

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

Proceeding on Motion of the Commission as to the
Rates, Charges, Rules and Regulations of
Consolidated Edison Company of New York, Inc.
for Electric Service.

Case
08-E-0539

DIRECT TESTIMONY
AND EXHIBIT
OF
GREGG C. COLLAR

Dated: September 8, 2008
Albany, New York

MINDY A. BOCKSTEIN
Chairperson and Executive Director
NYS Consumer Protection Board
5 Empire State Plaza
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1 Q. Please state your name and title.

2 A. My name is Gregg Collar. I am a Project Manager for the New York State
3 Consumer Protection Board ("CPB").

4

5 Q. Mr. Collar, please briefly summarize your qualifications and educational
6 background.

7 A. I received a B.A. in Mathematics from Hartwick College in 1995. From February
8 1998 through June 2000, I was employed by TeleTech in Denver, Colorado
9 where I held various positions of increasing responsibility. Most recently, I
10 worked in the Corporate office as a National Resource Analyst where I was
11 responsible for developing call volume forecasts based upon my analysis of
12 historical data for multiple call centers across the country and producing monthly
13 reports for upper management. I was employed by ICG Communications, also
14 located in Denver, Colorado, from June 2000 to May 2002, where I managed the
15 completion of facility work and testing performed by operations personnel to
16 ensure timely order provisioning for medium and large customers nationwide.
17 From February 2003 to March 2005, I was employed as a Network Technology
18 Analyst for the New York State Environmental Facilities Corporation.

19 Since May 2005, I have been employed by the CPB as a Project Manager
20 in the Utility Intervention and New Technologies Unit. My responsibilities include
21 analyzing programs to assist low-income utility customers and service quality
22 performance programs for all New York State utilities; identifying reforms that
23 should be made to these initiatives to enhance their effectiveness; representing

1 the CPB in collaborative proceedings, negotiations and other meetings regarding
2 low-income programs and other key issues; serving as the CPB's representative
3 to the Low-Income Forum on Energy; researching and drafting formal documents
4 advocating the CPB's position to be submitted to the Public Service Commission
5 ("PSC" or "Commission"); and serving as the CPB's representative on the Board
6 of Directors of the telecommunications Targeted Accessibility Fund, which
7 oversees public benefit programs including Lifeline. I served as the CPB's
8 representative in Case 01-M-0075 regarding National Grid's low-income
9 assistance program and Cases 05-E-0934 and 05-G-0935 relating to Central
10 Hudson's low-income program. I also contributed to the CPB's work in Case 06-
11 E-0894 concerning the electric power outage of Consolidated Edison of New
12 York Inc's. ("Con Edison") Long Island City Electric Network and Case 08-S-0153
13 concerning the investigation of the prudence of Con Edison regarding the July
14 2007 steam pipe rupture, by conducting research and drafting documents.

15
16 Q. Mr. Collar, have you previously testified before the PSC?

17 A. No, I have not.

18
19 Q. What is the purpose of your testimony?

20 A. The purpose of my testimony is two-fold. First, I present the CPB's position
21 regarding Con Edison's programs to assist its low-income customers. I explain
22 why the Company's proposal should be modified to ensure that the Customer
23 Charge for low-income customers is no more than \$6.50 per month, and to

1 include an arrears forgiveness program. Second, I address the Company's
2 proposal regarding Informational and Institutional Advertising expense, and
3 demonstrate that the 1977 Statement of Policy on Advertising and Promotional
4 Practices of Public Utilities ("Policy Statement") relied upon by the Commission
5 in Case 07-E-0523 is still applicable.

6

7 Q. Are you sponsoring any exhibits associated with your testimony?

8 A. Yes. I am sponsoring Exhibit__(GCC) which consists of the response to an
9 Information Request ("IR") relied upon in my testimony.

10

11

LOW-INCOME PROGRAM

12 Q. Are you familiar with the residential low-income program currently offered by Con
13 Edison for its electric customers?

14 A. Yes. Since 2000, the Company has provided a monthly discount for low-income
15 customers in service classification ("SC")-1 and SC-7. The monthly Customer
16 Charge for SC-1 and SC-7 service is currently \$12.42. Customers who qualify
17 for the low-income program, are eligible to receive a reduction of \$5.92 to this
18 monthly charge, so their monthly Customer Charge is \$6.50.

19 To qualify for this program, customers must be enrolled in Con Edison's
20 Direct Vendor or Utility Guarantee Program or receive benefits under
21 Supplemental Security Income ("SSI"), Temporary Assistance to Needy
22 Persons/Families, Safety Net Assistance, Food Stamps or have received a Home
23 Energy Assistance Program ("HEAP") grant in the preceding 12 months. As of

1 August 2008, the most recent time for which data are available, the program
2 serves 219,026 low-income customers (per response to CPB IR No. 68), 218,411
3 in SC-1 and 615 in SC-7. The current level of funding for the program is \$17.4
4 million, pursuant to the PSC's Order in Con Edison's most recent rate case, Case
5 07-E-0523. At the \$17.4 million funding level, the \$5.92 monthly reduction could
6 be made available to approximately 245,000 customers for a full year. However,
7 contrary to the Commission's intention in the previous rate case and based on
8 current enrollment, approximately \$1.9 million is not being used to assist low-
9 income customers.

10
11 Q. What is Con Edison's proposal in this case regarding this low-income program?

12 A. The Company proposes to continue the program at the same \$17.4 million
13 funding level as adopted in the current Rate Plan and provide a reduction of
14 \$5.92 to the Customer Charge adopted in this case for low-income customers in
15 both SC-1 and SC-7. The Company recommends that the Customer Charge
16 increase from \$12.42 to \$14.90 (20% increase), and the Customer Charge paid
17 by qualified low-income customers increase from \$6.50 to \$8.98 (38% increase).

18
19 Q. What is your position on the Company's proposal?

20 A. The CPB recommends continuation of the program to provide low-income
21 customers a discount on the monthly Customer Charge. This program provides
22 a welcome bill reduction to vulnerable individuals and families who have been
23 identified as most in need of financial assistance. However, Con Edison's

1 proposed discount should be modified, as described below. Additionally, the
2 CPB recommends that Con Edison's low-income assistance program be
3 augmented to include an arrears forgiveness component.

4
5 Q. What is the CPB's position regarding the amount of the discount to be provided
6 to low-income customers?

7 A. The CPB recommends that the SC-1 and SC-7 Customer Charge for low-income
8 customers remain at \$6.50. As explained by CPB Witness Niazi, the
9 undiscounted SC-1 and SC-7 Customer Charge should remain at the current
10 level of \$12.42. If that recommendation is adopted by the Commission, the PSC
11 should also maintain the current low-income discount at \$5.92.

12 In the event that the CPB's primary recommendation regarding the
13 undiscounted SC-1 and SC-7 Customer Charge is not adopted, resulting in an
14 increase in that charge, the discounted SC-1 and SC-7 Customer Charge for low-
15 income customers should remain at \$6.50. This would require a larger discount,
16 and additional funding for the low-income program. I also note that the CPB is
17 testifying that a substantial reduction in the amount of the rate increase proposed
18 by Con Edison is warranted.

19
20 Q. Why does the CPB oppose the Company's proposal to maintain the current
21 \$5.92 low-income discount, thereby increasing the monthly Customer Charge for
22 low-income residential customers by \$2.48?

1 A. Energy bills represent a disproportionate share of income for low-income
2 customers. Recent dramatic increases in the price of electricity have increased
3 that burden. Increasing the amount of the Customer Charge paid by low-income
4 customers would exacerbate it even further.

5
6 Q. Please elaborate on your earlier statement that Con Edison's low-income
7 program should be augmented to include an arrears forgiveness component.

8 A. In view of the burden low-income customers are experiencing from record high
9 energy prices and difficult economic conditions, as well as the experience of two
10 other utilities in New York State as described below, the CPB supports an
11 expansion of Con Edison's current low-income program to further assist
12 customers who are unable to pay their monthly electric bill in full.

13
14 Q. What are the basic elements of an arrears forgiveness program?

15 A. An arrears forgiveness program allows low-income customers unable to pay their
16 bills in full, to reduce their monthly bill and pay off their past due balances.
17 Customers in an arrears forgiveness program begin to decrease their arrears and
18 avoid suspension or termination of their service, to which they may otherwise
19 have been susceptible if the program did not exist. The loss of electric service
20 presents health and safety risks and retaining as many customers as possible
21 with an arrears forgiveness program is in the public interest. The implementation
22 of this program can provide savings to Con Edison by reducing the Company's
23 uncollectible expenses and costs associated with credit and collection activity,

1 implementation of repeated deferred payment arrangements, and costs
2 associated with the termination and subsequent restoration of service.

3

4 Q. Please describe the arrears forgiveness programs adopted by other utilities in
5 New York State.

6 A. National Grid's Low Income AffordAbility Program includes an arrears
7 forgiveness component, under which participants receive arrears forgiveness of
8 \$20 for each month they make their required monthly payment. Customer
9 participation is limited to twenty-four months and is designed to encourage
10 regular payment and sustain program participation. Customers approved for
11 HEAP who are in arrears, have a history of broken payment arrangements and
12 have a negative monthly cash flow are eligible to participate. Customers may
13 also qualify for the program if they are approved for HEAP and are referred by
14 local human service agencies and/or Company consumer advocates, and are
15 current on their account but unable to afford necessary medication, proper
16 nutrition, or some other life necessity. Electric customers are responsible for
17 paying 95% percent of their total average bill each month. The 5% reduction is
18 deferred to the customers' arrears each month. A customer must also meet a
19 minimum budget amount each month and not exceed the arrears balance criteria
20 to be eligible to participate.

21 The monthly arrears forgiveness component of National Grid's Low
22 Income AffordAbility Program is designed to provide a benefit to all program
23 participants, even those that may eventually leave or be removed from the

1 program by encouraging regular payment and sustaining participation in the
2 program. National Grid explains that customers who participate in the
3 AffordAbility program “will have virtually eliminated all outstanding balances owed
4 at the completion of the program.” The ability of customers to eliminate their
5 arrears within the two-year period will enable more low-income customers to
6 participate in the program over time. The program is also expected to reduce
7 uncollectible expense and other costs currently borne by the utility.

8
9 Q. Do any other utilities in the State have an arrears forgiveness program?

10 A. Yes. Central Hudson’s Enhanced Powerful Opportunities Program (“EPOP”)
11 also includes an arrears forgiveness component. This program suspends
12 collection activity on a participating customer’s pre-program arrears and one
13 twenty-fourth (1/24) of a participating customer’s arrears balance, up to a
14 maximum of \$100 per month, is forgiven each month the customer pays current
15 charges on time and in full. A customer failing to make a payment of current
16 charges on time and in full does not receive arrears forgiveness for that month
17 but may continue in the program for future months by paying the late bill and any
18 associated late payment charges. Participants may enroll in the arrears
19 forgiveness program for up to 24 months. Eligible participants must be enrolled
20 in the EPOP discounted budget billing plan, be a primary electric customer of
21 Central Hudson, have a minimum of \$100 past due and also be a HEAP
22 recipient. Central Hudson has seen an increase in enrollment in the program
23 each quarter since September 2007.

1 Q. What is your recommendation for Con Edison?

2 A. The CPB recommends that an arrears forgiveness program be established for
3 Con Edison, which includes the following key components. First, the eligibility
4 criteria should be generally consistent with the existing eligibility requirements for
5 Con Edison's Low Income Program, except that participants must have an
6 arrears balance in a specified range. This range should be established so that
7 the arrears forgiveness program applies to customers who are most likely to
8 benefit from such an initiative, as was done for the utilities identified above.
9 Second, participants should be required to pay a certain allocated budgeted
10 amount each month in order to receive the monthly arrears forgiveness benefit.
11 Any participant who fails to make a monthly payment twice in the two year
12 period, defaults off the program but may re-enter the program again within the
13 two year period once all missed payments are paid in full. Third, the arrears
14 forgiveness program should provide a monthly arrears discount to participants
15 who satisfy program requirements, as opposed to a yearly benefit that has been
16 implemented by some utilities in the past. The monthly benefit encourages
17 regular and full payments each month, thereby sustaining customer participation
18 in the program. In addition, customer participation in the arrears forgiveness
19 program should be limited to 24 months. As outlined in National Grid and Central
20 Hudson's program, participants should be able to virtually eliminate their
21 outstanding balances after two years, if they abide by the guidelines. This will
22 enable more low-income customers to participate in the program over time and
23 help them meet their obligations.

1 The CPB recommends that approximately \$5 million be provided to fund
2 this program. Since Con Edison currently provides \$17.4 million for its low-
3 income customer charge reduction but is spending only \$15.5 million, the CPB's
4 low-income proposal would require approximately \$3 million in additional funding.
5 If implemented as intended, this program would help more consumers retain
6 electric service from Con Edison and reduce the Company's uncollectibles,
7 benefits which are not included in the direct cost of the program.

8
9 Q. Do you have specific recommendations regarding program parameters?

10 A. Not at this time. Specific program details should be established in consideration
11 of the bill-payment practices of customers currently participating in the
12 Company's Low-Income Program, including an assessment of customers'
13 arrears balance and how that balance has changed over time. This analysis
14 would determine customers who are best suited to benefit from the program.
15 The CPB requested information on arrearage amounts for SC-1 and SC-7 low-
16 income customers as of the beginning of the current rate year and for the most
17 recent billing period in CPB IR No. 69, but was informed that Con Edison does
18 not keep records of arrearage amounts at historical points in time. Similarly, in
19 response to other CPB IRs requesting the uncollectible rate and the total amount
20 of disconnections of low income participants, the Company's response was that
21 they do not track or maintain that information.

22 Accordingly, I recommend that the PSC establish a collaborative
23 proceeding, to meet within 60 days of the Commission's Order, to review

1 available data and establish the remaining parameters of an arrears forgiveness
2 program, including identifying customers who could most benefit from such a
3 program. Interested parties would submit a proposal for consideration by the
4 Commission, so that an arrears forgiveness program could be implemented by
5 July 1, 2009.

6
7 **INFORMATIONAL AND INSTITUTIONAL ADVERTISING**

8 Q. Please summarize Con Edison's proposal regarding informational and
9 institutional advertising expenditures.

10 A. Con Edison is requesting \$17.14 million of ratepayer funding for informational
11 and institutional advertising. This does not include \$3.631 million requested for
12 advertising as part of the outreach and education budget.

13
14 Q. Do you concur with the Company's request?

15 A. No. Con Edison's proposal is not consistent with PSC policy. The PSC's Policy
16 Statement first adopted in 1972 and later modified in 1977, specifies that
17 advertising expenditures with a promotional bent are to be funded solely by
18 shareholders, and establishes a percentage of total revenues - 0.06% - that are
19 to be allotted for ratepayer funded informational and institutional advertising. The
20 Commission concluded that a percentage allowance helps minimize the costs of
21 regulation since it obviates the need to investigate the content of each
22 advertisement, and helps ensure that rates are just and reasonable.

23

1 Q. Has the Commission affirmed this policy recently?

2 A. Yes. The Commission most recently used this policy in Con Edison's last rate
3 case, Case 07-E-0523, where it included \$4.47 million in the Company's revenue
4 requirement for informational and institutional advertising. The PSC also
5 indicated that the evaluation of these types of costs remains a subjective
6 endeavor and that reliance on the guidelines established by the 1977 Policy
7 Statement continues to have merit.

8

9 Q. Is the Policy Statement outdated and in need of modification?

10 A. No. The Policy Statement still serves a useful purpose in ensuring that
11 ratepayers are not required to fund unnecessary advertising initiatives. Further,
12 many of the concerns identified in the PSC's 1977 Policy Statement are
13 applicable today, particularly regarding the need to ensure that rates are just and
14 reasonable, particularly in difficult economic circumstances.

15

16 Q. Are you aware of the fact that at the time of its adoption the Commission defined
17 operating revenue for purposes of the formula to include both delivery and
18 commodity related revenues?

19 A. Yes. I am aware of the fact that at the time the Policy Statement was adopted,
20 both delivery and commodity revenues were included in the formula. After the
21 energy industry was restructured, however, the PSC's 0.06% factor is applicable
22 only to delivery revenues. This is reasonable, since customers of regulated
23 delivery service should generally not be required to fund informational and

1 institutional advertising related to non-regulated services, such as electricity
2 commodity services, whether provided by ESCOs or Con Edison. ESCOs, which
3 provide approximately 46.5% of the electricity consumed by Con Edison's
4 delivery customers, are able to conduct advertising for the services they provide.
5 Further, in view of the extremely challenging economic conditions faced by New
6 Yorkers, now is not the time to relax this long-standing Commission policy.

7
8 Q. Has Con Edison demonstrated that strict adherence to the Policy Statement
9 would jeopardize Con Edison's ability to provide safe and reliable service?

10 A. No. The company has failed to demonstrate that strict adherence to the Policy
11 Statement compromises its ability to provide its customers with safe and reliable
12 service.

13
14 Q. Please summarize your position on informational and institutional advertising

15 A. I recommend that the amount of ratepayer funded informational and institutional
16 advertising be determined by the Commission's Policy Statement. Utilizing the
17 Company's projected revenues from Exhibit (AP-9) would result in ratepayer
18 funding of approximately \$4.99 million, representing a \$12.15 million reduction
19 from the amount proposed by the Company.

20
21 Q. Does that conclude your testimony?

22 A. Yes.

Exhibit_(GCC)

Company Name: Con Edison

Case Description:

Case: 08-E-0539

Response to CPB Interrogatories – Set CPB9

Date of Response: 08/01/2008

Responding Witness: Customer Operations

Question No. :68

For the current rate year low income electric rate discount program, please provide the total number of customers in the following categories: a. Enrolled in the program in SC-1; b. Enrolled in the program in SC-7. c. Identified as eligible, but not enrolled in SC-1; d. Identified as eligible, but not enrolled in SC-7.

Response:

- a. Customers enrolled under SC-1 -- 218,411
- b. Customers enrolled under SC-7 -- 615
- c.-d. All known eligible customers are enrolled.