

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Consolidated Edison Company of New York, Inc.

Case 08-E-0539

September 2008

Prepared Joint Testimony of:

Staff Emergency Management Panel

Kin Eng
Utility Analyst 3
Office of Electric, Gas, and Water

State of New York
Department of Public Service
90 Church St.
New York, New York 10007

Marco L. Padula
Utility Supervisor
Office of Electric, Gas and Water

Donna De Vito
Utility Consumer Program Specialist 4
Office of Consumer Services

State of New York
Department of Public Service
3 Empire State Plaza
Albany, New York 12223

1 Q. Please state your names, employer, and business
2 addresses.

3 A. Kin Eng, 90 Church St., New York, New York 10007, and
4 Donna De Vito, 3 Empire State Plaza, Albany, New York
5 12223. We are employed by the New York State Department
6 of Public Service (Department).

7 Q. Mr. Eng have you already discussed your educational
8 background, professional and testimonial experience, and
9 responsibilities?

10 A. Yes, that information is included in the Staff
11 Infrastructure Investment Panel testimony in this
12 proceeding.

13 Q. Mr. Padula have you already discussed your educational
14 background, professional and testimonial experience, and
15 responsibilities?

16 A. Yes, that information is included in my individual
17 testimony in this proceeding.

18 Q. Ms. DeVito, what is your position at the Department.

19 A. I am employed as a Utility Consumer Program Specialist 4.

20 Q. Describe your educational background and professional
21 experience.

22 A. I have a Bachelor's Degree in Accounting from Siena
23 College. In 1977, I became employed at the Department in

1 the Accounting Division. In 1993, I transferred to the
2 Office of Utility Efficiency and Productivity, and
3 performed comprehensive utility management and
4 operational audits for utility companies in 1998, as part
5 of a departmental reorganization, my work assignments
6 changed and areas of responsibility expanded as part of
7 the Office of Consumer Education and Advocacy (OCEA). In
8 OCEA, as part of the newly formed Business Advocacy
9 Group, my responsibilities included: the application and
10 interpretation of electric and gas regulations, economic
11 development incentives and customer service; execution of
12 procedures and policies related to all state and federal
13 laws and regulations as they pertain to electric and gas
14 for customer service quality and competitive provider
15 practices; implementation of Department economic
16 development policies for competitive businesses and
17 residential markets; analysis of consumer protection
18 issues in billing disputes; and, the impact of tariff
19 incentives and qualification criteria for utility and
20 state economic development programs. Through
21 negotiation and mediation, I did dispute resolution in
22 the areas of rates, electric and gas installations,
23 franchise area infringement, gas interruption penalties,

1 stray voltage, customer deposit application, service
2 classification issues, and billing disputes. In April
3 2004, I accepted a promotion to Utility Analyst 3 with
4 the New York State Consumer Protection Board (CPB). At
5 the CPB, I managed the implementation of a new law, the
6 Motor Fuel Marketing Practices Act (MFMPA). My
7 responsibilities at CPB regarding implementing MFMPA
8 included customer and marketer education, the design of
9 complainant application forms for collect all data
10 required by the law, the evaluation and analysis of
11 retail/wholesale market pricing violation investigations,
12 and compliance filings and assessments. I also
13 represented CPB on all customer utility service quality
14 and low income issues in New York State (NYS), and
15 presented testimony in cases before the Commission on
16 those issues.

17 Q. Have you previously testified before the Commission?

18 A. Yes. I submitted testimony in Case 04-E-0572,
19 Consolidated Edison Company of New York, Inc. - Electric
20 Rates; Case 04-G-1047, National Fuel Gas Distribution
21 Corporation - Rates; Cases 05-E-0934 and 05-G-0935,
22 Central Hudson Gas & Electric Corporation - Electric and
23 Gas Rates; 05-G-1494, Orange and Rockland Utilities, Inc.

1 - Gas Rates; and Case 06-G-1185, KeySpan Energy Delivery
2 New York - Rates and Case 06-G-1186, KeySpan Energy
3 Delivery Long Island - Rates. In these rate proceedings,
4 the subjects of my testimony included customer outreach,
5 service reconnection fees, customer outreach and
6 education, customer service performance measurement and
7 performance threshold design, and assessment and
8 development of specialized low-income programs to address
9 low-income customer needs. I also submitted testimony in
10 Case 95-W-1168, United Water New Rochelle Inc.,
11 concerning compliance with directives and recommendations
12 made by the Commission as the result of a management and
13 operations audit.

14 Q. What is the purpose of your testimony?

15 A. The purpose of our testimony is to address Consolidated
16 Edison Company of New York, Inc.'s (Con Edison or the
17 Company) proposal to improve and enhance its emergency
18 management (EM) preparedness and response program. We
19 recommend an adjustment to the Company's proposed level
20 of incremental employees of 16 to three with a
21 concomitant adjustment to the associated automobiles and
22 computers requested for those employees.

23 Q. Will you refer to or rely on information provided during

1 the investigative phase of this proceeding?

2 A. Yes. We refer to or relied on responses to Staff
3 Information Requests (IR) which are attached as
4 Exhibit__(SEMP-1). We also note that we met with the
5 Company to clarify and obtain explanations to issues
6 pertaining to the Company's EM proposals.

7 Background and Overview

8 Q. Please describe Con Edison's proposal for increased
9 investment in its emergency management program during the
10 rate year.

11 A. The Company requested funding to support and continue its
12 proposed development and implementation of its
13 centralized EM organization. The implementation of a
14 centralized organization began in May 2008, with initial
15 deployment of the revised operation during the required
16 annual spring emergency drills.

17 Q. Why has Con Edison undertaken the process of changing its
18 EM response program at this time?

19 A. The Company's EM proposal is in response to the findings
20 contained in the Commission Orders in Case 06-E-0894 and
21 Case 06-M-1078, concerning the 2006 Long Island City
22 outage and the 2006 Westchester outages and the
23 subsequent independent audit of the Company's electric

1 emergency outage response program that performed by
2 Vantage Consulting, Inc. (Vantage Audit). This audit was
3 conducted to determine how the Company could further
4 improve its emergency response capabilities. Following
5 Commission review of the Vantage Audit report, it
6 directed Con Edison to develop an implementation plan to
7 fully address the findings and recommendations contained
8 in the audit. In response, Con Edison prepared what it
9 refers to as its Master Implementation Plan (MIP) to
10 address the Vantage audit's findings and recommendations.

11 Q. How did the Company propose to fund implementation and
12 operation of the EM Program using its MIP?

13 A. The Company proposed to charge the expenditures to
14 Operation and Maintenance expenses (O&M). Con Edison
15 requested \$4.562 million for the first rate year to
16 perform management and operation functions, an increase
17 of approximately \$2.458 million. The test year level of
18 spending in this area was \$2.104 million. The Company
19 asserts that the new centralized program requires
20 additional staffing in order to develop the expansion of
21 responsibilities of the management organization and bring
22 new initiatives to existing program functions. The
23 Company expects the proposed program to enhance its

1 response to customer expectations and regulatory
2 requirements. In addition, the Company's responses to
3 Staff IRs DPS-410.9 and DPS-564 provide additional
4 clarification of new positions and staffing. In
5 addition, the Company requested associated capital costs
6 of \$357,000 for equipment such as computers, vehicles and
7 communication equipment for the additional staff it
8 proposed.

9 Q. Have the EM program O&M expenses been accounted for in
10 the Company's current electric rate plan?

11 A. No. In the Commission's Order in Case 07-E-0523 (2008
12 Rate Order), the Commission determined that it was
13 premature to provide the Company any incremental amounts
14 for emergency preparedness. However, the Commission
15 determined that the need for additional funding after
16 more definitive and better supported analysis would be
17 considered in a future rate proceeding. The 2008 Rate
18 Order indicates that the need for additional funding
19 should differentiate incremental costs from those costs
20 reallocated from existing resources. The Company has
21 presented its costs in this case.

22 Emergency Management Enhancement Program Descriptions

23 Q. Please briefly describe the Company's new EM program.

1 A. The Emergency Management Organization was reorganized on
2 June 1, 2008 as a result of the recommendations in Case
3 06-M-1078 and based on the structure identified in the
4 Company's MIP. It is comprised of four main components,
5 which include Electric Operations Emergency Management
6 (EOEM), Gas and Central Operations Emergency Management
7 (GCOEM), O&R Emergency Management (OREM), and Emergency
8 Management Operations Services (EMOS). The new
9 organization moves the Company's overall EM program
10 operation from its historically reactive response to
11 emergencies, to a new proactive EM program, with an
12 enhanced and expanded emergency management scope to
13 address all Company operational areas, with
14 responsibility and accountability for emergency
15 management oversight.

16 Q. Has the Company projected a completion date for overall
17 MIP EM program implementation?

18 A. Yes. The Company projects a completion date of April
19 2009.

20 Q. To date, how many employees have been added to the EM
21 organization?

22 A. According to DPS-564, DPS-46rev, and explanations
23 provided at Staff's discovery meeting with the Company on

1 July 9, 2008, Con Edison provided the framework of the
2 new EM organization structure with existing employees.
3 To date, of the 16 new positions proposed by Con Edison,
4 three positions in the EM organization have actually been
5 filled. According to the Company's response to Staff IR
6 DPS-46rev, all three of the employees added to the EM
7 organization transferred from other positions within the
8 company. Of those three transfers, only one of those
9 positions vacated by the employees transferred to the EM
10 organization was backfilled.

11 Q. Did the Company provide an explanation for the apparent
12 delay in fully staffing the EM organization?

13 A. According to staff's meeting with Con Ed on July 9, 2008,
14 the Company indicated that much of the delay is related
15 to program implementation timing. The MIP, based on the
16 Vantage report, was completed on February 28, 2008. The
17 existing organization and functions were transformed from
18 a regional structure to a centralized organization.

19 Emergency Management Panel Assessment

20 Q. What is your overall assessment of the need for the new
21 emergency preparedness management program with the
22 expanded and new program functions as described in the
23 Company's pre-filed testimony?

1 A. We believe that the overall EM program as described by
2 the Company is necessary to ensure that Con Edison can
3 adequately address major outage events on its electric
4 distribution system in a proactive manner. The EM
5 program will provide enhanced preparation for impending
6 emergencies, performance assessment, measurement of
7 compliance, and oversight. The new program represents a
8 broad-based change from a regionally managed operation to
9 a centralized EM program with required training, clear
10 reporting and accountability.

11 Q. Why does Con Edison's previous overall emergency program
12 require improvement?

13 A. Con Edison's emergency management operations and
14 management oversight and preparedness lacked an overall
15 corporate strategic framework to coordinate the program.
16 The emergency organization was not linked to a unified
17 emergency management strategy and plan as a whole. In
18 addition, it was not fully aligned within the
19 organization and supported by upper management to meet
20 the challenges of outage recovery. Lastly,
21 accountability was not clearly defined for ultimate
22 responsibility within the organization.

23 Q. Do you support Con Edison's EM proposal?

1 A. Yes. We support the Company's plan to implement the MIP
2 program and agree that an additional 16 employees is
3 necessary. In fact, the Company used the new
4 organizational structure to conduct the annual emergency
5 preparedness drills in May 2008 as required in 16NYCRR,
6 Chapter 2 Electric Utilities Part 105. The improvements
7 were readily apparent based on the communication and
8 planning we observed both before and after the drills.

9 Q. Do you take issue with the proposed funding requests?

10 A. Yes. We take issue with the Company's delay in hiring
11 the full complement of employees and with the fact that
12 the Company appears to be transferring employees from
13 within the Company to satisfy the EM program needs,
14 without backfilling. This leads us to question the
15 validity of the Company's request for an additional 16
16 employees on an incremental basis.

17 Q. What level of funding do you recommend?

18 A. Given that the company has not been more aggressive in
19 the filing of the 16 incremental positions that it
20 requested, we recommend that the funding for the rate
21 year be provided for only three incremental employees.
22 This recommendation assumes that the Company will
23 backfill the remaining two of the three positions that

1 were vacated as a result of the transfer of employees
2 from within the Company prior to the start of the rate
3 year.

4 Q. Have you provided your recommended adjustment to the
5 employee levels to the Staff Accounting Panel?

6 A. Yes. It is our understanding that their proposed rate
7 year revenue requirement reflects this adjustment.

8 Q. What if the Company continues to hire and/or transfer
9 additional employees to fill those 16 positions from now
10 until the beginning to the rate year?

11 A. Realizing that Con Edison claims that it plans to fill
12 all 32 positions to fully staff EM operations by April
13 2009, we recommend that the Company be allowed to update
14 its case for the actual level of new hires at the time
15 the Company files its reply brief in this proceeding.
16 The Commission should then only allow rate recovery for
17 the incremental number of employees that have been hired
18 as of that time. Such incremental employees would be
19 those that the Company proves are either a newly hired
20 employee or an existing employee transferred from within
21 the Company, and whose former position was backfilled.

22 Q. Should the Company be allowed recovery of the additional
23 \$357,000 for equipment such as computers, vehicles and

1 communication equipment for the additional staff it
2 proposes to hire?

3 A. No. This amount should be reduced to reflect equipment
4 levels for only the three positions that we are
5 recommending. Similar to our recommendation that the
6 Company be allowed to update the actual incremental
7 staffing EM level at the time it files its reply brief,
8 these costs would be updated accordingly as well.

9 Q. Has this proposed adjustment been reflected in Staff's
10 revenue requirement?

11 A. No, due to timing constraints, our proposed adjustment to
12 the requested equipment has not been reflected in Staff's
13 revenue requirement. If the Commission adopts our
14 recommendation, this adjustment should be reflected in
15 the final revenue requirement adopted for the rate year.

16 Q. Does this complete your testimony at this time?

17 A. Yes.