

BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

Consolidated Edison Company of New York, Inc.

Case 06-G-1332

February 2007

Prepared Testimony of:

Stephen A. Berger
Utility Consumer Program
Specialist 4

State of New York
Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

1 Q. Please state your name and business address.

2 A. My name is Stephen Berger and my business address is
3 Three Empire State Plaza, Albany, New York 12223.

4 Q. Mr. Berger, what is your position at the Department?

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

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

9 A. I received a Bachelor of Science degree from the
10 Rensselaer Polytechnic Institute in Troy, New York
11 (RPI) in 1975 and a Master of Science degree from
12 RPI in 1987. I am a member of the national
13 mathematics honor society, Pi Mu Epsilon. From 1979
14 until 2001, I was employed by the New York State
15 Consumer Protection Board in various positions,
16 ultimately as Associate Utility Rates Analyst. From
17 2001 through the present, I have been employed by
18 the Department.

19 Q. Please briefly describe your current
20 responsibilities with the Department and previous
21 responsibilities with the Consumer Protection Board.

22 A. In my work with the Department of Public Service I
23 have been responsible for analyzing a number of
24 policy issues: including stand-by rates for

1 distributed resources, utility commodity hedging
2 portfolios, renewable portfolio standards, purchase
3 of receivable (POR) programs, advanced and
4 competitive metering, cost allocation and rate
5 design, unbundled utility bills, and implementation
6 of changes to the Home Energy Fair Practices Act
7 (HEFPA). In my previous position with the Consumer
8 Protection Board, I was responsible for analyzing
9 issues related to competitive energy and
10 telecommunications policy, cost recovery, sales
11 forecasts, revenue allocation, rate design, and
12 consumer protections.

13 Q. Have you previously testified before the Commission
14 or other regulatory agencies?

15 A. I have submitted testimony in over 50 energy related
16 proceedings before the Commission on numerous topics
17 including, revenue allocation, rate design, standby
18 rates, unbundling and other issues related to retail
19 competition. I also served as co-chair of one of
20 the four main committees in the 00-M-0504
21 Competitive Markets Case and participated in and
22 contributed to the other three committees.

23 Q. What is the purpose of your testimony?

24 A. The purpose of my testimony is address the Company's

1 purchase of receivables (POR) program.

2 I will also address Consolidated Edison's bill
3 formats which will reflect the charges unbundled in
4 their embedded cost of service (ECOS) study.

5 Q. What do you propose for Consolidated Edison's POR
6 discount rate?

7 A. The basic premise underpinning a POR program is that
8 the ESCO is subcontracting with the utility to
9 perform for it certain commodity-related functions
10 that otherwise would be accomplished by the ESCO's
11 own back office, including credit and collections.
12 The commodity supply costs of the utility should be
13 calculated to cover all costs associated with
14 providing commodity, including the wholesale cost of
15 the commodity, all general A&G overheads, associated
16 customer care, uncollectibles, and credit and
17 collections. This correctly reflects all of the
18 costs that any entity would incur to sell commodity
19 at the retail level. Then when the ESCO
20 subcontracts a portion of this service back to the
21 utility under a POR program, the POR discount should
22 be calculated to reflect the commodity-related
23 activities that the utility will be performing on
24 behalf of the ESCO. This is designed to fully

1 reimburse the utility for the costs that would
2 otherwise be borne by the ESCO to do these functions
3 for themselves.

4 Q. Would it be appropriate to keep these costs within
5 the utility's delivery rates to be recovered
6 directly from the customer, rather than include them
7 in the utility commodity supply costs and then
8 recover them from the ESCO in a POR discount?

9 A. No. To do so, would provide an incentive to ESCOs
10 to rely on the utility for performing its
11 responsibilities and to not work to develop its own
12 back office systems. Also, it distorts the actual
13 price signals to customers of the commodity, which
14 has been artificially lowered to exclude credit and
15 collection expenses. Further, it would create
16 problems for ESCOs who actually choose to develop
17 their own back offices and do their own billing, as
18 their commodity prices would appear to be above
19 those of ESCOs who relied upon the utility to do
20 this work for them.

21 Q. What do you propose for the POR discount?

22 A. I conclude that the POR discount rate should include
23 the average uncollectible rate, credit and
24 collection costs, and related administrative costs.

1 Q. Is this how the current 1.07% POR discount rate is
2 calculated?

3 A. No. The current POR discount does not include
4 credit and collections costs associated with
5 commodity sales. Instead those costs are still
6 bundled with delivery costs. This practice should
7 be discontinued for the reasons given above.

8 Q. How should credit and collections costs be allocated
9 in setting the POR discount rate?

10 A. Credit and collections costs should be divided
11 between delivery and commodity on the same basis as
12 uncollectible costs, by revenues. According to the
13 Company's response to interrogatory DPS-87, this
14 would result in approximately half of all credit and
15 collection costs being allocated to commodity. The
16 resulting assignment of these costs would be also
17 used to set the POR discount rate, such that the
18 utility is made whole for commodity-related credit
19 and collection costs when it is providing this
20 service on behalf of the ESCO under a POR program.

21 Q. Do you have an estimate of the impact of your
22 proposal on the POR discount rate?

23 A. Yes. Assuming an \$11.65 per Dth price of natural
24 gas (per Company witness Yaegel's workpapers), the

1 increase to the POR discount rate would be 0.54%.
2 According to Consolidated Edison's web site, the SC
3 1 gas cost for February 2007 is \$11.73 per Dth prior
4 to adding the monthly rate adjustment (which is a
5 different value for NYC and Westchester). According
6 to Consolidated Edison's response to DPS-88, the
7 2007 POR discount rate is 1.07%, so if my proposal
8 were already implemented, the POR discount rate
9 would be approximately 1.61%.

10 Q. How has Consolidated Edison addressed its bill
11 formats?

12 A. The Company filed new bill formats with Staff and
13 the parties on November 7, 2006. Staff has been
14 working with Consolidated Edison to improve those
15 formats.

16 Q. What standards should be applied to Consolidated
17 Edison's new bill formats?

18 A. The Companies should follow the Unbundled Bill
19 Format Order in Case 00-M-0504 issued February 18,
20 2005 in formatting customer bills for full service.
21 The Gas Rates Panel addresses the calculation of the
22 appropriate unbundled natural gas commodity price,
23 including both wholesale gas commodity costs and
24 associated overheads (procurement, working capital,

1 uncollectibles, credit and collections, etc.). That
2 price should be used as the supply cost on
3 customers' bills. Beyond that, Consolidated Edison
4 must assure that the new bill formats provide
5 customers with needed information about their
6 charges in a format that is easy to understand.

7 Q. What does the Unbundled Bill Format Order say about
8 how Consolidated Edison's bills should be formatted?

9 A. The general underlying principle in that Order was
10 to clearly indicate on customers' bills "the utility
11 charges for any services the utility provides, or
12 more explicitly, the charges a utility will continue
13 to impose unless commodity and other competitive
14 services are purchased from other suppliers." To do
15 this for Consolidated Edison would require that
16 utility commodity sales bills be laid out so as to
17 clearly show the delivery costs, commodity supply
18 costs, and the billing and payment processing (BIPP)
19 costs. In this manner, the customer can better
20 understand what s/he pays the utility for the
21 various services provided. In other words, the
22 charges that the customer pays the utility for each
23 service would be separated on the bill.

24 Q. What value does this separation have for customers?

1 A. In reading their unbundled bills, customers can see
2 what portions of their bills are related to
3 commodity costs and the influence of such events as
4 hurricanes in the Gulf region of the United States.
5 They can also see which portions are related to the
6 revenue requests made by utilities in rate cases
7 before the Commission. Finally, when other
8 suppliers of these options are available, these
9 customers can find a utility price to compare with
10 what they are being offered by others.

11 Q. Where would the charges you have proposed above be
12 found on a customer's bill?

13 A. The MFC would be included in the monthly GAC
14 statement contained in a bill section clearly
15 labeled Gas Supply Costs. Costs related to BIPP
16 should be recovered from customers as an itemized
17 portion of the minimum charge for service. This
18 charge would also represent the amount
19 transportation customers would no longer pay
20 Consolidated Edison if they were served by another
21 supplier on a utility consolidated bill and the fee
22 that the competitive supplier would pay to
23 Consolidated Edison for the billing services
24 conducted on its behalf. Additional itemizations

1 within the Supply and Delivery sections can be made,
2 but there should be a bill subtotal associated with
3 both of these sections and they should be visibly
4 delineated from each other. The BIPP charge would
5 be identified as an itemization of the minimum
6 charge and identified as potentially avoided by
7 enrolling with an ESCO. The latter identification
8 could be made within a footnote on the front of the
9 bill or in a bill definition on the reverse side.

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

11 A. Yes.