 their practices to reduce residential service
17 terminations for nonpayment while at the same
18 time not increasing uncollectibles. Rather than
19 propose specific actions that the Companies
20 should take as alternatives to service
21 termination or increased uncollectible debt, we
22 recommend that the Commission adopt a positive
23 financial incentive for the Companies to
24 identify and implement new measures to reduce

1 residential service terminations for nonpayment
2 while decreasing, or maintaining, the dollar
3 amount of bad debt from residential accounts.
4 We also recommend a potential NRA, if either
5 residential terminations or residential bad debt
6 increase significantly.

7 Q. Please explain the Panel's incentive
8 recommendation.

9 A. Additional detail related to the incentive
10 proposal is presented in Exhibit ____ (CSP-4).
11 For KEDNY, we recommend a maximum positive
12 revenue adjustment (PRA) of \$1.26 million if
13 KEDNY achieves both of the following targets for
14 the rate year: an uncollectible level of no more
15 than \$12.4 million and residential service
16 terminations for nonpayment of no more than
17 34,600 customers. If uncollectibles rise to
18 \$19.7 million or more and terminations rise to
19 41,000 customers or greater, a maximum NRA of
20 \$1.26 million should be applied. For KEDLI, we
21 recommend a maximum PRA of \$840,000 if KEDLI
22 achieves similar targets for the rate year, with
23 an uncollectible level of no more than \$8.9
24 million and residential service terminations for

1 non-payment of no more than 8,700 customers. If
2 uncollectibles rise to \$11.7 million or more and
3 terminations rise to 10,000 customers or more, a
4 maximum NRA of \$840,000 should be applied.

5 Partial positive or negative revenue adjustments
6 are possible if targets are partially met, as
7 detailed in Exhibit __ (CSP-4).

8 Q. How did the Panel determine the recommended
9 amounts?

10 A. The maximum PRA and NRA is approximately seven
11 basis points, which we believe is an appropriate
12 amount in this instance for an incentive
13 mechanism. It provides a meaningful amount as
14 an incentive to the Companies to strive to
15 achieve the incentive targets.

16 Q. How did the Panel determine the recommended
17 targets?

18 A. KEDNY and KEDLI's targets are based on the most
19 recent normalized seven-year average of both
20 uncollectibles and terminations with a standard
21 deviation above and below the normalized seven-
22 year average, as shown in Exhibit __ (CSP-4). To
23 normalize the data, the highest and lowest years
24 were not included in the averages. In

1 determining our recommendation, we utilized a
2 similar methodology that was used in the Orange
3 and Rockland Utilities rate proceeding, Cases
4 14-E-0493 and 14-G-0494, as well as New York
5 State Electric & Gas and Rochester Gas and
6 Electric Corporation rate proceedings, Cases 15-
7 E-0283, 15-G-0284, 15-E-0285 and 15-G-0286.
8 These methodologies are similar to the ones
9 Staff has used in the past, and we have utilized
10 in this case to set the targets for the customer
11 service performance incentive mechanisms.
12 Targets based on this methodology have been
13 approved by the Commission.

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

17 A. Yes. We recommend that the Companies file with
18 the Secretary to the Commission quarterly and
19 annual reports beginning within 60 days of a
20 Commission rate order in these proceedings, to
21 demonstrate the Companies' progress relative to
22 the goals of the incentive mechanism and to
23 provide updates on any actions being taken to
24 achieve those goals. This will assist Staff in

1 assessing the impact of this new incentive
2 measure.

3

4 **Credit/Debit Card Payments**

5 Q. How do the Companies currently handle credit and
6 debit card payments?

7 A. Currently, a third-party vendor, Western Union,
8 processes credit and debit card payments on
9 behalf of the Companies. These payments are
10 accepted via phone, web, mobile web, call center
11 agent, or third-party collection agent as stated
12 in the Companies' response to IR DPS-408,
13 Exhibit __ (CSP-1). Residential customers are
14 charged a \$2.25 per-transaction fee when they
15 pay their KEDNY or KEDLI bill with a credit or
16 debit card.

17 Q. What is the Panel's proposal regarding
18 credit/debit card payments?

19 A. We propose that the Companies process
20 credit/debit cards directly so residential
21 customers do not incur a fee every time they pay
22 their bill with a credit/debit card. The costs
23 associated with this payment method should be
24 considered among the Companies' general costs of

1 doing business, such as direct debit and auto-
2 pay, and be recovered in base rates. We request
3 that the Companies obtain estimated credit card
4 transaction rates from Visa, MasterCard and
5 other credit card companies currently accepted
6 by the Companies' third-party vendor and include
7 these estimates in their rebuttal testimony.

8 Q. What is your basis for proposing this
9 programmatic change?

10 A. The number of customers who use a credit or
11 debit card to pay their bills, including their
12 utility bills, has consistently increased in
13 recent years. In 2015, KEDNY customers'
14 credit/debit card payments totaled over 350,000,
15 which is approximately three percent of the
16 Company's total payments while KEDLI's
17 credit/debit card transactions totaled over
18 107,000 or approximately 1.7 percent of total
19 payments, according to the Companies' response
20 to IR DPS-408, Exhibit ____(CSP-1). For the same
21 year, KEDNY customers spent over \$850,000 on
22 credit/debit card transaction fees and KEDLI
23 customers spent over \$270,000. We believe these
24 per-transaction vendor fees to pay a utility

1 bill are inconvenient and burdensome to
2 customers. We also believe the Companies will
3 benefit from reduced operational costs as a
4 result of no-fee credit/debit card transactions,
5 as customers will utilize self-service options,
6 such as online web payments and phone IVR
7 systems, to pay their bills.

8 Q. Does the Panel recommend any reporting
9 requirements for this new program?

10 A. Yes, we recommend that the Commission require
11 the Companies to submit an annual report to the
12 Secretary to the Commission evaluating
13 associated program expenditures - for example,
14 administrative costs, credit card company fees,
15 processing fees and the per-transaction rate -
16 and customer participation, in comparison with
17 the Companies' other payment methods, such as
18 walk-in offices, mail, Western Union and direct
19 debit.

20

21 **Third-Party Payment Center Fees**

22 Q. What is an authorized payment center?

23 A. According to the Companies' Shared Services
24 Panel testimony, an authorized payment center is

1 a third-party payment processing service, such
2 as Western Union. These processing services
3 typically charge customers a fee for each
4 transaction.

5 Q. What is the Companies' proposal regarding third-
6 party payment centers for KEDLI?

7 A. The Companies are requesting that KEDLI
8 customers not be charged the per-transaction fee
9 of \$1.25 and that the annual costs of these
10 fees, estimated at \$170,000, be included in the
11 revenue requirement. The Companies state in
12 testimony that the payment centers will be a
13 more convenient way for customers to pay their
14 bills and will also reduce KEDLI's reliance on
15 Public Service Enterprise Group-Long Island
16 (PSEG LI) facilities.

17 Q. Did the Companies propose a similar program for
18 KEDNY?

19 A. No, according to the Companies' proposal, KEDLI
20 customers would not have to pay individual
21 transaction fees, but KEDNY customers will
22 continue to pay such fees. The Companies did
23 not provide a justification for the disparate
24 treatment between KEDNY and KEDLI customers.

1 Q. What is the Panel's recommendation?

2 A. We support the use of third-party payment
3 centers to allow for greater customer
4 convenience. We recommend that to provide
5 consistency for KEDLI and KEDNY, KEDNY's
6 customers also should not have to pay for these
7 transaction fees and the annual costs for KEDNY
8 should also be included in the revenue
9 requirement. The Companies should provide an
10 estimate of these costs for KEDNY in their
11 Rebuttal testimony.

12

13 **PSC Complaint and Call Center Staffing**

14 Q. What is the Companies' proposal regarding adding
15 two call center escalation analysts?

16 A. The Companies proposes adding one new call
17 center escalation analyst for each Company, who
18 will be dedicated to analyzing PSC Complaints at
19 a rate year cost of \$63,206 for KEDNY and
20 \$67,342 for KEDLI.

21 Q. What is the Panel's recommendation regarding
22 this proposal?

23 A. We recommend that the Commission remove one call
24 center escalation analyst from KEDNY and that

1 the Commission allocate the remaining proposed
2 call center escalation analyst to KEDLI..
3 Q. How did the Panel arrive at its recommendation?
4 A. We utilized complaint rate data published in the
5 monthly complaint reports by the Office of
6 Consumer Services, shown in Exhibit ____(CSP-5),
7 to analyze initial and escalated complaints,
8 response time trends, and the Customer Service
9 Response Index scores for the past five years.
10 We found that initial complaints have increased
11 considerably for KEDLI and to a lesser extent
12 for KEDNY, as shown in the Initial Complaint
13 Trends graph in Exhibit ____(CSP-5). The initial
14 complaint response time trend has remained flat
15 for KEDLI and increased for KEDNY, as shown in
16 the QRS Response Time Trends graph in
17 Exhibit__(CSP-5). The Escalated Complaint trend
18 for KEDNY increased only slightly while it has
19 increased significantly for KEDLI, as shown in
20 the Escalated Complaints Trends graph in Exhibit
21 __(CSP-5). The escalated complaint response
22 time trend decreased significantly for KEDNY and
23 increased for KEDLI, as shown in the Escalated
24 Complaint Response Time Trends graph in Exhibit

1 __(CSP-5). These trends demonstrate that
2 response time for KEDNY is satisfactory, while
3 the response times for KEDLI should be improved.
4 One additional complaint analyst for KEDLI would
5 help the Company respond to complaints faster.
6 With an additional dedicated employee to handle
7 KEDLI complaints, KEDLI will have more staff to
8 process its complaints and maintain or improve
9 its response times, as shown in the KEDLI/KEDNY
10 CSRI graph in Exhibit __(CSP-5).

11 Q. Do the Companies propose any changes to call
12 center staffing?

13 A. Yes. The Companies propose adding six union
14 call center representatives and one call center
15 supervisor for KEDNY's call center.

16 Q. What are the Companies' proposals regarding call
17 center staffing?

18 A. KEDNY proposes to add six incremental call
19 center representatives and one call center
20 supervisor at a total Rate Year cost of
21 \$171,889. As noted in the Companies'
22 Exhibit__(RRP-11), Workpapers to Exhibit RRP-3,
23 Schedule 27, incremental staff are forecast to
24 start half way through rate year 2017 and thus

1 50% of salary is reflected in the revenue
2 requirement for rate year 2017.

3 Q. What is the Panel's recommendation regarding
4 these additional seven employees for KEDNY?

5 A. The Companies have not clearly demonstrated the
6 need for the addition of seven KEDNY call center
7 employees at this time. We recommend allowing
8 the addition of three of the proposed six call
9 center representatives, and disallowing the
10 additional call center supervisor.

11 Q. Why does the Panel recommend disallowing the
12 additional Supervisor?

13 A. Reducing the increased staffing from six to
14 three eliminates the need for one additional
15 supervisor. Supervision for an additional three
16 representatives can be accomplished with
17 existing supervisory resources.

18 Q. How does this affect the Call Answer Rate metric
19 for KEDNY's CSPI?

20 A. Our recommendation of an additional three
21 customer call center representatives is expected
22 to have a positive impact on call answer rate
23 performance. However, this anticipated
24 improvement in performance may take some time

1 before it is clearly reflected in the Company's
2 measurable performance. Accordingly, we propose
3 an increase in the Call Answered rate metric to
4 60.6, which is approximately halfway between the
5 existing metric of 59 percent and KEDNY's
6 proposed metric of 62.2. Our proposed metric
7 encompasses the expectation of improved call
8 center performance while allowing a reasonable
9 timeframe for training of new employees.

10 Q. What is the revenue requirement impact of these
11 reductions in FTEs?

12 A. The Staff Accounting Panel provided the
13 following information about the impact of these
14 labor adjustments on KEDNY's revenue
15 requirement: For KEDNY, the removal of one FTE
16 call center escalation analyst, three call
17 center representatives, and one call center
18 supervisor results in a downward adjustment to
19 other initiative expense of \$118,735, which
20 includes \$77,566 in labor and \$41,169 in adders.

21

22 **Call Center Technology Upgrades**

23 Q. What do the Companies' propose regarding call
24 center technology upgrades?

1 A. The Companies propose a call center technology
2 upgrade to enhance customer experience by
3 improving operations. The Companies state that
4 the upgrades will enable KEDNY and KEDLI to
5 balance call volumes during peak periods by
6 combining call center resources and leveraging
7 staff in New York City, upstate New York, and
8 in-state third-party partners.

9 Q. What are the costs of the technology upgrades
10 and when will they be implemented?

11 A. The technology upgrades are forecast to cost
12 approximately \$14.028 million in capital costs,
13 and KEDNY and KEDLI forecast rent expense at
14 \$0.374 million and \$0.173 million, respectively.
15 The Companies' response to IR DPS-214, Exhibit
16 ____(CSP-1) provides further breakdown of the
17 upgrade costs which consist of purchasing a new
18 module that deploys several software programs;
19 implementation of new hardware, data conversion
20 and interfaces, project management and
21 oversight; and incremental complexity level and
22 transition roll-outs.

23 Q. Are there any 2017 rate year costs for these
24 upgrades?

1 A. No, there are not. The costs of the proposed
2 upgrades are not included in the 2017 rate year.
3 The Companies forecast the cost of the upgrades
4 to occur in subsequent rate years.

5 Q. What does the Panel recommend regarding the
6 technology upgrades?

7 A. We recommend that the Commission reject this
8 proposal for several reasons. In the Companies'
9 response to IR DPS-214, Exhibit __ (CSP-1), the
10 Companies confirm that the project is in its
11 early stages. The Companies indicate the
12 project has not yet been approved by the
13 Companies' project sanctioning process.
14 Moreover, the Companies project that
15 implementation is planned for April 2019.
16 Additionally, in the Companies' response to IR
17 DPS-407, Exhibit __ (CSP-1), the Companies'
18 reiterate that the project is in its early
19 stages and will require sanction papers since it
20 has a cost greater than \$1 million. Sanction
21 papers include the results of a thorough project
22 analysis composed of the project description,
23 justification, customer impact, drivers and
24 costs and benefits. Since the project's scope

1 of work is not yet complete, and is contingent
2 on the completion of further analysis by the
3 Companies, the Companies should conduct their
4 analysis of the upgrade project prior to
5 Commission approval.

6

7 **Smart Thermostat Program**

8 Q. What is the Smart Thermostat Program?

9 A. KEDLI proposes to implement a new Smart
10 Thermostat Program for low income customers,
11 which is intended to assist those customers to
12 save on natural gas heating costs. The
13 projected costs are \$380,000 for a total
14 enrollment 1500 customers.

15 Q. What is the Panel's recommendation?

16 A. We recommend that this new program be delayed
17 until a successor program to EmPower NY is
18 formulated for KEDLI, as discussed in Staff
19 witness Kathryn Mammen's testimony. It would be
20 premature to implement a separate new energy
21 efficiency program when a comprehensive
22 weatherization program to replace the expiring
23 EmPower NY program is being formulated.

24

1 **Outreach and Education**

2 Q. Describe the Companies' current Outreach and
3 Education plan.

4 A. Pursuant to the Commission's Order Continuing
5 Reporting Requirements in Cases 96-M-0706, et
6 al., issued on November 13, 1997, each utility
7 is required to file an annual outreach and
8 education (O&E) plan detailing its efforts to
9 educate customers about utility service. The
10 Order continued outreach and education reporting
11 requirements first implemented in 1988. The
12 plan includes programs and materials designed to
13 increase awareness and understanding of customer
14 rights and responsibilities, billing services,
15 programs for special needs customers, winter
16 heating season and energy financial assistance,
17 summer demand reduction, safety, and storm
18 response.

19 Q. What are the Companies' proposals regarding
20 outreach and education?

21 A. The Companies did not propose an increase in the
22 Outreach and Education budget. In the
23 Companies' response to IR DPS-411, Exhibit
24 __(CSP-1), the Companies include a breakdown of

1 their outreach and education Actual Spend Fiscal
2 Year (FY) 2015 and the Estimated Budget for FY
3 2016. The estimated \$4.5 million dollar budget
4 listed in the Companies' response lists a
5 breakdown of the budget by various categories.
6 However, it is unclear which outreach and
7 education programs fall within each category and
8 how they are prioritized. Transparency about
9 the Companies' outreach and education budget
10 decision-making process will promote public
11 trust. The budgeting process that allocates
12 ratepayer dollars for programs that increase
13 public understanding about key issues such as
14 public safety, capital projects, energy
15 conservation, emergency preparedness and more,
16 can lead to greater support for budgetary
17 decisions that result in improving a community's
18 quality of life.

19 Q. What does the Panel recommend in regard to the
20 annual Outreach and Education plan?

21 A. We recommend a complete financial accounting of
22 all funds used for outreach and education
23 purposes. This accounting should provide
24 information regarding each program within each

1 category referenced in Table 1 in the Companies'
2 response to IR DPS-411, Exhibit __ (CSP-1),
3 including amounts spent for storm preparation
4 and safety outreach, and gas safety components,
5 as well as a breakdown of expenses incurred for
6 each of the new and continuing programs.

7 Q. Do you propose any other reporting requirements?

8 A. Yes, we propose that the annual Outreach and
9 Education plan be filed with the Secretary of
10 the Commission and to the Director of the Office
11 of Consumer Services.

12 Q. Does the Panel have recommendations regarding
13 the measures the Companies use to evaluate the
14 success of their programs?

15 A. We recommend that the Companies implement
16 measures to evaluate the success of all of their
17 outreach and education programs, including
18 outreach events. Evaluations are based on
19 either qualitative or quantitative measures to
20 help the Companies determine whether outreach
21 efforts are cost-efficient, on target, and
22 achieving results. These measures can include
23 surveys, focus groups, a media clip index, or a
24 list of media coverage. For continued

1 enhancement of their programs and to determine
2 if the Companies' events and programs are having
3 the intended effect, they should use their goals
4 and objectives as a starting point or benchmark
5 to evaluate outreach and measure their programs'
6 success. Additionally, where the Companies
7 mention the use of consultants or third-party
8 websites to measure the effectiveness of their
9 programs or digital activities, the Companies
10 should include any reports supporting their
11 statements. The costs associated with using
12 consultants to measure the success of their
13 programs should be identified in the budget.

14 Q. Does the Panel have other recommendations
15 regarding the measures the Companies use to
16 evaluate the success of their programs?

17 A. The Companies should include in their annual
18 Outreach and Education Plan, the results of all
19 of their program and event evaluations
20 including: survey results, focus group reports,
21 media clip index, and event participation
22 totals.

23 Q. Does the Panel have recommendations regarding
24 employee outreach and education?

1 A. Section five of the Companies' 2015 Outreach and
2 Education Plan requires that they include
3 information about training for employees that
4 interact with the public and actions taken to
5 keep employees aware of public education issues
6 and key utility messages. We recommend that the
7 Companies include in their annual outreach and
8 education plan how they identify training needs,
9 an evaluation of the effectiveness of the
10 existing training program, and ways to measure
11 the success of the program. The Companies
12 should also provide the outcome of employee
13 training goals mentioned in previous plans.

14

15 **Economic Development Programs**

16 Q. Briefly describe the Companies' Economic
17 Development Grant Program.

18 A. KEDNY and KEDLI have a Cinderella program that
19 provides grants to support renovation and
20 rehabilitation of vacant, underutilized and
21 distressed buildings and commercial strips.
22 Grant award amounts are based on criteria such
23 as job creation, capital investment, utilization
24 of "green" building/system technologies, and

1 community impact.

2 Q. Do the Companies offer any rate discount
3 incentives?

4 A. Yes. Both Companies offer a discount rate to
5 qualified customers in the Business Incentive
6 Rate and Excelsior Jobs programs. KEDNY also
7 offers a discount rate in the Area Development
8 Rate program.

9 Q. How much funding is allocated for these
10 programs?

11 A. KEDNY annually allocates \$680,000 for the
12 Business Incentive Rate and Area Development
13 Rate programs. The Cinderella grant program is
14 allocated \$203,000 annually. KEDLI annually
15 allocates \$500,000 for the Business Incentive
16 Rate and \$264,000 for the Cinderella grant
17 program.

18 Q. Do the Companies propose any new allocations to
19 the programs?

20 A. Yes. The Companies propose to add seven
21 identical grant programs and modify the existing
22 Cinderella program. To fund these grant
23 programs each Company proposes to increase
24 spending up to \$2 million per year.

1 Q. What does the Panel expect regarding
2 participation and program spending?

3 A. The proposed eight grant programs for each
4 Company provide a significant expansion in
5 economic development assistance. Since initial
6 activity in applications for new programs
7 depends on customer awareness, it is expected to
8 take some time before customers become aware of
9 them and program expenditures are realized as
10 successful dispersals of grant funding.

11 Q. What is the Panel's recommendation regarding
12 unspent, unencumbered funds?

13 A. Due to the initial limited expectation of new
14 program activity and keeping consistent with the
15 current programs, we recommend there be a
16 downward-only reconciliation mechanism for the
17 \$2 million for KEDNY and KEDLI. Any unspent,
18 unencumbered funds should be deferred for
19 ratepayer benefit on an annual basis.

20 Q. Do you have recommendations for any of the other
21 program proposals?

22 A. Yes. We would like to address the proposed
23 modifications to the existing Cinderella
24 program.

1 Q. Describe the current Cinderella program.

2 A. The Cinderella program provides grants to
3 support renovation and rehabilitation of vacant,
4 underutilized and distressed buildings and
5 commercial strips. Eligible applicants include
6 building owners, occupying customers,
7 developers, and not-for-profit organizations.
8 Eligible facilities include existing buildings
9 or new construction on property that is vacant
10 or that requires building demolition to be
11 reused. Eligible projects must incorporate
12 natural gas technologies. The grants do not
13 exceed \$50,000 per project and represent a
14 maximum of 25 percent of the total project
15 costs. The grant award amounts are based on
16 criteria of job creations, capital investment,
17 utilization of "green" building technologies,
18 and community impact.

19 Q. What are the Companies' proposed modifications
20 to the Cinderella program?

21 A. The program modification is based on the
22 adoption of Niagara Mohawk Power Corporation
23 d/b/a National Grid's (NMPC) Economic
24 Development program, Main Street Revitalization,

1 and includes certain Cinderella program
2 criteria.

3 Q. Describe the Main Street Revitalization program.

4 A. The Main Street Revitalization program assists
5 communities in promoting "smart growth" and
6 private sector investment in central business
7 districts and commercial corridors that help
8 their competitive viability, attract investment,
9 and capitalize on their distinct development
10 potential. Eligible applicants must be a
11 municipality and/or its authorized development
12 corporation; or a 501(c)3, 501(c)6, or 501(c)4
13 corporation working in tandem with a
14 municipality and/or its Industrial Development
15 Agency or Local Development Corporation; or an
16 owner/developer of the eligible site with
17 endorsement of the municipality. Eligible
18 projects must receive natural gas from National
19 Grid; be located in a central business district
20 or commercial area; have existing natural gas
21 infrastructure that is clearly underutilized;
22 show evidence of private sector job
23 creation/retention and capital investment; and
24 reside in a building or site that is vacant or

1 within a target redevelopment area that contains
2 a 50% vacancy rate. Application requests may
3 include development of pre-construction
4 documents that advance an existing community
5 accepted design plan, site preparation, and
6 construction of commercial and industrial
7 adaptive re-use projects and renovation and
8 rehabilitation of commercial, industrial or
9 mixed-use buildings under 100,000 square feet.
10 Projects must be located in an underutilized
11 central business district/commercial area.
12 Grant amounts are determined based on the size
13 of the total capital investment. The funding
14 available is based on the total capital
15 investment made. As such, investments between
16 \$50,000 and \$250,000 can receive a maximum of
17 \$25,000 in funding. Investments of \$250,000 to
18 \$1 million can receive up to \$50,000 in funding.
19 Investments of \$1 million to \$5 million can
20 received up to \$100,000 in funding. Investments
21 of \$5 million to \$25 million can received up to
22 \$250,000. Investments above \$25 million can
23 receive a maximum of \$500,000 in funding,
24 however, there are additional requirements one

1 must meet to receive funding. In order to
2 obtain funding at this level the property must
3 be 100% vacant for more than 3 years; and
4 greater than 250,000 square feet. Program
5 funding may only be used to offset 50% of the
6 costs (1:1 funding match required). The project
7 must demonstrate that a comprehensive assessment
8 of energy efficiency measures were fully
9 investigated and any completed or pending
10 applications for energy efficiency incentives.

11 Q. Describe the Companies' proposed modified
12 Cinderella program.

13 A. As previously discussed, the proposed Cinderella
14 program primarily adopts the eligibility and
15 funding criteria of NMPC's Main Street
16 Revitalization program. A distinctive
17 difference between the programs is the proposed
18 Cinderella program includes the current
19 Cinderella eligibility for multi-family
20 buildings and the Main Street Revitalization
21 program is limited to commercial, industrial or
22 the commercial portion of mixed-use buildings.
23 NMPC and the other upstate utilities exclude
24 100% residential buildings as an eligible

1 project for all of their economic development
2 grant programs.

3 Q. Why are residential buildings excluded from
4 other utility economic development funding?

5 A. Economic development grant programs are limited
6 in scope to assisting major commercial,
7 industrial, or high-tech research and
8 manufacturing projects that increase capital
9 investment, create or retain jobs, and provide
10 incentives to construct new or expand
11 businesses. The State's electric and gas
12 ratepayers fund those programs, and in return
13 should expect to benefit from the investment.
14 Housing development is economic development in a
15 broad sense. However, it does not provide the
16 ratepayer benefit level of business development
17 that has regional impact, as opposed to housing
18 development that primarily benefit the residents
19 of the development. As an example, the proposed
20 Cinderella program exempts multi-family
21 buildings from demonstrating job creation which
22 diminishes ratepayer benefit.

23 Q. How do you propose to address this issue?

24 A. For the reasons previously discussed and to be

1 consistent with the eligibility criteria of NMPC
2 and other utility economic development programs,
3 eligibility for multi-family buildings should be
4 removed from the proposed Cinderella program.

5 Q. Does this complete the Panel's testimony at this
6 time?

7 A. Yes.

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