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 Testimony of:

Martin Insogna
Utility Consumer Program
Specialist 5
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State of New York
Department of Public Service
Three Empire State Plaza
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1 Q. Please state your name, employer, and business address.
2 A. My name is Martin Insogna. I am employed by the New York
3 State Department of Public Service (Department). My
4 business address is Three Empire State Plaza, Albany, NY
5 12223.
6 Q. What is your position at the Department?
7 A. I am employed as a Utility Consumer Program Specialist 5
8 in the Office of Consumer Services.
9 Q. Please describe your educational background and
10 professional experience.
11 A. I hold a Bachelor's Degree in philosophy and economics
12 from Colgate University. Prior to joining the
13 Department, I was employed in a wide range of customer
14 service fields, including as a representative of the then
15 New York Telephone Company. I joined the Consumer
16 Services Division of the Department in 1990 as a Consumer
17 Services Specialist, investigating and resolving utility
18 consumer complaints. In April 1994, I was accepted into
19 a traineeship with the Office of Energy Efficiency and
20 Environment, with responsibility for policy and
21 operational considerations involving utility energy
22 efficiency and emerging environmental issues. In March
23 1998, I was promoted to the title of Associate Utility
24 Rate Analyst, and transferred to the Electric Division,

1 with responsibility for review and analysis of utility
2 rate and rate-related filings. When the Department was
3 reorganized in 1999, I was assigned to the Retail
4 Competition section of the Office of Electricity and
5 Environment, with responsibility for a wide variety of
6 initiatives related to the introduction of retail access.
7 In January 2000, I was promoted to the title of Associate
8 Policy and Compliance Analyst and transferred to the
9 Residential Advocacy Section of the Office of Consumer
10 Education and Advocacy. The Department of Civil Service
11 subsequently reclassified the title of Associate Policy
12 and Compliance Analyst to Utility Consumer Program
13 Specialist 4. In December 2003, the Department was again
14 reorganized, and the Office of Consumer Services assumed
15 responsibility for consumer advocacy functions within the
16 Department. In August 2008, I was promoted to my current
17 title.
18 Q. Please briefly describe your current responsibilities
19 with the Department.
20 A. I oversee utility compliance with Public Service Law and
21 Commission regulations regarding consumer protections and
22 access to service; monitor and analyze utility customer
23 service quality performance and responsiveness to
24 customer needs; promote access to affordable utility

1 services for low-income and other special needs
2 customers; and address residential and small business
3 customer interests in utility rate cases and other
4 Commission proceedings.
5 Q. Have you previously testified before the Commission?
6 A. Yes. I have previously testified in proceedings
7 concerning Orange and Rockland Utilities, Inc., New York
8 State Electric and Gas Corporation, Niagara Mohawk Power
9 Corporation, d/b/a National Grid, Rochester Gas and
10 Electric Corporation, KeySpan Energy Delivery New York
11 and KeySpan Energy Delivery Long Island, and Consolidated
12 Edison Company of New York, Inc. (Con Edison or the
13 Company). The subjects of my previous testimony have
14 included energy efficiency programs, system benefits
15 charge implementation, rate design, consumer protections,
16 service quality, low income customer needs, outreach and
17 education, utility metering and commodity supply pricing.
18 Q. What is the scope of your testimony in this proceeding?
19 A. I will address Con Edison's proposals regarding automated
20 meter reading, low income customer needs, bill redesign,
21 credit and collection field operations, customer outreach
22 and education programs, informational advertising and the
23 customer service performance incentive mechanism.
24 Q. In your testimony, will you refer to, or otherwise rely

1 upon, any information produced during the discovery phase
2 of this proceeding?
3 A. Yes. I will refer to, and have relied upon, several
4 responses to Staff Information Requests (IRs). I am
5 sponsoring them as Exhibit __(MXI-1).
6 Q. Con Edison discussed a three-year rate plan proposal in
7 its filing. Will you address this proposal?
8 A. No, my testimony only addresses a traditional one-year
9 case.
10 Automated Meter Reading
11 Q. Please summarize the Company's proposals regarding
12 automated meter reading.
13 A. As described by the Company's Customer Operations Panel,
14 Con Edison plans to complete the saturated installation
15 of Automated Meter Reading (AMR) in Westchester County.
16 It also plans strategic installation of AMR at locations
17 outside of Westchester that are hard to read and for
18 selected projects where the Company believes meter
19 reading efficiencies can be gained through the use of
20 AMR.
21 Q. Do you recommend that the Commission approve these
22 proposals?
23 A. I support the proposal to complete the Westchester
24 project. This project commenced the planning phases in

1 2003, and the Company proposes to complete the deployment
2 in the Rate Year. When completed, this project will
3 produce considerable labor savings that can be passed on
4 to customers. I do not support the Company's proposals
5 for strategic AMR investments because they do not provide
6 comparable labor savings, and because they could
7 potentially become stranded investments, if the
8 Commission authorizes implementation of the Company's
9 advanced metering infrastructure (AMI) proposal.
10 Q. What is Con Edison's AMI proposal?
11 A. The Company filed its plan for the development and
12 deployment of advanced electric and gas metering
13 infrastructure (AMI Plan) on March 28, 2007, in Cases 94-
14 E-0952, 00-E-0165 and 02-M-0514. The Company proposes to
15 implement AMI system-wide over a seven-year period. As
16 noted on page two of its AMI Plan, Con Edison proposes,
17 before system-wide AMI implementation, to undertake three
18 pre-deployment pilot demonstrations in order to evaluate
19 "the performance of selected technologies, the
20 integration of meter data derived from AMI into [the
21 Company's] 'back-office' systems, and customer response
22 to additional information about their utility usage."
23 Q. What is the status of that proposal?
24 A. In an Order issued on December 19, 2007 in Cases 94-E-

1 0952, 00-E-0165 and 02-M-0514, Con Edison was directed to
2 file supplemental plans for the proposed AMI pilots for
3 Commission approval, upon the Commission's adoption of an
4 AMI standard. The Commission continues to deliberate
5 concerning the features and functions of AMI systems that
6 should be included in its standard, and has not yet
7 adopted an AMI standard, so the AMI Plan remains pending.
8 Q. Why is there a risk of Con Edison's proposed AMR
9 investments becoming stranded?
10 A. Among the features and functions under consideration by
11 the Commission for adoption as part of its AMI standard
12 is two-way communications capability. According to the
13 response to Staff IR DPS-439, the AMR modules currently
14 being deployed are not capable of two-way communication.
15 If the Commission's functional requirements for AMI were
16 to include two-way communication capability, the cost of
17 the AMR module would become stranded and the deployment
18 of AMI would be compromised, as the Company would avoid
19 installing AMI in areas where AMR was already installed.
20 Q. Won't the AMR investments in Westchester be similarly
21 stranded?
22 A. Yes; however, at present it would be the only area of the
23 Company's territory where this problem would exist. In
24 addition, the Westchester AMR project was begun five

1 years ago, and is nearly complete. It would be
2 reasonable to complete this project and extract the labor
3 savings available. It would not make sense to create the
4 stranded cost problems in other areas of the Company's
5 service territory.
6 Q. Won't that sacrifice the labor savings in other areas?
7 A. No. As explained on page 13 of the Customer Operations
8 Panel Pre-Filed testimony, there is not a positive
9 business case for a saturated AMR deployment outside of
10 Westchester. Furthermore, the Company does not propose a
11 saturated deployment that would provide similar labor
12 savings outside of Westchester in any event. Rather, the
13 Company plans strategic installations for which it cites
14 other benefits, such as reductions in estimated readings
15 for hard-to-read locations and easing the planning of
16 meter routes for new buildings. These benefits are
17 outweighed by the potential for stranded costs and
18 compromising the future deployment of AMI.
19 Q. What would be the impact of the Commission's rejection of
20 the strategic AMR proposals?
21 A. Capital costs would be reduced by $3.08 million in the
22 Rate Year, and operation and maintenance (O&M) costs
23 would be reduced by $34,000.

1 Low Income Customer Needs

2 Q. Does Con Edison currently have any special programs for
3 its low income customers?
4 A. Yes. The Company's low income program includes a monthly
5 Customer Charge reduction of $5.92 for customers
6 receiving a number of different social services programs.
7 Con Edison has an automatic enrollment process by
8 matching Company records with records from the New York
9 City Human Resources Administration and the Westchester
10 County Department of Social Services. Currently, about
11 245,000 customers are participating in the low income
12 program, and it is anticipated that a similar number of
13 low income customers will be eligible for the low income
14 rate discount in the Rate Year.
15 Q. Does the Company propose to continue its programs?
16 A. Yes, the Company proposes to continue the program at the
17 same funding level as in the current rate plan, $17.4
18 million per year.
19 Q. Do you support a low income program for Con Edison
20 electric customers?
21 A. Yes. Energy costs represent a large burden on low income
22 families. Information from a variety of sources,
23 including the Residential Energy Consumption Survey
24 conducted quadrenially by the Federal Energy Information

1 Administration, indicates that while middle and higher
2 income customers experience energy costs in the general
3 area of one to five percent of income, lower income
4 customers experience energy costs in the general area of
5 10 to 20 percent of income. A December 2007 report from
6 the federal government's Oak Ridge National Laboratory
7 entitled Short and Long-Term Perspectives: The Impact on
8 Low-Income Consumers of Forecasted Energy Price Increases
9 in 2008 and a Cap-and-Trade Carbon Policy in 2030
10 identified "an escalation in the price of carbon-based
11 fuels over more than a decade that has outpaced the
12 increase in purchasing power of low-income households.
13 The long-term problem is further exacerbated by sharp
14 energy price increases experienced in recent years, in
15 part due to the impact of Hurricanes Katrina and Rita on
16 petroleum and natural gas supplies in 2005, and high
17 international petroleum prices and market uncertainty…
18 The impact of these rising energy costs across time can
19 be measured for individual households in the form of
20 rising energy burdens, defined as the ratio of
21 residential energy expenses divided by household income.
22 From 2001 through 2005, the most recent year for which
23 data is available, the average residential energy burden
24 for low-income households rose from 12.6 percent to 14.6

1 percent of income. For non-low-income households the
2 average burden was 3.1 percent of income in 2001 and
3 remained essentially unchanged at 3.2 percent of income
4 in 2005." As a result, many low income customers cannot
5 afford essential services such as electric service.
6 These families typically must trade off among food,
7 shelter, medicine and energy purchase decisions. In
8 addition, for heating customers, loss of a household's
9 primary heat source presents serious health and safety
10 risks, both due to the potentially fatal effects of cold
11 weather and the fire and health hazards resulting from
12 using unsafe alternative heating sources. Furthermore,
13 low income families tend to live in poorly maintained and
14 energy inefficient housing. This not only wastes energy,
15 but increases the likelihood that these customers will be
16 unable to pay their utility bills. For these reasons,
17 programs to address the needs of low income customers are
18 essential.
19 Q. Why should such programs be funded by utility customers?
20 A. There are a number of reasons. First, helping low income
21 customers to pay their electric bills helps utilities and
22 their customers. Utilities carry uncollectible expenses
23 that are paid for by all customers as a cost of business.
24 Collection costs and working capital on the unpaid bills

1 of low income customers impose additional costs on the
2 utility and its customers. These costs can be reduced
3 with the effective implementation of a low income
4 program. Savings include reductions in costs associated
5 with credit and collection, arrears and bad debt, deposit
6 maintenance, regulatory expenses, repeated payment plan
7 negotiations, credit agency fees, diversion of revenue
8 from arrears to reconnection fees and diversion of
9 revenue resulting from forced moves. Second, the
10 implementation of a low income program is consistent with
11 Commission practice over the past several years. The
12 Commission has authorized the implementation of low
13 income programs at Central Hudson, Con Edison, KeySpan,
14 National Fuel, NYSEG, National Grid, O&R and RG&E.
15 Finally, in its Order Continuing the System Benefits
16 Charge (SBC) and the SBC-Funded Public Benefit Programs,
17 issued December 21, 2005 in Case 05-M-0090, the
18 Commission stated that, "[o]il and gas prices are
19 volatile and rising, resulting in electricity commodity
20 price increases for New York consumers, negatively
21 impacting low income consumers, in particular, who spend
22 a higher percentage of their income on energy costs."
23 Citing the recent escalation in fuel costs and the
24 disproportionate impact such increased costs have on low

1 income customers, the Commission increased annual SBC
2 support for low income programs by more than $11 million,
3 to more than $38 million annually through 2011. For
4 these reasons, financial support for Con Edison's low
5 income rate discount should be increased.
6 Q. What type of program do you recommend for Con Edison's
7 electric low income customers?
8 A. I propose to continue the Company's existing low income
9 program; however, I believe the funding level should be
10 increased to $24.7 million. I recommend that qualified
11 low income customers should continue to receive a
12 discount from the monthly charge sufficient to reduce the
13 customer charge to its current level of $6.50. If the
14 SC1/SC7 monthly charge is allowed to increase by 20
15 percent to $14.90 as the Company proposes, this level of
16 customer charge represents a discount of $8.40 per month,
17 or $100.80 per year. The cost of such a program would
18 total approximately $24.7 million per year. A $24.7
19 million annual expenditure level, if spread over all
20 electric sales, would result in a rate impact of about
21 $0.0005 per kilowatt hour (kWh), or about 0.4 percent of
22 electric revenues. This is a reasonable funding level
23 for such a program, particularly given the rising cost of
24 electricity, the impact of electricity costs on low

1 income customers, and the potential for offsetting
2 benefits to the Company and all customers.
3 Q. What is the effect on the Company's revenue requirement
4 if the Commission adopts your proposal?
5 A. Revenue requirement would be increased by approximately
6 $7.3 million.
7 Bill Redesign
8 Q. Please summarize Con Edison's bill redesign proposals.
9 A. The Company was directed to develop an unbundled bill
10 format in the Commission's Order Directing Filing of
11 Unbundled Bill Formats issued on February 18, 2005 in
12 Case 00-M-0504. Con Edison spent about $1.5 million in
13 the historical year on this project. In the Company's
14 last electric rate case, Case 07-E-0523, the Commission's
15 March 25, 2008 Order (the 2008 Rate Order) authorized
16 additional O&M expenditures of $1.1 million. The Company
17 stated that this increase was needed to cover the costs
18 of printing the bill on larger paper. In the current
19 case, the Company seeks an additional $0.8 million,
20 consisting of about $0.5 million for bill archival and
21 retrieval costs, and about $0.3 million for incremental
22 system software and maintenance fees.
23 Q. Do you support these additional expenditures?
24 A. No. Regarding the bill archival and retrieval costs, it

appears that this primarily supports the ability for Company representatives to see a facsimile image of customer bills. While this may be a convenience, Con Edison's customer information system did not have this capability with respect to the previous bill. Customer representatives should be able to learn where various items appear on the bill in a relatively short period of time, and refer customers to particular charges without the need for a facsimile image. Regarding system software and maintenance fees, these fees should simply displace software and maintenance fees on the previous bill generation system. It is further unclear why incremental fees were not anticipated and incorporated, if necessary, in the Company's prior electric rate filing, Case 07-E-0523. Finally, given that the ratepayers paid for a completely new bill generation system, the Company should be able to find offsetting O&M savings that obviate the need to separately recover these incremental costs.

Q. What is the revenue requirement effect of the rejection of the Company's proposal?

A. O&M expenses would be reduced by $754,000.

Credit and Collection Field Operations

Q. Please summarize the Company's proposals regarding field

1 operations.
2 A. Con Edison proposes to increase field operations staffing
3 assigned to customer collections activities. During
4 2007, 24 customer field representatives (CFRs) were
5 hired. The Company added 15 CFRs that were authorized by
6 the Commission in the 2008 Rate Order, bringing its
7 current CFR staffing level to 176, as stated in the
8 Company's pre-filed Exhibit ____(CO-20). Furthermore, as
9 stated on page 21 of the Customer Operations Panel Pre-
10 Filed Testimony, "the Company continues to reduce CFR
11 staffing levels as a consequence of the installation of
12 AMR." The Company nevertheless proposes to hire 27 more
13 CFRs. Its proposal would add $1.2 million to O&M, plus
14 $52,000 in capital costs to equip the CFRs with handheld
15 devices.
16 Q. Do you support this proposal?
17 A. No. I note that the Company has proposed no adjustment
18 to uncollectible expense as a result of this massive
19 influx of credit and collection field personnel. The
20 labor cost of additional CFRs should pay for itself in
21 increased collections - if it does, then uncollectible
22 expense should be reduced by at least a like amount. If
23 not, then the costs are not justified, since the costs of
24 the collection effort outweigh the additional revenues

1 produced. Either way, there should not be an increment
2 to revenue requirement for this expense.
3 Q. What is the effect if your adjustment is adopted?
4 A. There would be a reduction of $1.2 million to Rate Year
5 O&M expenses and a reduction of $52,000 to capital costs
6 for the Rate Year.
7 Customer Outreach and Education Programs
8 Q. Please summarize Con Edison's proposals regarding
9 customer outreach and education programs.
10 A. Con Edison's Public and Customer Information Panel
11 proposed a budget of $3.6 million for its outreach and
12 education (O&E) program. This program is designed to
13 inform and educate customers on such matters as customer
14 rights and responsibilities, safety issues, responsible
15 use of energy, and various Company programs and services,
16 such as the CONCERN Program services for seniors and
17 customers with special needs, protections for customers
18 using life-sustaining equipment, the levelized payment
19 plan and the direct payment plan and the EnergyShare
20 Fund. The O&E budget also funds liaison functions with
21 community leaders, emergency customer care including the
22 mobile Customer Information Centers, children's
23 education, including a website for students and teachers,
24 employee education regarding customer programs and

1 concerns and activities designed to evaluate O&E program
2 effectiveness.
3 Q. Do you support the Company's request for O&E funding?
4 A. The $3.6 million requested by the Company for O&E appears
5 reasonable and in line with past expenditures in this
6 area.
7 Q. Do you have any other specific recommendations regarding
8 O&E?
9 A. Consistent with past practices in this area, I recommend
10 that Con Edison be directed to annually develop a
11 detailed O&E program plan, setting forth program goals,
12 objectives, messages, communication strategies and
13 effectiveness evaluation methodologies. The plan should
14 be filed annually with the Director of the Office of
15 Consumer Services, at least 90 days before the date of
16 implementation and be evaluated and refined on an
17 expedited basis for program content and final budget for
18 each initiative, through collaborative discussions among
19 Con Edison, Staff and any other interested parties.
20 Informational Advertising
21 Q. Please summarize the Company's informational advertising
22 proposals.
23 A. The Company proposes to spend $17.5 million on
24 informational advertising in the Rate Year. Con Edison's

1 Public and Customer Information Panel draws a distinction
2 between the O&E program discussed above and informational
3 advertising. As shown in the response to Staff IR DPS-
4 538, virtually no informational advertising money was
5 spent in the historic test year on O&E program areas,
6 including customer rights and responsibilities, electric
7 safety, emergency customer care, EnergyShare, the CONCERN
8 program or other Con Edison programs and services. The
9 only exception listed in that response was an
10 advertisement costing approximately $4,000 that was
11 placed in the New York City Housing Authority Journal
12 regarding protections for customers using life-sustaining
13 equipment.
14 Q. What topical areas are covered by the Company's
15 Informational Advertising Budget?
16 A. The Public and Customer Information Panel proposes the
17 following separate budget allocations for the following
18 types of messages that are communicated through
19 informational advertising: $8.8 million for Energy
20 Conservation Tips; $1.8 million for Emergency
21 Preparedness; $4.6 million for Infrastructure
22 Improvements; $1.8 million for Workplace Diversity; and,
23 $0.3 million for other general advertising.
24 Q. Did the Public and Customer Information Panel testimony

1 have any other purpose?
2 A. Yes. The Public and Customer Information Panel also
3 notes that in the 2008 Rate Order, the Commission,
4 applying its 1977 policy on advertising expenses (the
5 1977 Policy Statement), reduced Con Edison's funding for
6 advertising. The Public and Customer Information Panel
7 indicated that the 1977 Policy Statement should either
8 not be applied or modified to reflect current and changed
9 circumstances. The Panel states that there is a much
10 greater demand for information in today's environment,
11 and that advertising cost increases have outpaced general
12 inflation, rising at an average rate of about eight
13 percent annually. The Panel proposes that the 1977
14 Policy Statement, if applied, should exempt programmatic
15 advertising in areas that are important to the
16 Commission.
17 Q. Please summarize the provisions of the 1977 Policy
18 Statement.
19 A. The 1977 Policy Statement generally allows between 1/25
20 and 1/10 of 1 percent, or between 0.04 and 0.10 percent
21 of revenues to be directed to informational advertising,
22 such percentages to be applied in inverse proportion to
23 utility size. This range yields budget values
24 approximately between $3 million and $7.5 million for Con

1 Edison. Specific utility allocations are to be
2 determined in individual utility rate cases "on the basis
3 of various other factors including size, geographic
4 location, number of customers and costs of doing business
5 in the area." The 2008 Rate Order allowed Con Edison
6 0.06 percent of revenues, or $4.5 million.
7 Q. What is your assessment of the relevance of the 1977
8 Policy Statement to Con Edison's current circumstances?
9 A. Its useful to recall that the 1977 Policy Statement was
10 itself a revision of a 1972 policy, and the 1977 Policy
11 Statement expressed the Commission's intent to revisit
12 its policies on informational advertising periodically.
13 Since 1977, many major developments have occurred that
14 impact the need for utilities to communicate with
15 customers. Such developments include, but are not
16 limited to, the federal government's enactment of Public
17 Utilities Regulatory Policy Act in 1978, the enactment of
18 Home Energy Fair Practices Act in 1981, and the
19 Commission's adoption of Opinion 96-12 in 1996, which
20 initiated restructuring of the electric industry in New
21 York, the sale of utility property and assets and the
22 introduction of competitive energy suppliers and retail
23 access. On the other hand, the 1977 Policy Statement
24 established certain categories of advertising and

1 determinations of their recoverability in rates that
2 remain valid, including sales/promotional advertising
3 intended to stimulate consumption and civic/political
4 advertising intended to sway public opinion on
5 controversial issues, both of which should continue to be
6 not recoverable. The Commission further recognized that
7 "There is… a large middle ground of institutional
8 advertising that falls somewhere between that which is
9 clearly beneficial to consumers and that which is clearly
10 political or controversial" and sought a simple and
11 straightforward way to determine a reasonable level of
12 allowance for informational advertising that would "end
13 the vexing and essentially arbitrary process our Staff
14 now engages in of reviewing all informational and other
15 institutional advertising" to determine in which category
16 each belonged. Based on my reading of the Commissions
17 2008 Rate order, and specifically pages 47 and 48, I
18 believe the Commission took fair and appropriate
19 consideration of all of these factors. First, the
20 Commission determined that informational advertising
21 should be considered separately from "consumer outreach
22 efforts, which are separately budgeted and accounted for
23 in rates." Second, it determined that because evaluation
24 of the appropriate level of informational advertising

1 continues to be "a much more subjective enterprise,
2 reliance on the policy statement's guidelines has
3 continuing merit and application here." Finally, the
4 Commission determined that "[i]f the Company believes
5 that the funds available to it through the standard
6 allowance are insufficient for it to accomplish proper
7 objectives, the program plans that it submits for our
8 review in the future should include the Company's funding
9 request for any additional informational and
10 institutional advertising it believes is warranted."
11 While not explicitly presented as such, the Public and
12 Customer Information Panel's testimony can be viewed as
13 the Company's response to this invitation.
14 Q. Do you believe that the Company met the standard that was
15 outlined in the 2008 Rate Order?
16 A. Only in part. I recommend that the Commission find that
17 portions of the Company's proposals for additional
18 funding are warranted. Of the $17.5 million requested by
19 the Company, I recommend that the Commission authorize
20 expenditures of $6.7 million.
21 Q. How does this expenditure level for informational
22 advertising compare with historical expense levels?
23 A. According to the revised response to Staff IR DPS-7,
24 historic expenditures for informational advertising were

1 $5.6 million in 2004, $5.4 million in 2005, $7.6 million
2 in 2006 and $16.7 million in 2007. The 2007 expenditure
3 is clearly an outlier, and 2005 saw the lowest level of
4 these expenditures over the four years. If these two
5 figures are discarded, the average annual expenditure
6 over this period was about $6.7 million. This is my
7 recommended level.
8 Q. Do you recommend specific adjustments to Con Edison's
9 proposed informational advertising budget?
10 A. No, I would allow the Company latitude to make its own
11 decisions regarding how to allocate the overall budget to
12 the areas of Energy Conservation Tips, Emergency
13 Preparedness, Infrastructure Improvements, Workplace
14 Diversity and other general advertising identified in its
15 filing. I can; however, offer some general guidance and
16 observations. The topic of greatest concern is Emergency
17 Preparedness, which addresses a Commission mandate to
18 inform customers on how to contact the Company during
19 emergencies, and how to report on and obtain information
20 regarding outages. Given the importance of this issue,
21 it is difficult to justify a budget for Upgrading
22 Infrastructure advertising that is more than 250 percent
23 higher than that for Emergency Preparedness. While the
24 1977 Policy Statement recognized that it was reasonable

1 to afford utilities the opportunity to defend, justify,
2 or merely explain and describe its activities, resources
3 for this effort should not surpass those devoted to
4 Emergency Preparedness. Similarly, the Company should
5 recruit women and minorities as employees and contract
6 with women and minority owned businesses, and may even
7 publicize these efforts; but the advertising budget for
8 Workplace Diversity should not be set equal to
9 advertising for Emergency Preparedness, which is a core
10 responsibility of the utility. Finally, the Company's
11 Public and Customer Information Panel, at page 44 of its
12 pre-filed testimony, explains that Energy Tips
13 advertising "urges customers and the public to think
14 about energy as a valuable commodity and to change their
15 behavior with respect to energy usage." This is a
16 laudable, goal; however, it would do more to support the
17 state's energy conservation goals to focus on marketing
18 specific energy efficiency programs. The Energy Tips
19 advertising does not do this, although the Company
20 promises that Energy Tips and energy efficiency program
21 marketing will be coordinated.
22 Q. What is the effect if your adjustment is adopted?
23 A. There would be a reduction of $10.8 million to Rate Year
24 operations and maintenance expenses.

1 Customer Service Performance Incentive Mechanism

2 Q. Please describe Con Edison's current customer service
3 performance incentive.

4 A. Con Edison's electric customer service performance
5 incentive (CSPI) was updated in the Commission's 2008
6 Rate Order. A maximum revenue adjustment in favor of
7 customers of up to $40 million annually (equivalent to
8 approximately 33 basis points of electric common equity)
9 is applicable if the Company does not meet customer
10 service threshold targets. The Company files a report
11 annually on its performance under the incentive
12 mechanism. The customer service performance metrics are
13 measure the following areas: PSC complaint rate;
14 satisfaction of electric emergency callers, other non-
15 emergency callers to the Company's telephone centers and
16 visitors to the Company's service centers; time to
17 complete new and initial service jobs, initial phase;
18 time to complete new and initial service jobs, final
19 phase; meter reading, percent read on cycle; telephone
20 calls, percent answered; billing accuracy (percentage of
21 bills not adjusted due to company error); routine
22 investigations (percentage completed within 30 days); and
23 the Outage Notification Incentive Mechanism (ONIM), a
24 measurement of the Company's performance in customer

1 notification of service outages. For measurement
2 purposes, under the terms of the existing rate plan,
3 performance resulting from abnormal operating conditions,
4 such as strikes, natural disasters, major storms and
5 other unusual events, are not considered. In such cases,
6 Con Edison will omit data for the affected geographic
7 area from the calculation.
8 Q. Does the Company propose to continue the CSPI?
9 A. Con Edison is silent on the matter of continuing this
10 performance mechanism.
11 Q. Do you propose to continue the CSPI?
12 A. Yes. The Commission, in Case 94-E-0952, its general
13 electric rate and restructuring case, stated its
14 preference for performance-based regulation for
15 monopolies. As long as delivery service remains a
16 monopoly, there are virtually no consequences to Con
17 Edison for failing to provide good customer service,
18 absent CSPIs. CSPIs help to align shareholder and
19 customer interests by providing earnings consequences to
20 shareholders for the quality of service provided to a
21 utility's customers. Presently, CSPIs are in effect at
22 all of the major energy utilities that link earnings
23 directly to companies' performance on specific measures
24 of customer service. I propose continuation of Con

Edison's CSPI.

Q. Does this conclude your testimony at this time?

A. Yes, it does.