

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of
Consolidated Edison Company of New York, Inc.
Case 06-G-1332
March 2007

Prepared Testimony of:

LEA ANN ROSENTHAL

Utility Consumer Program
Specialist 4
Office of Consumer Services
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

- 1 Q. Please State your name, employer, and business
2 address.
- 3 A. My name is Lea Ann Rosenthal. I am employed by
4 the New York State Department of Public Service
5 (Department). My business address is Three
6 Empire State Plaza, Albany, New York 12223-1350.
- 7 Q. Ms. Rosenthal what is your position with the
8 Department?
- 9 A. I am employed as a Utility Consumer Program
10 Specialist 4 in the Appeals Section of the
11 Office of Consumer Services.
- 12 Q. What is your educational and professional
13 background?
- 14 A. I received a Bachelor of Arts degree in
15 Chemistry from the College of New Rochelle in
16 1975 and a Master of Education degree with a
17 major in counseling from Texas Christian
18 University in 1976. Before joining the
19 Department, I held various positions with the
20 New York State Department of Labor for nearly
21 four years and subsequently worked as a Senior
22 Administrative Analyst for the State Office of
23 General Services for five years. I have worked
24 for the Department in numerous positions since

1 1986, advancing to my current title. In this
2 position, I have advocated on behalf of
3 residential customers in rate and other
4 proceedings.

5 Q. Please briefly describe your most recent
6 responsibilities with the Department.

7 A. From January 2004 through January 2007, I worked
8 for the Office of Retail Market Development. My
9 responsibilities involved implementing
10 competitive policies in proceedings to encourage
11 the development of competitive retail markets in
12 gas and electricity.

13 Q. Have you previously testified before the New
14 York State Public Service Commission
15 (Commission)?

16 A. Yes. I have testified in numerous gas, electric,
17 water and telephone rate proceedings on a
18 variety of issues related to competition, retail
19 access programs, migration incentives,
20 competitive outreach and education, purchase of
21 receivables, Energy Service Companies (ESCO)
22 Referral Programs, service quality performance
23 and customer service, including low-income
24 programs, aggregation initiatives, collection

1 practices and policies, customer information
2 systems, use of credit cards, uncollectibles,
3 and economic impacts in specific utility service
4 territories.

5 Q. What is the purpose of your testimony?

6 A. My testimony will address the Consolidated
7 Edison Company of New York, Inc. (Con Edison or
8 the Company) Retail Access Panel's request to
9 continue the existing migration incentive
10 mechanism. My testimony will also address the
11 Company Customer Operations Panel's request for
12 additional capital and operating and maintenance
13 (O&M) costs associated with the bill redesign
14 project that Con Edison has been working on in
15 conjunction with Staff. I will also recommend
16 that the new systems applications for the
17 PowerYourWay Program requested by the Customer
18 Operations Panel be disallowed.

19 Q. Are you sponsoring any exhibits in connection
20 with your testimony?

21 A. I have prepared Exhibit____ (LAR-1) which is a
22 compilation of responses to Staff Information
23 Requests (IR) that I referred to and relied on
24 in preparing my testimony.

1 **Migration Incentives**

2 Q. In its direct testimony, the Con Edison's Retail
3 Access Panel requests the continuation of the
4 gas migration incentive provided for in the
5 Company's current rate plan. Does Staff agree
6 with this recommendation?

7 A. No. Staff disagrees with the Company on
8 continuing the existing gas migration incentive.

9 Q. Please explain the existing migration incentive.

10 A. Under the current gas rate plan established in
11 Cases 03-G-1671 and 03-S-1672, Con Edison has
12 the opportunity to earn up to \$8.5 million based
13 on the number of residential heating and non-
14 residential gas accounts that switch to and are
15 retained by ESCOs during the term of the rate
16 plan. Specific target levels for the incentives
17 were established under the rate plan, provided
18 that a minimum threshold of at least 7,500
19 eligible customers migrated to ESCOs.

20 Q. How is the gas migration incentive funded
21 currently?

22 A. Under the existing gas rate plan, Con Edison is
23 allowed to recover the amount it earns through
24 the gas migration incentive from the Competitive

1 Retail Choice Credits (CRCC). If there are
2 insufficient funds in the CRCC, Con Edison is
3 allowed to recover the balance of the migration
4 incentive earned through a surcharge to the
5 Monthly Rate Adjustment.

6 Q. What was the purpose of providing Con Edison
7 with the ability to earn a migration incentive?

8 A. The purpose of the migration incentive was to
9 encourage Con Edison to promote retail access in
10 its service territory. At the time the
11 migration incentive was originally proposed, the
12 competitive market in Con Edison's service
13 territory, especially in terms of residential
14 customers, was far from robust. Offering Con
15 Edison the ability to earn a migration incentive
16 was viewed as a way to promote the competitive
17 retail energy market. During the existing gas
18 rate plan, Con Edison successfully implemented a
19 number of competition oriented programs,
20 including the Purchase of Receivables and
21 PowerMove. Programs such as these were designed
22 to spur retail access. Con Edison participated
23 in and sponsored many community events, exhibits
24 and activities where retail access was actively

1 promoted. In addition, Con Edison implemented a
2 rigorous marketing campaign to educate customers
3 and made them aware of competition in the gas
4 and electric retail energy markets.

5 Q. Has Con Edison been successful in promoting the
6 competitive retail energy market in its service
7 territory?

8 A. Yes. Significant numbers of gas customers have
9 migrated in the Con Edison service territory
10 during the term of the current gas rate plan.
11 In my opinion, programs such as PowerYourWay and
12 PowerMove have contributed to the migration of
13 customers to ESCOs. In addition, there has been
14 a maturation of the retail energy market during
15 this time especially in the number of ESCOs
16 serving retail mass market customers. As
17 evidence illustrating development in the retail
18 market, 25,547 gas accounts were purchasing gas
19 supply from ESCOs in the Con Edison service
20 territory on October 1, 2004, the beginning of
21 the current gas rate plan. As of December 31,
22 2006, the number of customers in the Con Edison
23 service territory who were purchasing supply
24 from gas marketers is 113,956. This represents

1 10.6% of the total number of eligible accounts
2 purchasing gas supply from marketers in the Con
3 Edison service territory.

4 The competitive retail energy market has
5 developed to a point where there are 26 gas
6 marketers serving retail customers in the Con
7 Edison service territory. Fifty seven percent
8 of the volume of natural gas in December 2006
9 was transported by ESCOs in the Con Edison
10 service territory.

11 Q. What is your opinion about the current state of
12 the retail gas market in Con Edison's service
13 territory?

14 A. The competitive retail gas market is thriving.
15 There are a healthy number of marketers serving
16 customers, including the mass market. Customers
17 are aware of the competitive energy marketplace
18 and are choosing to actively participate in the
19 marketplace.

20 Q. What is Staff's recommendation with respect to
21 the continuation of the gas migration incentive?

22 A. Staff recommends that the gas migration
23 incentive for Con Edison be discontinued. There
24 no longer needs to be an incentive since the

1 competitive retail energy market is functioning
2 well. All customers in Con Edison's service
3 territory have a number of gas marketers to
4 choose from and can select from a number of
5 offers.

6 Bill Redesign

7 Q. Please explain the Company's efforts to redesign
8 and unbundle customer bills.

9 A. Pursuant to the Order Directing Submission of
10 Unbundled Bill Formats issued on February 18,
11 2005 in Case 00-M-0504, Con Edison has been
12 working to unbundle the charges on customer
13 bills and implement new gas and electric bill
14 formats. Con Edison has been working
15 collaboratively with Staff on the unbundled bill
16 and redesign project over the past three years.
17 Specific details of the unbundled charges to
18 appear on bills can be found in Staff witness
19 Berger's testimony. In a separate filing made
20 on November 7, 2006, Con Edison submitted to
21 Staff its revised bill formats for full service
22 customers, as well as draft tariff leaves, and
23 its Outreach and Education Plan that will be
24 used to explain the revised bills to customers

1 and educate customer contact employees about the
2 new bills.

3 Q. What is Staff's recommendation regarding the
4 bill redesign project?

5 A. Staff recommends that the parties continue to
6 meet and work collaboratively on bill redesign
7 in order to meet the deadline for the issuance
8 of the interim bridge bill in mid-2007 and the
9 implementation deadline so the unbundling of gas
10 charges can be reflected in the bills issued
11 after October 1, 2007.

12 Bill Redesign Costs

13 Q. Have you reviewed the Customer Operations
14 Panel's testimony with respect to the request
15 for additional capital expenses related to the
16 bill redesign project?

17 A. Yes. Staff has reviewed the capital costs
18 discussed in the Customer Operations Panel's
19 testimony relating to the bill redesign project.
20 Staff is satisfied that the requested increase
21 of \$187,000 in capital costs allocated to gas
22 operations for the rate year for software
23 systems development, as noted in the Company's
24 response to Staff IR #115, and \$74,800 in

1 capital costs allocated to gas operations for
2 external contract labor associated with bill
3 development and testing, stated in response to
4 Staff IR #119, is justified.

5 Q. Do you have any recommendations with respect to
6 the Customer Operations Panel testimony and the
7 request for additional O&M expenses associated
8 with the bill redesign project?

9 A. As was disclosed in response to Staff IRs #102,
10 #123, #124, #212 and #251, the Company forecast
11 \$236,000 in Company-wide other O&M expenses for
12 this project. Of this amount, \$42,000 is
13 attributable to gas operations. These costs are
14 for the development of training materials to
15 educate customer contact employees about the
16 redesigned bills and for the bill inserts that
17 will be sent to inform customers about the new
18 bill formats.

19 While these expenses appear reasonable and
20 Staff does not dispute the need to educate
21 employees and customers about the revised bill
22 formats and the unbundling of charges, the
23 funding for such activities should come from the
24 general Outreach and Education budget.

1 Staff recommends an adjustment to other O&M
2 expenses of \$42,000 for the rate year. This
3 amount is recommended in Staff witness Insogna's
4 testimony as an addition to his general outreach
5 and education rate year expense forecast.

6 Q. Do you have any other recommendations with
7 regard to the requested increase in O&M expenses
8 related to the bill redesign project?

9 A. No. Staff is satisfied that the Company has
10 justified the additional incremental rate year
11 cost of \$38,420 allocated to gas operations for
12 larger envelopes needed for the new bills. See
13 responses to Staff IRs #120, #121, #125, #211.
14 Staff is also satisfied that the request for
15 \$8,330 allocated to gas operations for the rate
16 year for maintenance costs associated with the
17 new bill inserter and publication support
18 software is justified, based upon the Company's
19 response to Staff IR #122.

20 New Systems Applications for PowerYourWay

21 Q. Please describe the new systems applications the
22 Company is proposing for the PowerYourWay
23 Program.

24 A. On page 14 of its direct testimony, the Customer

1 Operations Panel describes its proposal to
2 consolidate the Retail Access Information System
3 (RAIS) and the Transportation Cost Information
4 System (TCIS) at an estimated cost of \$4
5 million, to be spent from 2008 through 2010.
6 The gas portion of this program is approximately
7 \$680,000. These two systems are used for
8 enrolling electric and gas customers into retail
9 access. While the Customer Operations Panel
10 does identify some benefits on page 15 of its
11 testimony of consolidation of the separate
12 systems, enrollment with ESCOs is currently
13 accomplished through the use of the two separate
14 systems. However, associated benefits to be
15 gained by consolidation of the two systems would
16 not inure to the general body of ratepayers, and
17 therefore should not be funded by ratepayers.

18 Q. What is Staff's recommendation regarding the
19 consolidation of RAIS and TCIS systems?

20 A. Staff recommends against the use of ratepayer
21 funds to pay for enhancements that would benefit
22 ESCOs and retail access customers by
23 consolidation of the RAIS and TCIS systems.
24 Staff recommends that consolidation of the RAIS

1 and TCIS systems be disallowed.

2 Q. Does this conclude your testimony at this time?

3 A. Yes.

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LEA ANN ROSENTHAL

Utility Consumer Program
Specialist 4
Office of Consumer Services
State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff6
Date of Response: 01/16/2007
Responding Witness: Customer Ops Panel

Question No. :102

Provide additional support for the request for an additional \$1.54M needed to complete this bill redesign efforts. Fully explain with supporting workpapers, the details behind the capital costs and the O&M costs shown in Exhibit CO-2.

Response:

See attached.

Bill Redesign Expenditures from 10/1/07 to 10/1/10

CAPITAL Bill Redesign Costs	Costs to 10/1/10	Description
Electronic bill presentment/archival/retrieval application purchase/development	\$900,000	Con Edison must purchase an application to develop an internal system for electronic display, archival & retrieval of customers' bills.
Self-service bill calculation application	\$200,000	Development of a web-based application to provide customers with ability of self-service bill calculation.
External consultants for bill development & design	\$300,000	Contract external labor to be utilized for continued development of the bill composition product & associated bill prototypes reflecting more expansive unbundling of bill components.
External consultants for testing process	\$140,000	Contract external labor for continued support of an on-line testing application, and, a test team of contractors needed for future unit/volume testing.
Total CAPITAL Costs	\$1,540,000	
O&M Bill Redesign Costs	Costs to 10/1/10	Description
Incremental envelope costs	\$678,000	Based on 40 million bills annually, the incremental cost of larger envelopes required due to the larger sized paper (8.5x11).
Customer education materials	\$220,000	Cost for bill inserts to assist customers in understanding bill format/content changes.
Employee education materials	\$16,000	Cost for materials to train contact employees in handling customer inquiries on bill format/content changes.
Maintenance of upgraded mail inserters	\$102,000	Annual maintenance of upgraded mail inserters to accommodate new bill format.
Maintenance of bill composition software	\$45,000	Annual maintenance of the bill composition software product & associated publication software.
Total O&M Costs	\$1,061,000	

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/19/2007
Responding Witness: Customer Ops Panel

Question No. :115

Referencing page 10 of your testimony, provide supporting documentation for the \$1.1M of O&M costs (showing the allocation between gas and electric) requested for software and associated development of electronic bill presentation, including the ability to archive and retrieve bills.

Response:

The requested funding of \$1.1M is for capital expenditures, not O&M expenditures. A breakdown showing the gas and electric allocations is shown below.

Item	Capital Expenses	Gas (17%)	Electric (83%)
Software/Systems Development			
Electronic Bill Presentation/Archival/Retrieval	\$900,000	\$153,000	\$747,000
Self-service bill calculation application	\$200,000	\$34,000	\$166,000
Total	\$1,100,000	\$187,000	\$913,000

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/19/2007
Responding Witness: Customer Ops Panel

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Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/22/2007
Responding Witness: Customer Ops Panel

Question No. :119

Provide documentation to support the \$440,000 requested in capital costs (showing the allocation between gas and electric) for contract labor to assist in development and testing of the new bill format.

Response:

Con Edison is using contract external labor to assist in the development and testing of the new bill design. A breakdown showing the gas and electric allocations for development and testing is shown below.

Contract External Labor			
		Gas (17%)	Electric (83%)
Bill Development	\$300,000	\$51,000	\$249,000
Testing	\$140,000	\$23,800	\$116,200
Total	\$440,000	\$74,800	\$365,200

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/22/2007
Responding Witness: Customer Ops Panel

Question No. :120

In reference to page 11 of your testimony, submit supporting data showing the \$678,000 in incremental costs (showing the allocation between gas and electric for each of the rate years from 2007 - 2010) associated with the envelope stock for large format bills.

Response:

The Company's estimated costs are:

Envelope Type	Existing Envelope Annual cost for 6.75" x 11" format.	New Envelope Annual cost for 8.5" x 11" format.	Incremental Annual envelope cost increase
Mailer Envelope	\$ 439,600.00	\$ 528,000.00	\$ 88,400.00
Return Envelope	\$ 335,200.00	\$ 472,800.00	\$ 137,600.00
Total	\$ 774,800.00	\$ 1,000,800.00	\$ 226,000.00
Total envelope cost increase (rate years 1-3) =		\$ 678,000.00	

The chart below represents the allocation of incremental envelope costs between gas and electric for each of the rate years.

Rate year 1		Rate year 2		Rate year 3		Total incremental envelope costs (Rate years 1-3)
Gas (17%)	Electric (83%)	Gas (17%)	Electric (83%)	Gas (17%)	Electric (83%)	
\$38,420	\$187,580	\$38,420	\$187,580	\$38,420	\$187,580	\$678,000

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/22/2007
Responding Witness: Customer Ops Panel

Question No. :121

Justify the necessity for large format bills and specify the number of bills that will be issued in large format each month.

Response:

The larger sized paper was deemed necessary to display the unbundled charges in an easy-to-understand format. Monthly, more than 3 million Con Edison gas and electric bills will be issued on the new paper.

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/22/2007
Responding Witness: Customer Ops Panel

Question No. :122

Provide contracts or documentation for each rate year from 2007 through 2010 to support the maintenance costs for the bill inserter and publication support software module discussed on page 11 of your testimony. Show the allocation of costs for each rate year between gas and electric.

Response:

The Company expects to incur costs for maintenance associated with the bill inserter and publication support software of approximately \$147,000 as shown below.

		Gas and Electric Allocations						
			Rate Year 1		Rate Year 2		Rate Year 3	
Maintenance Costs		Description	Gas (17%)	Electric (83%)	Gas (17%)	Electric (83%)	Gas (17%)	Electric (83%)
Bill inserter	\$102,000	Maintenance cost for three year rate period 2007-2010.	\$5,780	\$28,220	\$5,780	\$28,220	\$5,780	\$28,220
Publication support software	\$45,000	Maintenance cost for three year rate period 2007-2010.	\$2,550	\$12,450	\$2,550	\$12,450	\$2,550	\$12,450
Totals	\$147,000		\$8,330	\$40,670	\$8,330	\$40,670	\$8,330	\$40,670

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/22/2007
Responding Witness: Customer Ops Panel

Question No. :123

Referencing page 11 of the Panel’s testimony, provide justification for the request for \$236,000 for customer and employee outreach associated with bill redesign.

Response:

See the Company’s November 7, 2006 submission, starting on page 6. The funding of \$236,000 includes \$16,000 for the development of employee training materials that will be used to assist our representatives in becoming familiar with the new bill design, and \$220,000 for the development of “Understanding Your Bill” inserts for customers to help identify changes to their bills.

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/22/2007
Responding Witness: Customer Ops Panel

Question No. :124

Explain why this request is considered incremental. Provide the allocation being requested for gas and electric for each rate year from 2007 – 2010.

Response:

The reference in this question is unclear.

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff8
Date of Response: 01/24/2007
Responding Witness: Customer Ops Panel

Question No. :125

In accordance with the Commission Order issued on February 18, 2005 in the Unbundled Bill Format Order, Case 00-M-0504, page 16, demonstrate and explain in detail the steps Con Edison has taken to contain and mitigate costs related to the implementation of the unbundled bill format.

Response:

Throughout the entire bill redesign project, the Company has tried to minimize costs. For example, we carefully evaluated and tested various grades and weights of bill paper to minimize to the extent feasible the incremental costs related to the larger sized (8 1/2" x 11") paper used in the new bill design. After several months of testing and analysis, we selected a lighter weight paper (20 lb.) than had been used on the smaller sized bill. Although the size of the bill paper will be larger, the lighter weight paper enables us to essentially maintain the mailing weight to avoid increases in postage costs at current rates. The lighter weight paper helps us contain costs, as it is approximately the same overall cost as the smaller sized heavier bill paper that is currently utilized. The Company currently purchases 6 different formats of paper to print more than 3 million bills each month in the current design. The new design requires just one paper format, which is expected to yield productivity improvements within the printing department. As part of the new bill design, we will be incorporating duplex printing - printing on the front and back of each bill page. Although the new design contains more information, duplex printing will enable us to maximize the amount of information that can be displayed on a single sheet of paper. In most cases, customer bills will comprise no more pages than they do today, and utility consolidated bills have the potential to be one page less.

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff11
Date of Response: 02/02/2007
Responding Witness: Customer Ops Panel

Question No. :211

Provide the reason(s) for increasing customer bills to 8.5 by 11 inches. Please provide all customer research conducted by Con Edison that shows that customers were not satisfied with the dimensions of the current bills. Also provide any customer research conducted by Con Edison that supports the need to provide larger bills for customers.

Response:

Con Edison's new bill is designed to accommodate the presentation of more information than was presented in the prior bill format. Since the bill format in use previously (designed for 6.75" x 11" paper) could not accommodate additional information in an easy-to-read format, the larger paper (8.5" x 11") was selected.

Additionally, the larger size paper was recommended by bill design consultants to present a more modern, professional bill appearance that can facilitate future bill expansion/flexibility and will limit the overall number of bill pages customers will receive.

The customer focus groups conducted last year on the bill format indicated a preference for the large bill. The customer focus groups were comprised of 6 focus group sessions conducted in first quarter 2006 and 4 sessions conducted in fourth quarter 2006. Some actual customer comments were:

"I like that it's on a bigger piece of paper."

"The whole page is bigger and the type is bigger."

"This bill makes me pay more attention than my current bill."

"I like the layout of the new bill. It is pretty practical and well organized."

"This bill is more organized than the current one which makes my charges easier to understand."

"This is a sharper and more professional look. I like that the set up is more organized."

"I like having extra key terms and phrases."

"I like the way the information is compartmentalized."

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff I
Date of Response: 02/02/2007
Responding Witness: Customer Ops Panel

Question No. :212

As a follow-up to the response provided to DPS-102, provide further support and justification for the \$220,000 being requested for customer education materials. How many planned bill inserts are being planned that are strictly dedicated to explaining to customers the new bill formats/content changes.

Response:

See the Company's November 7, 2006 submission, starting on page 6. Two bill inserts are planned that will be dedicated to explaining the new bill formats/content changes. One will accompany bills issued in October 2007 to explain unbundled gas charges and unbundled electric charges for electric service classes 1, 2, and 7. The other bill insert will accompany electric bills issued in April 2008 to explain other unbundled charges that will be implemented at that time.

Company Name: Con Edison
Case Description: Rate Filing
Case: 06-G-1332

Response to DPS Interrogatories – Set Staff13
Date of Response: 02/12/2007
Responding Witness: Customer Ops Panel

Question No. :251

On page 11 of the Customer Operations Panel testimony, it is projected that the Company will incur another \$1.1 million in total O&M costs associated with Bill Redesign. The Company's Exhibit AP-6, Schedule 8, page 3 of 3, line 29 indicates \$93,000 program change for Bill Redesign. Please provide workpapers to support the derivation of these costs.

Response:

Per Exhibit __ (CO-2) the total \$1.1 million of O&M costs associates with Bill Redesign represents costs to be incurred over three rate years. The annual cost of the larger envelopes and the annual system/software maintenance costs will be \$226,000 and \$49,000, respectively, per year. The necessary education materials are a one-time expenditure of \$236,000 for a total cost in the rate year of \$511,000. The allocable portion of 18% to gas operations is \$92,000. The \$1,000 variation to the Company's Exhibit AP-6 is the result of rounding treatment.