

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:

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Utility Consumer Program
Specialist
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State of New York
Department of Public Service
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1 Q. Please state your name and business address.

2 A. Martin Insogna, 3 Empire State Plaza, Albany, NY 12223.

3 Q. By whom are you employed and in what capacity?

4 A. I am employed as a Utility Consumer Program Specialist 4
5 in the Office of Consumer Services of the New York State
6 Department of Public Service.

7 Q. Please describe your educational background and
8 professional experience.

9 A. I hold a Bachelor's Degree in philosophy and economics
10 from Colgate University. Prior to joining the Department,
11 I was employed in a wide range of customer service fields,
12 including as a representative of the then-New York
13 Telephone Company. I joined the Consumer Services
14 Division of the Department in 1990 as a Consumer Services
15 Specialist, investigating and resolving utility consumer
16 complaints. I was thereafter accepted into a traineeship
17 with the Office of Energy Efficiency and Environment, with
18 responsibility for policy and operational considerations
19 involving utility energy efficiency programs and
20 environmental issues. I was then promoted to the title of
21 Utility Rate Analyst, and was transferred to the Electric
22 Division, with responsibility for review and analysis of
23 utility rate and rate-related filings. When the Department
24 was reorganized in 1999, I was assigned to the Retail

1 Competition section of the Office of Electricity and
2 Environment, with responsibility for a wide variety of
3 initiatives related to the introduction of retail access.
4 In January 2000, I was promoted to the title of Associate
5 Policy and Compliance Analyst and transferred to the
6 Residential Advocacy Section of the Office of Consumer
7 Education and Advocacy. The Department of Civil Service
8 subsequently reclassified the title of Associate Policy
9 and Compliance Analyst to my current title. In December
10 2003, the Department was again reorganized, and the Office
11 of Consumer Services assumed responsibility for consumer
12 advocacy functions within the Department.

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

15 A. Yes, I have. I have previously testified in proceedings
16 concerning Orange and Rockland, New York State Electric
17 and Gas, Niagara Mohawk, Rochester Gas and Electric,
18 KeySpan Energy Delivery New York and KeySpan Energy
19 Delivery Long Island, and the Consolidated Edison Company
20 of New York, Inc. (Con Edison or the Company). Subjects
21 of my previous testimony have included energy efficiency
22 programs, system benefits charge implementation, rate
23 design, consumer protections, service quality, low income
24 customer needs, outreach and education, and utility

1 commodity supply pricing.

2 Q. What is the scope of your testimony in this proceeding?

3 A. I will address the continuation of a customer service
4 performance incentive for Con Edison, its low income
5 program, and its outreach and education program.

6 Customer Service Performance Incentive

7 Q. What is the purpose of a customer service performance
8 incentive?

9 A. Customer service performance incentives (CSPIs) help to
10 align shareholder and ratepayer interests by providing
11 earnings consequences to shareholders for the quality of
12 service provided to a utility's customers. Presently,
13 CSPIs are in effect at all of the major energy utilities
14 that link earnings directly to companies' performance on
15 specific measures of customer service.

16 Q. Please describe Con Edison's gas CSPI.

17 A. Con Edison's gas CSPI took effect in 1994; the mechanism
18 for 2005 was last reviewed and updated in the September
19 27, 2004 Order Adopting Terms of a Joint Proposal, issued
20 in Case 03-G-1671. The gas CSPI is based on an average of
21 biannual surveys of customer satisfaction with the
22 handling of emergency calls relating to gas service. A
23 customer satisfaction report is submitted twice a year,
24 following customer surveys in the second and fourth

1 quarters. If, during any rate year, satisfaction should
2 fall below the 88.1 percent target, the Company would
3 incur an adjustment to return ranging up to \$3.3 million,
4 equivalent to approximately 30 basis points, after taxes,
5 of gas common equity, reaching the maximum at a
6 satisfaction level of 87.5 percent or below.

7 Q. Does the Company propose to continue the gas CSPI?

8 A. No. Speaking of the gas CSPI as well as various other
9 operational and safety performance incentives, Company
10 witness Rasmussen testifies at page 33 of his prepared
11 testimony that, "The Company proposes to discontinue these
12 performance mechanisms, which expire at the end of the
13 existing rate plan. The Company has achieved the customer
14 satisfaction survey target and operations and safety
15 targets each year, plans to continue its high level of
16 performance in these areas during the remaining term of
17 the existing rate plan and thereafter, sees no
18 justification for a penalty mechanism in order to
19 encourage it to do so, and believes positive incentives
20 are reflective of fostering good operations and
21 enlightened operation. Penalties may be appropriate where
22 public policies are violated and in a case of egregious
23 behavior, but not for the purposes of the operating
24 mechanisms in the current program."

1 Q. Does Staff agree with that assessment?

2 A. No. For purposes of clarity, Staff reserves the use of
3 the term "penalty" to refer to monies forfeited by a
4 utility in an action pursuant to PSL Section 25, and will
5 refer to amounts at risk under the gas CSPI as payments to
6 ratepayers. The fact that the Company has met or exceeded
7 its annual target is evidence that the gas CSPI has been
8 effective in keeping service to customers a priority.
9 While positive incentives may be appropriate where the
10 Commission wishes to encourage a utility to strive for
11 superior performance, the threat of payments to ratepayers
12 is the most appropriate mechanism to avoid deterioration
13 of the current level of service, as the gas CSPI is
14 designed to do. Staff proposes further continuation of
15 the Company's gas CSPI. Pursuant to the Commission's
16 current gas rate Order, the current gas CSPI remains in
17 effect "for the term of the Gas Rate Plan and thereafter."
18 As with the current gas CSPI, it should remain in place
19 unless or until replaced or discontinued by the
20 Commission.

21 Low Income Program

22 Q. Why should utilities such as Con Edison offer low income
23 programs?

24 A. Energy costs represent a large burden on low income

1 families. Evidence from a variety of sources, including
2 the Residential Energy Consumption Survey conducted
3 quadrennially by the Federal Energy Information
4 Administration, demonstrates that, while energy costs for
5 mid and upper income customers represent one to five
6 percent of income, such costs represent 15 to 20 percent
7 of income for lower income customers. As a result, many
8 low income customers cannot afford essential services such
9 as gas service. These families typically must trade off
10 among food, shelter and energy purchase decisions. In
11 addition, for gas heating customers, loss of a household's
12 primary heat source presents serious risks, due to cold
13 weather and the fire and health hazards that result from
14 using unsafe alternative heating sources. Furthermore,
15 low income families tend to live in poorly maintained
16 housing stock. This not only wastes energy, but makes it
17 even more likely that these households will be unable to
18 pay their utility bills. For these reasons, programs to
19 address the needs of low income customers are necessary.
20 In addition, in its Order Continuing the System Benefits
21 Charge (SBC) and the SBC-Funded Public Benefit Programs,
22 issued December 21, 2005 in Case 05-M-0090, the Commission
23 stated that, "[o]il and gas prices are volatile and
24 rising, resulting in electricity commodity price increases

1 for New York consumers, negatively impacting low income
2 consumers, in particular, who spend a higher percentage of
3 their income on energy costs." Citing the recent
4 escalation in fuel costs and the disproportionate impact
5 such increased costs have on low income customers, the
6 Commission increased annual SBC support for low income
7 programs by over \$11 million, to over \$38 million annually
8 through 2011. For the same reasons, financial support for
9 Con Edison's low income rate discount should increase as
10 well.

11 Q. Why should such programs be funded by Con Edison
12 ratepayers?

13 A. Con Edison is the provider of last resort for the low
14 income customers in its service territory. Helping low
15 income customers to pay their gas bills helps the utility
16 and ratepayers. Utilities carry uncollectible expenses
17 which are paid for by all ratepayers as a cost of
18 business. Collection costs and working capital on the
19 unpaid bills of low income customers impose additional
20 costs on the utility and all consumers. These costs can
21 be reduced with the effective implementation of low income
22 programs. Savings from low income programs that should be
23 considered include reductions in costs associated with
24 credit and collection, arrears and bad debt, deposit

1 maintenance, regulatory expenses, repeated payment plan
2 negotiations, credit agency fees, diversion of revenue
3 from arrears to reconnection fees, and diversion of
4 revenue resulting from forced moves. Finally, there is
5 broad based support for programs to lower bills for low
6 income customers, as evidenced by joint proposals adopted
7 by the Commission that have resulted in the implementation
8 of low income programs at Central Hudson, Con Edison,
9 KeySpan, National Fuel, NYSEG, Niagara Mohawk, O&R and
10 RG&E.

11 Q. Does Con Edison propose a gas low income program?

12 A. Yes, Con Edison proposes to continue its existing program.
13 Under the current program, the delivery rate for monthly
14 usage between four and 90 therms is reduced by 25 percent
15 of the full delivery rate for usage within that block. To
16 qualify for the program, a customer must be receiving
17 benefits under any of the following governmental
18 assistance programs: Supplemental Security Income,
19 Temporary Assistance to Needy Persons, Safety Net
20 Assistance, Medicaid, or Food Stamps, or have received a
21 Home Energy Assistance Program grant in the preceding 12
22 months. The program is designed to generate approximately
23 \$1.6 million in annual low income rate reductions, which
24 are recovered through increased revenue requirement

1 allocations to firm service classes. Specifically, an
2 additional \$1.6 million is allocated to SC 1, 2, 3 and 13
3 firm sales classes and the corresponding SC 9 firm
4 transportation sub-classes. The program was originally
5 designed to serve about 125,000 participants; however, it
6 has only served about 100,000, possibly due to decreases
7 in the size of welfare rolls. As a result, Con Edison
8 implemented a provision of the current rate plan that
9 allows the discount to increase in the third year from 25
10 percent to 30 percent. Staff estimates that actual rate
11 reductions to participants were approximately \$900,000 in
12 the first two years, and will rise to approximately \$1.1
13 million in the third year, due to the increase in the
14 discount level.

15 Q. Do you support Con Edison's proposal to continue its
16 existing gas program for low income customers?

17 A. Staff supports the Company's proposal to continue its
18 current rate discount; however, Staff proposes that the
19 program should be expanded and enhanced. Con Edison has
20 proposed rate design changes that would increase the
21 monthly customer charge for SC 1 customers from \$12.38 to
22 \$15.27, a 23 percent increase; and for SC 3 customers from
23 \$12.38 to \$20.00, a 62 percent increase. While Staff is
24 concerned about the impacts of such increases on all

1 customers, we are particularly concerned with the impacts
2 on low income customers. In order to mitigate the impact
3 of the proposed changes, Staff proposes that, in addition
4 to the volumetric discount already in place, the monthly
5 charge for all qualified low income customers be set at
6 \$15.27. Assuming the level of participation remains at
7 about 100,000 the cost of such a program would total
8 approximately \$1.8 million per year. That is a reasonable
9 funding level for such a program, particularly given the
10 potential for offsetting benefits to the Company and all
11 customers.

12 Q. What if the number of rate discount participants increases
13 or decreases from the historic level of 100,000
14 participants during the rate year?

15 A. We propose that if the aggregate actual rate reductions
16 provided to low income customers during the rate year
17 exceeds or is less than \$1.8 million, the Company may,
18 after consultation with Staff, revise the 25 percent rate
19 reduction applicable in the succeeding year. If Con
20 Edison determines to revise such percentage, the
21 percentage rate reduction established should not exceed 30
22 percent or be less than 20 percent of the full delivery
23 rate. Any remaining under- or over-expenditure of funds
24 due to varying enrollment levels should be deferred for

1 future recovery.

2 Outreach and Education Program

3 Q. Please briefly describe Con Edison's outreach and
4 education programs.

5 A. The Company implements a general outreach and education
6 program designed to inform both electric and gas customers
7 of their rights and responsibilities, how to make maximum,
8 efficient and safe use of energy products and services and
9 how to make cognizant choices in the energy marketplace.

10 It also has a Power Your Way and Power Move (PYW-PM)
11 outreach and education program designed to inform electric
12 and gas customers of their energy choices, including the
13 energy service companies (ESCOs) offering commodity
14 service, and how to take advantage of their offerings.

15 Over the past several years, the Company has spent
16 approximately \$3.0 million annually on general outreach,
17 all of which was charged to electric operations. Of its
18 expenditures on PYW-PM outreach, approximately \$1.6
19 million was charged to gas operations.

20 Q. What are Con Edison's proposals for these programs for the
21 rate year?

22 A. The Company proposes to charge approximately \$2.4 million
23 of its general outreach expenditures to gas operations.

24 It plans to charge approximately \$3.4 million of its PYW-

1 PM outreach expenditures to gas operations.

2 Q. Do you support the Company's proposal for its general
3 outreach program?

4 A. Staff supports a general outreach program expenditure at
5 its historic level of approximately \$3.0 million total per
6 year for the Company's electric and gas operations. It is
7 also reasonable for the Company to charge a fair portion
8 of such expenditures to gas operations. A fair method of
9 allocation would be to charge gas operations according to
10 its share of total customers, or approximately 25 percent
11 of the total. Staff, therefore, believes that a fair
12 allocation of general outreach costs to gas operations
13 would be \$750,000 annually.

14 In addition, since the Company has fully funded
15 general outreach activities through electric rates through
16 the end of the current electric rate plan that expires on
17 March 31, 2008, Staff proposes a further adjustment of
18 outreach costs for the first six months of the gas rate
19 year, from October 1, 2007 through March 31, 2008. This
20 represents an additional adjustment of \$375,000.

21 Finally, as was discussed by Staff witness Rosenthal,
22 the Company should be allowed an incremental expenditure
23 of \$42,000 for gas operations to educate customer contact
24 employees and inform customers about the redesigned bills.

1 Staff therefore proposes a rate year level of \$417,000 for
2 general outreach and education, an adjustment of
3 \$2,014,000 to the Company's proposal.

4 Q. Do you support the Company's proposal for its PYW-PM
5 outreach program?

6 A. No. PYW-PM outreach was designed to help promote the
7 competitive retail energy market and to stimulate customer
8 awareness and understanding of the retail markets.
9 Consistent with the Commission's various policy Orders
10 pertaining to retail competition, Con Edison instituted
11 its PYW-PM outreach program, which has educated customers
12 and increased their awareness regarding opportunities in
13 the competitive marketplace. Program activities have also
14 included surveys of customers to evaluate the success of
15 its outreach efforts, as well as surveys of ESCOs to
16 measure their satisfaction with the Company's
17 administration of the PYW program. As of November 2006,
18 about 112,000 Con Edison gas customers have switched to
19 ESCOs, an increase of about 97 percent from November 2005.
20 These customers represent two-thirds of the Company's
21 total gas volume. There are currently 22 ESCOs serving
22 residential customers, and 30 serving non-residential
23 customers, in Con Edison's territory. The substantial
24 increase in customers and ESCOs providing service

1 indicates that customers are sufficiently aware of
2 competition, and continued expenditure of ratepayer funds
3 to promote and stimulate customer awareness of and
4 participation in competitive opportunities is no longer
5 warranted.

6 Q. Do you propose to adjust the Company's proposed budget for
7 PYW-PM outreach?

8 A. Yes, Staff proposes that the entire budget of \$3,370,000,
9 including the Power Move program, be eliminated in its
10 entirety. There may be some efforts already begun by the
11 Company; however, that should continue, if they can be
12 continued for nominal cost. For example, the Company has
13 already invested in developing and implementing the PYW-PM
14 website, where customers can conveniently find information
15 about ESCOs and the products and services that they offer.
16 The funds invested in developing the website have already
17 been spent, and additional funds have been spent to
18 promote and raise customer awareness of its availability.
19 It should be possible for the website to be maintained at
20 a minimal cost; conversely, closing the website would save
21 little, and would likely engender considerable confusion
22 among customers who have been educated to look here for
23 information. There may be other such initiatives that can
24 be maintained for a minimal cost; and the cost of the PYW-

1 PM website and other such initiatives can be funded out of
2 the general outreach budget that was discussed previously.

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

4 A. Yes, it does.