BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

In the Matter of

National Grid PLC and KeySpan Corporation - Proposed Merger

Case 06-M-0878

The Brooklyn Union Gas Company d/b/a KeySpan Energy Delivery
New York - Gas Rates

Case 06-G-1185

KeySpan Gas East Corporation d/b/a KeySpan Energy Delivery
Long Island - Gas Rates

Case 06-G-1186

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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

Q. Please state your name and business address.

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

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

A. I am employed as a Utility Consumer Program Specialist 4 in the Department of Public Service.

Q. Please describe your educational background and professional experience.

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

Q. Please briefly describe your current

responsibilities with the Department and previous responsibilities with the Consumer Protection Board.

A. I am currently responsible for analyzing competitive market policy issues: including Energy Service Company (ESCO) referral programs (ERPs), competitive metering, rate unbundling, unbundled utility bills, and implementation of changes to the Home Energy Fair Practices Act (HEFPA). In my previous position with the Consumer Protection Board, I was responsible for analyzing issues related to competitive energy and telecommunications policy, cost recovery, sales forecasts, revenue allocation, rate design, and consumer protections.

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

A. I have submitted testimony in over 50 energy related proceedings before the Commission on numerous topics including, revenue allocation, rate design, standby rates, unbundling and other issues related to retail competition. I also served as co-chair of one of the four main committees in the 00-M-0504 Competitive Markets Case, a case focused on the evaluation of the retail markets in New York State, and participated in and contributed to the other three committees.

Q. Have you submitted other testimony in this proceeding?

A. Yes. I have also filed testimony on rate unbundling with the Staff Unbundling Panel.

Q. In your testimony, will you refer to, or otherwise rely upon, any information produced during the discovery phase of this proceeding?

A. Yes. I will refer to, and have relied upon, several responses to Staff Information Requests. They are attached as Exhibit __(SAB-1).

Q. KEDNY and KEDLI have proposed a merger with National Grid and have sponsored a ten-year rate plan proposal. Will your testimony address these proposals?

A. No. My testimony will be independent of the Companies' requests for merger and extended rate plan consideration. While some of the underlying information technologies discussed in my testimony may depend on the result of the merger, the issues I will discuss can be severed from the computer hardware issues raised by KEDNY and KEDLI that are linked to its merger proposal.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to address the Companies' proposals for unbundling the Companies' bills to reflect the charges unbundled in their embedded cost of service (ECOS) study to assist customers in distinguishing between commodity and delivery service costs. I will also address suspension of service issues.

<u>Unbundled Bill Format Issues</u>

Q. Have you addressed unbundled bill format issues elsewhere in this proceeding?

A. Yes. I am a member of the Staff Unbundling Panel and addressed the division of costs on customers' bills in that context.

Q. What other Unbundled Bill Format issues exist in the Companies' proposals?

A. As is common throughout many of the Companies' proposals, KEDLI and KEDNY have proposed to delay unbundling their bills until after decisions have been made regarding upgrading and/or integrating the Companies' computer systems or information technology (IT). According to Witness Lukas, both KEDNY and KEDLI propose to wait until the merger issues are determined before making computer hardware and software decisions, after which they will determine how and when they will unbundle the Companies' bills.

Q. Is this proposal reasonable?

A. No. Mr. Lukas confuses Unbundled Bill Format design with implementation and would place a restriction on the former that is solely related to the latter. Following this proposal could lead to cost increases which the Companies might seek to recover from ratepayers.

Q. Please explain.

A. In Response to IR Requests DPS-143-6 and DPS-149-6, Mr. Lukas seemed to be willing to separate those issues unrelated to IT from the implementation timetables that would rationally depend on the systems available. However, in response to follow-up IR Requests DPS 248-2 and DPS 252-2, Mr. Lukas still indicates that a mock-up bill can not be presented without "resolution of the review of the existing billing system by the IT Integration Team." It is unclear when these mock-ups will be prepared for review, but as of this date they have not been so.

Further, other portions of compliance with the Commission's February 18, 2005 Unbundled Bill Format Order have nothing to do with IT whatsoever, yet KEDLI and KEDNY have failed to address these in their filing and been unresponsive in their responses to IR Requests. These include consumer education and outreach plans regarding bill format changes and draft tariff amendments to conform current tariffs to the revised bill formats.

Q. Why is that a problem?

A. Essentially, KEDLI and KEDNY seek to hold back on compliance with a Commission Order until their proposal for merger is addressed. This is both unnecessary and potentially costly for customers. When bill formats are changed as they would be if rates were unbundled on bills, the format needs to be designed to meet the objectives (in this case to reveal separately the utility price commodity and delivery service costs) and then the implementation is scheduled to meet the needed hardware/software changes that may be required. When properly conducted, changes in bill format should start with a mock-up of the proposed changes, a plan to educate customers, and a review of the tariffs to ascertain the necessary changes, if any, to implement the new bill format.

When those stages are complete, then the utility would begin the implantation process.

Q. Don't existing computer systems dictate the way a utility will make format changes?

A. No, IT directs bill formats only to a limited extent. Further, in KEDLI's situation, the Company had already decided to replace its existing system, but has delayed that process while its proposed merger is considered by the Commission. Therefore, for it, there is no "existing" system with which to assure consistency. Generally, once a bill format has been determined as it has in this case, there are only minor changes that would be made to accommodate the IT available to the Company. The Companies might not be able to perfectly produce the final bill format in this instance, but they certainly could address many of the issues in unbundling their bills with the understanding that additional work may follow. The most crucial issue in unbundling the bill format is how the costs are divided and what information is provided to customers, not exactly where on the paper items will ultimately reside.

Further, plans for educating customers about impending changes to their bills can be made without having implemented the bill. Similarly, determinations can be made regarding what tariff amendments may be required without IT decisions or bills being implemented.

Q. How could this cost customers more?

A. The Companies must comply with the Unbundled Bill Order and seem willing to do so. They must assure that when they set up their new IT systems, they do so with a planned unbundled bill format in mind from the start. If they wait until after the merger and IT issues are settled before starting to think about the bill format and tariff changes, they run the risk of having to add the new bill format on as an incremental project, rather than as part of the initial installation. That could raise the cost of implementation unnecessarily.

Q. What do you propose?

A. The Companies are already out of compliance with the Unbundled Bill Format Order, by not filing proposed bill formats, customer education and outreach plans, and proposed tariff changes. They claim that IT decisions must be reached first and that those decisions rely upon the result of their merger petition. KEDLI and KEDNY should file unbundled bill drafts during this proceeding and discuss with Staff the proposed changes and how they meet the requirements of the Unbundled Bill Format Order. They should also file customer education and outreach plans and any proposed tariff changes concurrently with those drafts. If this is done within the context of these proceedings, then implementation can be addressed when the IT decisions are made, with or without a merger with National Grid. If it is not done and KEDLI and KEDNY decide that they will wait until this case is decided to begin the process and then file draft unbundled bill formats and implementing tariffs at a later date, the

Commission should deny any additional IT costs requested for implementation based on the assumption that had the Companies complied with the Unbundled Bill Format Order, they could have avoided incremental IT costs associated with it.

Suspension-Related Issues

Q. How are the Companies implementing ESCO requested suspensions of residential service under the Home Energy Fair Practices Act (HEFPA)?

A. According to the Companies, they have a manual process designed to handle ESCO suspension requests. However, as of this date no such requests have been made by ESCOs.

Q. Is this a problem?

A. Yes. Part of HEFPA requires additional efforts of ESCOs who choose to serve residential customers. To balance the extra requirements, ESCOs have the ability to request suspension of a customer's delivery service if their portion of the bill is unpaid. This, in turn, is balanced by the fees charged by the utility for implementing the suspension and for calculating the "lesser of" reconnection number required on the ESCO suspension notice to the customer. The additional onus of using a manual system to process suspensions makes the process much more difficult and costly to the ESCO, depriving it of its legal rights.

Q. How is this related to POR and the Companies' IT implementation?

A. A POR program eliminates the need for suspensions and related fees and implementations, because the debt owed to the ESCO is transferred to the utility before any arrearage can accumulate that would trigger a suspension. KEDLI and KEDNY have delayed implementing an automated suspension process through EDI or other means while waiting to implement a POR program. Therefore, ESCOs have been waiting for the Companies to implement some plan, either a suspension process that is automated or a POR program, in order to be availed of their HEFPA rights.

Q. What do you propose?

A. The Companies should implement an automated suspension process through EDI, or another means should that prove both more expedient and acceptable to the ESCOs serving residential customers on KEDLI's and KEDNY's systems, within those time limits.

Q. Does this conclude your testimony at this time?

A. Yes.